



# AMERICA, 1978

**Gary Allen**, a graduate of Stanford, is author of *None Dare Call It Conspiracy*, *The Rockefeller File*, *Kissinger: Secret Side Of The Secretary Of State*, and *Jimmy Carter/Jimmy Carter*. Mr. Allen is an **AMERICAN OPINION** Contributing Editor.

■ IN THE opinion of many, the best thing about the past year from the point of view of Conservatives is that we survived it. But that is too negative. When Jimmy Carter was elected, most Conservatives feared an F.D.R.-style blitz of collectivist legislation from what looked like the most "Liberal" Congress in decades. The New Deal avalanche never began. Not that

the current Congress is anything to do cartwheels about, but it dared not move Leftward anywhere near as rapidly as expected.

It is plain that Congressmen realize they are vulnerable to the increasingly Conservative and anti-government sentiment which is sweeping the hustings. Many of them, enjoying the best jobs of their lives, fear that they



**American families will make decisions about congressional candidates on the basis of Conservative life-style issues. Voters have had enough interference with family rights and values. Thus the widespread opposition to federal promotion of abortion, homosexual activism, and the Equal Rights Amendment.**

---

may need to search for honest employment after November. Daring not to alienate either the Left or the Right, our "Liberal" public servants have been waffling.

This is not to say that all our federal legislators are mere opportunists. Congressman Lawrence Patton McDonald (D.-Georgia) estimates that in the House there are approximately thirty-five hard-core Conservatives and one hundred twenty-five dedicated Marxists. If this ratio could be reversed, or even equalized, Congressmen in the middle would swing heavily to the Right.

Another factor which has bought Conservatives some precious time is Jimmy Carter himself. "Liberal" politicians are susceptible to the same weaknesses of pride, pique, envy, and egotism as everyone else. Carter simply rubs many of these people the wrong way, and a number have refused to walk in lockstep with a President they regard as an arrogant weasel and obnoxious clodhopper — even if he is fronting for the Establishment *Insiders*.

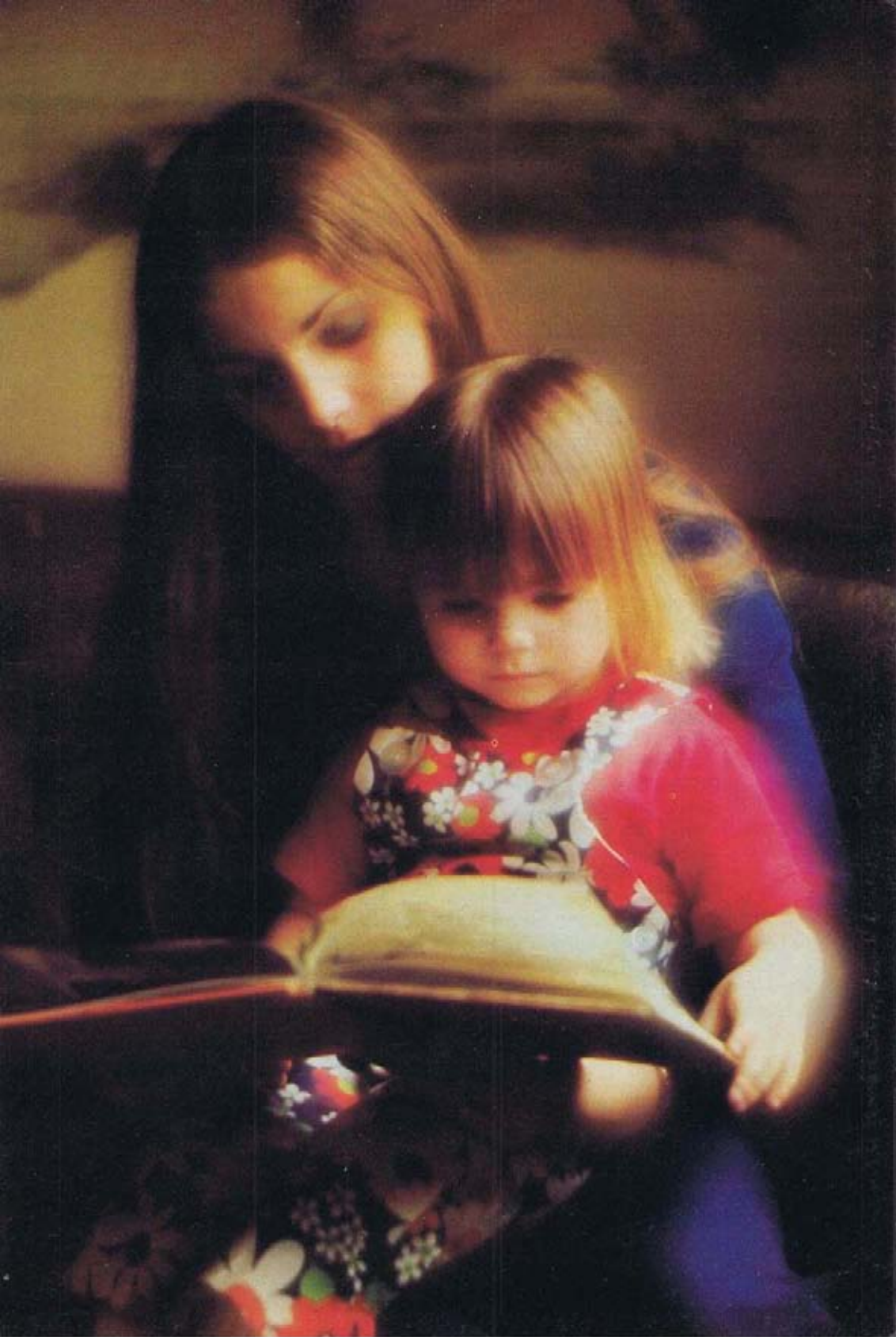
It is true that, on the issue of the Panama Canal, the President was able to drag in the big Establishment guns to collect due bills from enough Senators to accomplish his purpose. But, while Senators sit for terms of six years, every Representative must

stand for re-election at two-year intervals.

Washington-based columnists Evans and Novak report that "few Democrats in Congress hesitate at tweaking the President's nose" and that the congressional attitude toward Carter "ranges from oblivious to contemptuous." Evans and Novak, who are "Liberals," elaborate that the politicians and bureaucrats in the nation's capital "do not fear Jimmy Carter. Nor does anybody else, either here or in the national political community. Among his youthful aides who have had to re-invent the political wheel, the truth is coming home that, to govern properly, a President must generate a respect bordering on fear."

Jimmy Carter has undoubtedly been a major disappointment to his sponsors in the Rockefeller-created Trilateral Commission. At least he has been a disappointment domestically. On the international front, where the President can often operate unilaterally, he has hardly made a move which would not inspire gleeful graffiti on the walls of the Kremlin. But Carter simply does not have the charisma to sell junk to the American people as valuable merchandise.

As readers of this magazine have known for some time, Jimmy Carter is the creation of David Rockefeller. The mass media, under sway of the





**Older Americans whose pensions and savings have been destroyed through inflation have been especially victimized. Inflation results from deficit spending by Congress and can be stopped cold by balancing the Budget. Yet the last four Budgets have produced \$310 billion in Debt, quickly spun out into inflation.**

---

Rockefellers and their allies, were able to sell Carter to the public during the 1976 election as a Goober Gallahad who would slay the dragon of Big Government and restore the people's faith in Washington. Until we actually bought and tried the product, the Madison Avenue boys were able to make their claims seem credible. No more. The created Carter popularity faded faster than morning dew on the Mojave Desert. As Evans and Novak put it: "The President today is without ardent supporters anywhere in the country. Advisors admit that there has been no improvement in his political condition, despite the absence of serious crisis. Such political anemia in fair weather makes Mr. Carter fatally vulnerable when foul winds blow."

The more Americans get to know Jimmy Carter the more he reminds them of a character out of a situation comedy. And it is hard to deny that the Carter Administration resembles *Ma And Pa Kettle Go To Washington*, with Don Knotts in the Presidential role.

If someone had told you three years ago that the next President of our nation would be a rural peanut merchant who insists upon being called by the diminutive form of his name as if still a schoolboy, would you have believed it? The whole Carter

clan is implausible. Imagine your reaction if someone had told you in 1975 that the next President would have a mother who left a perfectly good job riding herd on sorority girls to become a sextagenarian Peace Corps camp-follower tramping around India preaching the wonders of "Liberalism" to the perplexed natives. And where but in a situation comedy would the President have two sisters like Carter's? It is hard to believe that one rides with a motorcycle gang, and has a homosexual son in the crow-bar motel for robbery, while the other is a latter-day Aimee Semple McPherson who claims as her most famous "convert" the nation's premier pornographer. Ahh, come on, you would have said. Nobody would believe that. Not even on ABC television.

But there's more. No TV comedy is complete without an authentic "character." And *Ma And Pa Kettle Go To Washington* has Brother Billy, a beer-swilling Good Old Boy who owns a pickup truck and a filling station, and regales the Yankee news types with bucolic wisdom. Then there's Uncle Beedie, the king of the worm farmers. And, to top it off, we have the Kettle daughter, a walking satire on Lily Tomlin's characterization of the bratty little girl in the big rocker. This version wears over-size glasses and has the Secret Service steal a medal for







her when she finishes last in a race at a track meet. For a kicker, the script-writers have given her a nanny who is a convicted murderess.

If someone had described this crew to you before 1976, you would never have believed that Ma and Pa Carter could become America's first family. How did it happen?

It is your reporter's opinion that, to change the metaphor, Jimmy Carter started out as just another promising colt in the stables of Rockefeller Farms. Far from planning to run in the Kentucky Derby, Colonel Rockefeller intended to enter Jimmy in some local claiming races in the deep South against a local favorite known as Tenacious George. When he defeated George in a number of Dixie handicaps he was entered in a few of the bigger contests up North. To almost everyone's surprise, the shifty little colt from Plains did quite well against the better-bred horses. Somewhere along the line, Rockefeller Farms decided to go ahead with Jimmy in the Derby, and the ambitious dark horse won it.

But, even the best judges of political horseflesh make mistakes. The thoroughbred of the campaign trail turned out to be a plow horse in Washington. David Rockefeller and his friends now run the risk that Jimmy's unpopularity may spill over onto their pet projects.

And look at it from Jimmy Carter's point of view. Before the election he and his cronies must have dreamed about how much fun it would be to sit in Washington and manipulate the power levers of the world. In their naïveté, the lads from Plains apparently did not fully understand what their commitments to the Big Boys from New York entailed. When Jimmy, Bert, Jody, and Hamilton were fantasizing during the campaign about the glories of office, it

never occurred to them that they would be asked to do a number of things which would totally appall and infuriate the American people. While Jimmy and his cronies from down home were dreaming of fame, glory, and eight wonderful years in the White House, David and his associates did not care a pound of chitlin's whether the Cornpone King got a second term. Rockefeller Farms has plenty of other promising ponies to enter in the 1980 Presidential Sweepstakes — real comers like a king-size gelding called Big Jim, who has been tearing up the tracks around Illinois.

So now we have a disillusioned President who has aged perceptibly since taking office. Instead of going down in history covered with glory, his popularity is sinking like the *Lusitania*. Even the mass media which brooded and bore him into office now realize that they can't continue selling him as a silk purse. And they don't even seem interested in trying to do so, except to the extent that they are also still promoting socialism at home and appeasement of the Communists abroad.

In short, Jimmy Carter is now viewed as expendable. Sometime during the past year the Plainsman probably realized this himself. It must have made his stomach sink. From the penthouse to the coal bin in less than twenty-four months.

Let's take a look at how America has fared under the Administration of James Earl Carter Jr. during the past year.

Last winter Jimmy unveiled his first Budget, the previous one having been fashioned by the Ford team. The total price tag for Fiscal 1978 came to \$500 billion — half a trillion dollars. And yet Mr. Carter had the audacity to describe his Budget as "lean and tight." It was as lean as a hippopotamus.

(Continued on Page 109.)



From page six

## AMERICA, 1978

mus and as tight as a teetotaller at a Prohibition convention. While nobody laughed at the announcement, some cried. The *Wall Street Journal* sobbed: "The budget destroys some old Carter campaign promises, blurs his image as a reformer bent on overhauling the government . . . this first half-trillion-dollar federal budget is a fiscal goliath." And this \$500 billion Carter Budget involved a \$38 billion jump from the previous year. That is a leap of three hundred thirty-eight thousand million.

The Carter Budget is so huge that it sent statisticians scrambling for their calculators. Somebody figured out that if you started at the birth of Christ spending \$700,000 a day, every day of the year, you would just now have succeeded in disposing of \$500 billion. To unload that much money in a single year, the Carterites have to squander \$953,000 a minute, \$57 million an hour, or \$1.35 billion a day, including Sundays and holidays. Apparently they are up to it.

And, believe it or not, \$500 billion is not the whole sack of potatoes. There is the matter of off-Budget items, a phenomenon begun in 1973 to hide the enormity of federal spending. This year the off-Budget expenditures will add an additional \$12.5 billion to the tax and inflation load.

It was only fourteen years ago that Lyndon Johnson introduced the Great Society by ramrodding through Congress the first federal Budget to top \$100 billion. From \$100 billion in Fiscal 1965, the federal Budget was increased to \$200 billion in Fiscal 1971 and then to \$300 billion in Fiscal 1976. By present calculation, the federal Budget will double again by Fiscal 1986, only seven years from now, to hit one *trillion* dollars.

You might think that these figures would mortify everyone smarter than Mortimer Snerd. Yet it is business as usual for our politicians and bureaucrats. And the "Liberal" mass media and their allies among Big Labor and the so-called intellectual community call for more, more, more.

The Carter Budget presently amounts to \$2,325 for every man, woman, and child in this country. Even more dismayingly, a \$500 billion Budget costs us \$5,882 for every one of the eighty-five million Americans who fill out an income-tax form. This does not consider the fact that fourteen million of those are employed by the government and are therefore paying taxes on money which has already been bled from the private sector.

Where does this blood money go? The biggest part of it goes to Joseph Califano at H.E.W., who has an incredible \$184 billion Budget this year. That is *fifty billion dollars* more than the combined total budgets of all the fifty states. It is in fact the third-largest budget in the world, surpassed only by the national Budgets of the U.S. Government and the Soviet Union.

In Fiscal 1977, the federal government handed out \$248 billion from taxpayers to others in transfer payments via 182 separate programs including Social Security, Medicare, Welfare, and pensions for federal employees. How are the colossal figures spent in these Welfare programs determined?

In a moment of rare candor for a politician, California's freshman Senator S.I. Hayakawa has indicated the way in which this is done by the Congress. He began by observing: "Putting me on the Senate Budget Committee when I don't understand money at all seemed appallingly irresponsible. I have the greatest diffi-



culty balancing my own checkbook." The disgusted Senator went on to state with irony that his fears proved unjustified since the job requires only the simple addition of small numbers. "You don't even have to know subtraction," he remarked. "When we say 1.0, that means \$1 billion. Then we say .1. That means \$100 million — and that's the smallest figure we ever deal with," the Senator exclaimed.

According to Hayakawa: "A member of the Committee will say, in instance, 'Here's an appropriation for such-and-such. It was 1.7 for 1977. So for the 1978 budget we ought to make it 2.9. So all we do is add 1.2; that's not hard. The next item is 2.5 . . . . Somebody says, 'Let's raise it to 3.7. Everybody in favor? O.K.' So in five minutes we have disposed of 2 billion bucks — 2 billion, not 2 million. I never realized it could be so easy."

Of course the big issues are how and for what those billions are being spent. The one legitimate and constitutional justification for large government spending is to provide for the national defense. But this is used as a whipping boy by "Liberals" whenever one complains about federal spending. While the Carter Budget contains a minimal upward nudge of spending for defense, the truth is that our military outlays, in terms of effective purchasing power, have been falling steadily for nearly a decade. From 1968 to 1978, according to the Brookings Institution, constant dollar spending on defense declined from \$158 billion to \$109.7 billion (Carter's proposal calls for \$117 billion). Defense spending is now considerably less than half of Welfare transfer payments. As a fraction of the federal Budget, defense spending declined over the decade from 43.6 percent to 25 percent; and as a share of G.N.P., it was down from 9.4 to 5.6 percent.

Meanwhile the Soviets have been building the largest Air Force, Navy, standing Army, and missile forces in the world. And Jimmy Carter is laboring to make those advantages permanent through SALT II while he spends hundreds of billions on Welfare schemes. Congress has gone along.

During the first eighteen months of the Carter Administration, unemployment has been considered the nation's Number One problem. Ignored is the fact that excessive spending by the Administration is the major cause of high unemployment. It is a vicious circle. The more the government takes from its citizens, the less there is in the private sector to create new jobs. The less there is to create new jobs, the more the government dips into the citizen's pocket for Welfare. The more the government takes, the more it has to take.

It gets worse. The politicians do not dare tax as much as they spend. While government spending makes the recipients of the largesse happy, taxes are universally despised. Therefore, politicians try to maintain popularity by spending more than they tax. The most stupendous adjectives fail to describe adequately the explosion of the National Debt. This year, Mr. Carter plans to add \$60 billion more to that deficit.

One thing which makes this especially frightening is that we are now into our fourth year of a "recovery" from a period of economic stagnation. The Keynesian theory is that deficit spending will propel the economy out of the blahs. As we come out of a tailspin, the size of the deficits are supposed to shrink. In the early 1950s, Dwight Eisenhower spent three billion deficit dollars to reverse a downturn. But, as Dr. Gary North has pointed out, deficit spending is the economics of addiction. It takes a bigger fix each time to prevent the





onset of withdrawal symptoms. Now, the periods of stagnation are coming with increasing frequency and each requires a larger dose to reverse. The economy has become an inflation junkie. The current downturn absorbed \$310 billion in deficit, and it isn't yet reversed. That is a long way from the Eisenhower days!

Worse yet, the inflation caused by all of this deficit spending is leading to all-time high interest rates, which most economists believe will have us back in another tailspin late this year or early next. Downturn is now following downturn, and the next one will probably take \$750 billion in deficit spending to "cure."

During his campaign in 1976, Jimmy Carter promised the voters a balanced Budget by 1980 to stop the hardships of inflation. If he keeps that promise, your correspondent will personally push a peanut up Pennsylvania Avenue on his hands and knees. The man who told the American public he would never lie to us is heading in the opposite direction. Economist

Warren Brookings of the *Boston Herald American* informs us that, when the off-Budget items are figured in, the true Carter deficit this year will be \$88 billion. In the last four Budgets alone, including 1979, the Washington octopus has increased total federal borrowing by \$310 billion. By the end of this year, the acknowledged federal Debt will be \$373.7 billion. Carter's slogan appears to be "A Trillion by 1980."

What does all the red ink mean? First, the interest paid on the National Debt for money wasted by the politicians in the past years is now the third-largest item in the federal Budget. The tab for this year will run to \$44.6 billion — a cool \$206 a year forever for every breathing American in the fifty states. That figures to \$524 for every one of the eighty-five million taxpayers. And, your per capita share of the entire Debt rose by \$311 during the past year. Now twenty-one cents of every tax dollar goes just to service Debt. The \$44 billion you must now pay for past profligacy — and go



on paying each year forever — would build a lot of factories, homes, cars, and television sets.

Even so, the direct drain on your pocket book is not the only consequence of this orgy of deficits. One of the major consequences is what economists call disintermediation or "crowding out." Because it is absolutely desperate for money — not only to fund the increase in the deficit, but because tens of billions of dollars' worth of federal securities are cashed in each year — the government must compete with the private sector for the public's savings dollar. According to Congressman William Harsha: "Last year alone, the Federal Treasury absorbed more than 70 percent of all funds in the securities market. In fact, government at all levels claimed about 80 percent." Warren Brookes tells us what the consequences of this must be:

"Another recession, caused by a huge credit crunch, caused by too much government borrowing and resulting in high interest rates. And it has already started to happen. The U.S. Treasury is now paying almost 7.5 percent for two-year notes. That's more than two full points above this time last year! And this in turn is driving up the terms we have to pay for home mortgages, for automobile loans, and for all forms of consumer credit, and sales of cars and homes are now falling off badly. All across the country, the savings banks are already reporting sharp declines in their savings growth rates as money moves to high-interest Treasury notes."

What this boils down to is that you can't have capitalism without capital. Capital is not being generated out of profits at a sufficient rate because of high taxes. But a large percentage of what *is* being generated goes to the government to fund the vast National Debt and crowds the private sector out

of the money markets. Unable to modernize or expand, our productive capacity is becoming antiquated and we are being out-produced by such competitors as Japan and West Germany.

Generations of students have been told in their economics classes that there is no need to worry about the National Debt since "we owe it to ourselves." That cliché should take the prize for unmitigated drivel since all it means is that the taxpayers owe the National Debt to the holders of government bonds and other federal Debt instruments. This is like being in hock for a quarter of a million dollars but deciding not to worry about it since the people you owe are also American citizens. It does not alter the fact that every year large sums are needed to fund the Debt. And even that aspect of this moronic bromide does not have any fizz today. A recent Federal Reserve report reveals that foreign investors, most of whom are foreign governments, now hold a record-breaking \$78 billion of U.S. Treasury debt securities. This is \$26 billion more than just one year ago and represents one-seventh of the entire National Debt. This new form of foreign aid sends six billion dollars in interest overseas every year. We owe the Government of Japan a cool \$18.6 billion and West Germany some \$26 billion.

The enormous increase in foreign buying of U.S. Debt is stimulated by our monumental balance of payments deficits. Foreign countries are awash in dollars and have to do something with them. The Treasury looks at this as if finding a windfall customer upon whom to unload billions of dollars in securities. But, as Clarence Manion, former dean of the Notre Dame Law School, points out: "A common threat to withdraw these investments would face our govern-



ment with financial chaos and thus be a powerful lever to force U.S. officials to make highly unfavorable economic and/or political decisions."

Concurrently, foreign deposits in American banks are multiplying like a yeast fungus, again because of American dollars piling up in foreign nations due to the b.o.p. deficits. Foreign assets in U.S. banks are up nearly three hundred percent in the past five years and now comprise an incredible nineteen percent of total U.S. bank deposits. These funds are loaned to the banks on a short-term basis and could be pulled out overnight, causing the American economy to collapse in panic as occurred when the bankers of London called in their U.S. loans in 1929. This possibility forms a major part of the plot of Paul Erdman's best-selling novel *The Crash Of '79*.

The situation is grave. And the official National Debt of \$789 billion is only the tip of this iceberg of red ink. According to the authoritative National Taxpayers' Union, the federal government's total Debt is really nine trillion dollars, not the \$789 billion cited by the Treasury Department. The Taxpayers' Union research director, Sidney Taylor, reports that the official figure does not include taxpayer indebtedness for such things as future Social Security payments, government pensions, and veterans compensation benefits — which total \$5.9 trillion. Taylor adds that contingent liabilities for crop insurance, student-loan insurance, federal deposit insurance, and other loan guarantee programs total \$1.7 trillion, and that direct loan and credit guarantee liabilities add another \$209 billion. "The public purse never looked worse," moans Taylor.

The bottom line is that the United States now has a negative net worth. The *Chicago Tribune* of March 23, 1978, quotes Robert Abboud, chair-

man of the First National Bank of Chicago, as declaring bluntly: "By any conventional accounting standards, the U.S. Government has a deficit net worth, its profit-and-loss statement is in the red, and its cash flow, both domestic and international, is negative and financed by the simple expedient of printing more IOU's. If we were describing a private company, the government's red ink would indicate large and chronic losses, a financial condition requiring urgent attention to stave off bankruptcy." The only reason it has escaped such a characterization is because of the federal government's "ability to tax and to print money."

It is the ability to print money which also gives the government the ability to postpone the fiscal day of reckoning by passing the consequences on to the people through inflation. Within the last few months, inflation of the money supply and its consequences have replaced unemployment as the Number One concern of the American public. In response, smiting the enemy hip and thigh, the President has announced with a straight face that it is a "myth" that government alone can stop inflation. He called upon business and labor to moderate their price increases and wage demands. Economist Alexander Parris writes of such politicians in the *Chicago Tribune* for April 28, 1978:

"Sadder still is their attempt to present inflation as some mysterious alien force against which our trusted elected officials will wage war. Carter even exhorted business and labor to follow the noble example of their government to battle this evil while, at the same time, he lectured the average citizen for his human selfishness. The irony, of course, is that nobody but government can cause inflation — not big business, not greedy consumers, and not powerful unions,



though they will all be blamed before Washington is through. Lest anyone see through the charade, Carter even recently felt it necessary to publicly reject the 'myth that the government itself can stop inflation.'

"It is only the excessive creation of paper money that can cause widespread and intractable price inflation, and the government alone has the monopoly power to create money. But we have been so befuddled by government rhetoric that we have forgotten what most economists used to know about inflation. Even the new Random House dictionary defines *inflation* as the 'undue expansion or increase of the currency of a country . . .,' and an *inflationist* as one who is 'an advocate of inflation through expansion of currency or bank deposits.' Yet, search all the public statements about inflation and there is little mention of money. It is almost a conspiracy of silence."

Yes, it is, isn't it? And, right now, President Carter is leading the conspiracy.

The increase in the cost of living which has resulted from the government's continual expanding of the money supply to meet its deficits is producing terrible consequences. As deficit spending is increased at an ever faster rate, prices are bid up accordingly and are more than eating up wage increases. The government claims that wages last year rose nine percent, while prices jumped only six percent, so that theoretically the typical American family is three percent better off than last year. That was *before* taxes. After taxes, the people of America are three percentage points poorer than they were before they got a nine percent raise. Next year will be worse. During his campaign, Jimmy Carter promised he would never raise taxes for the hard-pressed middle class. Once elected he

gave us an increase in Social Security taxes that is the largest peacetime tax increase in the history of the Republic.

The consequences of high taxation and deficit-produced inflation choke every aspect of American life. Consider that millions of Americans rely on investments in the stock market for their retirement. Some own individual securities directly, and many millions own stocks indirectly through their pension funds. If you adjust the Dow Jones averages for inflation, you discover that because of stagflation there has been no growth in the stock market since the early 1960s. And, regardless of what Merrill Lynch says, that's no bull. Everywhere we turn we are being driven to our knees.

Although the very concept drives "Liberals" bananas, the health of the economy and the availability of new jobs depend upon corporate profits. Economic analyst Bruce Bartlett observes:

"The fact of the matter is that corporate profits today are not high by comparison to recent history, either by absolute or relative numbers. The reason for this is that inflation has totally distorted corporate finances and driven a huge wedge between real and nominal values. Unfortunately, corporate profits are reported and taxed on their nominal value, which gives rise to frequent reports that XYZ corporation has reported 'record' or 'all-time high' profits . . . . Inflation gives the firm 'paper' profits on the sale of inventory goods which were accumulated when prices were low." But now the inventory or plant machinery will have to be replaced at much higher prices. Paper profits melt like butter in July.

There can be no doubt that prices are headed higher. While Jimmy Carter was hypocritically declaring war on inflation, the Federal Reserve



Bank of St. Louis was releasing a report which showed that the first quarter of 1978 produced the fastest growth in the money supply "in the last five years." That is pure inflation, and it means we can expect the fastest increase in prices "in the last five years."

Since government is the Number One beneficiary of its inflationary policies, expecting the politicians to stop it by choice is expecting too much. As a recent *Federal Reserve Bulletin* refreshingly admitted: "One of the primary benefits of inflation is the revenue it produces for the government." Isn't that wonderful? Eventually the politicians will make most of us millionaires, pushing us into the seventy percent tax bracket. Of course much of the thrill of being a millionaire will be offset by being required to pay fifty dollars for a bus ride to work.

If Jimmy Carter or the Congress were in the least serious about putting a lid on the price explosion all they would have to do would be to balance the Budget and stop the printing presses at the Fed. It's that simple. How likely is Carter to do this? How likely is Truman Capote to play line-backer for the Pittsburgh Steelers?

What is likely to happen instead is that we will all be subjected to the usual group-therapy rhetoric with "voluntary guidelines" for business, labor, and consumers. Naturally that won't work. It never does. Then Jimmy Carter will "reluctantly" put wage and price controls on the economy just as Richard Nixon did when inflation reached four percent. The price controls won't work either. They never do. But, people forget quickly. Recent polls show that a majority of Americans now favor the imposition of wage and price controls. If they understood the cause of inflation they would put wage and price con-

trols on the government and not on the economy. But, Carter knows what wage and price controls mean. They mean shortages and rationing. The ration book is the ultimate political weapon . . . in a dictatorship. And ever bigger and more powerful government is the name of the game.

During his crusade for the Presidency, Jimmy Carter went through a ritual denunciation of "the horrible bloated bureaucracy." In his fireside chat on February 2, 1977, Carter pledged to "soon . . . put a ceiling on the number of people employed by federal government agencies so we can bring the growth of government under control."

Will all those who believe that the President has put a ceiling on the bureaucracy signify their approval by repeating that old Indian chant, *Owa Tagu Siam*?

While Carter was talking about cutting the bureaucracy, he was in fact increasing it. The U.S. Civil Service rolls grew by 18,476 people between January 1977 and the end of November of that year, the latest available figures. A little over twenty percent of those were added to the Executive agencies controlled directly by the President and his Cabinet. A White House spokesman defended the addition of staff by stating: "The increases have been necessary to implement new programs and to respond to the needs of an ever-growing population." Isn't it amazing how the rhetoric changes after the campaign is over?

The cost to taxpayers of this federal loafathon is increasingly expensive. According to the Office of Management and Budget, salaries of the federal bureaucracy will set the taxpayers back an incredible \$63 billion this year. With the recently granted increase in federal salaries, this represents more than a \$12 billion



increase from pre-Carter days. According to a Commerce Department report, in 1976 (before major pay raises) the average federal salary was \$16,201 per year while the average annual pay in the private sector was only \$11,483. How does it feel to pay people who make a mess of your life to live better than you do?

An Associated Press release of May 5, 1978, tells of phantoms on the federal payroll earning up to \$50,000 a year who, according to a Senate Committee official, "hadn't been seen in years." These are referred to by one investigator as "high-level Welfare cases." The problem is that the crooks do less harm than those who diligently show up for work every day. One remembers Tom Anderson's remark about bureaucrats being like cockroaches. "It's not so much what they carry off," says Tom, "but what they fall into and destroy."

The Carter cockroaches are regulating us into oblivion. There are now some forty-four independent federal regulatory agencies and another 1,240 federal boards and commissions. More than one hundred thousand bureaucrats are employed by these entities, most of them working more or less diligently to control our lives in every way they can. These regulatory agencies have a combined Budget for Fiscal 1979 of \$4.82 billion. Dr. Murray Weidenbaum of the Center for the Study of American Business at Washington University, St. Louis, says this level of expenditure "is a good direct measure of the rising intervention of government in the economy."

But the overriding concern, as we have noted, is not just the taxpayers' money expended to finance the regulators, but the costs incurred by American business and consumers in complying with the regulations. Dr. Weidenbaum, who was himself once a

federal bureaucrat, says there is a multiplier effect of about twenty times. That is, whatever the total expenditures of government to support its regulatory activities, twenty times that amount must be spent in the private sector to comply with the regulations. Professor Weidenbaum estimated that the total cost of federal regulation, alone, in Fiscal 1979 could easily rise to one hundred billion dollars — about seven percent of the projected Gross National Product. Does anybody really believe we are getting a hundred billion dollars' worth of health, safety, or protection for our money?

Yet even this does not begin to measure the true cost of regulation. Most people don't think of what does not get produced because of government policies. A study by the "Liberal" Brookings Institution of the effects of regulations on retarding the growth of the economy concludes that federal regulation is holding back expansion by as much as twenty-five percent. According to the Brookings calculations, the main culprits are the costs of fanatical pollution control and compliance with half-baked government health and safety programs. The problem is that business investment made to meet such government requirements do not result in any economic output. And it is increased output that fuels the economy. Industry is spending billions to comply with insane government regulations that produce no additional cars or washing machines or tons of steel, and in fact prevent those same billions from being spent to increase productivity.

Through most of the post-war years until the late 1960s, real U.S. annual production growth increased by at least 2.5 percent per year. More recently, the growth rate has been at about two percent, and in recent



months it has been zero. The merest tyro should be able to figure out what that means.

Americans have a tendency not to get excited about even the most serious problem until their stomachs begin to turn. Perhaps we are approaching that point. Your correspondent believes that one of the most important and hopeful signs that this is happening is the nationwide revolt against taxation to support Big Government. California, the nation's most populous state, passed Proposition Thirteen on June sixth, approving by two-to-one an initiative which limits property taxes to one percent of assessed valuation. To prevent a tax "shift" from local to state government, the Proposition requires a two-thirds vote of the legislature before any change may be enacted in the state taxes.

Property taxes were escalating at about twenty percent per year on the average throughout California. Many people who bought a house after World War II for six to seven thousand dollars were now paying three to four thousand dollars a year in property taxes. Californians were being taxed right out of their homes. The passage of Proposition Thirteen will take seven billion dollars a year out of the hands of government and put it back in the pockets of homeowners. You can imagine the stimulus to the private sector represented by an infusion of seven billion dollars in capital and spendable funds.

Of course you can also imagine the

panic engendered by politicians, bureaucrats, and public employees from a loss of those same seven billion dollars. To say that the Left in the Golden State went berserk over the issue is an understatement. Every "Chicken Little" story imaginable was dragged out and used to threaten the public with catastrophe. Unlike five years ago when an initiative to put a lid on state spending failed following a barrage of scare stories, the threats this time only made voters angrier.

The anti-Thirteen crowd began by cranking out the usual stories about cutbacks in the education system. Instead of cowering, the public cheered. The tactic was quickly switched to threats of reduced police and fire service, but the people were not fooled. The *Los Angeles Times* of May twenty-eighth quoted a frustrated voter as saying the situation was "like the movie *Network*, where everyone shouted they were mad as hell and didn't have to take it anymore."

If that is still the mood of the people when they vote for Congressmen on November seventh, the idea of limiting government spending by statute will be seen as an idea whose time has come. Having begun by limiting property taxes on a local level, then putting a lid on state spending, we could soon see a Constitutional Amendment that requires Big Brother in Washington to balance the Budget and live frugally off a greatly reduced income. As Gabriel Heatter used to say, "Ahh, there's good news tonight." ■ ■

## CRACKER BARREL

■ An eager young gentleman went to a college professor and asked to be assigned to a course that would fit him to be superintendent of a great airline system. He asked how much the course would cost. And how long it would take to complete.

"Young fellow," the man of letters replied, "such a course would cost you thousands of dollars and twenty years. But for a bit more money and a few months of time you can be elected to Congress. Once there, you will feel yourself competent to direct not one, but all of the great airline systems in our country."

■ If you've mortgaged the future to buy folly, don't complain when the foreclosure comes.