



# The Phyllis Schlafly Report



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## Why Did Republicans Lose The 1970 Elections?

Despite a few bright spots such as Governor Reagan in California, Senator Buckley in New York, and Senator Brock in Tennessee, Republicans generally throughout the country suffered a substantial defeat in the off-year elections of 1970. In California, conservative George Murphy was toppled by a Kennedy-type liberal. In Illinois, the seat held for many years by Senator Everett Dirksen was captured by Adlai Stevenson III, a radical who referred to the Chicago police as "storm troopers in blue." Even Hubert Humphrey is back in the Senate. It is discouraging to look ahead and see the Senate dominated by men such as Kennedy, Muskie, Stevenson, Tunney, Fulbright, and Humphrey.

In Illinois, the election was a disaster for Republicans. Not only did we lose the Senate seat, but we lost our best chance in a decade to gain a Congressional seat, we lost all state offices which were up for election, we lost control of the Illinois Supreme Court for the first time in 28 years, we lost control of the Illinois Legislature and innumerable county offices.

In Illinois, the fault cannot be placed on some of the usual factors that cost elections. Republicans had good candidates, good organization, good advertising, and a united Party. Where, then was the problem?

### The Issue -- The Economy

The overriding issue in the 1970 election was the economy -- but many Republicans didn't seem to know this until after the ballots were counted.

Ever since 1932, the Democrats have been peddling the false notion that "another Republican administration means another recession." Democrat Congressional candidates through the 1940s and the 1950s regularly ran on the campaign theme, "Remember the bread lines of the 1930s."

In 1970 the Democrats cleverly pinned the blame

for unemployment and the fall in the stock market on the Nixon Administration. The Democrats posted billboards attacking the "Republican recession." Senator Muskie and George Meany sounded the call at the national level that the economy is suffering at the hands of Republicans, and that a vote for the Democrats is a vote for jobs and prosperity.

Republican leaders don't seem to have any answer for these charges. In most cases, they react with a purely defensive posture. Reams of printed matter were sent out by the Republican National Committee along the line that "inflation is growing, but at a slower rate," "unemployment is less than you think," the "recession has bottomed out," and "everything will get better soon." Such statements simply don't cut any ice in the face of layoffs, plant closings, higher and higher prices, the decline of the building industry, and the exorbitant interest one must pay to buy a home today. In my Congressional District alone, we had three major plant closings this year and the largest employer in the District laid off 3,000 people.

Year after year, when Republican Senatorial candidates go on "Meet the Press," "Face The Nation," or "Issues and Answers," they do fine -- until the Democrat strikes for the jugular with an attack on the issue of the economy. Then the Republicans flounder around with weak and unconvincing answers, defensive, apologizing, ineffective.

There is an answer to these attacks, and Republicans are going to continue losing elections until they use it.

The blame for the present recession, as well as previous depressions, should be placed squarely on the shoulders of the Federal Reserve Board which instituted the "tight money" policy which brought on the plant closings and layoffs of the past year, the high interest rates, the decline in the building industry, and the fall in the stock market. The Federal Reserve

Board did the same thing to the Herbert Hoover Administration during 1929 to 1932.

The Federal Reserve Board makes the policies which determine the amount of money in circulation, the amount of bank credit available, and the prevailing interest rates. This is the most powerful agency in the Federal Government.

### Holdover Democrats

The Federal Reserve Board is made up of seven Governors, six of whom are holdover Democrats from the John Kennedy and Lyndon Johnson Administrations. Only one of the seven was appointed by President Nixon. The Governors serve 14-year terms and Nixon does NOT have the power to fire the holdovers and appoint new men.

All during the Kennedy and Johnson Administrations, the Federal Reserve Board gave us easy money and moderate interest rates. As soon as President Nixon was elected in November 1968, the Democrats on the Federal Reserve Board decided to adopt a "tight money" policy through high interest rates, tighter credit, and curtailing the supply of money.

This immediately put the screws on our economy and resulted in plant closings, layoffs, a very sharp drop in the stock market, and finally a credit pinch which caused our largest railroad to take bankruptcy and might have toppled Chrysler but for the General Motors strike. This effect was well recognized by financial experts who had studied previous depressions. For example, Joel E. Segall, professor of finance at the University of Chicago, said on August 6, 1969: "The Federal Reserve Board has given us monetary conditions quite similar to those which preceded other depressions."

The "tight money" and high interest rate policy is so detrimental to the American people that it is impossible to believe it was imposed in good faith. Our money system should be operated for the benefit of the American people, but the only ones who have benefited from the "tight money" policy have been the big-city eastern banks. The hardship it imposes on the average family is illustrated by the high interest we have to pay in buying a home. If you buy a \$20,000 house on a 25-year loan at today's usual rate, you have to pay an additional \$21,250 in interest!

### Congress Won't Help

President Nixon cannot do anything about this because he has no legal power to fire members of the Federal Reserve Board. But Congress can -- and there is the crux of the matter. Congress won't do anything about the matter as long as the Democrats have a majority. They don't want to expose the chicanery of their pals on the Federal Reserve Board who belong to the same Party. Even more important, the Democrats in Congress reaped the political benefits of the so-called "Republican recession," so why should they bite the hand of the Federal Reserve Board that feeds them at the polls?

The question immediately comes to mind, why didn't the Nixon Administration use some of its valuable television time to tell these things to the American people, and to answer Senator Muskie's election-eve propaganda? There may be several reasons. One may be that Republicans believed their own publicity handouts that unemployment and inflation were not major problems. It wasn't a major problem in Washington, D.C. because the Federal Government is the principal employer and, alas, there have been no cutbacks in the size of the bureaucracy. Safely ensconced in the cloister of a Washington, D.C. office (either in the Government or in the Republican National Committee), the people there don't always realize what is going on in the rest of the country.

Nor can they learn about the rest of the country from reading the newspapers. The Associated Press reporter who came to interview me this year had never in his life been west of the Alleghenies and had no idea what the rest of America is like.

Another answer to the question of why the Nixon Administration did not meet the economic issue head-on is that the young men who are writing the press releases may not understand how the money system of the United States operates. In June of this year, I tried to tell a bureaucrat in the Treasury Department of the urgent necessity -- not only for the sake of our country, but for the sake of Republican Senatorial and Congressional candidates -- of meeting the issue of the economy aggressively with some meaningful arguments. His reply can be summed up like this: "Don't worry, we'll have an upturn in the economy before President Nixon runs again in 1972."

### Double Standard On Gold

A third reason why the Nixon Administration failed to do anything about the disastrous Federal Reserve "tight money" policy is that, because of the Gold Reserve Act of 1934 sponsored by Democrats Franklin Roosevelt and Henry Morgenthau and passed by a Democrat-controlled Congress, foreigners can exchange their dollars for gold, but the Americans cannot. The result is that, in order to prevent a run on the American dollar by the Europeans holding billions of American dollars from tourists and foreign-aid giveaways, the Federal Reserve must keep the interest rates very high so as to bribe the foreigners into collecting interest on their dollars instead of demanding gold.

There are other reasons for the plant closings and unemployment of the past year. One is the phasing out of the Vietnam War and the resultant cutbacks in defense orders. The Democrats are completely two-faced about this. On the one hand, they demand an end to spending for the Vietnam War, on the other hand they blame the Republicans for the layoffs that result. You cannot have it both ways. Naturally, when the \$30 billion per year that Secretary McNamara spent on the Vietnam War is cut in half, this means some economic dislocations. The voters should thank the Republicans for the cut in Vietnam War spending, not blame them for

the layoffs that result.

Another cause of some of the plant closings is the tax-and-spend policies of the present Democrat Congress which have made it more profitable for businesses to operate plants in foreign countries than here in the United States. Foreign industries can make more money because their taxes are only a fraction of what we pay, and their labor costs are much lower. This is the result of the extravagant and wasteful foreign giveaway programs which we have been plagued with for years, and for which we are now paying the price in jobs. The repeal of the investment tax credit in December 1969 removed the incentive to modernize plants in the United States.

The major cause of the high prices and high taxes that have caught all of us in the money squeeze at the present time is the extravagant spending of the present Democratic Congress. In bill after bill, Congress voted more money than requested by the Nixon Administration -- and then overrode the President's vetoes. To benefit a few special interest groups, the Democratic Congress has forced higher and higher prices on all of us.

### A Frank Admission

Senator Ralph T. Smith, who lost to Adlai Stevenson III in Illinois, gave a frank interview to a Chicago newspaper on November 8 in which he conceded that he and his advisers badly underestimated poor economic conditions as an issue. "The economic picture had a greater impact than I thought it would," Smith said. Also, "the impact of the state income tax was far greater than I thought it would be."

I happen to know that the miscalculation made by Smith's advisers was based on a supposedly scientific "survey" made by professionals who concluded that the economic issue was not a major factor and that Smith could win over Adlai III on the law-and-order issue. I told the Smith organization early in the campaign that I thought this conclusion was erroneous, but campaign management today is geared to accept the findings of supposedly professional technicians in preference to grassroots soundings.

I believe that you only get accurate answers from "scientific surveys" when the poll-takers ask the right questions, and my impression of most high-priced survey organizations is that they don't know enough about the issues to ask the right questions.

In Illinois, the national tide against the so-called "Republican recession" was greatly aggravated by the complicated new state income tax and by the effort to make downstate taxpayers subsidize the Chicago Transit Authority. The voters blamed both on the Republican Governor. It did not seem to matter that Adlai Stevenson III also endorsed the state income tax. It was voted by a Republican-controlled Legislature and signed by a Republican Governor, and all Republicans suffered the anger of the taxpayers.

### Straight Party Ballots

The result of Republican failure to handle the issue of the economy was thousands of extra straight-Party ballots for the Democrats cast by voters who were mad about high prices, high taxes, high interest rates, layoffs, tight money, unemployment, etc., and who decided to take it out on the Republicans.

The whole trend of politics today is to rely on campaign management and political advertising firms. They certainly have their place, but for the most part they simply are not knowledgeable about the issues and tend to downgrade the importance of issues in a campaign. In what are generally regarded as the major ingredients of a campaign, namely, (1) the candidate, (2) the issues, (3) the organization, and (4) the money, the pros usually rank the issues as least important, and they concentrate on selling the personality of the candidate and using good advertising and organizational techniques.

This is usually because they don't understand the issues. There surely are elections in which the results are determined by which side had the more attractive candidate, the better organization, the better advertising, or more money. The reelection of Governor Ronald Reagan is a good example of how the attractiveness of a candidate can override the issues.

But 1970 nationally was an election in which the issues were paramount -- the pocketbook issues, that is -- and all the pros missed this until they woke up after the election.

In any event, the principles for which Republicans worked during the 1970 campaign are still valid. The Democrat majority in Congress has demonstrated a lack of moral leadership, the reckless spending of our hard-earned money, and colossal buckpassing about the crime, campus riots, and corruption which are tearing apart our great country. This is what is wrong with America today.

Give up? Never! It is our country which is at stake. We must redouble our efforts to build the kind of America we want for our families and children. We should have no regrets about the tremendous effort we expended because we worked for the right cause. The attitude of the wonderful volunteers who helped in my campaign, and who worked hard in races all over the country, is summed up in these words from one of the many messages of courage and consolation which arrived from good friends the day after the election:

"With shoulders straight and heads held high,  
We'll still follow the Eagles wherever they fly."

## Late News Gives Proof!

Just as this *Report* was going to press, the Federal Reserve Board took action which proves WHY Republicans lost the 1970 elections.

Seven days after the election, the Federal Reserve Board lowered the discount rate. This is the interest rate it charges banks for borrowing from the Federal Reserve. The move was interpreted by President Nixon's Council of Economic Advisers as an "easing of the credit strain."

This "credit strain" was created by the Federal Reserve just after President Nixon was elected in November 1968 when it increased money rates, and the "credit strain" was kept in effect by Federal Reserve money policies all during the Nixon Administration.

**Although the Federal Reserve denies being political, the plain facts are that the effects of its policies are to elect Democrats and defeat Republicans.** Republicans are just burying their heads in the sand if they think the timing of Federal Reserve moves is coincidental rather than political.

The last time the Federal Reserve lowered the discount rate was in August 1968, a time which was helpful to the effort of the incumbent Johnson-Humphrey Administration to win the 1968 elections. Before the 1970 elections, the Federal Reserve continued the "credit strain" to fit in with the Muskie-Meany-Democrat propaganda that Republicans cause economic recessions. Then, right after the Democrats won the Congressional elections, the Federal Reserve eased the credit pinch.

Six of the seven members of the Federal Reserve Board are Democrats -- and they took care of their Democrat friends in Congress very well, indeed.

## Thanks From Phyllis

I wish it were possible to send a personal note to each one who contributed to my campaign for Congress, but because of the necessity of paying all the campaign bills I must confine myself to these brief words.

Thanks from the bottom of my heart to all those who contributed through their money, their work, and their prayers. We ran a campaign with which you would have been proud to have been associated, and we have no regrets about the tremendous effort we expended because we worked for the right cause. We had the finest organization of dedicated volunteers that any candidate ever had. Due to their loyalty and hard work over many months, and due to your generous contribution, I ran ahead of the ticket in most areas and would have won if it had not been for the landslide victory of Adlai Stevenson III on the "pocketbook" issue.

One of the rewarding aspects of the campaign was the enthusiastic service of dozens of dedicated college and high school students. Their tireless and splendid effort in my behalf has given me new hope for our nation's youth.

We had the kind of friends who were a pleasure to work with -- and who certainly are worth working for. I know that my loyal friends have such stamina and courage that they will not be dismayed by defeat, but will pick up the pieces and continue their valiant efforts to make sure that we keep America the greatest nation in the world.



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by Brickman



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