

AMERICA, 1974

The Target Is The Middle Class

Gary Allen, a graduate of Stanford University, is the author of several best-selling books, including *Communist Revolution In The Streets*; *Nixon's Palace Guard*; *None Dare Call It Conspiracy*; and, *Richard Nixon: The Man Behind The Mask*, the definitive study of the ambition and conspiratorial activities of our current President. Mr. Allen, a former instructor of history and English, is active in numerous humanitarian, anti-Communist, and business enterprises. A film writer, author, and journalist, he is a Contributing Editor to AMERICAN OPINION.

■ WHAT kind of a year was it? It's not funny that you should ask. There have been better years when the plague was loose. During the past twelve months we have lost the ability to say, without a second thought, "Fill 'er up." We've lost at least ten percent of our purchasing power to inflation. We've lost a couple of hundred points off the Dow Jones, and we've even lost a Vice President of the United States for taking bribes. With inflation and shortages and scandals and the rest of it, the year has been what the kids call a bummer.

The Crime Of It

While those of us in the middle class had a rough year, however, it was a banner year for your run-of-the-street criminals. Crime marches on, as they say. According to *U.S. News & World Report* for June 10, 1974: "Billions of dollars have been spent in recent years to improve law enforcement — yet crime has continued to rise, and many Americans are worried about whether it can ever be

brought under control. All sorts of new crime-fighting techniques have been tried.

"Police forces have been enlarged in almost every city. Local spending on law enforcement has multiplied more than 7 times — up from less than 1 billion dollars in 1964 to more than 7 billion in 1973. The U.S. Government, through its Law Enforcement Assistance Administration, has poured in an additional 3.5 billion dollars in the last five years to help State and local crime-fighting agencies.

"For one brief period, it appeared that real progress was being made. In 1972 came the first decline in 17 years in the number of major crimes reported throughout the country. That was hailed by the Nixon administration as an indication that the corner had at last been turned. But the hope proved short-lived. In 1973, crime increased again — up 5 percent over 1972"

Then it turned out that things were even worse than they seemed. A study by the Law Enforcement Assistance Administration showed that the crime picture is really far worse than is shown by official reports. It seems that less than half the crimes committed are being reported to the police. In some cities, it appears, the number of crimes was as high as *five times* the number reported. According to the official statistics, crime is up 173 percent during the past decade. But the real figure is apparently at least 348 percent.

A nationwide poll taken by the Phillips-Sindlinger organization showed that forty percent of all Americans interviewed were afraid to walk the streets at night. In major metropolitan areas, the number

was sixty-seven percent. Apparently the remaining thirty-three percent of the people in metropolitan areas are either black-belt experts in Kung Fu or muggers and rapists.

Arnold Barnett of M.I.T. says that a baby born this year in one of America's fifty largest cities has almost a two percent chance of being murdered one of these days. Barnett produced figures which show that this means there is a greater likelihood of violent death in our cities than was faced by the average American soldier during World War II.

A major reason for this serious rise in crime is "Liberal" tolerance of criminality. In Chicago last year there were 405,841 reported crimes. More than a thousand a day! Fewer than seven percent of the criminals who committed those crimes were indicted. And, of those who were brought to trial, only three out of a hundred ever went to jail. The United States now spends thirteen billion dollars per year on police, courts, and prisons as compared with \$3.5 billion in 1960. While spending to stop crime is up nearly four times, crime has itself increased by four hundred percent. One fact emerges undisputed: "Liberal" control of law enforcement has not worked, and we must return to Conservative enforcement if the United States is ever to solve a crime problem that is costing uncounted billions of dollars and incalculable suffering for millions of citizens every year.

Unfortunately, what we are being urged to do is to let the federal government throw more money at the crime problem so Big Brother in Washington may absorb more and more of the functions of our handcuffed local police.

The Welfare Bite

Meanwhile, as crime rises, the Welfare beat goes on. The federal government now spends thirty-seven cents out of every tax dollar on some form of social welfare. This is a fifty percent increase in

just six years. Clearly it will soon be fifty cents of every tax dollar, and there is no end in sight. Mr. Nixon is even now laboring over a new version of his Family Assistance Program. According to *U.S. News & World Report* for February 18, 1974:

The Nixon Administration is drafting the most massive change in welfare programs since federal aid to the poor began nearly 40 years ago. What is being proposed is a single cash grant for all who earn below a certain income. It would provide a guaranteed income, based on some form of what is known as a negative income tax.

Perhaps as many as 40 million Americans — almost 1 in 5 — could receive cash aid under the new program, which the President hopes to start in 1977.

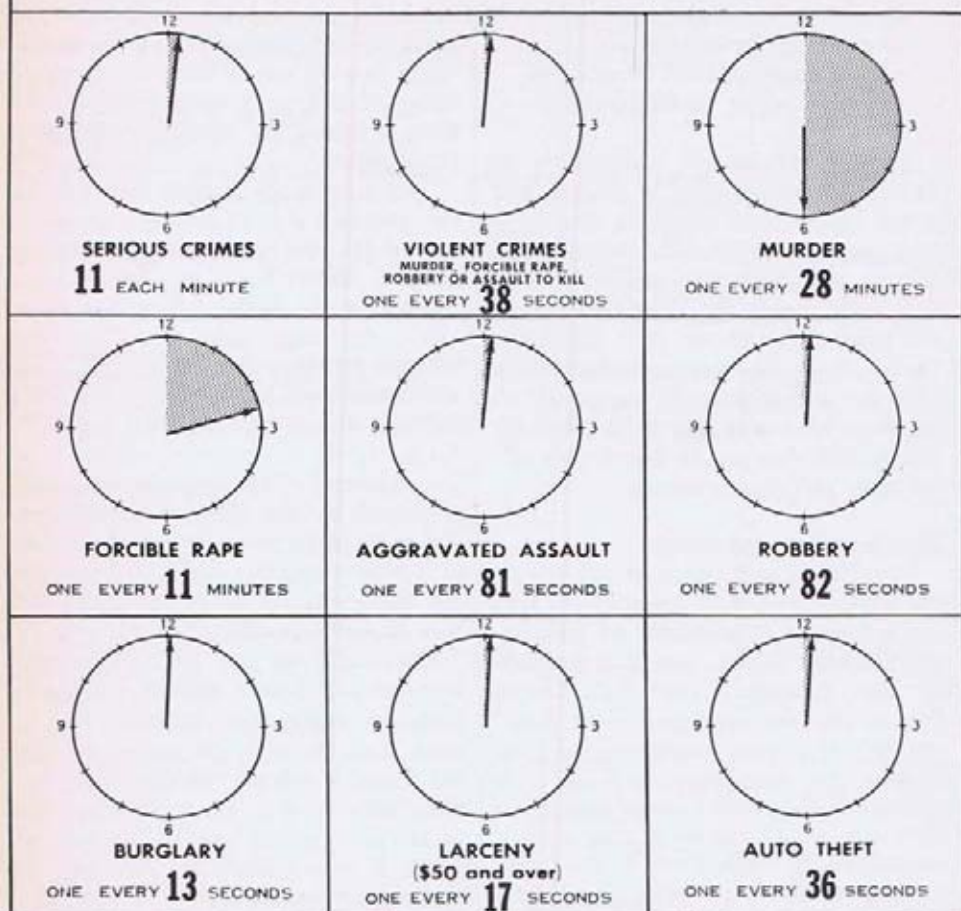
This, officials estimate, would mean aid to more people than are now being reached by all federal aid programs. But President Nixon has pledged that, in the long run, it will not be any more costly than the present system.

And we know what his pledges are worth. Consider the Food Stamp program, which President Nixon assured us would be kept within reason. We learn from *U.S. News & World Report* for March 25, 1974, that:

Almost unnoticed in a time of general prosperity, one rapidly expanding federal welfare program will soon be providing subsidies for 1 in every 14 Americans.

It's the food-stamp program, which offers, to needy people, stamps that can be used just like money in stores to buy food. Officials say no other Government welfare program has grown as fast over the past decade.

CRIME CLOCKS



As the "Liberal" Establishment has become ever more permissive crime has escalated accordingly. Official statistics indicate that reported crime is up 173 percent in the last decade. When estimates of unreported crime are included the rise is at least 348 percent. This year it is up again. Yet the permissiveness continues, with murderers and rapists being given furloughs from prison on which they commit still more crimes. Washington State, for instance, ran a "Take A Lifer To Dinner" campaign that enabled a killer who had tried to escape seventeen times to add another murder to his record. Little wonder that an inhabitant of one of our large cities has a greater chance of being murdered than an American soldier during World War II had of being killed in battle. In Chicago last year there were 405,841 reported crimes. Less than 7 percent of the criminals were ever indicted, and only 3 percent of those tried were jailed. "Liberal" permissiveness has reached such extremes that polls show 67 percent of our city dwellers are afraid to go out after dark despite the fact that local spending for law enforcement is up 700 percent since 1964. Now "Liberals" seek to use the crime crisis they created to justify federalizing our police.

Started in 1961 when about 50,000 people received stamps, the program has shown its most spectacular expansion since 1967.... By mid-1975, under the budget proposed by President Nixon, 15.8 million Americans will be receiving stamps valued at 7.2 billion dollars.

Few things are as exasperating as watching Welfare people in front of you at the supermarket check-out counter as they pay for food with federal Food Stamps and then pay separately with their own money for cigarettes, liquor, and wine. After all, we can't expect the "poor" to sacrifice such necessities of life as booze and tobacco. If we weren't so heartless, we would buy those for them too, so that they would have money left for caviar and trips to Europe.

More And More Bureaucrats

Another growth sector of our economy is the government bureaucracy. Professor Richard Rosenbloom of the Harvard Business School reports on the basis of data released by the U.S. Census Bureau that the number of local, state, and federal civilian employees has now reached the astonishing total of 13.6 million. At the present rate of expansion, there will be 16.7 million of these civilian bureaucrats by 1980. Every five or six of us who work for a living must now support one non-productive paper-pusher in the bureaucracy. In decaying New York City, there are two Welfare recipients and a government employee for every five workers in private enterprise.

While Germany and Japan have been keeping down the size of government employment and pumping their talent, resources, and money into industrial development, America has been increasing her bureaucracy by four hundred percent since 1950. With government "workers" multiplying at twice the rate of the population, the drain on our national productivity by 1980 may make it diffi-

cult for us to compete in world markets with Upper Volta. Jerry Wurf, president of the American Federation of State, County and Municipal Employees, understandably considers the outlook for his union to be "fantastic." In his words, "right now six out of every ten new jobs being created are jobs in government." Jobs, of course, for which you are paying the salaries.

Not only is the number of people on the government payrolls escalating rapidly, but the cost to the taxpayer is going up even faster. Local and state government cost us thirty billion dollars in 1962; ten years later that cost had zoomed to eighty-five billion dollars. At the federal level, the civilian work force declined slightly between 1968 and 1973, thanks solely to a twenty percent cut in the number of non-military personnel employed by the Defense Department. But in the same five-year period, because of rapidly rising pay scales, federal payroll costs went up forty-five percent and now exceed forty billion dollars a year.

Between 1962 and 1972 the average earnings of federal civilian employees increased eighty-eight percent. This is more than the sixty-six percent average pay boost in private industry during the same period, and far more than the thirty-eight percent rise in the cost of living. If you include the two pay increases that went into effect last year, the average federal paycheck has more than doubled since 1962. And, unlike employees of private companies, federal workers can retire on full pensions when as young as fifty-five. Also unlike the prevailing situation in private enterprise, their pensions are boosted periodically to offset the rise in living costs.

Government employees have become an elite among American workers. Average federal pay is \$9,900 annually for blue collar employees and \$13,200 for white collar workers. In both cases the figures are above the national average. Pensions, after forty years of service, are

eighty percent of the last three years' average pay. That's four or five times better than Social Security, despite the fact that payroll deductions are nearly the same.

The Nixon Administration's guideline for annual wage increases in the private sector has been 5.5 percent. But a U.S. Chamber of Commerce survey reports that all federal salaries rose 12.8 percent in 1973. Big salary increases for the Armed Forces and for postal workers drove up the percentage and might do so again.

Aside from cost, the U.S. Government is confronting the charge that its pay and pension policies are creating a bureaucracy able to afford a better life than the taxpayers who support it. Martin Lefkowitz of the U.S. Chamber of Commerce in Washington says that in the competition for good employees, federal wages drive up private wages and both drive up prices. Salaries and benefits for federal employees now use up fifty percent of all U.S. personal income taxes collected, and nearly a quarter of the government's operating Budget, which is \$269 billion this Fiscal Year — almost enough to purchase an economy car for every family in the United States.

The Federal Budget

Not surprisingly, the fantastic growth of Welfare and the bureaucracy has played havoc with the federal Budget. As Republican *Battle Line* for April 1974 announced: "THE BATTLE OF THE BUDGET is over. The budget won. President Nixon has unconditionally surrendered."

In November of 1972, in an interview with *Washington Star* reporter Garnett Horner, the President said the federal government was too big, too expensive, and needed thinning. In a national radio address in January of 1973, President Nixon put things even more succinctly, declaring: "It is time to get big government off your back and out of your

pocket." Approximately one year later, in presenting his Budget for Fiscal 1975, the President proposed loading an even bigger government on our backs and called for dipping into our pockets to the tune of \$304 billion — a sum equal to total federal spending from the founding of our Republic to the middle of World War II.

A year ago Mr. Nixon was deriding the government's tendency to try to solve problems by "throwing money at them." This year he is throwing dollars at every problem that moves. A year ago the Administration said the Budget for Fiscal 1975 would be \$288 billion. It turned out to be \$16.4 billion bigger than promised. As the *Wall Street Journal* observes: "The bureaucracy is growing again; programs on last year's chopping block are given new life; veto threats and spending lids are gone."

Remember Lyndon Johnson's \$179 billion Budget in 1967, at the height of the Vietnam War? While on the campaign trail, Richard Nixon called for Budget cuts of twenty billion dollars to save the economy from drowning in inflation. Now Mr. Nixon is spending a colossal \$145 billion more than he claimed Mr. Johnson should have been spending in the middle of a brutally expensive war. As *Battle Line* observes:

In sending to the Congress a better than \$300 billion budget for Fiscal 1975, the President has done the easy thing; he has caved in to the Big Spenders. He has taken a dive in the fight for fiscal responsibility. In so doing, Mr. Nixon has added to a rapidly growing list one more reason why conservatives are becoming increasingly disenchanted with him and his administration.

In fact, President Nixon had the "honor" in Fiscal 1970 of producing the first Budget to crash through the two-hundred-billion barrier. Now, just five

years later, he has sailed through three hundred billion dollars like Roger Bannister breaking the four-minute mile. This year's ripoff Budget is thirty-five billion dollars more than the one that shocked everybody last year.

At this rate, we will blast through four hundred billion dollars by Fiscal 1978.

It took over 170 years to reach a Budget level of one hundred billion dollars, and only twelve years to go from one hundred billion to three hundred billion dollars. The Budget used to increase by a billion or two every year; then it escalated to an increase of five billion dollars per year; then ten billion, twenty billion, and now thirty billion dollars a year. You can expect next year's Budget to be up fifty billion dollars, and seventy-five billion the year after. It's up, up, and away. As an angry Republican *Battle Line* notes of the new Nixon Budget:

Wherever one looks, the emphasis is on how much things have grown under President Nixon: consumer safety programs are getting more money; ditto Federal education programs; civil rights enforcement, Indians, public TV, urban public transportation, all are getting more, more, more. The amount being spent by the government in this area is more than during "the entire history of the Nation."

And on and on ad nauseam.

The President's entire stress is on input — how much has been spent by the government on various programs. He tells us absolutely nothing about output — what it is we have bought for these hundreds of billions of our tax dollars.

What, indeed! Although defense is the principal legitimate reason for government spending, the percentage of the Budget being spent to defend our country has under Richard Nixon fallen from forty-four percent to twenty-nine per-

cent. The other side of the coin is that non-defense spending has rocketed from fifty-six percent to seventy-one percent. Jonathan Spivak, writing in the *Wall Street Journal* for March 12, 1974, reports:

Despite five years of conservative rhetoric and efforts at retrenchment, the Republicans have succeeded in more than doubling the government's spending on social welfare.

HEW's new \$111 billion budget, a dimension undreamed of by Great Society Democrats, will consume more than one-third of all federal revenues and its potential for growth shows no signs of slackening. While Mr. Nixon still rails at the Washington welfare bureaucrats and seeks to end some of their endeavors, his major thrust in the domestic arena is unmistakable — more money for more government social uplift programs . . .

Last year, social welfare spending at all levels of government exceeded \$1,000 per capita (more than Senator McGovern promised in his presidential campaign).

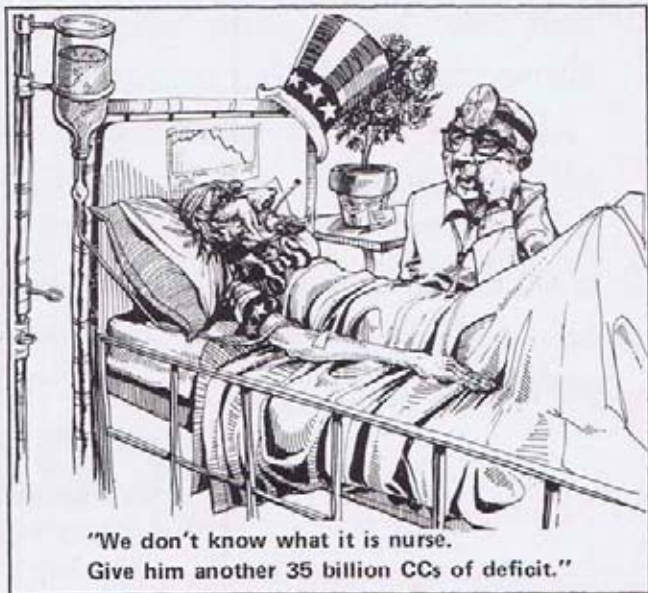
Well, non-workers of the world unite! Why work when you can vote yourself a living? And the middle-class taxpayer pays for all of this out of his own standard of living.

The number one rationalization for ever-escalating Budgets is that they are now largely "uncontrollable." In "Budget In Brief" for the 1975 Fiscal Year it is reported that the so-called uncontrollables comprise about seventy-five percent of the proposed non-defense outlays. In his State of the Union message, the President said that nearly ninety percent of the \$29.7 billion increase he was proposing over Fiscal 1974 was "unavoidable under existing law." This is because new spending appropriations are passed

Inflation (literally inflation of the money supply) is caused by government expansion of the supply of money and credit to cover its deficits. This is done by increasing the National Debt. The more the deficit spending the greater the inflation as printing-press money bids up the price of everything we buy and lowers the purchasing power of money already in circulation. It is elementary economics that only government can cause inflation. And it can cause it only by increasing the National Debt to pump fiat deficit money into the economy. In late May the Congress had a chance to stop inflation cold by refusing to increase the ceiling on the National Debt. Had enough Congressmen voted to do this, President Nixon would have had to stop spending deficit dollars. The vote was: Conservatives against inflation, 190; "Liberals" for inflation, 190. Democrat Speaker of the House Carl Albert cast the deciding vote with the "Liberals," and so the inflation is continuing. But there is reason to be hopeful. With just a few more Conservatives elected to Congress this fall, the Debt ceiling can be frozen and inflation stopped. Meanwhile it will grow. Between July 1973 and March 1974 inflation drove the cost of living up by 12.3 percent. In the first quarter of 1974 the rate was up to 14 percent. This is so because President Nixon has boosted the National Debt by more than \$100 billion from \$368 billion to where it is now pressing \$495 billion. The interest on a \$495 billion Debt will cost us \$30.5 billion this year, or three times what it was only a decade ago. Yet Mr. Nixon's new Budget calls for an additional inflationary deficit next year that could run as high as \$40 billion in real figures. Inflation will not stop until there are enough Conservatives in Congress to stop it by refusing to approve deficit spending.



"My economic advisors assure me that we have inflation under control."



"We don't know what it is nurse. Give him another 35 billion CCs of deficit."

Donald Wood

Donald Wood

by Congress with built-in escalator clauses for future spending. For example, Federal Canine Care may only cost a billion dollars the first year, but be authorized to jump to four billion dollars the second and twelve billion dollars the third. Then the President who signed the bill can in future years sigh and tell the American people that increased government spending is "unavoidable under existing law."

In a study of the growth of so-called "uncontrollable" federal expenditures, Nancy Teeters, a senior specialist in Budget economics at the Library of Congress, says "although these programs are called uncontrollable, all programs are controllable if legislation to change their nature is enacted." In other words, if any President really wants to control the "uncontrollables," he must introduce legislation to repeal escalator features of laws passed by previous Congresses. This is the only way that government spending can ever be reduced. As long as the public can be led to believe that it is impossible to stop increases in spending because they are "uncontrollable," federal spending will continue to soar like a helium-filled balloon.

Needless to say, Mr. Nixon has made no attempt to control the uncontrollables. They have provided the excuse he needs to try to explain away the \$112 billion he has added to federal spending since his first Budget.

Our political masters operate under the theory that a nation can tax its citizens heavily and endlessly just so long as the people will believe they are getting something for nothing. That something for nothing has become very costly indeed. The U.S. Chamber of Commerce recently installed a spending clock that registers current federal expenditures at ten thousand dollars for each 1.5 seconds, and one million dollars for each two minutes and six seconds. In order to fund this spendathon, the average worker must each day spend two hours and thirty-nine minutes as a *de facto* slave to the govern-

ment. By comparison, Americans work sixty-one minutes each day to pay for food and beverages, and one hour and twenty-four minutes to pay for housing and household operation. A mere twenty-five minutes of each workday pays for clothing, thirty-eight minutes for transportation, twenty-three minutes for medical care, and nineteen minutes for recreation. For all other needs he works a total of one hour and twelve minutes.

Americans spend more time working to pay their taxes than for anything else. Mr. Average American Worker toils from January first through May first just to pay for that "something for nothing."

The federal con men get by with much of this because a Budget figure as high as \$305 billion is so enormous that it is almost meaningless to most people. But if you divide 200 million people into \$305 billion, you arrive at a per capita federal spending of \$1,520. If you are a typical family of five, your cost of "something for nothing" is \$7,600. That \$1,520 is up from \$940 in the last L.B.J. Budget. Which means that the cost of Nixonomics has been \$580 per person, or \$2,900 per year for the family of five. It is certainly wonderful to have a "Conservative" Republican in the White House, isn't it?

Of course, most of these taxes are indirect and hidden taxes structured into the price of everything we buy. There are, for instance, 151 taxes on a loaf of bread; 100 taxes on an egg; 116 taxes on a man's suit; 150 taxes on a woman's hat; 600 taxes on a house; 87 taxes on a quart of milk; 114 taxes on hamburger; 126 taxes on a pair of shoes; 148 taxes on a pair of overalls; and, 191 taxes on a fence. And these taxes accumulate in costs like compound interest, with each additional tax added to each preceding tax.

What the government taxes it spends (and then some). Total federal, state, and local spending now exceeds four hundred billion dollars. That is about two thousand dollars for every man, woman, and child or about ten thousand dollars for a

family of five. Today's taxes are almost equal to our total national income as recently as 1960. When the first income tax law was passed in 1913, according to the Foundation for Economic Education, total government expenditures equaled nine percent of earned income. Today government expenditures amount to forty-three percent of earned income. And the percentage continues to grow each year. As the *Los Angeles Times* reported on April 4, 1974: "Real, spendable, after-tax weekly earnings of the average worker are running 4.5% below a year ago, according to government figures. Families with incomes of \$13,000 or less are the big casualties."

In other words, the standard of living for the average working American is going down while his taxes are going up. And, as usual, it is we of the middle class who are the victims. We are being hit with a combination of the progressive income tax and purposely created inflation. As Walter H. Campbell, consulting editor of *Industry Week*, has explained in an article entitled "Fewer Poor Before Tax; More After":

Federal income, most state income, and estate taxes have "progressive" rate schedules. As the dollar amounts to be taxed increase, higher and higher rates of tax apply.

Example: The worker with a \$5,000 taxable income pays \$810 in federal income taxes, or about 16 percent. When inflation doubles that taxable income, his tax moves up to \$1,820, or more than 18 percent. When it doubles again, his tax jumps to \$4,380, or about 22 percent.

The barely comfortable are pushed up into tax brackets intended for the affluent. The affluent, if their incomes keep pace with inflation, are shoved into brackets intended for the very rich.

The result: We have fewer poor before taxes; and more poor after taxes.

Inflation taxes a bigger bite in practically all of the taxes we pay. The housewife is acutely aware of the bigger sales tax she pays as prices rise. Real property is reassessed and requires a heavier tax. So does personal property. That rampaging tax increase does not show up in your cost-of-living index because the Consumer Price Index blithely ignores direct taxes.

The Inflation Tax

As oppressive as taxation has become, the federal government still manages to spend significantly more money than it bleeds from the taxpayers. During the first five years of the Nixon Administration the National Debt rose from \$368 billion to \$466.5 billion, or nearly \$100 billion. On May 23, 1974, Congress raised the rubber ceiling on the Debt to \$495 billion to allow Mr. Nixon to run up a huge deficit again this year.* According to the *Wall Street Journal*: "The administration had sought a debt ceiling of \$505 billion through June 30, 1975. And by the administration's estimates, it may have to come back sooner than next March to seek another boost."

The new Budget shows a "planned" deficit of \$9.4 billion, but the figure is misleading. That estimate includes as income the Social Security and other trust funds, which are earmarked funds and should not be considered as available for general operations. These trust funds now carry a surplus of more than eight billion dollars, so the Nixon deficit this year will amount to nearly eighteen billion dollars

*The interest alone on the National Debt is appalling. A \$495.2 billion Debt will cost the American taxpayers \$30.5 billion in interest payments during the next Fiscal Year. That's about triple what it was just ten years ago. The interest paid for the last two years is actually more than the entire U.S. Budget for 1941.

by the Administration's own estimate.

The actual deficit will probably run between thirty billion and forty billion dollars. One reason is the Administration's phony projection of an increase of sixteen billion dollars in individual and corporate income-tax revenues. Given a recession that estimate is much too high. Deputy Budget Director Frederic Malek has already announced: "The President will not tolerate a recession. If it means busting the budget, he will bust the budget to keep people from losing their jobs." So that deficit is going to get bigger and bigger.

Unfortunately, the only way to control the runaway inflation that is destroying our economy is for President Nixon to reduce spending and balance the Budget. He not only refuses to do so, he covers what he is doing with dishonest rhetoric. He is seeking to confuse the people, and he is succeeding.

Polls show that, surpassing even crime, inflation is now the Number One concern of a majority of Americans. The mass media and the politicians help President Nixon to cover his crime by using the term *inflation* as a synonym for the rising cost of living. Walter Cronkite will tell you that *inflation* was two percent last month because food, clothing, and steel went up in price. The public responds as planned by getting angry at those who produce food, clothing, and steel. This is a fraud and a hoax. Though related, the cost of living index and inflation are two different things.

Who says so? Every honest economist says so, and so does your dictionary. *Webster's New World Dictionary*, for example, defines inflation as "an increase in the amount of currency in circulation, resulting in a relatively sharp and sudden fall in its value and rise in prices: it may be caused by an increase in the volume of paper money issued or of gold mined."

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

and Cronkites would tell the truth. But their hoax serves their commitment to ever-bigger government. The government inflates the money supply to meet its deficits, and that bids up prices and causes the cost of living to rise. Food, clothing, and steel go up because the value of the currency goes down. The producers are not to blame, as the Cronkites and Nixonites would have us believe, they are among the *victims* of the government's legalized counterfeiting. They can't print new money. Only the government does that. And it then pumps it out through the Federal Reserve System.

The government inflates (increases) the paper money supply in two ways. One is increasing the amount of credit made available to commercial banks, and the second is through a process where deficit spending (Debt) is paid through the issuance of new money. In other words, President Nixon's one hundred billion dollars in deficits have created one hundred billion dollars in new money which did not exist before and which has bid up the price of everything you buy.

Writing in *Dividing The Wealth* about the effects of this increase in currency, economist Howard Kershner observes: "When government adds to the supply of money, causing prices to rise, it is in reality confiscating a part of the wealth of its thrifty citizens. Those who have bank accounts, mortgages, bonds, life insurance, annuities or pensions lose a part of the results of their thrift."

That one hundred billion dollars in new money which the Nixon gang has sluiced into the economy took on value only by subtracting from the value of all the other money already in circulation. You can see why the politicians look for scapegoats for the consequences of their flooding of the economy with funny money. The thirty to forty billion dollars which the 1975 Budget is likely to run in the red will gradually be turned into new money which will also compete for goods

and services. The "Liberal" media and the politicians have tried to cover for what is happening by creating a "guilt triangle" pitting business, labor, and private consumers against one another in a donnybrook over which is to blame for "inflation." It is all absurd because none of these three groups has the ability to inflate the money supply. Only government can do it, and government is *increasing* rather than decreasing the deficit spending which really causes inflation.

Of course, the inflation of our money supply is not a new phenomenon. What is new is the rate at which our money is being despoiled. In 1900 there were eighty-seven dollars per person in circulation. When the Federal Reserve Act was passed the per capita money supply was \$148 per person. By 1932 it was up to \$365. By next year the money supply will be \$3,500 per person. It will have *doubled* during the Nixon era. The American Institute for Economic Research tells us that such inflationary policies have during the past forty years resulted in the embezzlement (the Institute's word) of nearly one trillion dollars of the purchasing power of the American people. This is the Institute's measure of the depreciation in value of the people's savings.

What does all this mean as far as prices are concerned? Translated into price comparisons, the popular "Big Mac" hamburger which is today priced at sixty-five cents would have sold for eight cents in 1900. Projecting the money supply to 1985, on the basis of expected credit demands, the corresponding price would be more than two dollars. A fifty thousand dollar house today would have sold for six thousand dollars or less in 1900. The price of the house in twenty years will be \$150,000 to \$200,000 or more.

The deluge is already upon us. From July 1973 to March 1974, the cost of living mushroomed by 12.3 percent. In the first quarter of 1974, the rate was fourteen percent. This is a rise in prices abso-

lutely unheard of in our country during peacetime. Projected over any period of time at all it will destroy our economy.

And what is the Nixon Administration doing to stop it? For years this Administration has been telling Americans that the worst of *inflation* (by which it means the rising cost of living) is nearly over. Everything will be just peachy the day after tomorrow. But *mañana* never comes. The Nixon gang used to proclaim that "inflation" would soon be down to an *acceptable* four percent. Now they are talking about slowing the rise in the cost of living to an "acceptable" six or seven percent!

In the background you can hear somebody strumming the melody to "Brazil." That somebody is Arthur Burns, Chairman of the Federal Reserve Board. Burns has spoken of the probability of "two digit" inflation. That means a rise in the cost of living compounding at ten percent or higher per year. He also told the House Banking Committee: "If we go the Latin American way, which is the way we seem to be going, then we will have interest rates on Latin American standards, that is, substantially higher."

What is the Latin American way? Leonard Greenwood describes it for us in the *Los Angeles Times* of May 21, 1974:

"Brazil has suffered from inflation most of this century. Early in the 1960s it reached almost 100% a year and it was one of the factors that caused the military to take power in 1964. Since then tough monetary policies have brought inflation down each year and fiscal devices such as annual salary increases and monetary correction on savings and investments have helped Brazilians to live with rising prices.

"This year, with the sudden upswing and the dwindling purchasing power being felt acutely by the lower and middle classes, some of the old fears are coming back. To stem a panic, President Ernesto Geisel, in office only two months, announced stern measures to combat infla-

tion and the new finance minister, Mario Henrique Somonsen, says the worst period is over and things are being brought under control.

"The government now says it hopes to limit inflation this year to between 20 and 24%, but few people believe this target will be achieved. Most economic observers feel Brazil will be lucky to peg it at 35% and that it might go to 40%.

"In the last months of President Emilio Garrastazu Medici's government, prices were artificially controlled for political purposes. Medici had promised to keep inflation down to 12%. As the year went on it became obvious this was unrealistic, but in a vain attempt to meet the target the prices that producers, wholesalers and retailers were allowed to charge were rigidly controlled.

"The immediate result was a series of shortages as producers stockpiled to get better prices later, or the production of some items was stopped when they could not be made at the controlled price.

"This caused food shortages that have still not been solved. Long lines formed at supermarkets to wait for meat, beans, onions and cooking oil. Vegetable oil is such an essential part of every Brazilian's diet there were fights between women at some stores when stocks ran out . . ."

Does the tune sound familiar?

The skyrocketing cost of living is already causing major dislocations in our economy. Prices are outrunning wages. Homeowners are going delinquent on their payments at a record rate. Bankruptcies are mushrooming. Businessmen are reluctant to enter into long-term contracts. Building costs are exploding so rapidly that soon the average man will not be able to afford to buy a new home. And, if he can, he may not be able to get a loan because more people are taking money out of savings and loan institutions than are putting money into them. The Federal Reserve has hiked interest rates to an all-time high to try to discour-

age borrowing at the same time the Executive Branch has introduced an "expansionary" Budget with a huge inflationary deficit. The elderly and those on fixed incomes are almost literally being decimated by the rampant "inflation." Increased dollar wages, worth ever less, shove people into higher and higher tax brackets. The Dow Jones has a bad case of the blahs. And the first quarter of 1974 showed a *six percent drop* in real output.

Alas, the economy is very sick indeed.

Can anything be done? Certainly something can be done. Government could quit spending inflationary deficit dollars to subsidize business, farmers, labor, and the indolent. The Budget could be slashed and balanced. Agencies like O.S.H.A. and other oppressive bureaucracies harassing and stagnating business could be abolished. Taxes could be cut. Featherbedding could be eliminated. But is the public grown up enough to take the news that there is no Santa Claus? Maybe not. Those things which make sense economically are believed to be political suicide. Almost everyone thinks the other guy should quit mooching from the government, but that his own case is different. He is a businessman who *needs* government contracts. Or a farmer who *has to have* a subsidy. Or a member of a union who *must* have a closed shop. Or a government employee who *needs* to keep his job. Or a mother of three illegitimate children who *must* have Welfare. Or a retired person who *needs* medical care.

You get the picture. The conspirators of collectivism have been clever. They have hooked almost every segment of our economy on some form of "something for nothing." As a result we now live in a pickpocket society where everybody is trying to steal more money from the fellow in front of him than is being stolen from him by the fellow behind him. Like any gambling game, the only real winner is "the house" — in this case, the bureaucracy and those conspiring to reduce our country to an easily managed tyranny.

"The house" always gets its percentage.

Well, if the government is not going to do what it should do, what *will* it do? We have already been told. Richard Nixon is going to "bust the budget." We are going to have more of the hair of the dog. Socialism caused the problem and we will have more Socialism prescribed as the cure. Socialism, as such sound economists as Professor Ludwig von Mises told us for years, always breeds more Socialism. One of the consequences of inflation is increased radicalism. Demagoguery abounds. Scoundrels call for more handcuffing of business and more stringent tax measures to "soak the rich." They demand more Big Government solutions to the problems which Big Government created.

And that brings us to Watergate.

Great Expectations

This has been the year of Watergate. We won't bother to drag you through a replay. If you are like us you are sick of hearing about it. But the long-run implications of Watergate are enormously important. Watergate can either seal the doom of the Republic or open the door to the recovery of freedom in America. It all depends on whether the Left or the Right is most successful in directing the public reaction.

The short-term consequences of Watergate could be bleak for Americanists, but the long-run results will be very bright if we can muster enough of what it takes to make sure there *is* a long run.

Whether or not Richard Nixon survives means little to Conservatives. Republicans in the Executive Branch of the government have for years stood with the "Liberal" internationalists while those in Congress have been in the main Conservative. But if Conservatives don't make a major effort this fall a lot of excellent Congressmen will be washed away in the Watergate tide simply because they are Republicans. It would be a bitter irony if the most significant "contribution" of the eight years of Richard Nixon were to

be the destruction of the Republican Party.

The danger is that if "Liberal" Democrats sweep the fall elections giving George Meany the veto-proof "Liberal" Congress for which he is calling *and spending*, we will see a tide of socialistic legislation during the next two years which will rival the early days of the New Deal. More Democratic Socialism will be piled on top of six years of Nixon Socialism. Big Brother will grow ever bigger.

But there is great opportunity in all of this.

We Conservatives have for years been trying to tell the American people that politicians and bureaucrats, when given the opportunity, will abuse their power. It is not our message, of course, but the message of the Founding Fathers. That is why we were given a limited government with a system of checks and balances written into our Constitution. But the "Liberals" have for many years been beating the drums for a "strong" Executive Branch which could "get things done." Presumably they didn't mean things like using federal authority to obtain campaign bribes and to bug and harass political opponents. But now, for the first time, a lot of people are waking up to the potential tyranny of "Big Brother."

For decades Americans have operated on false assumptions and dangerous delusions that have their roots in what Henry Mencken described as "a sort of superstitious reverence for government" and the men elected to run it. Watergate brought with it the greatest disillusionment with politicians since the Teapot Dome scandal of the Harding Administration. Mencken's observations at the time are still applicable today:

For if experience teaches us anything at all, it teaches us this: That a good politician, under democracy, is quite as unthinkable as

an honest burglar. His very existence, indeed, is a standing subversion of the public good in every rational sense. He is not one who serves the common weal; he is simply one who preys upon the commonwealth.

It is in the interest of all the rest of us to hold down his powers to an irreducible minimum and reduce his compensation to nothing; it is to his interest to augment his powers at all hazards, to make his compensations all the traffic will bear.

To argue that these aims are identical is to argue palatable nonsense.

The headlines on a new Gallup poll tell us almost all we need to know about the political impact of Watergate: "GOP Hits Low," it says, adding: "Conservatives Reach New High." That, in a nutshell, is the story. While the proportion of Conservative sentiment continues to rise in the nation, the percentage of the electorate that identifies itself with the Republican Party is shrinking like an unsanforized shirt. According to Gallup's figures, the number of respondents who call themselves "Conservatives" has risen to thirty-eight percent, while those who describe themselves as "Liberals" has fallen to twenty-six percent, with the remainder undecided. "The proportion classifying themselves as conservatives," the pollster notes, "is the highest recorded since this question was first asked"

The fortunes of the Grand Old Party meanwhile have been heading in the opposite direction. Gallup observes that the number of his respondents who view themselves as members of the Republican Party has fallen to twenty-four percent, the lowest such tally since 1940. By way of comparison, the Democrats emerge with forty-two percent, while another thirty-four percent declare themselves to be independents. There are ten percent more independents than there are Repub-

licans! Stanton Evans, editor of the *Indianapolis News*, comments on the Gallup findings:

Five years of Republican leadership in the White House have given us a \$300 billion annual budget, continued federal deficits, soaring inflation, unworkable controls and shortages, continued agitation by radical elements within the executive, and a strategy of "détente" in foreign affairs which is hardly distinguishable from that of John F. Kennedy or Lyndon Johnson.

That conservatives should have trouble identifying with the GOP is not, therefore, surprising

. . . in the dismal ratings racked up by the GOP, we can see how unpragmatic such pragmatism really is.

A recent survey of public opinion conducted by Louis Harris and Associates for the Senate Subcommittee on Intergovernmental Relations has produced some important facts on this theme. One is that the American people are not only disillusioned with the current Administration and its machinations over Watergate and related events, but that most Americans distrust government itself. As columnist Allan Brownfeld notes: "If the poll is correct, the majority of Americans believe that government programs have made their lives worse, and not better." A clear majority of those surveyed indicated "there is something deeply wrong" in the country. Among those things the people believe to be wrong, according to the study, were that politicians were greedy and corrupt, that there was too much secrecy in government and that "wire-tapping and spying under the excuse of national security" were a threat to personal privacy.

The percentage of Americans who showed "a great deal of confidence" in the Executive Branch dropped from

forty-one percent in 1966, to twenty-seven percent in 1972, to nineteen percent last September. Now, *there* is real progress. The disenchantment cut across a number of statistical lines, with high proportions of persons in every income level and in every section of the country evidencing the same feelings.

Asked what they thought were the two or three biggest problems facing the country, seventy-two percent listed what the survey called "the traditional worry over economic problems." In second place, with forty-three percent calling it a problem, was "integrity in government." Only five percent had cited government integrity in answer to the same question in 1972. Asked whether life had improved or deteriorated during the previous ten years — the decade with the most government involvement in the economy and other aspects of American life — forty-five percent expressed the view that the quality of life had deteriorated.

The American people believe that Big Government is no longer responsive to them and to their wishes. Louis Harris noted that, "... the main thrust of the people's disaffection can be traced to a growing sense of powerlessness, to a deep feeling that those with power seek to abridge, deny, and even strip away the ultimate power of the governed. This felt tyranny of erosion of the people's power and freedom has not been viewed as a

sudden development, is not limited to one act or one leader or one period in recent history. It has been taking place for several years, and its very duration escalates a serious condition into a full-blown crisis of confidence."

Pollster Harris found that only twenty-four percent of those polled believe that government officials place "the good of the country above special interests," only thirty-four percent believe that "public officials are dedicated to helping the country," and only thirteen percent believe that "corruption and payoffs never take place."

The Harris poll indicates that most Americans are coming to the conclusion Murray Rothbard expressed in his book *For A New Liberty*: "We have the police to protect us from the criminals, but whom do we have to protect us from the government?"

Politicians who believe that the path to electoral success this fall is to promise voters more and more Big Government will find, if Louis Harris is correct, that they are fatally mistaken. Good politics, good government, and what is best for a free society, seem at last to be joining hands. Conservatives should as good citizens take advantage of this tremendous opportunity to combine educational and political activity now, during the present Congressional campaign, while the nation is listening. ■ ■

CRACKER BARREL

- The strength of a nation lies in the character of its people.
- It is easier to understand human nature if one bears in mind the fact that almost everybody thinks he is an exception to most rules.
- True humility, says a man of great wisdom, is not the boast that you don't know anything, but the simple admission that you do know only some things.
- It has been said that a man is known by the company he keeps. But, if a good man keeps company with a bad man, is the good man bad because he keeps company with the bad man, or is the bad man good because he keeps company with the good man?
- It is sheer madness, said the poet Juvenal, to live in want in order to be wealthy when you die.
- One wit has said that automation will not be really complete until the machine that makes the product also makes the money to buy it.
- It is statistically true that in the nearly two hundred years of her dynamic, adventurous life, America has made more progress than all the other nations have made in 6,000 years.