AMERICA, 1975

Attack On The American Dream

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; Richard Nixon: The Man Behind The Mask; *and* None Dare Call It Conspiracy. *He is now finishing a new book for Concord Press to be entitled* The Rockefeller File. *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.

■ It was one of those years that would send a man home from the office to take three aspirin and go to bed. Inflation, recession, unemployment, exploding crime, a President and Vice President resigning in disgrace, a lost war in Vietnam, record divorces, record abortions, record Debt, record bankruptcies. Pass the bicarbonate. Pass the Hadacol. Pass the hat.

THE UNITED STATES

Area: 3,617,204 square miles; Population: 208,101,136; Capital: Washington, D.C.; Per Capita Income: $5,000; Head of State and Government: President Gerald R. Ford.

A recent survey conducted by William Watts and Lloyd Free, published as *State Of The Nation — 1974*, has confirmed that Americans are now "exceedingly pessimistic" about the future of their country. This, the authors noted, is a far cry from a decade ago when most thought that America was headed down the yellow brick road to Emerald City. As *U.S. News & World Report* puts it, Middle-Class Americans have been convinced that "the Great American Dream isn't fun anymore."

The problem is government — Big Daddy, Big Mommy, and Big Brother. The conspirators running Big Government have combined with (and fostered) big business, big labor, and big education. All around us the world is being collectivized by forces, and for reasons, that Middle Americans do not understand. Such Americans, unaware that they are targets of a conspiracy, wonder why they are subjected to constant controls while criminals are set free to do as they choose.

Much of the burgeoning crime problem is caused by the conspirators behind Big Government. They have used the courts to protect every criminal and subversive force imaginable. The latest figures show that crime jumped seventeen percent last year — the biggest leap in fourteen years — and that it was climbing at a rate of nineteen percent in the last three months of 1974. Between 1960 and 1973, the number of serious crimes reported to the F.B.I. increased 158 percent to a one-year's total of 8.6 million. Murder jumped 116 percent. Forcible rape went up 199 percent. Robbery more than tripled — up 256 percent. Auto theft rose 183 percent. Crimes of violence increased 204 percent.

The past twelve months have not

only been a banner year for muggers, but they have also been a record year for murderers. Statistician A. Joan Klebba reports that an estimated 20,518 persons were murdered last year in the United States, a rate of 9.3

Chief Edward Davis of Los Angeles says people now need guns.

deaths per hundred thousand population. And things are likely to get worse. Professor Joseph Ferreira advised a three-man M.I.T. research team that "Unless in America we wake up to the increase in murders, we face the grim prospect of realizing that 2-to-4 percent of the babies born in major cities this year will become homicide victims as they grow up." The murder rate is higher in the streets than on television.

The Conservative answer to skyrocketing crime is quick and certain law enforcement; the "Liberal" answer is gun control. But so serious is the crime problem, and so "Liberal" are our courts, that Los Angeles Police Chief Edward M. Davis has warned that Americans must now *protect themselves with guns*. According to Chief Davis: "I can tell you that today's law enforcement cannot protect you. So if law-enforcement agencies can't insure your protection from hoodlums, it becomes your responsibility."

Chief Davis cited New York City as proof that gun-control laws don't work. "Tim Sullivan gave New York one of the strictest gun laws in this country and it has done little to help New York," the chief said. "Criminals still use guns in New York. A professional criminal . . . doesn't give a damn about society's rules. He has his own rules. So gun laws like those in New York restrict the law-abiding citizen and not the criminal."

The forward-looking Chief Davis is aware of how the game is being played, having labeled politicians seeking control of the people's guns as "would-be tyrants."

What then is the answer? The chief submits: "If we really want to reduce gun-related crimes, all we have to do is require judges to impose an additional penalty on those individuals using guns during crimes. This has a dramatic deterrent effect on other gun-carrying criminals."

Chief Davis knows very well that the problem is largely in the courts, where "Liberal" judges have made crime pay. Of all crimes committed in the United States, 98.5 percent now go unpunished. According to *U.S. News & World Report* for December 16, 1974:

> *Official records show that almost two-thirds of all crimes in this country are committed by "repeaters" — people with records of previous arrests. Up to 35 percent of all persons awaiting trial are likely to be arrested for a second offense while out on bail. Many defendants have three or more charges pending against them at the time of their arrest. One man in Washington, D.C., was arrested 57 times in five years before he was convicted. Such people are becoming known to law-enforcement officials as "career criminals" — hardened offenders to whom crime has become a way of life.*

While crime pays better than ever if you are a criminal, it is very costly for all of the rest of us. The total economic impact of crime is now nearly ninety billion dollars each year. According to the Commerce Department, the nation's businesses, alone, will lose $20.3 billion this year to crime. That cost must be borne by consumers, and its annual average is $137 per American adult. But one never hears Ralph Nader mention it.

"Liberals" deny that their own permissiveness is responsible and tell us that people commit crimes because they are hungry. Which hardly explains the fact that rape is up nearly two hundred percent and that destructive vandalism now costs us nearly a billion dollars a year. According to an Associated Press report on April 10, 1975:

> *A Senate subcommittee estimated Wednesday that 70,000 U.S. teachers are victims of serious physical assaults each year and that school vandalism now costs about a half-billion dollars a year. The report said the vandalism cost equals the total amount spent on textbooks in every school in the country in 1972. It called the estimated $500-million vandalism total "staggering," but a very conservative measure of the total loss to school districts which are paying vastly increased costs for security forces and insurance premiums. It noted one study estimates the cost of replacing broken windows in schools of an average big city would build a new school every year.*
>
> *The survey said between 1970 and 1973 assaults on teachers increased 77.4 percent; assaults on students increased 85.3 percent; robberies of students and teachers increased 36.7 percent; rapes and attempted rapes increased 40.1 percent; homicides in schools increased 18.1 percent; and the numbers of weapons confiscated from students by school personnel increased 54.4 percent.*

The Great American Dream is being carved up with a switchblade knife. But this is still a free country. If by chance your child is missing out on all of this extra-curricular education, you can always form a committee of local "Liberals" and arrange to bus her to the problem.

Another traditional promise of the Great American Dream has been the chance to get ahead economically. And that dream has repeatedly come true for millions of American families. But now, thanks to the conspirators in Washington, the dream is being distorted into something out of a Kafka novel. For the first time since the Great Depression, affluence in America is actually shrinking. You see, said the *Los Angeles Times* of January 3, 1975: "The current recession is part of an economic change which already has forced down living standards of America's middle class." There are a number of barometers measuring this decline. One is a drop in productivity. The Associated Press reported February 28, 1975:

> *Productivity in the American economy dropped sharply again in the fourth quarter of 1974, as labor costs continued to rise, the Labor Department reported Monday. The department said output of goods and services fell at an annual rate of 10.1% over the past three months . . . .*
>
> *The result was that output per man-hour-of-productivity declined at an annual rate of 5.1%, the second sharpest decline since productivity statistics were first compiled in 1947 . . . .*

> *Compensation per man-hour was up 8.7% and unit labor costs rose 11.6% over the year, while real compensation declined 2.1%* [due to the rising cost of living].

In other words, as collectivism has escalated, the cost of everything is going up while output and productivity are sinking. The quality of production is also deteriorating. Carelessness and/or sabotage on Detroit production lines has made an expensive commonplace of callbacks on new cars. Appliance manufacturers are suffering the same problem. The worker efficiency which made American products renowned around the world is giving way to a slipshod fumbling, stimulated by arrogant labor unions and bureaucratic dictates requiring that employees be hired by racial or sexual classification rather than on their qualifications for doing the job. Employees can seldom be fired for laziness or incompetence. And all this is reflected in escalating costs, lower productivity, and inferior quality.

Which is why real incomes, adjusted for the increased cost of living, were down two percent last year. Personal savings slipped four percent, forcing us to dig into our piggy banks to meet current bills. Since the piggy banks were not sufficiently full, families went seven percent more deeply into debt. Total family assets were reduced by twelve percent over the year. Financial catastrophe is already here for many families. During the past twelve months, 245,000 Americans publicly admitted they couldn't pay their bills and filed for bankruptcy. The figure reflects a one-third increase in just one year.

Yet another cornerstone of the once-fabled Great American Dream has been the ownership of one's own home. The statistics on the decline are provided by *U.S. News* as follows:

> *For more and more middle-class families, the goal of owning a new home seems to be getting out of reach . . . .*
>
> *The typical new house today costs nearly $38,600. That compares with $27,900 in 1969 — a jump of nearly 40 percent. In many areas of the country, particularly major cities or in nearby suburbs, increases are even bigger . . . .*
>
> *You find the same pattern when it comes to financing a house. A rate of 9 or 10 percent is common on new mortgages around the country — when mortgage money is available at all. Gone are the 7 percent mortgages — gone for the foreseeable future, many say.*
>
> *Property taxes, over the past five years, have gone up a third. Property-insurance premiums, which have increased by only 14 percent since 1969, now are poised for a rapid run-up.*
>
> *Result: Monthly costs on today's $38,600 house — after a down payment of $8,000 — run on the average to about $350, covering mortgage payments, taxes and insurance. That is 67 percent more than the $210 a month it cost to carry the typical house built in 1969.*

Not only are people going broke at a record rate, banks are failing in numbers not experienced since the Great Depression. A dozen large banks around the world failed last year, including three in the United States: The U.S. National Bank of San Diego, Franklin National Bank, and the American Bank and Trust Company. (They were finally saved by mergers sponsored by the Federal Reserve.) David Rockefeller of the superpowerful Chase Manhattan Bank has revealed: "The situation is uncertain enough so that one shouldn't discard the possibility of a panic." *Business Week* agrees, noting: "The Fed is worried about the health of the U.S. banking system — and for good reason. Taken as a whole, the system is in more trouble today than at any time since the 1930s, with a distressing number of banks over-loaned, over-borrowed, over-diversified, and undercapitalized."

Money men are now beginning to discuss the domino theory of bank failure. A partial explanation is provided in *U.S. News & World Report* for September 9, 1974:

> *. . . on an unheard-of scale, large banks have met business-loan commitments not with deposited funds but with cash borrowed from smaller banks and the Euro-dollar market . . . .*
>
> *Many large, aggressive banks actually have more money out on loan than they have on deposit. How can they manage that? By borrowing. An example shows up in the official figures on Chicago banks. On August 7, the borrowings of these banks from other banks and from abroad came to 7 billion dollars. With less than 25 billion on deposit, they had managed to pile up nearly 26 billion in loans to their clients.*
>
> *. . . A worrisome factor is that so much of the borrowing by banks to meet their commitments is for very short spans, often just hours. If, for any reason, suppliers of these funds refused to renew loans, serious trouble could ensue — and spread.*
>
> *Moreover, bank deposits, too, may be highly volatile, involving large amounts of big certificates of deposit running for 30 to 90 days. These deposits might not be renewed automatically if banks run into trouble.*

Which explains why the rumor of a bank in trouble in Transylvania can send shivers up the spine of the banking community in America. Eurodollars (American money in Europe because of our aid-fueled adverse balance of payments) could come back to haunt the American economy in ways few have ever considered. And there are other problems which might fell the banking dominoes.

David Rockefeller openly anticipates a financial panic.

For many years the Federal Reserve has sought to "stimulate" the economy through inflation of the money supply and artificially low interest rates. In other words, borrowers were encouraged to make large loans, some of which were unsound and could only be sustained by more inflation. Economists call this procedure *malinvestment*. Now that the economy has been choked into recession, many of these loans have become very shaky, threatening the lender banks. James E. Smith, the U.S. Comptroller of the Currency, now reportedly holds a "Problem Bank Meeting" every Monday. Smith keeps a list of national banks with an unusually large share of "shaky" loans. These are now said to number around one hundred and ten.

Most Middle-Class Americans are not too concerned about the state of the banking system because their savings accounts are, as the man says on the TV commercials, "insured up to forty thousand dollars by an instrumentality of the federal government." No one is very smug about that who knows what a pittance is actually backing that "insurance" scheme. In 1974, the ratio of reserves to deposits insured by the Federal Deposit Insurance Corporation amounted to 1.2 percent. This was when the government insured accounts up to twenty thousand dollars. As of November 27, 1974, that figure was doubled — putting the ratio of reserves to deposits in an even more precarious position. If the Grange Bank of Keokuk runs into trouble, the F.D.I.C. can bail out the savers. But if even a few large banks or savings and loan associations were to tumble, the F.D.I.C. would be bankrupt.

When readers of daily newspapers write to the financial columnists about the safety of their savings being held in financial institutions, they are inevitably comforted by the reply. After all, no newspaper wants to trigger a panic, and those financial institutions buy a lot of advertising space. The inquirer is tranquilized by being told that if the F.D.I.C.'s reserves were to prove inadequate in the time of an unlikely emergency, the Federal Reserve and the Treasury would step in to make good on all obligations. But the public is not told where the Treasury or the FED would get the funds to meet a bank panic.

The boys in Washington would simply print new money to pay off the angry people standing in lines at the banks. They could not raise the money through taxes under such circumstances, so that would be the government's only recourse. And the whole affair would likely cause a boom . . . in the wheelbarrow business. It would be like Germany in 1923, with prices gyrating madly upward every hour of the day and workers needing a wheelbarrow to carry home half a day's pay.

If you are a businessman, or one of the millions of small investors in our nation, you are well aware that Big Brother is apparently closing in — anticipating a panic that will put the entire nation in receivership. The situation is serious. During the past year the Ford Motor Company, for instance, paid out nearly $4.50 in taxes for every dollar in dividends to stockholders. On that basis, you would have to conclude that the government virtually owns the company. It is even worse when you consider that the investors had to earn up to two dollars for every dollar they had left to invest in Ford.

While "Liberals" wail about "obscene profits," annual reports to stockholders this year look like they were compiled by the incredible shrinking man. Corporate profits for the first quarter of 1975 suffered the worst drop on record. But even this twenty-one percent fall in profits makes the case look artificially good since inflation distorts the picture. Replacement costs for inventories will be higher, as will capital investment for retooling. The *Wall Street Journal* for January 8, 1975, explains the magnitude of this problem:

> *American industry now faces an effective tax rate of almost 75%. Corporate pre-tax profits for 1974 are estimated at $145 billion, but the Commerce Department estimates $40 billion of that results from illusionary inventory profits and $11 billion from underdepreciation of fixed assets. Taxes are $70 billion, then, on real profits of $94 billion, leaving $24 billion of real after-tax profits. Thus, there's*

enough profit to replenish inventory and replace fixed assets, but after last year's estimated $33 billion in dividends — the interest companies pay to attract equity capital — there is minus $9 billion left in the economy for real growth. Even if the Commerce Department estimates are off somewhat, it's clear the economy at present is living off its savings and that the Keynesian stabilizers are working against recovery.

You can see what we mean when we report that the situation is grave. And yet this assault on the Great American Dream is being led by those running the great American government. Unfortunately, the government is now great only in size and power. One major indicator of the expansion of government power and the diminution of our freedom is the growth in government spending. Hold on to your socks!

Government spending at the federal, state, and local levels will this year pass the half-trillion-dollar mark. The Tax Foundation estimates the figure at $555.1 billion — twice the amount spent only eight short years ago and over twenty-five times the amount spent in 1940. If that half-trillion dollars is divided by the number of households in the country, it works out to almost $7,800 per family — more than double the $3,592 spent per household only a decade ago.

The federal Budget for Fiscal 1976 is $350 billion, up forty-five billion dollars in one year. And the 1977 Budget is now scheduled to be increased by a minimum of thirty-six billion dollars. The atomic magnitude of such a federal spending explosion is simply enormous. According to *U.S. News & World Report* for February 10, 1975:

It took 60 years combined, from 1789 to 1848, before the U.S. Government spent 1 billion dollars. Next year, under Gerald Ford, it will take barely a day for the Government to spend 1 billion dollars . . . .

The most explosive growth . . . has come in the past third of a century, a period when federal outlays have soared from less than 10 billion dollars a year to nearly 350 billion.

No matter who is in the White House, or which political party controls it, Government budgets move from one record to another . . . . more money was spent in the years of the Nixon Administration than under any other President — more than 1.1 trillion dollars in five years. The way spending now is climbing, it will total more than 1 trillion in just three years of the Ford Administration.

The "Liberals" who have a stranglehold on Congress have done their best to blame defense spending for these enormous Budgets. But while the number of dollars spent for defense has gone up, spending for defense as a percentage of the Gross National Product (G.N.P.) has been shrinking rapidly. The 1976 defense budget is 5.8 percent of G.N.P. — one-half of what it was in 1952. As a percentage of the Gross National Product, defense spending is down almost forty percent since 1968.

Richard Nixon added $200 billion to National Debt.

As spending for defense has been

reduced by radicals in the Congress, spending for Socialism has been rapidly increased. This year twenty-four percent of the Budget goes for national defense, while forty-seven percent goes to social welfare. The biggest explosion is in so-called "transfer payments" or domestic assistance programs. The *Wall Street Journal* of January 22, 1975, comments:

> *As recently as 1965, government transfer payments to individuals came to a modest $37.1 billion. Last month, federal, state, and local governments were disbursing cash to individuals at an annual rate of $155.9 billion, for which no services are rendered. These include Social Security pensions, government pensions of all kinds, unemployment benefits, black-lung money, food stamps, welfare payments and health insurance benefits. While the payments are of course defended on grounds of compassion, they are having a serious effect on the economy, by steadily breaking down the relationship between reward and effort.*

Roy Ash, until recently head of the Office of Management and Budget, boasted openly that the government was increasing its role as a redistributor of income — collecting cash from some groups of people and paying it out to other groups. The collectivists in Washington have arranged a slot at the trough for almost everybody, knowing that while people resent handouts to others, they fear losing their own. Sometimes the subsidy comes in the form of a direct payment. More often it is disguised in tax breaks or low-cost loans; all together such programs cost taxpayers a staggering $111 billion a year — even without counting the flood of checks being mailed out in direct cash assistance for the needy. Although many major subsidies aren't listed in the Budget, White House experts estimate that federal subsidies will amount to the equivalent of one-third of the total federal spending in 1976.

The federal Food Stamp giveaway provides an object lesson in how these handouts grow. Since the Food Stamp program was inaugurated in 1964, its annual cost has soared from seventy-five million dollars to more than four *billion* dollars. More than nineteen million people are now drawing Food Stamps, and their number is being increased by hundreds of thousands every month. What the future holds for the Food Stamp program is indicated by the *Wall Street Journal* of January 15, 1975:

> *A recent report estimated that as many as 60 million persons could be eligible for food stamps during fiscal 1977, at a cost of $10 billion. This is not because of the current recession but because of relaxed qualifications. Actually, if the past is any guide to the future, that estimate could turn out to be as understated as those earlier warnings that if we passed the 16th Amendment there might come a time when Americans would end up paying as much as 5% of their income in taxes.*

Needless to say, the Food Stamp program fairly begs for fraud. The Department of Agriculture has admitted that a study shows twenty-five percent of those receiving Food Stamps are getting them illegally.

Social Security is another federal Welfare program which is out of con-

Donald Wood — Ozark Sunbeam

Revit, revit,
What about the debit?

Rubble, rubble,
More foreign trouble.

Rump, rump,
Maintain the slump.

trol. When this magazine warned fifteen years ago that the whole Social Security scheme was actuarily unsound, we were accused of being against the elderly. Back in 1964, when Barry Goldwater hinted that he might favor making the system voluntary, the demagogues almost had him run out of the country on a rail. Now even the mass media are facing up to the fact that Social Security is a fraud.

For decades, Conservatives have tried to make people realize that Social Security is a government Ponzi game. Like all such hustles, those at the top of the pyramid are funded by those at the base. The game goes on as long as those running it can continue geometrically to expand the base of the pyramid. Two decades ago there were seven workers paying Social Security levies for every beneficiary; this year there are three; by the year two thousand the ratio will be down to almost two to one. In other words, we are getting further and further down the pyramid, but the base is no longer expanding geometrically. In fact, it is hardly expanding at all, and with the falling birth rate and the approach of Zero Population Growth, the system is doomed unless taxes are raised drastically.

This year Social Security will pay out sixty-eight billion dollars; and, to complicate matters further, Congress has just sweetened the benefits by eight percent. According to the *Wall Street Journal* of February 24, 1975: "At the current rate of spending and income, the system will run out of money by 1980 or soon afterward, actuarial experts warn. Buffeted by the recession, the system's retirement and disability trust funds totaling $45 billion will begin dwindling this year for the first time in a decade. Outgo will exceed income by as much as $2.5 billion this year; on the basis of current economic assumptions, the deficit is expected to leap to $6.1 billion next year and $8.3 billion the following year."

And the situation is going to get

worse, guaranteeing an ever-rising federal Budget. The size of the "king of transfer payments" is indicated by the *Journal*, which reports that "the actuarial deficit of the Social Security System is now $1.3 trillion over the next 75 years, discounted to present value." In short, the Ponzi game is over and we are all big losers.

Then there are the recession-related Welfare programs. As always,

Senator Jesse Helms says 72.5 million get government aid.

the politicians are ever ready to throw your money into the breach. "Emergency," reveals syndicated columnist Robert S. Allen, is the "lib word" of the year. Allen asks: "Have you noticed the frequency with which the designation 'emergency' appears on those multi-billion-dollar bills highballed through Congress? Headline examples: Emergency Employment Appropriation; Emergency (farm) Price Supports; Emergency Middle-Income Housing; Emergency Livestock Credit; Emergency Home Owners Relief; Emergency Supplemental Appropriation; Emergency Local Public Works. 'Emergency' is the new politico-legislative gimmick; the open sesame for ramming through gigantic spending programs."

Meanwhile the federal Budget is programmed to grow *automatically* at the rate of thirty-five to fifty billion dollars a year. This is because our spending laws are passed with built-in escalator clauses. For example, the original Great Society package cost $29.5 billion. Now, a decade later, the Great Society beanstalk has grown to an officially estimated $152.8 billion. Expenditures for these programs get bigger and bigger, year by year, because they are "locked in" by prior Congresses and are therefore (we are told) "uncontrollable." We are assured that seventy-four percent of this year's Budget is "uncontrollable" and only twenty-six percent is subject to amendment.

This is nonsense. These Welfare laws were not written in stone by the fiery finger of Jehovah, they were created by conspirators and passed by politicians anxious to buy votes. Spending could be brought under control if Congress had the courage to go back, amend the laws, and stop the open-ended escalation. But less than ten percent of our Congressmen and Senators favor such a course. Most expect to stay in office by providing ever-expanding bread and circuses.

Senator Jesse Helms (R.-North Carolina) is very concerned about all of this. He pointed out recently on the Senate floor that "there are now 72.5 million Americans supported by some kind of government program . . . . [*W*]ho ends up footing the bill for all this? The obvious answer: The 71.9 million Americans who are currently employed by the private sector." In other words, said Senator Helms, "more people are riding the wagon than pulling it. Pretty soon, a wagon of this kind has just got to break down. And I think that is just what we are seeing happen today, with an economy characterized not only by runaway inflation, but also by one of the worst periods of economic stagnation that we have faced in many years. . . . And it is going to get worse as long as we in Congress continue to vote for more programs that cost more tax dollars and make more Americans beholden to the federal government, and not their own initiative, for livelihood."

Look at the bureaucracy sustained

by these massive expenditures. Between 1789 and 1974, the population of our country multiplied by sixty times; but the bureaucracy multiplied by 8,170 times. Between 1930 and 1974, while the population grew seventy-one percent, the bureaucracy grew by 462 percent. In 1930, one of every 204 people was employed by government; today it is one of every five. In the last ten years an average of twelve hundred persons a day has been hired for new government jobs, until there are now over fifteen million people working for the government at some level.

According to the Tax Foundation, the government spending required to sustain this army of bureaucrats adds $135 billion a year to our taxes. Additionally, according to the Senate Select Small Business Subcommittee on Government Regulation, just filling out government's some six thousand different types of information-gathering forms costs small businesses as much as fifty billion dollars a year.

Meanwhile, the average annual earnings of federal workers have more than doubled in the past decade. A recent U.S. Chamber of Commerce survey put the average federal pay at $12,984 a year — some forty-six percent more than the average $8,900 received in the private sector. Additionally, a Labor Department survey puts federal fringe benefits at twelve percent higher than those in private industry. Which may help to explain why the wagon is getting harder and harder to pull.

All of this burden, naturally, must be assumed by John Q. Taxpayer. America is rapidly being turned into a taxocracy in which a person toils directly or indirectly almost six months a year for some level of government. As Professor Wisdumb says in the comic strips: "In just fifty years we've gone from a chicken in every pot to a hand in every pocket!" And the percentage of the chicken pie consumed by the gluttons on the Potomac continues to rise. As Wesley Hillendahl, director of Business Research for the Bank of Hawaii, reports:

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

Mr Hillendahl was reporting in 1973. According to the *Santa Ana Register* for January 17, 1975, the share of our income being taken by the government has now escalated to

President Ford planned a deficit of $67 billion.

forty-seven percent. This figure includes federal, state, and local taxes — most of which are sufficiently indirect to be hidden. The price of a single loaf of bread, for instance, contains over one hundred such indirect taxes. All of this means that the typical American works until almost noon every day just to pay for government. To put it another way, you work from January first until approximately June twentieth to keep the country's spendaholics in green booze. It would be much cheaper to give each Congressman his own Fanne Foxe and then send him off somewhere to dry out.

Representative Philip Crane (R.-Illinois) observed recently that back in the Middle Ages a serf, whom we regard as the next thing to a slave, was required to turn over about thirty percent of the fruit of his labor to the lord of the manor. Noting that Americans are taxed forty-seven percent of their incomes, Congressman Crane says it is time that Americans cut back on government spending to obtain a position at least equal to that of a medieval serf!

But the only way to lower taxes is through less government. And few in Washington are yet prepared to go along. Others are conspirators who know exactly what they are doing and are doing it on purpose. Financial writer Hobart Rowen of the *Washington Post* reports that budget director Roy Ash admitted "that if the average 9 percent rate of growth in payments to individuals remains unchanged through the year 2000, federal-state-local budgets will account for about two-thirds of the Gross National Product." You don't have to have been valedictorian of your class to realize that our economy will have collapsed under the burden of taxation before that point is reached.

Yet all of this taxation is still insufficient to cover the incredible spending being done by the politicians. When the pols don't tax as much as they spend, the Budget runs a deficit. The National Debt of this country in 1913, when the Establishment *Insiders* created the Federal Reserve System, was one billion dollars. In 1930, the Debt, mostly acquired during World War I, was sixteen billion dollars. By 1940, Franklin D. Roosevelt and the New Deal had raised the National Debt to forty-three billion dollars. World War II pumped the red ink to $257 billion by 1950. The wild spending was slowed somewhat by a Conservative Senate during the Fifties, and by 1960 the total federal Debt was $286 billion. Then the "guns and butter" philosophy of Lyndon Johnson rocketed the figure to $353 billion by Fiscal 1969. Enter Richard Nixon, pointing out that such irresponsible deficits meant disaster for the economy. Nixon promised to balance his Budget "so you at home can balance yours."

Though touted by the Establishment media as a fiscal conservative despite his proclamation that "in economics I am now a Keynesian," Richard Nixon proceeded to take us on the greatest peacetime binge in deficit history. Instead of reducing the Debt as he had slyly implied, Nixon produced two hundred billion dollars in deficits in six years. At the end of Fiscal 1975, the Debt will stand at approximately $531 billion. The new figure amounts to $2,800 per man, woman, and child. In January the government asked that the Debt ceiling be raised $109 billion, from $495 billion to $604 billion. The reason the Ford Administration wanted such a jump is that it was planning to run the deficit to end all deficits.

When Gerald Ford acceded to the Presidency last fall, he went before a nationally televised joint session of Congress with a plea for fiscal sanity. President Ford called inflation "Public Enemy Number One" and launched a laughable W.I.N. program to Whip Inflation Now. The whole thing was a public relations game as hypocritical as anything ever done by Richard Nixon.

In introducing the W.I.N. program, President Ford had called inflation the greatest threat to our economy. Two months later he was whistling a different tune. Although inflation had not been stopped, the economy was clearly in a recession. This was used as an excuse to call for more inflationary deficit spending to stimulate the economy out of the slump.*

The Ford Administration soon produced a Budget with a *planned* deficit of sixty-seven billion dollars, and it is almost certain that the hyperspenders in the new Congress will push the Debt up over one hundred billion dollars for the year. This deficit, alone, would equal the entire Budget for 1965.

That kind of deficit has all kinds of consequences. One is that we are now paying thirty-six billion dollars a year in interest on the Debt alone. This is a jump of seven billion dollars in the last two years. Interest on the National Debt is now the fastest growing item in the Budget. Yet only the naïve believe it will ever be paid. It will merrily compound until either the Debt overwhelms us or our currency becomes worthless.

The old cliché that "we owe it to ourselves" is now doubly fallacious. Foreigners hold many billions of that Debt. Rather than keep the billions of dollars that have piled up in foreign central banks as a result of our adverse trade balances, our government has over the years convinced foreign governments to convert their dollars into U.S. bonds. Arab governments, for example, have purchased more than eleven billion dollars in short-term federal notes in the past six months. Congressional spokesmen now say that more than one-fourth of federal short-term securities are held by foreign governments or foreign corporations. In the case of another Mideast war, foreign holders of U.S. securities might well exert catastrophic influence over our money market as a lever on foreign policy, creating a financial panic by dumping their notes. If they do so, God help us!

Short of impending panic, the most important problem directly related to the federal Debt is inflation. During 1974 the dollar shrank more than twelve cents in purchasing power, the biggest drop since the post-war period. Over the past five years the buying power of your favorite greenback has fallen by at least one-third. That is the official figure. Most economists (and virtually all housewives) will tell you that the real figure is closer to fifty percent. Between galloping inflation and the graduated income-tax, says economist Gary North, a penny saved is now worth two cents earned.

Although the threat of inflation is being downplayed at the moment, Federal Reserve Chairman Arthur Burns admitted last year that if "past experience is any guide, the future of our country is in jeopardy. No country has been able to maintain widespread economic prosperity once inflation got out of hand." But recession is a greater liability in the short run to the politicians in power. Therefore, there is an irresistible temptation to try to spend our way out of the economic downslide — that is, to fight declining production with more currency inflation.

We need to remember what inflation is. If you consult your dictionary you will see that it is defined as an

*This situation was made worse by the demagogic tax cut and rebate scheme in which the bullet that Ford bit turned out to be chocolate. A tax cut is badly needed, but when spending is increased at the same time, the outcome is bound to be inflationary. To be effective, a tax-cut must be accompanied by equivalent spending cuts — by a *reduction* in government.

expansion of the money supply which causes prices to rise. "Liberal" politicians are still trying to convince the public that rising prices — the *effect* of inflation — is the cause. The Establishment media support the charade by using the word *inflation* when they should say "rising prices caused by inflating the money supply." Congressman Bud Schuster (R.-Pennsylvania) explains how the National Debt causes inflation:

"When the Government spends more than it takes in, it has to find the difference somewhere to pay the bills. The Treasury does the only thing it can do since the President and Congress made financial commitments in excess of their means. Treasury tries to borrow the money.

"When the deficit is so big that the Treasury can't sell enough government bonds or notes to the American people without causing interest rates to rise too high, the Treasury raises the money it needs to pay the Government's bills in a very unique way. The Treasury Department sells its bonds or notes to the Federal Reserve System, which is the . . . agency that controls the supply of money in America. And get this — the Federal Reserve literally prints up more money on the government printing presses and pays it to the Treasury in exchange for the bonds which the Treasury printed up. The Treasury then takes this new money and pays the Government's debts . . . .

"There is just one rub! If the Government keeps flooding more newly printed dollars into the economy, and if the economy is not increasing the annual amount of goods and services it produces, then the increased number of dollars in the economy represent the same amount of goods and services that the smaller number of dollars previously represented. And what is it when it takes more dollars to represent the same amount of goods and services — inflation!"

Nobel Prize economist Friedrich von Hayek has made it clear that it is the inflation caused by government deficit spending which is responsible for our current recession and high unemployment. According to Professor Hayek, inflation "gives the whole structure of the economy a distorted, lopsided character which sooner or later makes a more extensive unemployment inevitable than that which that policy was intended to prevent.

Nobel economist Friedrich von Hayek blames slump on Debt.

It does so by drawing more and more workers into kinds of jobs which depend on continuing or even accelerating inflation. The result is a situation or rising instability in which an ever-increasing part of current employment is dependent on continuing and perhaps accelerating inflation and in which every attempt to slow down inflation will at once lead to so much unemployment that the authorities will rapidly abandon it and resume inflation."

As von Hayek observes, our politicians are trying to cure the recession by running a deficit of one hundred billion dollars to "stimulate the economy." Ask yourself this question: If deficit spending produces prosperity, why didn't the two hundred billion dollars in deficits run up by Richard Nixon make us all deliciously rich? Write your Congressman and Senators and ask them to answer that one. The replies should be doozies.

The government does not dare print all the money to meet its deficits this year. That would lead to runaway inflation and the Ford Administration knows it. Therefore, the government will venture into the private money markets to sell its various debt instruments. And the government's borrowing requirements are truly astronomical. Not only will the Budget run a deficit in the area of one hundred billion dollars, but the "off-Budget" activities of the Export-Import Bank, the Federal Home Loan Bank Board, and scores of other federal agencies will add another thirty billion dollars to the government's borrowing needs.

When the current Budget deficits hit the money markets, they will act as a giant siphon sucking off already scarce capital. Interest rates will leap like a pole vaulter with a hot foot. Competition for funds will be acute, and the government will pay rates that business cannot afford to match. The government will get its money — even if it must pass credit restriction laws guaranteeing that it is first in line in the money markets. This means that business will not be able to get the money it needs to modernize and expand, venture capital for new business will virtually disappear, and money for financing construction (outside of federally subsidized programs) will evaporate.

In Fiscal Years 1955-1959, the federal Budget absorbed twenty percent of net funds raised in the debt capital markets; between 1970 and 1974, the federal grab grew to forty-five percent. In Fiscal 1976, even if the moratorium on new spending programs is made to stick, total federal borrowing will account for sixty-six percent of the capital markets. Add to this the anticipated borrowings by state and local governments and the total government borrowing during the coming Fiscal Year will be eighty percent of the capital markets. "This will leave," says Secretary of the Treasury William Simon, "only 20 percent left to private industry in a financial market that has always been the centerpiece of our free enterprise system."

Yet one of the most incredible events of the year has been the ho-hum attitude of the public toward Ford's record-breaking deficits. Twenty years ago, people were more upset with a deficit of three billion dollars than they are today with one hundred billion dollars. Apparently Americans are in a state of shock from the government's repeated blows to the economy.

We had better snap out of it pretty quick or we will awaken in the panic being planned to bring on Nelson Rockefeller's New World Order. What will happen is that the politicians will try to blame the problems they have caused on the Free Enterprise system, declaring that it is no longer capable of meeting our needs. Already Hubert Humphrey and Jacob Javits, two of Nelson Rockefeller's top conspirators in the Senate, have introduced a bill (S. 1795) to institute a federal takeover of the economy through "national planning." Their claim is that the Free Enterprise system has given us an unstable economy with inflation and high unemployment, so government must intervene to solve these problems. Your liberties are the target of this Conspiracy. Your liberties, and those of your children and grandchildren. ■ ■

CRACKER BARREL

■ "American intellectuals are generally overrated," observes Medford Evans. "This is inevitable, because they rate themselves."

■ A dramatist employed to serialize stories from the *Bible* for radio was astonished, at the end of a broadcast, to hear the announcer say: "Will Cain kill Abel? Tune in at the same time tomorrow morning and find out."