AMERICA, 1971

The Politics Of Dollars And Sense

Gary Allen, *a graduate of Stanford University and one of the nation's top authorities on civil turmoil and the New Left, is author of* Communist Revolution In The Streets *– a highly praised and definitive volume on revolutionary tactics and strategies, published by Western Islands. Mr. Allen, a former instructor of both history and English, is active in anti-Communist and other humanitarian causes. Now a film writer, author, and journalist, he is a Contributing Editor to* AMERICAN OPINION. *Gary Allen is also nationally celebrated as a lecturer.*

■ DURING the past twelve months as the world made its annual trek around the sun, most of the earth-shaking stories in America revolved, directly or indirectly, around the thirty-seventh President of the United States. It was during this year that the reign of Richard I, current champion of the Establishment Roundtable, passed the halfway point of his first elected term.

During the year the electronic varlets of the mass media had King Richard's loyal subjects out checking the air for any taint of toxicity, scouring each stream for polluted perch, and plying the highways and byways of the land spearing every wayward O'Henry wrapper. All of which was not only very nice, but one of the slickest political shell games ever promoted. It must have reminded Mr. Nixon of his youthful days as head barker at the Slippery Gulch Rodeo in Prescott, Arizona.

While the new shell game is an electronic affair with solid-state components, it is dedicated to the ancient principle that a dishonest hand is quicker than the eye. While the public is watching the shell marked *pollution*, the pea is under the one marked *socialism*.

And there has been one lot of peas under that latter shell in recent years. As Walter Trohan, the *Chicago Tribune's* sagacious columnist emeritus, noted in that newspaper for October 5, 1970:

> *It is a known fact that the policies of the government today, whether Republican or Democratic, are closer to the 1932 platform of the Communist Party than they are to either of their own party platforms in that critical year. More than 100 years ago, in 1848 to be exact, Karl Marx promulgated this program for the socialized state in the Communist Manifesto . . . .*

One must remember that Marx, the hireling codifier who wrote the Communist Manifesto for a secret society known as the League of Just Men, used the terms Communism and socialism almost interchangeably. Marx said that we could not have Communism until the entire world had been socialized. All Communists were to work for socialism. Even today, Communist spokesmen and official Communist literature say nothing of Communism, but talk only of socialism.

Few Americans profess to believe that Communism is inevitable, but many now claim to see what they say is "the handwriting on the wall" and proclaim the inevitability of socialism. Socialism is no more inevitable than Pharaohism, but it *will be* inevitable unless more people wake up to how it is being used by a powerful conspiracy out to rule the world.

To many political observers the most shocking development of the past year was the admission by President Richard Nixon to newsman Howard K. Smith that he is "now a Keynesian in economics." The jolted Smith commented later, "That's a little like a Christian Crusader saying: all things considered, I think Mohammed was right." Howard K. Smith was well aware that such a statement was tantamount to a declaration by Mr. Nixon that "I am now a Socialist." John Maynard Keynes was an English economist and professional Fabian Socialist who bragged that he was promoting the "euthanasia of capitalism." Keynes was a flagrant homosexual, sometimes referred to as Lord Pansy of Flitdon, who designed a socialist system of economics as a means for venting his hatred of productive and normal society.*

It is generally believed in England among students of this conspiracy that John Maynard Keynes produced his *General Theory Of Money And Credit* at the behest of certain *Insiders* of international finance who both hired and persuaded him to concoct a pseudo-scientific justification for government deficit spending – just as the mysterious League of Just Men had hired Karl Marx to write the Communist Manifesto.† Such financial *Insiders* are in the business of acquiring government bonds in countries around the world. The further a government goes into debt, the more interest is paid to the powerful *Insiders* who "create" money to buy such bonds by the simple expedient of bookkeeping entries. Otherwise, you can bet your last farthing that the *Insiders* of international banking would be as violently opposed to inflationary deficits as the most devout followers of Professor Ludwig von Mises.

The Keynes theories, absurd on their face, were heavily promoted by those who saw a system based on artificial control of the economy as a tool to gain political and economic power for themselves. Keynes was brought to America to sell his "system" to F.D.R., who made it the theoretical base for the flim-flam economics of his New Deal. Now that he too is a Keynesian, all Richard Nixon needs is a cigarette holder, a dog named Falla, and a wife who resembles a whooping crane.

Of course Presidents Roosevelt and Nixon have not been alone in embracing Lord Keynes. The Spetember, 1970, *Bulletin* of the American Institute for Economic Research notes of the pervasiveness of the Keynesian economics:

> *The Great Delusion of this Twentieth Century is the mistaken belief that inflating can somehow create orderly and sustainable economic growth. The delusion is not new. It has been nurtured through the ages, by Kings, Princes, and Oligarchs, whose coin-clipping defrauded their subjects while enriching the royal coffers.*
>
> *But in the Twentieth Century the Great Inflating Delusion received the blessing of Lord Keynes who, as advisor to governments and teacher to teachers in the universities, became the most persuasive purveyor of monetary illusions since John Law. Lord Keynes' disciples now include many, perhaps by far the most, of the academic economists as well as many others serving cental banks, governments and innumerable businesses.*

*Lord Keynes' love letters to one of his boy friends have recently been published in *Lytton Strachey, A Critical Biography*, Michael Holyroyd; Holt, Rinehart and Winston, two volumes. Certainly Mr. Nixon has embraced only Keynes' economics, but it might be well if our readers still on good terms with the President were to call Mr. Nixon's attention to the foul perversions of the creature he has selected as his economic guru.

†The Communist Manifesto did not even bear Marx's name until two decades after it was written.

"Liberals" were naturally gleeful at Mr. Nixon's announcement that he has become a convert to the Keynesian economic perversions. As James Reston of the *New York Times* enthused:

> *Washington doesn't quite know what to make of all this. He swallowed Lord Keynes in one gulp. He announced the biggest budget deficit of the century as if it were the first article in the Republican catechism, and he embraced most of the old Democratic economic devils like long-lost buddies.*

Later in his internationally syndicated column of February 3, 1971, Timesman Reston exclaimed: "The Nixon budget is so complex, so unlike the Nixon of the past, so un-Republican that it defies rational analysis . . . . The Nixon budget is more planned, has more welfare in it, and has a bigger predicted deficit than any other budget of this century."

The day before, on the floor of the House, Democrat Congressman Harold Runnels hailed the new John Maynard Nixon this way:

> *. . . these are historic times. We are witnessing the entry of the Republican Party into the world of 20th century economic practice. It has been a breach birth if there ever was one.*
>
> *In the past few days, a Republican President has announced that he is a converted Keynesian – a Republican administration has submitted what they term an expansionary or full employment budget – and on Monday we received an economic report which indicates that Republicans are at long last conceding that Government must play an active role in the management of the economy.*
>
> *Without detracting from this great leap forward by the Republican Party, I must say that they are three decades late . . . . It is said that imitation is the sincerest form of flattery. We Democrats are flattered . . . .*

True, Democrats had been the first to become enthralled by the Keynesian economics, and no doubt some experienced a certain shrill jealousy at exposure of the fact that Keynes was now the Nixon favorite. It was not, however, a whirlwind romance. At least twice before the last election the *Wall Street Journal* had emphasized that in economic policy Mr. Nixon was an "activist," an "interventionist," and a "Keynesian." In his inaugural address, President Nixon had chosen to say that "we have . . . learned at last to manage a modern economy to assure its continued growth." And he proceeded to appoint three prominent Keynesians to his Council of Economic Advisors. Apparently it had never before occurred to any reporter to ask Mr. Nixon if he were, indeed, a Keynesian. He even had to volunteer the fact to Howard K. Smith.

What does all of this mean? It means that Richard Nixon is now openly using the Fabian Socialist theories of John Maynard Keynes to play radical politics with the American economy. When Republicans fared poorly at the 1970 mid-term elections because their high interest rates had produced a business slow-down, the Administration pushed the accelerator of government spending to the floorboard. A Republican President had decided to outspend the wildest of Democrats!

In introducing his $229 billion Budget, described by the *Wall Street Journal* as a "blockbuster," the President let it be known that he would deliberately run an $11.6 billion deficit – the largest planned deficit in all history. The late John Maynard Keynes, it seemed, was alive and well and sitting sweetly on a bearskin rug in the White House. On the theory that a little bit of sugar helps the medicine go down, Mr. Nixon's economic advisors even created a sweet-sounding gimmick to help peddle their massive deficit. They called it a "Full Employment Budget" – a term rivaling "Silent Majority" and "Vietnamization" for sound and fury signifying nothing. Dispensing this Keynesian lure, the President maintained:

> *The full employment budget is in the nature of a self-fulfilling prophecy: By operating as if we were at full employment, we will help to bring about that full employment.*

Giggle-giggle and goody-goody! The wonderful perpetual motion machine was here at last.

To have America operating under a "Full Employment Budget" is the same as if you were to say to yourself: "I am making $10,000 at my job this year. If I worked nights at a second job, I would be making $15,000. Therefore it's all right to go in debt and spend $15,000 this year." In January, Republican *Battle Line* called the Nixon scheme a phony gimmick and complained: "That such an economic policy has been tried before and failed in America did not seem evident to President Nixon. That such policies had been a dismal failure as administered by Roosevelt, Truman, Kennedy and Johnson, and even Eisenhower, did not seem to impress him."

That the propaganda around the "Full Employment Budget" was so much claptrap is further indicated by the fact that this year's Budget will be in the red by about $25 billion, and yet it has certainly not produced full employment. As *Battle Line* laments:

> *All this places the Democrats in an awkward position. Surely no plan Hubert Humphrey might have adopted as president as his own economic policies could have been any more liberal than that which the President proposes. Nelson Rockefeller, were he sitting in the White House as president, could not outdo the New Nixon in his blatant abandonment of sensible and conservative economic policy . . . . Sound money, limited government and balanced budgets, Republican principles of the past, now seem to be cast aside.*

Little wonder that the respected economist Henry Hazlitt now sees President Nixon as an "economic crack-up."

During the Johnson Administration every issue of the official G.O.P. publication, *The Republican*, was fat with editorial cartoons depicting profligate donkeys spending America into perdition. During 1967, while on the primary trail, Richard Nixon made exorbitant Democrat spending his Number Two campaign issue, just behind the failure of the Democrats to win the Vietnam War. Mr. Johnson's 1967 Budget was $158.6 billion, which at the time seemed astronomical. Mr. Nixon claimed that if that amount were not sliced by $10 billion the country faced financial disaster. At a time when the Vietnam War was a far bigger financial drain that it is now, Richard Nixon argued that we should be spending around $150 billion. President Nixon is now spending $230 billion, and bills already introduced in Congress and likely to pass could push the 1972 Fiscal Budget (July 1, 1971 to July 1, 1972) to as high as $250 billion. If Lord Keynes' sweet theories worked, that would be enough spending to employ not only every man, woman, and child in the nation, but most of the country's billy goats as well.

The point is that the man who campaigned as Mr. Frugal in 1968 is, in his third year of office, out-spending what he said his predecessor should spend by $80 to $100 billion. And some experts are predicting that Mr. Nixon could spend as much as $275 billion next year. The truth is that the Budget is out of control, and the Nixon Keynesians are going berserk. As even "Liberal" columnists Evans and Novak admitted this year:

> *What little doubt remained backstage in the Nixon administration that the Federal budget is spiraling upward out of control has been erased by the new and unpublicized shift in the White House about defense spending....*
>
> *This* [new spending] *removes the last serious hope of braking overall Federal spending. Regardless of how frugal or spendthrift the Democratic Congress chooses to be, the long-range outlook is for a succession of immense budget deficits – along the lines of the $20* [really $25.5] *billion in red ink expected this year – with frightening implications for the nation's economic future....*
>
> *While Nixon and his press agents have persisted in claiming the budget is under control, serious economists in and out of the administration have known the somber truth for some time.*

This is the same Richard Nixon who in Dallas on October 11, 1968, declared that "America cannot afford four years of Hubert Humphrey in the White House" because he has advocated programs which would have caused "a spending spree that would have bankrupted this nation." Candidate Nixon flayed the Johnson Administration for failing "to cut deficit spending which is the cause of our present inflation." Budget deficits, he said, "lie at the heart of our troubles." For his own part, he renounced any "massive step-up" in federal spending. "This is a prescription for further inflation," said Nixon. "I believe it is also a prescription for economic disaster."

Again and again, during the campaign, Candidate Nixon roasted the Johnson spenders. With all the enthusiasm of an amorous bull elephant, the editors of *Human Events* promoted Mr. Nixon's candidacy in their issue for September 28, 1968, by quoting him as follows:

> *...for five years this* [Johnson] *Administration has refused to keep federal spending within federal means.*
>
> *The total deficit run up in the budgets of the Johnson-Humphrey years will amount to more than $55 billions. This massive deficit has wracked and dislocated the economy....*
>
> *There is nothing the matter with the engine of free enterprise that cannot be corrected by placing a prudent and sober engineer at the throttle.*

Goodness, a deficit of fifty-five billion dollars! Compared to Richard Nixon, Lyndon Johnson may go down in history as the Texas Tightwad or the Penny Pincher of the Pedernales. While it took L.B.J. five years to run up a $55 billion deficit, Senator Harry Byrd notes that the accumulated deficit for Mr. Nixon's first *three* years will reach at least $62 billion. Congressional experts are now predicting that a "prudent and sober engineer" named Richard Nixon could well pour on the red ink to a total of $90 billion in this term of office alone. Lyndon Johnson once claimed he was more "Liberal" than Eleanor Roosevelt. Someone should ask our conservative friends at *Human Events* what that makes Richard Nixon!

Only a year ago President Nixon was pledging "to balance the federal budget so you can balance the family budget." When he introduced his last federal Budget he projected a $1.3 billion surplus, which he said was absolutely "essential" to show that the government meant business in its fight against inflation. Next it was announced that the $1.3 billion surplus would be, regrettably, a $1.2 billion deficit. Then, gradually, the deficit escalated until it appears that Fiscal 1971 will end with a true deficit of about $25.5 billion – a slight "miscalculation" by the President amounting to $26.8 billion.* The "prudent engineer" could well burst the boiler.

This year, instead of projecting a $1.3 billion surplus, the Nixonites are planning an $11.3 billion deficit. If the President's planners are as far wrong this year as they were last, the deficit could be between $35 and $40 billion. Indeed, Senators Harry Byrd and Herman Talmadge of the Senate Finance Committee both predict a $40 billion deficit for the President's new Budget.

The spending policies of the man Republican campaigners called Thrifty Dick have already sent the national debt soaring at a rate to make John Maynard Keynes grin like a chorus boy in love. As of June 30, 1968, our national debt amounted to $348 billion. By January of 1971, it had escalated to $393 billion under the tutelage of "Poor Richard," who came to power reminding us all that a penny saved is a penny earned. One should keep in mind that this $45 billion rise in the national debt came *before* the President announced his wedding to the followers of Lord Keynes. In January 1971, Mr. Nixon asked that a new debt ceiling be set at $435 billion. His Secretary of the Treasury, John Connally, told a Congressional Committee that this new debt limit should be sufficient until the middle of 1972. Which certainly suggests that the announced deficit of $11.3 billion is a very small percentage of what is expected.†

In addition, the President obtained permission from Congress to sell $10 billion worth of long-term bonds at rates higher than the 4.25 percent ceiling. Doubtless the *Insiders* of international finance are dancing about their maypoles with glee.

Interest on all of this spiraling national debt is now the third largest item in the federal Budget, lagging just behind Welfare and Defense. This year the tab for interest alone will run a maximum of $21.1 billion. That is enough money to have run our federal government for the first 118 years of our history. It is more than our total federal Budget for any single year through 1942. Interest alone costs us more than $40,000 per minute, and accounts for more than $170 of every thousand dollars in taxes we pay.

Our national debt, on the interest of which the *Insiders* of international finance grow fat, is now so big that United Press International tells us it would make a ribbon of dollar bills, 35-feet wide, that would loop around the moon and back. Or it would girdle the equator 1,552 times. Or fill 3,456 boxcars – enough to make a train 36 miles long. The only problem is that it would take about 171 years to print the dollar bills to meet such a deficit, and it would consume the labor of all one hundred U.S. Senators working nonstop for sixty-four years just to count those bills.

You can see why the *Insiders* of international finance like Keynesian economics. Only eight years ago the interest such bankers received was but $10.7 billion. Plot that rate of interest on a graph and see what the interest will be in another ten or twenty years. Already

*According to columnist Hy Gardner, a stack of one billion one-dollar bills would reach sixty miles in the sky. This means that the "prudent engineer" has given us a $230 billion Budget which, placed under the proper sort of dessert, would at least insure that at one point in the universe – 13,800 miles into the heavens – it would be possible to have pie in the sky.

†The idea of a legal debt limit is a fraud, the limit being raised regularly on demand. The national debt has skyrocketed $100 billion in the last decade. According to Senator Harry Byrd the national debt during Richard Nixon's first three years, combined with that of the last three years of the Johnson Administration, will amount to $111 billion. You were wondering why your dollars are worth less and less?

seventeen cents of every tax dollar collected by the federal government goes to service the national debt. Yet the public and the politicians are for the most part indifferent. They have been confused by the tossing about of figures far too astronomical to fathom. Commenting on other reasons for public apathy about this mounting federal debt, Representative John Rarick told the House on February 18, 1971:

> *Still another explanation for this indifference . . . is the concept that has been drummed into the consciousness of the American people that the size of the debt does not matter since we owe it to ourselves. It is estimated that only 11.6 percent is owed to the small investor in the form of savings bonds in small amounts. The preponderant bulk of it is owed to the international bankers and financiers.*

These blockbuster deficits, which fill the coffers of the *Insiders* of international finance, mean huge jumps in the cost of living for ordinary Americans. The economics of it works like this:

> *Federal deficits are turned into new money by the banking system. This new money then competes in the marketplace with the old money already in circulation and bids up the prices of goods and services.*
>
> *Most people confuse "inflation" with an increase in the cost of living. Inflation of currency is an increase in the money supply (that is, it is a cause), whereas an increase in the cost of living is but a result. Government likes to blame business and labor. But of course only the government can cause inflation. The wage-price spiral results from the infusions of new deficit money. There can be no general inflation throughout the economy without such an increase in the money supply. It is a physical impossibility to fill five pints of milk from one quart bottle.*

Even Ernest Hemingway once wrote that two evils inevitably brought nations "temporary prosperity . . . permanent ruin." They are inflation and war. Richard Nixon inherited both and has conquered neither. Mr. Nixon attempted to control Johnsonian "inflation" by persuading the Federal Reserve Board to raise the prime interest rate from 6¼ percent to 8½ percent. Meanwhile the President adamantly refused to balance expenditures with revenues, the only effective way of bringing "inflation" under control. The result was strangulation – high interest rates (stagnating venture capitalism among the middle class) accompanied by wild inflation.

The man can hardly plead ignorance. Mr. Nixon knows the real cause of inflation and explained it clearly on January 27, 1970, as follows:

> *The inflation we have at the start of the Seventies was caused by heavy deficit spending in the Sixties. In the past decade, the Federal Government spent more than it took in – $57 billion more. These deficits caused prices to rise 25 percent in a decade.*

Even so, knowing that as a fact, Mr. Nixon chose to roll up a deficit which will run scores of billions of dollars higher than that of his predecessor. He knows what he is doing, and he does it anyway. Facing an election year the President has pulled out all the stops, reaching for a deficit beyond the wildest imaginings of any American President in history. It is an all or nothing attempt to be reelected in 1972. The next year, 1973, could as a result be the worst for the economy since the Great Depression. But that is *after* the election – and besides, there will be other power games to play then.

What is happening is that President Nixon is destroying your money in order to get reelected. The country – and the world – are to be flooded with bogus billions of our dollars. The President, as Mises-trained economist Hans Sennholz has pointed out, has opted for hyper-inflation and one last binge of drunken spending before the biggest economic hangover in modern history. That it will be accompanied by a federal power-grab is as certain as taxes and death.

Much has been said in the media of late about how independent and stubborn Dr. Arthur Burns, President Nixon's friend and former advisor, has proven to be as Chairman of the Federal Reserve Board – the group controlling our money supply. One is told that the recalcitrant Dr. Burns is refusing to run the printing presses fast enough to suit the President. Dr. Harry Schultz notes that "the figures belie such P.R." Professor Milton Friedman observes in *Newsweek* of May 3, 1971, that "the quantity of money has been exploding in recent months."

Syndicated "economist" Sylvia Porter reports that if the opening of the sluice gates of new currency does not stimulate the economy sufficiently to ensure the reelection of Richard Nixon, he is prepared to cut taxes to apply further adrenalin to the economy. This would be a solution if federal spending were also cut to prevent a deficit. It will not be. As a result, any tax cut will magnify the already gigantic deficits and further inflate the currency so that whatever money the government doesn't take is eaten up by sharp rises in prices.

The government admits that already the 1939 dollar has lost sixty-five cents worth of its purchasing power. But you don't buy food with a "35-cent dollar," nor do you pay rent with a consumer price-index figure. The nickel hotdog of 1939 is thirty cents today; the twenty-cent movie is $1.50 to $2.00; the ten-cent magazine is fifty cents; the fifty-cent dinner is $2.00; the nickel bus fare is thirty cents; and, fifty-cent haircuts are $2.00. The list goes on and on. Such are the practical results of Keynesian thralldom.

Last year the sluggish economy slowed slightly, so that the cost of living jumped a mere 5.5 percent. The previous year it had risen 6.1 percent. This was a very temporary condition, and monetary experts like Dr. Hans Sennholz are predicting annual increases in the cost of living of ten to fifteen percent in the near future. The President has assured businessmen that "the worst of inflation is behind us." But he knows very well that he is not telling the truth. The Administration has never even claimed that prices will stabilize. It expects us to goo and coo at its promises that prices will not rise quite as rapidly in the future as they have in the past, even as deficit spending goes up and up and out the top.

Knowing that drastic inflation is on the way, the Administration is appealing to labor by advocating a minimum wage of two dollars an hour. Without inflation, this would mean unemployment for hundreds of thousands, if not millions, of marginal workers. But when bread goes to a dollar a loaf, a minimum wage of two dollars will not be out of line. You see, it isn't because he studied to be a magician that the President's political opponents have labeled him "Tricky."

More and more the Democrats and the opinion molders of the media are talking of the need for wage and price controls. Congress has given the President the authority to institute them. Mr. Nixon said he did not want such powers, but he forgot to veto the bill which gives him the authority "to halt increases in prices, wages, salaries and rents." Is that sort of dictatorship on its way? On May 20, 1971, the *Los Angeles Times* reported:

> [Arthur Burns] *the head of the nation's central bank said a tough anti-inflation fight, complete with*

direct government intervention in the market-place to hold down wage and price increases, stands at the top of his list of remedies.

We think Mr. Nixon will try to hold off official wage and price controls until after the election. In the meantime, he will use the full force of White House "persuasion" to delay the consequences of his having sluiced vast amounts of deficit money into the economy. As the Establishment's Roscoe Drummond observed in the *Christian Science Monitor* for November 23, 1970:

> [The Nixon Administration] *is offering to make a "social compact" among business, labor, and government . . . . The proposed social compact is this: If labor and business will hold wage-cost increases to a noninflationary level, the government will shift at once from a policy of restraining the economy to a policy of invigorating the economy and full employment.*
>
> *Mr. McCracken is now beginning to spell out this plan in some detail, and he puts the President's firm commitment to it in these words: "We should have the ingredients here of a social bargain or compact. With more confidence about a stable price-cost level there would then be pervasive support for more vigorously expansive basic economic policies."*

Whether political intervention can indeed postpone the effects of the iron laws of economics until 1973 is problematical. What is certain is that Richard Nixon is trying to do just that. In his column of February 6, 1971, John Chamberlain revealed the ironic parentage of this Nixon strategy, and where it will lead:

> *The* de facto *economic gray eminence of the Republican party is, believe it or not, none other than Walter Heller, who was chairman of the President's Council of Economic Advisors under the Democrats.*
>
> *This will be disputed by the Nixon administration, but the truth is that the idea of the "full employment budget" (so-called because it is supposed to come into balance through rising tax collections when unemployment narrows to 4 percent) is his own patented nostrum. He has been peddling it for years . . . .*
>
> *So it will come to pass that J. Kenneth Galbraith, who thinks the Democratic party of Humphrey and Muskie is too stodgy and respectable to pass muster in Harvard Square, will be the* de facto *economic gray eminence of the next phase of Republican policy. Galbraith has been peddling price and wage controls in articles and speeches for years.*
>
> *No, it wouldn't work. But the "full employment budget" that Nixon has taken from the Heller arsenal of ideas drives inexorably toward the Galbraith "cure." The only thing that could stop it would be a most gentlemanly sort of restraint on the part of the steel union. Is this a likely prospect? Don't ask.*

Meanwhile, all of this fiscal mismanagement has once again bestirred the fabled gnomes of Zurich, those cantankerous old elves who are known to play games with gold. The gnomes in turn front for even more mysterious giants who run international banking establishments in Frankfort, Paris, London, and New York. The gnomes take the rap in the public scandal sheets whenever the giants make a raid on the international money markets. After all, we might be able to get to those giants in Manhattan, but a gnome in Zurich is as inaccessible as the key to Fort Knox.*

Much of the international monetary muddle is a product of our pernicious imbalance of payments. Ever since President Kennedy made that an issue in the 1960 Presidential campaign, politicians have paid lip service to stopping the ever-increasing trade deficits. The Nixon Administration came up with a new strategy – ignore them. As George Shultz, director of the Office of Management and Budget, claimed in May: "Some people think we ought to place the balance-of-payments issue at the top of our priorities. That is an attitude that does not seem acceptable to me." Shultz said he wants "to put the United States first."

Under Nixonian "benign neglect" the payments deficit in 1970 skyrocketed to a record $10.7 billion, which made the deficits in worrisome years past seem puny by comparison. The deficit for the first *quarter* of 1971 was an unbelievable record of $5.5 billion.

The dollars which wind up in Europe as a result of these trade imbalances are known as Euro-dollars, and there are now approximately $50 billion worth sloshing around the Continent which could be turned into the U.S. Treasury for gold – except that we only have $10 billion in gold and the boys over there have agreed not to be greedy . . . for the moment. While interest rates were high, many of these Euro-dollars were loaned to U.S. banks, but when interest rates dropped they started flowing back to Europe. The Administration was between a monetary rock and a fiscal hard place. As long as interest rates were sky high, the economy was stagnant. When interest rates dropped, Euro-dollars went back to their adopted homes to create inflation in Europe.

An estimated $20 billion have piled up in West Germany alone – enough to claim every last ounce of American gold twice over. On May 4, 1971, the amount of speculative dollars flowing into Germany caused the *Bundesbank* to refuse to accept any more. Over the next weekend the German mark was set free to float against the dollar – a *de facto* revaluation of the dollar in terms of marks. The significance of this is explained in *U.S. News & World Report* for May 24, 1971:

> *As most experts see it, the upshot of the latest money crisis in Europe will be helpful to business in the U.S. American exports will get a little lift. The flow of imports into this country may be held down a bit. In the wake of this, most American economists and business leaders now believe the U.S. economy will continue to recover from the recession. They expect the rising trend to be fairly vigorous and steady, but with no strong surge before 1972.*

In other words the German leaders, and those who followed them, punished the economies of their own nations to let Richard Nixon off the hook. The Europeans have, at least temporarily, swallowed billions of Mickey Mouse paper dollars and smiled for the cameras. This is something that the "sound money" financial newsletters have for three years been telling us just couldn't happen. Such libertarian advisors have often been right in theory and wrong in their short-term predictions.

We don't pretend to know all the

*Patriotic Congressmen John Schmitz, Philip Crane, and John Rarick have introduced bills which would permit Americans to protect themselves from the depredations of John Maynard Nixon by allowing citizens to own gold. But, even as this is written, those bills are tightly bottled up in the Committee of Congressman Emanuel Celler, who has delighted in formally associating himself with forty-five officially cited Communist Fronts and causes. The Nixon Administration is not exactly twisting Congressman Celler's arm to promote Hearings on the subject of legalizing private ownership of gold, and you can be certain that Congressman Celler isn't going to move an inch.

answers. But we do know that the information one needs correctly to predict fluctuations in the current international monetary crisis is not available to anyone outside the circle of *Insiders* who control international banking. The libertarian writers are not wrong because their premises are incorrect, or because they are dishonest or lazy, or because they do not understand economics – but because they refuse to accept the fact that the name of the game is conspiracy. How do you find out what the Rothschild boss in England said to his cousins in France, Germany, and Belgium, or to his representatives in New York? How do you find out what David Rockefeller and Richard Nixon talked about on the telephone last night? You can't find out. And, because you can't, you cannot accurately predict what is going to happen in the rigged markets of international finance.

Most of the libertarian seers make the mistake of looking at each country as a separate entity represented by politicians protecting its own national interests. But the *Insiders* and their agents have no such hang-ups. The world is their country, and boundary lines but provide them with opportunities for financial manipulation.

Theoretically the public *could* stampede in one direction or the other, with the international financiers and their operatives in the various governments of the world losing control of the situation as a result. But that is not likely while *Insiders* control the mass media so as to manipulate public psychology. Why doesn't someone blow the whistle? Those who have dared to try were so smeared that no one would believe them. Besides, the rewards for not doing so are enormous.*

Then there is the case of South Africa. The financial advisors claim to believe that the doughty South Africans are pitting their production of gold against the paper currencies of the world. But the bulk of South African gold production is controlled by the *Insiders* of international finance through their front man Harry Oppenheimer and the American-South African Corporation. These same *Insiders* also control the London bullion market and a vast network of mass media – so they have an excellent opportunity to yo-yo gold prices by turning the international money crises off and on at will. Here is how economist Richard Johnson puts it in his financial advisory:

> *This is just as good a place as any to set the record straight about South Africa. You read that South Africa is withholding Gold from the market to try to keep the price up, but nothing could be farther from the truth. South Africa had in her official reserves, at the beginning of 1968, $1,350,000,000 equivalent U.S. Dollars of Gold on hand. Since then all of her new production of Gold (one billion annually) has been sold, and her official reserves of Gold at the end of 1970 were $680,000,000. In other words, she has sold $570,000,000* [42 percent] *in Gold out of her official reserves in three years. The domestic press apparently does not want this clarified.*

Libertarian financial counselors ignore the pervasiveness of *Insider* control over money matters in Europe, Southern Africa, and America – apparently be-

*Numerous bureaucrats from the Johnson Administration were rewarded for their services by being made partners in international banking firms. George Ball went to Lehman Brothers; former Secretary of the Treasury Henry Fowler to Goldman, Sachs; Secretary of Commerce C.R. Smith, Undersecretary of Treasury Frederick Deming, and Budget Director Peter Lewis all went with the Rothschild firm of Lazard Freres. These are the men who presided over the stripping of the United States of half its gold and all of its silver. They were either the most incompetent men ever to manage our money or else they were very adroit agents of the *Insiders*.

Would these international banking firms have hired bumbling incompetents?

lieving that to admit the existence of a conspiracy refutes their belief in the free market system. Nothing could be further from the truth. The *Insiders* operate through governments and can exist only because their power over those governments is not widely exposed. They are *not* free enterprise businessmen, but conspirators working to use the governments which they control to establish worldwide monopolies.

What is happening is clear enough. *Barron's*, the authoritative New York financial newspaper, reports in its issue for March 15, 1971:

> *Lately the spate of forebodings and warnings, public and private alike, has swelled into a flood. Thus, at a recent meeting in New York City, Gilbert de Botton, general manager of the Rothschild Bank of Zurich, gave a remarkably candid appraisal of the international outlook for the dollar. Highlight of his remarks was his open admission that the Swiss bank of the Rothschild group, which he heads, "feels obliged, at no small cost, to cover, in the foreign exchange market, our long positions on the dollar." Monsieur de Botton went on to say: "The last thing we want or expect is that the monetary edifice will burn down . . . ."*

One thing that was particularly fishy about the early May crisis was that it coincided with the "peace" assault on Washington, D.C. It may be happenstance, but newspapers in Western Europe made it look as if Washington were under siege, even quoting a statement from Attorney General John Mitchell which made the situation appear far worse than it really was. Maybe European editors were just trying to sell newspapers, but their reports appear at least to have augmented the panic.

How serious is the danger of economic collapse? Serious enough that steps have been taken to keep all but the *Insiders* from protecting themselves in the conventional manner without providing full details to the federal government. Murray Borowitz writes in *Banking Journal* for February 1971:

> *In October of 1970 President Nixon signed a law requiring every citizen of the United States to report each transfer over $5,000 in or out of the United States.*
>
> *Also, all foreign bank accounts of U.S. citizens will have to be reported under oath on the April 1971 Income Tax form.*

Certainly some pretty big fish are already panicking. The *Holland Telegraph* of April 1, 1971, reported:

> *Paris — William Taub, lawyer and co-worker of President Nixon, was found recently in serious condition on a country road in France near the Swiss border after being robbed of two credit letters of an amount of ten million guilders.*

This is the equivalent of $2.5 million. *Myers Finance Review* speculates about what it might mean:

> *Obviously Nixon's sidekick was carrying money into Switzerland. The "country road" suggests a car, and possibly anonymity. Does William Taub have $2.5 million of his own, or was he carrying this money for an exceedingly important client?*

Despite the amount of money involved and the compelling mystery of it all, the mass media in America treated that robbery with a silence which is NOT the natural order of things.

Then there is the report which appeared recently in the *International Harry Shultz Letter* indicating that former President Lyndon Johnson is now selling out, having unloaded three or four ranches and a bank. Apparently John Maynard Nixon frightens him too. Mr. Johnson is reportedly telling his friends to liquidate, that hard times are coming.

A number of the prominent financial letters have even claimed knowledge from a variety of sources that currency of a different color is being printed for the United States. Libertarian Oakley Bramble reports in his monetary letter that reliable friends tell him they have seen the new money. The rumor is that new dollars would be issued for old ones at a rate favorable to the *Insiders*. Another widely reported story is that there will be two currencies – greenbacks for international currency and redbacks for internal use. This would amount to instant exchange controls, giving the government absolute domination over you and your travels. When you control a man's purse, you control that man. Good morning, Mr. Orwell!

We can only guess at what the Big Boys are doing. In the short run, it appears the game is to play off hard currencies against soft ones, running them up, then down, and probably scalping quick profits both ways. It is a reasonably good bet that the Common Market countries will form a gold-backed Euro-currency which will be pitted against the paper dollar. Out of that clash the *Insiders* probably expect to create a World Currency through the International Monetary Fund. Those who control the world's money will control the world.

Typical of those pushing in this direction is A.W. Clausen, president of Bank of America, the world's largest bank. Clausen told a conference of the Pacific Basin Economic Council, made up of representatives from Pacific nations, that not only are there no national solutions to monetary and other global problems, but there are no "international" solutions in the sense of agreements between national governments alone. He added: "There are only 'multinational' solutions worked out among governmental, quasi-governmental, and private organizations and decision-making units from everywhere."

Interestingly, the Bank of America has recently merged its overseas operations with the Bank de Paris y Pays Bas, the major Rothschild bank in Paris.

Meanwhile, back in the United States, the tax slaves are working to support not only the banking *Insiders* but the vast army of bureaucrats and reliefers. According to columnist Henry J. Taylor:

> *America is overwhelmingly the most productive country in the world. With only 6 percent of the world's population we account for 33 percent of the world's production. Accordingly, we should be a low-cost, low-taxed country. But we are a high-taxed, and, therefore, high-cost country. The taxes are the largest single item in our cost of living, although the Washington Robin Hoods of the Red Ink would as soon commit hara-kiri as admit this simple fact to our bamboozled public.*

The Copley News Service reports that "The total per capita tax for every man, woman and child in America will hit an estimated $1,175 in fiscal 1971 – almost double the amount of 1960." This comes to $4,700 in direct and hidden taxes for a typical family of four. Lord Keynes is certainly getting his revenge on the normal working people he hated so much. So serious is the problem that even President Nixon admitted in a recent speech that taxes are now taking thirty-five to thirty-seven percent of total income. He went on to add:

> *When a nation takes a substantially larger portion of its national income for taxes, that nation loses its character as a free, private enter-*

prise economy and turns over and becomes primarily a state-controlled and oriented economy.

And that is *exactly* the point. Obviously we are well on our way to state control when one considers inflation as the *de facto* tax that it is. Mr. Nixon's mentor, John Maynard Keynes, knew what he was doing when he designed a system that would bring about perpetual inflation. He wrote:

> *There is no subtler, no surer means of overturning the existing basis of society than to debauch the currency. The process engages all the hidden forces of economic law on the side of destruction, and does it in a manner which not one man in a million is able to diagnose.*

Which is the beauty of it . . . if your purpose is the "euthanasia of capitalism." And when such perpetual inflation is combined with a graduated income tax, you have yet another stranglehold on the taxpayer. Professor Robert Shaw described what happens in the *Wall Street Journal* as follows:

> *Perhaps it is still not generally realized that there is even a tax on inflation – yes, on the annual loss in the value of the dollar, which you pay and various governmental units collect.*
>
> *If inflation goes on long enough, and steeply enough, the tax collectors will eventually claim substantially all of your income, without any necessity for Congress and legislatures ever to pass another law or raise the existing rates.*
>
> *In brief, the more inflation, the better for the tax-collecting agencies . . . .*
>
> *First, the tax rates are sharply progressive as dollar income advances, but we do not recognize the wasting away of purchasing power . . . .*
>
> *If inflation continues between 1970 and 1973 at 5.6 percent, the actual rate for 1970, prices will advance 17.8 percent – 5.6 percent compounded – and taxpayers will have to obtain equivalent increases in wages and salaries just to hold their own when it comes to paying rent, medical fees and grocery bills. But, sadly, most taxpayers in moderate income brackets will find that, while dollar income has advanced 17.8 percent, and its purchasing power has merely remained constant, federal income taxes will climb from 23 percent to 27 percent . . . .*
>
> *If inflation continues long enough we may all eventually be promoted into the 70 percent tax bracket – but without ever receiving any increase whatever in our real income. We would then be reduced to scrabbling desperately to obtain food and necessities, protected only by personal exemptions that might be reduced to $50 or $100 in current purchasing power. Meanwhile, by the tax device all discretionary buying power would have been transferred to public agencies.*

Inflation is yet another type of tax – a tax not just on income, but on capital. Last year, "inflation" caused by deficit spending robbed Americans of $60 billion worth of savings in pensions, savings accounts, and life insurance policies. This amounts to a capital tax of approximately $300 per person, or $1,200 for a family of four. It also means that the American people were not really paying thirty-five to thirty-seven percent of their incomes in taxes but well over forty percent! As Mr. Nixon's deficit paper hits the fan, the inflation tax will escalate dramatically and the graduated income tax will take an ever greater percentage of our incomes. If we don't put a stop to it, we shall face a point at which the government takes nearly everything we earn, returning only the packaged necessities of life in such a way as to dominate totally every feature of American life. If you are an extremist who has read his Marx, you might even call that a Communist takeover. Certainly the *Insiders* would be in control.

What is happening is, of course, being planned that way. Consider.

It takes a lot of bureaucrats to waste the enormous numbers of billions now being spent at all levels of government. In the ten-year period between 1960 and 1970, the number of government employees has risen by fifty-one percent. The number of civilian government workers at all levels has risen from one out of every eight employees in 1960, to one out of every six today. According to *U.S. News & World Report* for May 17, 1971:

> *The Joint Committee on Reduction of Federal Expenditures shows that civil employment in the executive branch of the Government jumped by more than 712,000 in the last decade, to a high point of 3,053,000 in April of 1970. . . . now Congress is proposing to authorize 4 billion dollars, to create 500,000 make-work or public-service jobs in the cities, funded by federal taxes.*

Federal employees under Civil Service have received ten pay increases in the last ten years, amounting to an aggregate wage boost of sixty-four percent. Under Richard Nixon the federal payroll jumped from $24.1 billion to $29.2 billion in just two years. And *Time* magazine delivers the cheerful news that in the next decade government jobs will likely multiply another fifty-two percent.

As Henry Mencken, the fabled sage of Baltimore, once remarked: "The art of politics is taking money from people who earned it, and giving it to people who haven't." Accordingly, many of the one in six who are employed by the government are engrossed in giving money to people who don't work. While one American in six now works for the government and must be supported by the rest of us, one in eight is on Welfare.

Tom Anderson puts his finger on the problem this way:

> *According to a recent estimate, there are 27,931 ways of making a living in America without getting on Welfare. Millions of second and third generation leeches are unable to find a single one of those 27,931 ways to pay their own way.*

I know my friend Tom won't mind the company if I add that Saint Paul advised the Thessalonians almost two millennia ago: "He that will not work, neither shall he eat."

During 1970 more than a quarter of a million people a month could not find one of the 27,931 ways of making a living and joined the Welfare rolls. The number of Welfare recipients increased by a staggering twenty-four percent in just one year according to the Associated Press of April 28, 1971. Last year alone, the equivalent of the population of the entire state of Louisiana was added to our Welfare rolls and the backs of our taxpayers.

The number of fatherless families getting Welfare aid has now jumped from two-thirds of the total national caseload to three-fourths. A task force of the state Social Welfare Board recently reported that fathers of eighty-five percent of the 900,000 California children on Welfare do not contribute to their upkeep. Just because these men fathered children doesn't mean they should work to support them. What it means, apparently, is that you and I must support them. And it gets mighty expensive!

There's more. In Fiscal 1970, the food stamp program covered 3.6 million persons. This year it covers 9.3 million, and during the next fiscal year 11 million Americans will, in essence, be supping at your table. And it goes on and on.

During the past eighteen years, while defense spending grew by forty-nine percent, Welfare spending increased by ninety-four percent. If money is the answer, why are 12 million Americans still on relief after such an incredible increase in spending? Welfare is not relief, it is a racket. In its issue for February 8, 1971, *U.S. News & World Report* provided some hard figures about what it all costs us:

> *. . . social-welfare spending of all kinds by all levels of government this year is likely to top $160 billion – and by 1972 more than half of all the money American taxpayers contribute will be going for such purposes.*

What is President Nixon's answer to this incredible nightmare? Why he offers a Family Assistance Plan which would provide a guaranteed annual income! The Administration admits that the Nixon Plan would double the number on the dole – so that we would then have in excess of 24 million Americans living off the taxpayers. If you figure those as bought votes, it amounts to a million more than the total number Franklin D. Roosevelt received in the landslide election of 1932! And it is one far cry from the Nixon campaign promise that: "We must make Welfare payments a temporary expedient, not a permanent way of life." Concerning just such a guaranteed annual income, Candidate Nixon had declared:

> *One of the reasons that I do not accept – and at the present time I do not see a reasonable prospect that I will recommend – a guaranteed annual income or a negative income tax is because of my conviction that doing so, first, would not end poverty, and second, while it might be a substitute for Welfare, it would have a very detrimental effect on the productive capacity of the American people.*

Yet Mr. Nixon has now repeatedly said that he assigns top priority to his Family Assistance Plan. Richard Wilson, writing in the *Washington Evening Star*, recently asserted that Mr. Nixon is going "methodically about the business of expanding the welfare state . . . . Combined with the Family Assistance Plan guaranteeing a minimum income for the poor who work or seek work, plus increases in old age benefits, the United States will begin to approach the 'cradle to the grave' security which was the primary aim of all old-fashioned Liberals."

According to economist Henry Hazlitt, President Nixon's scheme would spend $10 billion the first year, costing the average family an additional $275 in taxes. Hazlitt says the program could do nothing but explode to a cost of thirty or forty billions of dollars a year. It is far too obvious that when Mr. Nixon said he had embraced Keynes he wasn't kidding.

While the President is working to centralize all Welfare in Washington, he is at the same time proposing "revenue sharing" – which he claims is necessary to decentralize a muscle-bound federal bureaucracy. Polite reporters have refrained from asking him about the apparent ideological contradiction between his Number One and Number Two domestic priorities. Of course there is no contradiction. Despite the rhetoric about reducing federal powers, which is being used to sell the revenue sharing program, revenue sharing is in fact a transparent scheme to further centralize control in Washington. Joseph Califano, a top advisor to President Johnson, observed in the *New York Times* of January 29, 1971, that Mr. Nixon's plan for revenue sharing "should be particularly appealing to those of us who believe in a strong Presidency." House Ways and Means Chairman Wilbur Mills explained the gambit in *U.S. News & World Report* for March 15, 1971:

> *Now, to me, that is just the reverse of what the proponents say it is. It may give temporary vitality to the State governments, but, in the long run, it makes them dependent entirely on the Federal Treasury and on whatever controls Congress subsequently wants to impose . . . . It goes in the direction of centralized government. Look at the historical precedents. Has any entity of government that has received federal funds ever escaped federal intervention?*

Chairman Mills said the Nixon "revenue sharing" proposal is a "trap," and "could become a massive weapon against the independence of State and local government." Members of the President's staff have admitted as much in private conversations, noting that the funds sent to the states will be used as a come-on to further centralize power. Paul Scott, Washington's most authoritative independent correspondent, explained what is happening:

> *The fine print in the legislation which is being readied for Congress clearly reveals that the President has set forth measures designed to shake federal, state and local governments to their foundations . . . .*
>
> *Despite Mr. Nixon's soothing assurances to Congress that his program will return power to state and local governments, this radical proposal would in effect make the proposed new Secretary of Community Development a policy-setting Czar for all community and housing development throughout the nation. It gives this proposed new dictator of Community Development vast new authority "to encourage states to develop, within an appropriate time, planning and management programs that include comprehensive statewide development plans."*
>
> *The "joker" in the proposed legislation is that, for the states to qualify for the vast revenue sharing assistance the President is dangling before them, their master plans* [will be] *subject to modification by the new Federal Development Czar . . . .*

In fact, legislation prepared by the White House for the revenue sharing program stipulates specifically: "State programs must be formulated so as to take account of relevant federal policies." Another section frankly states that it is designed to "change state and local government institutions to permit accelerated progress toward meeting social and development goals set by the federal government." Does that sound like a program to decentralize power? Columnist Paul Scott correctly read the situation when he observed:

> *This new "concept of government" being pushed by Nixon is of the type that David Lilienthal, a New Deal brainstormer of the Thirties, called the "decentralized administration of centralized authority." Under this theory of government, overall policy-making is centralized in Washington in the federal government, and state and local governments and semi-public agencies (like the Tennessee Valley Authority) are used to carry out federal policy. By having the state and local governments administer the programs under federal guidance, the President and his domestic poli-*

cy advisors believe it will be easier to commit them to supporting the more radical programs for social change.

Richard Nixon has already created the machinery for carrying out the sort of program which David Lilienthal proposed. On March 27, 1969, he announced that the United States had been divided into ten regions, each with its own capital. Each capital would have its own Department of Labor, Office of Economic Opportunity, H.U.D. and other "give-away" and "grant-in-aid" organizations – where the states would apply for federal "grants." So when the President says he means to take power away from Washington, he is not telling a lie – not totally anyway. He has created ten federal administrative districts to carry out Washington's policies.

Mr. Nixon calls all this "a new American revolution . . . as profound, as far-reaching, as exciting as that first revolution almost 200 years ago." Balderdash! President Nixon's "new" revolution is rooted in the one of 1848. It is certainly not American. As "Liberal" commentator John P. Roche, a former national chairman of the A.D.A., observed in his syndicated column of February 11, 1971:

A keystone of Marxist thought is the concept of the "withering away of the state," a doctrine that suggests that once the Socialist revolution has occurred, the state – a repressive capitalist enterprise – will simply have no function and disappear. Under President Nixon's auspices, we are witnessing the Republican version of this theory, at least as far as the national government is concerned.

And, just as in the Soviet Union, the Nixon decentralization is totally illusory; a complete reversal of truth. In making his proposal the President even used the Communist slogan, "Power to the People" – the battle cry of the Black Panthers and other revolutionary groups, taken directly from a little red book titled *Thoughts Of Chairman Mao*.* Just as "Power to the People" in Communist China means "Power to the Communist Dictators," so the revenue sharing proposals of Mr. Nixon's program to bring "Power to the People" means "Power to the President." In Communist countries they call it "democratic centralism." Theoretically, the power in a Communist state resides in the "soviets," the local governments. But, as every child knows, the real power is in the Politburo. Richard Nixon is creating his own Politburo.

Meanwhile our people are growing weary and restless. The primary diversion during the past decade of Leftward escalation has been the Vietnam War. President Johnson could not clear it with the *Insiders* to bring that war to a close, so he wisely declined to face the electorate for another term. Mr. Nixon has apparently arranged to make it at least appear that the war in Indochina is being ended. As he does, he is moving to complete the program which will, if he succeeds, socialize America. The United States must be completely in the hands of a central authority before the conspirators will dare to move for World Government.

How long do we have? Establishment spokesman James Reston declared in his internationally syndicated column for the *New York Times* of May 21, 1971: "Nixon would obviously like to preside over the creation of a new world order, and believes he has an opportunity to do so in the last 20 months of his first term." My guess is that we have it in our power to stop him. It will not, however, be an easy task. We will certainly need your help. ■ ■

---

*For an excellent discussion of Richard Nixon's further flirtations with Chairman Mao and Communist China, as well as of his Vietnam policy, see Hilaire du Berrier's commentary on Asia in this *Scoreboard*.