What Conservatives Really Want From REAGANOMICS

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■ NOVEMBER 4, 1980, may go down in history as the day the Americans turned the tide against collectivism. Conservative shōguns lopped off heads left and left, with more "Liberal" turkeys biting the dust than on Thanksgiving. There were hints that "Liberals" would have to be put on the endangered species list, lest they go the way of the furbish lousewort.

For decades, Conservatives have enjoyed the luxury of criticizing the "Liberals" and proposing programs which we were in no position to implement. Now it is time to act responsibly or be booed off the stage. After all the rhetoric, the American public expects the Reagan Administration and the new Conservative Senate to make a big difference in the econ-

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omy. The people expect inflation to be stopped in its tracks; they expect millions of Americans to be put back to work; they expect a substantial reduction in taxation; and, they expect economic growth to be reflected in an increased standard of living. If Ronald Reagan and his people do not deliver — for whatever reason — the Conservative philosophy could be discredited for decades to come.

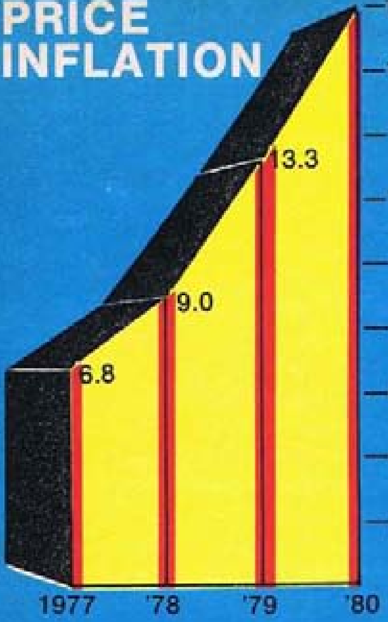
But President-elect Reagan does not start from point zero. He inherits an economic disaster built up by nearly fifty years of progressive collectivism. He must move hard and fast in making major reforms, while at the same time emphasizing to the nation the extent of the mess he inherited. If Ronald Reagan doesn't put the monkey where it belongs — on the back of his predecessors — then we will have to replay *Bedtime For Bonzo* with a monkey as big as King Kong.

For the first time in our history the situation in government is even worse than the candidates said it was at election time. Rowland Evans and Robert Novak warned correctly in their column for November 19, 1980, that the President will have to provide fast and strong action on federal spending. In truth, they wrote, "November spending estimates for the present fiscal year defy credulity, showing a runaway growth of $157 billion in just 13 months." So the first thing Reagan must do is take away Bonzo's inflation bananas. The American people have had it with a cost of living leaping over the Empire State Building. If Reagan doesn't stop the bounding of inflation the American people are likely to turn to radical quackery out of frustration and desperation.

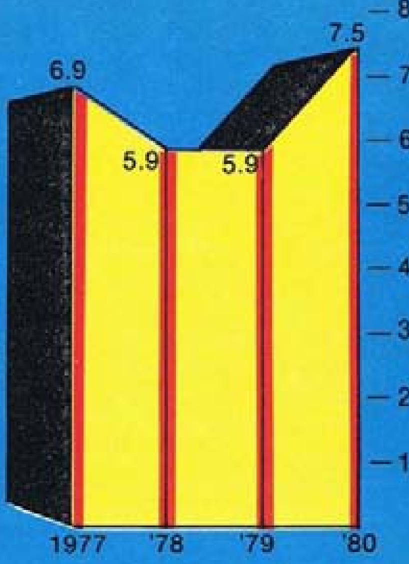
The political compulsions of inflation are not unlike those of drug addiction. When he first starts out experimenting with dope, the future addict is assured by his "friends" that a little will do no harm. And, for a time, everything seems fine. But as the victim becomes increasingly addicted he finds himself taking the drug more and more frequently and in ever larger doses. When he tries to stop, he faces the prospect of a painful withdrawal. Many do not stop until an overdose ends their torment with death.

Only a few years ago the Keynesian economists were telling Americans that a little inflation is good for business, that it helps to stimulate the economy, and that the American system could easily sustain two percent inflation, or even five percent. Like a heroin high, the "good" effect of inflation was illusory. It made people think they had more

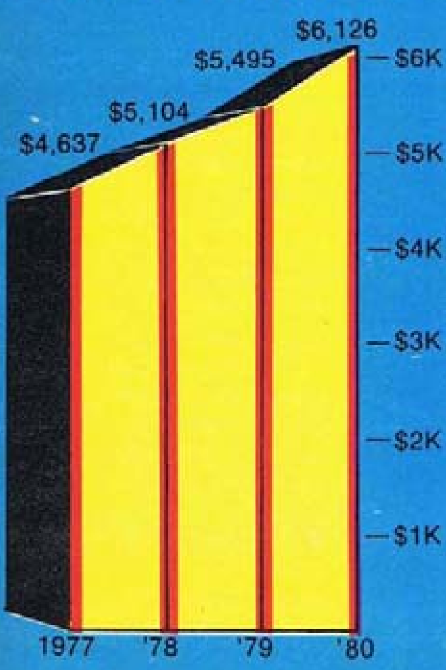
PRICE INFLATION



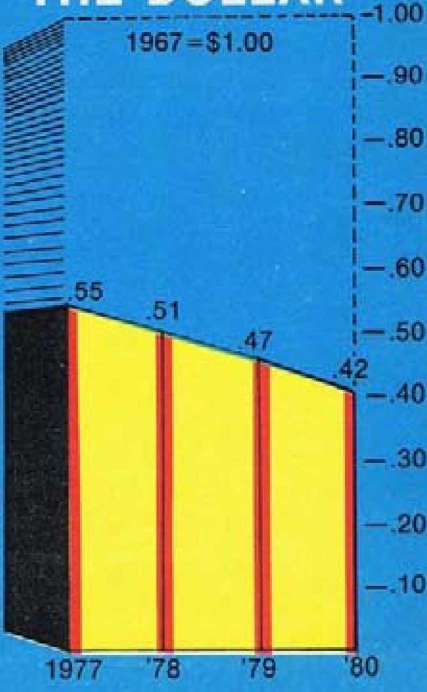
UNEMPLOYMENT



FEDERAL TAX BURDEN PER HOUSEHOLD



PURCHASING POWER OF THE DOLLAR



income, but all they had was more paper dollars. As with drug addiction, the "good" effects were wiped out as prices rose to destroy the new purchasing power. More and greater doses of inflation were needed to retain the desired illusion.

One day, like the drug addict, the people running the government realized that when they tried to stop the injections of fiat money they faced a painful withdrawal period as the economy attempted to rid itself of the pernicious effects of misallocation. So, being politicians, they continued the injections. Only now we were not talking about an individual dope addict, but an entire nation of human beings — people who were assured by the Keynesian pushers that a little inflation is good for the economy.

Will the United States overdose on inflation? By all indications we will, unless President Reagan and his new Administration move to stop it. The question is: Dare Reagan stop inflation? If so, can he do it in such a way as to avoid a severe recessionary reaction? These are important questions that will powerfully touch America's future. Our purpose here is to examine what Mr. Reagan and his government must do to stop inflation and restore our economy.

Stopping the plunder of inflation will require at least two initial reforms. First, a balanced Budget must be achieved by an immediate slashing of federal spending all the way down to the level of total tax receipts. And the *real* Budget will have to be put in balance; that is, the balance will have to weigh all federal outlays, including unfunded promises to pay and other programs which are now ignored as "off-Budget items." Second, the money supply will have to be stabilized by an immediate and unequivocal freeze on expansion of money and credit by the Federal Reserve.

These dramatic steps are but the beginning. The ultimate solution, of course, will involve a separation of Money and State, in the same sense and for the same reason as the separation of Church and State — to prevent any one group from using the political power of Big Government to gain monopoly and special privilege. The provision of currency and credit would be left to the free market economy, which means that gold and silver, or currency redeemable in gold and silver, would be used in economic exchange. This would end the privileged monopoly of the central bankers, and free our economy from the instability of the Fed's artificial inflationary booms followed by painful busts.

When the Federal Reserve Act was passed by Congress sixty-eight years ago, many objected to the scheme — but they were ignored or shouted down and Congress passed the bill in haste to recess for the Christmas holidays. Five days before the bill was enacted, on December 17, 1913, Senator Henry Cabot Lodge (R.-Massachusetts) wrote: "The bill as it stands seems to me to open the way to a vast inflation of currency . . . . I do not like to think that any law can be passed which will make it possible to submerge the gold standard in a flood of irredeemable currency."

Lodge knew the dangers of inflation, and he understood the threat which the Federal Reserve would pose to the American gold standard. Gold and politically privileged central banking are incompatible institutions; ultimately, only one will prevail. Which is why, if we are truly serious about stopping inflation in the long run, the Federal Reserve Act of 1913 must be repealed.

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What would happen to the economy if these steps were taken? In his excellent and lucid new book, *The Coming Currency Collapse* (New York, Books in Focus, 1980), economic analyst Jerome F. Smith explains that the achievement of these reforms would not result in the traumatic scenario predicted by Establishment economists. He writes:

"The inflationists argue falsely that these steps would cause massive unemployment and plunge the nation into a [*worse*] depression. This is an unproven assertion that, no matter how often repeated, is simply not so. What these steps would do is put an end to the distortions that monetary inflation causes, and permit large numbers of people who are now misemployed in nonproductive and/or uneconomic activity to change their employment into economic, productive endeavors; further, these two steps would permit the reallocation of capital, fuel, and other resources that are presently locked into uneconomic uses into economic ones. The temporary unemployment and rash of bankruptcies that would take place are a consequence of the inflationary distortions of the past — which increase in number and magnitude the longer the inflation continues."

Smith points out that, contrary to the arguments of the inflationists, real economic activity and growth would ensue since more total spending would be done by prudent and productive private citizens than by the unproductive, inefficient, and wasteful bureaucrats.

What we need to do is balance the Budget, stabilize the money supply, establish a gold standard, and abolish the Fed. These measures would undoubtedly upset the conspiracies and vested interests of the international bankers and socialists, but they are the proper steps to take if President Reagan and his Administration are serious about stopping inflation and putting America back on a sound economic footing. Detailed plans have already been worked out and proposed. A Constitutional Amendment offered by Senator Jesse Helms to assure a balanced Budget has been gaining support. Congressman Ron Paul of Texas has introduced a comprehensive plan to return the U.S. to a gold standard within two years of the date of passage.

Naturally, some economic dislocation would be unavoidable as enterprises with a false financial base go under and new, economically sound, ones emerge. But the transition to a reality-oriented economy can be shortened and softened if, along with the above measures, the Congress and Administration will move to repeal the host of innumerable and restricting federal regulations and controls that choke our economic production. This means abolition of all political controls over prices, wages, profits, rents, and interest rates. All artificial price supports and wage laws should also be repealed. In addition, tax-funded subsidies and loan guarantees should be phased out.

Such deregulation would allow capital, labor, and resources to flow freely from uneconomic, failing enterprises to more efficient areas of production. If controls and regulations are permitted to remain in place, however, they will act like a series of tourniquets, restricting the free flow of the factors of production and prolonging the transition from misallocation. Indeed, Conservatives have an unprecedented opportunity to dismantle the whole, sprawling federal regulatory bureaucracy and its myriad agencies, bureaus, and departments.

There is nothing impossible about the foregoing prescription for burying the scourge of inflation. Only political considerations stand in the way. And we have reason for optimism now that did not exist before November fourth. After all, the elections retired scores of the worst big spenders on Capitol Hill, replacing most with conscientious Conservatives. The new Congressmen have been given a mandate to bury the failed policies of the New Deal and Great Society. The question is whether President Reagan will take advantage of this mandate to slash government down to size. If Reagan misses this moment of opportunity, we may not get another chance.

Admittedly, the task before the new Administration is formidable. The solutions to our problems may be simple, but they are not easy. Whenever Conservatives propose genuine reform the Establishment sniffs and accuses us of advocating a "meat axe" approach to reducing Big Government. We must respond: What's wrong with that? As Howard Jarvis put it: It is the taxpayers' axe and the politicians' meat. Mr. Reagan will have to use a meat axe to cut government down to size because a nail file won't do the job. The federal Leviathan will not be *manicured* into submission. Consider its proportions:

When President Jimmy Carter presented our nation's first $500 billion Budget in 1978, he proudly described it as "lean and tight"! Because such huge figures are beyond the understanding of most people, many Americans accepted Carter's word that it was a bare-bones Budget. He might as well have been talking about $500 *trillion*. As the late Senator Everett Dirksen once remarked: "A billion here, a billion there; the first thing you know you're talking about real money!" The fact is that to spend $500 billion in one year, the federal government must sign checks at the rate of one million dollars a minute, around the clock, every day of the year. And the latest federal Budget is *up* more than $100 billion over that.

Even though the absolute size of government boggles the mind, the *rate* at which it has been increasing spending is even more astounding. Ninety percent of the tremendous growth of government has occurred in the past twenty years — seventy-five percent of that in the past ten years! It wasn't until 1962 that the federal Budget reached the $100 billion level — already much, much too big. Since that time the Budget has been more than quintupled, increasing by over $122 billion just since Fiscal Year 1979! In other words, the federal Budget has grown more in the last *two* years than it did during the first 175 years of our republic's existence!

According to official projections — which are always understated — federal spending will be over $903 billion by 1985! And, by 1987, we'll be burdened by a *trillion*-dollar federal Budget! It doesn't take a genius to know that these projections mean America needs a David to slay the Goliath of Big Government before the nation is destroyed. Mere superficial reforms in the face of this immense danger would be a joke. We either get out the meat axe, and use it, or we die.

But we know from experience that when statesmen propose to make substantial cuts by eliminating wasteful and illegitimate government programs they are quickly attacked as "reactionary" or "anti-progressive." Can President Reagan stand up to this kind of barrage? He didn't in California. Mr. Reagan is a man who strongly dislikes confrontation and bends over backwards to be friendly and get along. This is fine as long as he does not compromise the principles of the Republican Platform of 1980. But his waffling on some of the issues during the recent campaign causes concern.

For example, when he was attacked for saying that Social Security should be put on a voluntary basis, Mr. Reagan was reported to have responded by assuring critics that he would keep the program compulsory if he became President. This seemed to indicate business as usual for the financially unsound Ponzi scheme. Never mind that by 1983 the program is projected to run out of the funds it needs to operate and Reagan will have to make reductions in disbursements or raise taxes once again. The Carter Administration put through an enormous $227 billion Social Security tax hike a year ago, but it will not be enough to match the increasing outlays of the program. Fundamental reform — as originally suggested by Reagan — is in order.

Another disturbing example of waffling is that, right after the election, Mr. Reagan began to hedge on his commitment to abolish the Department of Energy and the Department of Education. The President-elect said: "I am well aware that in both of those new, cabinet-level departments, there are functions — legitimate functions — that have existed for a long time and that were incorporated in those. So, when you talk about questioning whether a cabinet-level department should exist as it is today, that does not mean that you are throwing out the legitimate functions which have always been performed by government and that should continue to be, but that have since just been incorporated in those departments."

Does this mean Ronald Reagan now believes that the federal government has a legitimate role to play in the fields of energy and education? We certainly hope not.

Of more concern is the fact that a number of Reagan's campaign aides and policy advisors hold membership in such open Establishment conspiracies as the Trilateral Commission and the Council on Foreign Relations. There is among them little philosophical conformity with the grass-roots Republicans who nominated and helped to elect the former actor, union leader, and governor to the highest political office in the land. For example, during the campaign a Reagan advisor was quoted in the *Washington Post* for May 27, 1980, as saying: "We don't want to dismantle the government. We want to improve its efficiency. We want a well-managed conservative welfare state." After the election it was top Reagan aide Caspar Weinberger (a Trilateral Commissioner) who informed the nation on "Issues and Answers" that he did not want to do away with Great Society programs — but would, instead, strive to make them more efficient by eliminating waste and abuse.

Just what we *don't* need: a well-managed, efficient Welfare State! After all, even Mussolini made the trains run on time.

There is no question that the bureaucratic schemes of the New Deal and Great Society contain enormous waste, abuse, and inefficiency. Even "Liberals" are for eliminating this. But Conservatives hold that it is not the function of government to tax away and redistribute the income of our most productive citizens. Whatever the "well-meaning" motives behind such programs, they do not justify the wholesale confiscation and expropriation by Big Government that is necessary to fund them. Government is instituted to secure our borders and preserve our rights to life and property from such criminal violations as fraud and theft. But when the government itself surrenders sovereignty and defrauds and steals from its own citizens, as it has been doing on an increasing scale, then it violates the justification for its existence. Perhaps Mr. Reagan and his advisors need to go back and read Frederic Bastiat's *The Law* to refresh themselves on the basic question of legal plunder.

At this stage the Reagan people do not seem to us to be sufficiently concerned about the distinction between the proper functions of government and illegitimate uses of political power. They are reverting to the old line of "Modern Republicanism" that all we need do is apply business methods to government agencies and make the system more efficient. This means that, in any clash between the old "Liberal" Democrats and the "Modern Republicans," the debate is not over the fundamental principles of what government should and should not be doing, but comes down to the Republicans boasting that they can run the Welfare State more efficiently than the Democrats. Instead of trying to run socialist boondoggles more efficiently than its predecessors the new Administration must move to phase out such programs altogether.

The "Liberals" and vested interests are already howling about the proposed Kemp-Roth tax cut which candidate Reagan strongly endorsed during the campaign. Kemp-Roth would involve a cut in taxes of ten percent a year for the next three Fiscal Years in order to assure incentives to investment and production. There are already reports that the President-elect will abandon Kemp-Roth once in office, but we will have to wait and see. In any case, at the rate at which the federal Leviathan and its bloated Budget are exploding, even Kemp-Roth would make only a small dent in the increasing burden of Big Government. More dramatic measures are needed.

In our opinion, Mr. Reagan and his staff should be talking about a reduction in taxes *and spending* of at least $100 billion for the next Fiscal Year, and even heavier cuts for succeeding years. After all, that $100 billion cut in taxes and spending wouldn't even get the government back to the level at which it was operating *just two years ago*. In 1964 Ronald Reagan rightly complained that the federal government had grown far too large. Its Budget today is more than five times what it was then. If President Reagan and his Administration are serious about cutting government and stopping inflation, they will have to resort to fast, radical surgery — and not waste time trying to squeeze out more waste and inefficiency in Welfare and regulatory bureaucracies which shouldn't exist in the first place. Anything less than a $100 billion reduction will have so little effect on inflation as to allow an immediate collectivist counterattack.

Where and how could meaningful spending cuts be made? As we have repeatedly suggested, the federal regulatory bureaucracies would be a logical first target. The American economy bears enormous costs due to federal regulations and controls. This pushes up prices of products unnecessarily, imposes long and expensive delays in construction of plants, and lowers productive efficiency at every turn. What can be done to eliminate such regulations?

Former Treasury Secretary William E. Simon has seen the way the federal government works from the inside, and he makes a number of important suggestions in his recent book, *A Time For Action*. Mr. Simon writes:

"The rogue elephant of bureaucracy must be brought under control. The power of bureaucratic agencies to serve arbitrarily and simultaneously as prosecutor, judge, and executioner must be ended. And the do-it-now-and-damn-the-consequences attitude embodied in current regulatory law and the mind-set of too many regulators must be curtailed. A practical rule for doing this would be obligatory 'economic impact' or cost-benefit findings before a regulation goes into effect — and only if the benefits exceed the costs may the regulation be adopted."

Assuming that cost-benefit analysis can be applied to government bureaucracies, this idea might be plausible. But again it diverts attention from the basic issue of whether the federal government should be involved in regulating energy, education, pollution, industrial safety, and the like. Where in our Constitution is Washington given jurisdiction in these areas? Have the Ninth and Tenth Amendments, the great safety clauses of the Bill of Rights, been repealed? They clearly leave such concerns to the states or to the people as individuals.

Also involved in the weakening of the American economy and abrogation of our property rights is the huge run up in Social Welfare programs and transfer payments. About five million people are now employed in America's massive poverty industry, chiefly counselling and doling out Welfare payments to some forty-four million recipients. The War on Poverty did not conquer poverty, but resulted in proliferation of both the poverty constituency and the poverty bureaucracy. Socialist transfer payments for 1980 amounted to $332.1 billion — which means that fifty-seven percent of the entire federal Budget went to transfer payments. And that percentage is increasing.

President Reagan and the new Congress should move as soon as possible to repeal the looting boondoggles of the Great Society — including Vista, Job Corps, Headstart, C.E.T.A., Legal Services, and so on — with the ultimate aim of completely phasing out the Department of Health and Human Services.

What about the needy? Well, for starters, there would be far fewer people in financial need since lifting so much of the burden of Big Government would spur the American economy as never before in our history, creating new jobs at an overwhelming rate. Those who remain in genuine need could seek assistance on the local or state level, or from private charitable institutions. In the meantime, as an interim measure, all personal relief from the federal government might be made available in the form of loans. The recipients of such government loans would be under no enforced obligation to repay them, but as long as they remained unpaid the voting privilege of recipients would be suspended. No part of the population should be allowed to vote itself a living at the expense of others.

If such a reform were instituted we are convinced that the beneficial implications would be more than worth the anguished outcries from those who think they have a right to live at the taxpayers' expense. If the political temptation to placate Welfare constituents were removed, there would likely be a striking improvement in the quality of candidates for public office — and Welfare pushers like Senator Edward Kennedy might find their political base so reduced as to force their retirement from public life.

Welfare to Big Business should also be stopped. Subsidies to businesses and giant loan guarantees to prop up uneconomic firms should be phased out as quickly as possible, with temporary provisions to assist workers in such businesses to secure new jobs in the booming economy. To help facilitate these matters and remove uneconomic rigidities built into the system, the Congress might want to repeal the Norris-LaGuardia Act of 1932, the Wagner and Taft-Hartley Acts of 1935 and 1947, and both the Employment Act of 1947 and the Davis-Bacon Act.

To help put the housing industry back on a sound base, the Department of Housing and Urban Development should be terminated and its giant office buildings sold to productive enterprises. All government housing programs and subsidies should be phased out in such a way as to eliminate transitional hardships. With inflation under control and interest rates within reason, housing would boom.

Medicare and Medicaid should be abolished for everyone except those now dependent on these programs, with private insurance required by law to protect the taxpayers from being responsible for the improvident. A reasonable cut-off age should be established and those under the specified limit informed that they may no longer rely on receiving Social Security payments in their old age and must by law provide for themselves through savings or private insurance. Meanwhile, the greatest good the government could do for those facing retirement will have been accomplished by stopping inflation. A stable money system supported by increased productivity would mean *falling* prices — the best thing that could happen to the elderly on fixed retirement.

Clearly, it would not be necessary to achieve all of these reforms to cut a mere $100 billion from the federal Budget. They are suggested only to point the way toward a genuine solution after the first years of Budget and tax cutting. We may be decades away from achieving many of these goals, but as the Free Chinese say, a journey of a thousand miles begins with a single step. Ronald Reagan could make that step a great leap forward for America.

Not that any of this will be easy. In the great Battle of the Budget many who have a vested interest in Big Government will continue to promulgate the idea that logarithmic growth of federal spending is somehow inevitably in the nature of things. William Simon makes the point in *A Time For Action*:

"Symbolic of the trend toward totally unaccountable government is the widespread practice of talking about 'uncontrollables.' By one recent estimate, 77 percent of Federal outlays are in this category — meaning outlays triggered automatically by age, economic conditions, income status or other factors extraneous to the political decision-making process. Medicaid, unemployment compensation and Food Stamps are examples. Calling such things 'uncontrollables,' of course, is just another cop-out, since all such programs are created by laws which can be changed. But this rhetorical twist helps spread the notion that big government simply runs itself, constantly getting bigger, and that there is nothing anyone can do about it.

"Note, also, that this 'automatic' spending is nicely matched by our

'automatic' tax hikes via inflation and the progressive tax system. The 'uncontrollables' keep rolling up the spending totals, while the automatic tax hikes keep extracting more and more tax money to pay the bills. It couldn't be more perfect, could it? All of this occurs, mind you, without any additional legislative action whatsoever and with hardly any public debate. The average citizen has only a vague idea of what is happening and no effective way of doing anything about it if he did."

As readers of AMERICAN OPINION have been reminded again and again, both the progressive income tax and currency inflation are tools of socialist revolution. According to John Maynard Keynes, it was Vladimir Ilich Lenin who said that the surest way to destroy a capitalist economy is to debauch its currency. We are now living in an age of double-digit currency debauchery. And, as everyone but Teddy Kennedy knows, it was Karl Marx who advocated the graduated income tax as one of the ten points in his manifesto for capturing developed capitalist countries. Together, currency debauchery and the graduated income tax provide a one-two punch capable of destroying the Free Enterprise system. The machinery for implementing this battering was set up in the United States in 1913, when Congress passed the Federal Reserve Act and the Sixteenth Amendment to the Constitution was adopted to allow the progressive income tax. This double scourge has been increasingly used to destroy our once-free economy.

With the expenditures of the federal government being regularly escalated and taxation increased accordingly, the bureaucratic system now seems to run ever faster and faster. But Congress could pull the plug on the whole thing by passing legislation to reduce outlays in the so-called "uncontrollable" portions of the Budget. For example, federal employees are not required to participate in the Social Security pyramid like the rest of us; they have their own pension program called the Civil Service Retirement Fund. The actuarial liability of this fund, according to David Keating, spokesman for the National Taxpayers Union, is about $410 billion. That figure will continue to rise as more federal workers go into retirement. If pushed by the Reaganites, Congress could act to restrict disbursements in this program. Since the program is so far in the hole, payments to people now retired from federal employment come out of current tax revenues to the tune of about fifteen billion dollars annually. That is the sort of "uncontrollable" expenditure we can control through attrition.

There are no panaceas, of course. And we must be careful of nostrums. In view of the problem of automatically escalating federal expenditures and inflationary tax-bracket creep, President Reagan might opt to try to index tax rates to compensate for the effects of inflation. Some economists think we can for years survive a low double-digit inflation with indexing, as developed in Brazil. Jerome F. Smith quotes Jim Sibbet, well-known editor of *Let's Talk Silver & Gold*, in response to this false hope:

"The reason why [*Brazil*] can do it is because they do not have the massive debt structure that we have. There is nothing to go bankrupt in Brazil. There is a small but growing middle class, a tiny wealthy upper class, and the bulk of the people are poor by their own standards. These wage-earners are not bothered by inflation very much because their wages are indexed to the Consumer

Price Index. The middle class also uses indexation to protect their contracts. The wealthy have long since bought up all the land and hedge against inflation by building and expanding plant facilities. The people that are hurt by inflation are the money lenders in Brazil. Those that do exist index their loans so they will not suffer. Also, there are few people living on a fixed pension.

"How different it is here in the U.S.A. where millions of people are dependent on a fixed pension. Millions more are money lenders. There is more wealth tied up in bonds and mortgages than in any other form here. Another large segment of our wealth consists of savings and checking accounts. These, too, are a form of money lending. Never forget that the chief purpose of inflation is to tax money lenders [*such as savers*]. It just doesn't work that way in Brazil where there are so few money lenders."

Indexing is not a fundamental solution in any case, since it only treats symptoms. The heart of the problem, as we have noted repeatedly, is the expansion of the money supply by the Fed to fund federal deficits. If we can balance the Budget, indexing will be unnecessary.

In addition to the need for balancing the federal Budget, slashing spending and taxation, reducing regulation and the bureaucracy, and controlling the "uncontrollables," Mr. Reagan and the Congress must also act quickly to remove all political obstacles to energy production. The productive efficiency of a technologically advanced economy like ours depends greatly on the availability of energy.

To his credit, President-elect Reagan has reaffirmed his campaign commitment to end controls on domestic oil and natural gas prices, so that domestic production of these fuels can be stimulated. This approach is in positive contrast to the destructive proposals by both Jimmy Carter and John Anderson, who campaigned for a tax on gasoline and imported oil. Such taxes would only raise prices to the consumer and fail to encourage further domestic exploration and production. Reagan has made the right move.

Readers of this magazine know that increasing oil prices are not the cause of inflation, as Walter Cronkite would have us think. Clear proof of this is to be seen in the fact that other countries which are far more dependent on imported oil than we are have substantially lower rates of inflation. Japan, Switzerland, and West Germany are three good examples. Lacking their own petroleum reservoirs, these nations must import virtually all of their oil, and are therefore extremely vulnerable to world price increases. If rising costs of imported oil were actually the cause of general price increases, these countries would have more serious problems than we do. Yet their rates of increase in consumer prices last year were only about one-third of that in the United States for the same period. The chart below puts the lie to the claim that increases in the general price level are caused by O.P.E.C. and greedy Arabs.

COUNTRY	DEPENDENCE ON IMPORTED OIL (1978)	INCREASE IN CONSUMER PRICES (1979)
United States	43.5%	13.3%
Switzerland	71.8%	3.6%
W. Germany	97.0%	4.1%
Japan	99.8%	4.8%

Indeed, one of the main reasons that the oil-exporting countries have continued to push up the price of petroleum is their recognition of the increasing deterioration of the American dollar. There have been reports that the Arabs may eventually demand payment for their oil in harder currencies — or even gold and silver — instead of the waning American dollar. This identifies still another reason why the United States must act quickly to balance its Budget. Inflation not only attacks the citizens of the country in which it occurs, but it also has adverse international consequences.

Domestically, Reagan's proposed decontrol of oil and natural gas by the fall of this year should dramatically stimulate production of energy. According to world oil analyst Dan Lundberg, this increased production of oil and gas might even make possible some *decreases* in the retail price of these fuels. And, in addition to deregulation of prices, the Reagan team should repeal the excess profits tax — which is a tax on domestic fuel production. Going further, most federal lands hitherto off-limits to exploration and extraction should be opened up to discovery and production of oil, gas, coal, and other fuels. What we must do here as elsewhere is free the producers to produce.

Of course it will take a while for the economy to begin to respond to the removal of controls and taxes — especially for a heavy, complex, and capital-intensive industry like oil. In the meantime, America stands vulnerable to blackmail because of our increasing dependence on imported petroleum. Given the unstable situation in the Middle East we can hardly depend on drawing almost half of our oil needs from that part of the world. It is a tremendous risk to have our economic fate in the hands of others. The cost of U.S. energy drawn from foreign sources rose from about $3.7 billion in 1970 to $45 billion in 1977. And now that Iran's production of oil has been shut down because of the overthrow of the Shah and the destruction of Abadan by Iraq, the price of Middle East petroleum can only go higher. The situation is potentially very grave.

Consider the following analysis by C. Vern Myers, one of America's top financial experts, in his timely book *Money And Energy* (Darien, Soundview Books, 1980):

"1. The Western World could be forced into war or submission this year by a military eruption in the Middle East.

"2. Deprived of half its daily oil supply, the U.S. would be economically and militarily impotent in ninety days.

"3. Japan could be completely choked off in sixty days.

"4. Western Europe would lose three-fourths of its potency in two or three months.

"5. An explosion of the Arab-Israeli Peace could force a choice between war and energy suffocation.

"6. This is the result of negligence that borders on TREASON.

"The U.S. had its warning in no uncertain terms in 1973. Had the Arab oil embargo lasted another sixty days, the Western economies would have faced a shut-down."

Economist Myers sees coal — which America has in abundance — as providing the most practical and immediate solution to our energy problems. He observes:

". . . Red lights were flashing and the bells were ringing in 1973, but nothing was done. Is anything being done now? Not much. Consider the total inadequacy of the Carter plan in view of the mortal danger to which the nation is exposed.

"In 1977 the U.S. satisfied eighteen percent of its energy needs with coal (which constitutes eighty percent of its reserves) and satisfied seventy-five percent of its needs by oil (half imported), which amounts to seven percent of its energy reserves. Does it plan a crash program for coal to match the Synthetic Rubber Blitz so technologically successful during the war? Not at all. It proposes a modest fifty percent increase in coal by 1985. How does it expect to survive?"

Myers advocates as targets a five hundred percent increase in the use of coal by 1985, a technological blitz to expand the potential for coal, and energy independence and self-sufficiency by 1990. Is this possible? Economist Myers points out that South Africa has already demonstrated that it can be done. As he notes: "Here is a country with no oil — but vast reserves of coal. Far-sighted leaders did not wait for the Middle East hurricane to arrive. Long ago, starting with some pages out of the German book (Germany kept its war machine going on oil from coal), it began a coal to oil conversion technology." South Africa now produces about seventy-five percent of its own energy needs, and will soon be the most energy sufficient nation in the West.

But our politicians have increased our dependence on exported oil by shackling alternative domestic energy production. Even ignoring their crippling of nuclear power, Myers reports: "They allowed a coal reserve adequate for our needs for 500 years to be bound by chains of red tape. R.E. Samples, Chief Executive of the Consolidation Coal Co. says, 'We are sitting on billions of tons of coal reserves that we can neither dig nor burn because of a tangled mass of bureaucratic red tape.' "

America has 210 billion tons of known and readily recoverable coal reserves — about seventy years' worth of energy. This, combined with the indicated deposits which are recoverable with current technology, amounts to 440 billion tons — enough for 140 years. Ultimately recoverable reserves are estimated at about one trillion tons (enough for three hundred years) to 1.8 trillion tons (enough for five hundred years).

Vern Myers observes with obvious and correct exasperation that, "Coal reserves in the U.S., absolutely known and recoverable right now (218 billion tons), equal almost *900 billion* barrels of oil. Saudi Arabia's oil reserves are *165 billion barrels*. Yet, with a technology in use in South Africa and ready to go, we BEG the Saudis and the Libyans, *etc.*, to stay friendly."

With a crash program centered around coal, the United States could get out from under its present dependence on imports in a relatively short period of time — within the next ten years. To do this, many obstacles now in the way of the coal industry must be eliminated. For example, the following regulations and statutes would have to be either repealed or modified to reduce their interference with coal technology: the Surface Mining and Control Act; the Federal Safety and Health Act; the Surface Mining Control and Reclamation Act; the Federal Land Policy and Management Act; the National Forest Management Act; the Alaska Claims Settlement Act; the Federal Coal Leasing Amendments Act; the Mining in the Parks Act; the Clean Air Act, and Clean Air Act Amendment; the Federal Coal Mine Health and Safety Act; and, the Community Health and Environment Surveillance System. All of these anti-energy horrors have been instituted *in the last dozen years*.

If the United States had a fully free market in the energy field, instead of the numerous impediments imposed by the federal government, American industry would have already developed around coal as a major fuel, instead of switching increasingly to expensive oil. The same can be said in spades for nuclear power. Here, as in every other case, government intervention has weakened rather than strengthened our economy.

It is clear that President Reagan and the new Congress must move quickly and decisively in the areas of money, regulation, and energy. Grass-roots Americanists must make sure that our new leaders do not backslide in doing what is necessary. Working through organizations like Tax Reform IMmediately (TRIM), the Committee for the Survival of a Free Congress, The John Birch Society, and other reliable groups, Conservatives must press vigorously to keep the pressure on government to balance the Budget by cutting spending, back our money with gold, free our industries from crippling regulation, and get this country moving toward liberty again. ■ ■

CRACKER BARREL

■ Walter E. Williams, black economist at Temple University, says he would eliminate the minimum wage altogether. "It prices low-skilled people out of the market," throwing them onto the Welfare system.

■ From the latest report of General Motors: "At General Motors, we intend to demonstrate by our own products and services that we have the ability, the will, and the discipline to compete successfully if unshackled from unreasonable regulation."

■ The public relations formula is simple. Either do what people like or make them like what you do.

■ Princess Grace of Monaco reports that "the freedom of the press works in such a way that there is not much freedom from it."

■ In America it may be "Believe it or not," but in Communist countries it's "Believe it or else."

■ The price of greatness is responsibility.