



# The Phyllis Schlafly Report



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## Failure of Government Controls

A recent *Wall Street Journal* survey of business executives showed that, whereas three years ago business executives were demanding price and wage controls, today the consensus is against controls of "any type." They've had a bitter lesson and now concede that "controls really do all the horrible things that conservative economists said they would -- everything from discouraging investment and drying up supplies to creating black markets and generally disrupting orderly business."

Most elections are dominated either by the personality of a candidate, or local problems, or a mix of issues. But there were two national elections of the 20th century which constituted clear-cut referendums on a single issue. In 1920, the election of President Warren G. Harding was not really a victory for him, but a national mandate against the Woodrow Wilson foreign policy and League of Nations.

In 1946, the Republican victory in the Congressional elections represented a stunning rejection of price control. The voters sent a message loud and clear in the words of the Republican slogan: "Had enough!" During World War II, the American people accepted even the drafting of their sons with better grace than the fixing of prices by Federal bureaucrats of the hated OPA -- the Office of Price Administration.

Twenty-five years later, a whole generation had died off and an entirely new generation had entered the ranks of voters. The American people had forgotten that lesson of 1946.

It seems there are two kinds of people in the world: those who must make their own mistakes, and those who read history and learn from the mistakes of others. By 1971, the former group was in the majority and the American people were demanding price controls to cope with inflation. President Nixon responded to the roar of the crowd instead of to the still small voice of reason, and ordered price and wage controls.

Well, controls didn't work. Prices went up anyway, and we experienced shortages of many essential goods. Finally, in President Nixon's recent news conference, he frankly admitted: "The answer to higher prices is *not* simply controls -- controls have been tried -- and controls have been found wanting."

One of the many bad results of price control is that it encourages the exporting of vital goods, as producers seek to sell for higher prices overseas. For example, this is what is now happening to our "clean" American coal, so necessary to the production of steel.

While our steel workers are being laid off because the mills cannot get enough coal, our Appalachian coal is being shipped to Europe, Asia and Latin America where it can be sold at a higher price. Even Communist Rumania and Yugoslavia are importing our coal today.

### Free-Market Price System

When President Nixon admitted the failure of price controls he concluded that "the answer to higher prices is to get up the supplies. That will bring the price down." It will, indeed. But the way to "get up the supplies" is to remove price control so that producers are stimulated to increase their output, seek new resources, and stop exporting. Just as removing price controls from meat ended the meat shortage, so removing price controls from coal and oil will end those shortages.

The free-market price system offers the best permanent method of solving the problem with a maximum of freedom and efficiency. Removing price controls on gasoline and fuel oil would put immediate pressure on every consumer -- both individual and corporate -- to conserve use and reduce consumption. It certainly is better to choose a system whereby 210 million Americans each have a separate incentive to economize, than to hire an army of tax-paid bureaucrats to waste gasoline while they supervise individual usage of gasoline and fuel oil.

Removing price controls would have just as beneficial an effect on supply as on demand. Nothing would stimulate increased production like a free-market price increase. Just as the free market encouraged oil companies to pay out nearly \$1 billion four years ago for oil leases in Alaska, today a free market will encourage industry to expend its best efforts to expedite delivery, reopen marginal wells, and stimulate exploration and new refinery capacity.

The best long-term solution for gasoline and fuel oil shortages is the same solution that worked for the beef shortage: remove price controls. The price system enables millions to cooperate voluntarily with one another in our common interest. The alternative to a free market is government compulsion and the use of force to require the people to accept the dictates of the Washington politicians.

### Shortage of Bread

In the nearly 200-year history of our country, we have never before run short of bread. Even in wars, severe drouths and floods, we have always had enough of the

staff of life. Usually, we have had magnificent wheat surpluses.

Now our Government has accomplished the impossible. It has almost made the United States a have-not wheat nation. Whereas we used to have a carryover each year of more than a million bushels of wheat, our present carryover is now the smallest in 27 years.

The president of the American Bakers Association charges that the United States has "a nearly zero wheat reserve, yet continues to export." He predicted that: "People may have to stand in line for a loaf of bread, the way they now wait in line to buy gasoline . . . Shortages could place the price of a one-and-a-half pound loaf of bread as high as a dollar."

Agriculture Secretary Butz says that, "though the supply is tight," the nation will have enough meat. But Mr. Morton I. Sosland, editor of the authoritative *Milling and Baking News*, puts it this way:

"The possibility of a poor 1974 crop is a grim prospect for the United States consumer. . . . Heaviest consumption of flour-based foods is among people with low-income levels. To penalize them for the absence of an American food-reserve policy is an unpardonable neglect of minimal governmental responsibilities."

Our wheat shortage is not the fault of the American farmer, who is the world's most efficient producer. It is caused by deliberate Government policy.

The Nixon Administration has adopted a new grand strategy which exchanges the big stick for the carrot in dealing with the Soviet Union. The Administration abandoned U.S. military superiority, and adopted instead a policy of offering the Soviets the goodies of the American free enterprise system, including wheat and other grains, truck and fertilizer plants, computers, and other advanced technologies.

The Soviets have practically no money to pay for these goodies because they are spending their income for a bigger Navy and new anti-U.S. missiles. So loans to the Soviets are generously extended by our Government out of your tax money.

This is exactly what Russian H-bomb scientist Andrei Sakharov was talking about when he warned us in a press conference in Moscow: "By liberating us from problems we cannot solve ourselves, we could concentrate on accumulating strength. And as a result the whole world would be disarmed and facing our uncontrollable bureaucratic apparatus."

In recent years, we have been subjected to persistent propaganda against building nuclear weapons because they are so costly. But it is rapidly becoming apparent that it would be cheaper and safer to build the weapons than to try to bribe the Soviets with our food and factories, and then pay for the bribe twice -- first in taxes, and secondly in high prices.

## Stealing Our Fish

With food becoming more expensive and sometimes even in short supply, many of us would like to get more of our protein from fish. Our tremendously long coastline and thousands of lakes and rivers should give Americans an abundant supply of cheap and nutritious fish. The trouble is that the price of fish has shot up as much as meat.

One of the principal reasons for this is that our Government has permitted the Russians to steal our fish by the hundred millions of pounds. Giant Soviet fishing trawlers "overfish" our coastal waters; that is, they catch too many fish and especially the very young fish, so that certain species are permanently depleted. The Soviet

vessels completely ignore the regulations which American fishermen must obey.

The Russians engage in what is called "pulse fishing." Scouting vessels, equipped by the Soviet Government with modern electronic gear, go ahead and locate the largest schools of fish. Then, the trawlers move in with scientific mass-production methods and, operating like huge vacuum cleaners, suck in the fish at all levels until the school is so depleted that it is uneconomic to continue.

When one area is fished out, the "pulsing" fleet moves on to a new location which has been discovered by the electronically-equipped scouting vessels which, incidentally, can serve double duty as espionage ships.

This is the way the Soviets carried out what is known as the great haddock slaughter of the 1960s. In one year, the Soviets took 2½ times the total annual catch, including most of the very young fish. The haddock supplies off the Atlantic Coast have been so reduced that the National Marine Fisheries Service has recommended that haddock fishing off New England be indefinitely suspended. Many biologists believe there is a possibility that haddock may completely disappear from New England's waters.

The Soviet Union is not the only nation which is overfishing in our waters, but it is taking the most fish. In the last ten years, the Soviets have reduced our supplies of herring by 90 percent, and severely reduced supplies of other fish including yellowtail flounder, hake, and red fish. This is also happening on our Pacific coast, involving all sorts of seafood from king crab to salmon.

Last year, the Soviet fleet harvested more than 50 percent of the total catch off New England, while American fishermen were limited to only 25 percent of the catch. Although we have the greatest coastline in the world, we now import more than half of the fish we consume.

Most of this fish-stealing takes place beyond the 12-mile limit but within the area of our continental shelf. It is just as ridiculous for us to allow giant Soviet fishing trawlers to prowl our coasts stealing our fish as it would be to allow Soviet oil companies to drill for oil on our continental shelf. We should protect our fish -- one of our great natural resources -- and also adopt a policy of Feed Americans First.

## Solving The Oil Crisis

History is full of examples of how government controls of various kinds create shortages of economic goods. There simply is no way that a government bureaucracy can run an economic system as efficiently as the free market.

Russia was a grain-exporting nation under the Czars; but, after 55 years of Communist control, the Russian people would have starved last year without large-scale shipments of American wheat. Cuba was one of the largest sugar-producing countries in the world -- until Castro came along and created sugar shortages.

Likewise in America, Government controls have turned the greatest petroleum-producing nation in the world into one with a 14 percent petroleum shortage. The trouble is not only price control, which has dried up the building of new refineries and stimulated exports, but the fact that our Government has forbidden its citizens to use our vast oil reserves.

Instead of having the foresight to anticipate the fuel shortage, the Washington politicians used the long arm of government to shut off our needed supplies of oil from Alaska and from the California offshore wells. The

politicians and the courts caved in to pressure from the environmental radicals who place a higher value on the frozen tundra in Alaska than on the vital fuel needs of the United States.

We wouldn't have any oil shortage today if the Alaska pipeline had been started four years ago, instead of being blocked by the Federal Government and the courts, and if offshore drilling had not been severely restricted. Even though Congress finally passed a bill which gave the go-ahead to the Alaska pipeline, there still are 1,100 major and minor government permits which must be issued before the legal path to construction is cleared.

No fuel problem would exist today if we had heeded the prophetic 1954 report of the Senate Subcommittee on Minerals, Materials and Fuels. Its Chairman was a conservative senator, George W. Malone, one of the few mining engineers ever to serve in the Congress. After an exhaustive investigation of the "Accessibility of Strategic and Critical Materials to the United States," this Subcommittee came to the conclusion that: "To a very dangerous extent, the vital security of this nation is in serious jeopardy. We are dependent for many of our essential raw materials on sources in far-off lands, many under the control of possible fickle allies or timid neutrals, some veritably under the guns of our potential enemies."

The Malone Subcommittee proved that "none of this vulnerability need exist," and that the Western Hemisphere could become completely self-sufficient in the production of necessary critical materials. The Malone Subcommittee specifically reported that "The Western Hemisphere (if necessary) can be entirely self-sufficient in petroleum fuels under any conditions," and urged us to develop that self-sufficiency so we would not be at the mercy of foreign dictators' cutting off our oil.

Since then, the tremendously rich oil fields in Alaska have been discovered. But mistaken Government policies have rejected the thesis of the Malone Report, delayed the Alaskan pipeline for four years, and refused to permit free enterprise to explore and develop American oil resources, thus leaving us dependent on oil from the Middle East for a significant portion of our oil consumption.

If we had followed the common sense of the Malone Report and the conservatives who urged American self-sufficiency, instead of the self-defeating policies of the environmental radicals, we would not be suffering our current gasoline shortages.

### **Oil Hoarding**

Government officials have been complaining about oil hoarding; but the Federal Government itself is the biggest oil hoarder in the world. Studies made by the National Petroleum Council and by the Department of the Interior show that the continental shelf off our East, West and Southern coasts contains even more oil reserves than Alaska.

However, the Supreme Court and Congress have combined to grab for the Federal Government the title to all our continental shelf beyond a limit which is three miles for most states, and three leagues for Texas and Florida. Then, the Federal Government simply refused to permit oil wells to be drilled on most of our continental shelf.

Some estimates of U.S. energy reserves are extremely high. The U.S. Geological Survey estimates that, at current rates of consumption, we have a 500-year supply of petroleum and a 300-year supply of natural gas under the outer continental shelf on our Atlantic, Pacific, and Gulf

of Mexico coasts, in Alaska, and in deep mainland fields. On land owned mostly by the Federal Government in three western states, there are two trillion barrels of high-grade oil in shale rock -- an amount six times greater than all proven reserves of crude petroleum on earth.

The Government should sell leases to drill for oil on the continental shelf -- just as the countries bordering on the North Sea in Europe have done. In time, this can solve our oil shortage, make America self-sufficient in oil, reduce our balance of payments deficit, and give the Government a royalty income which can bring about much-needed tax reductions.

### **The Soviet Gas Deal**

Natural gas is the cheapest and cleanest of our energy sources. Although gas is in short supply on our East and West coasts, our Government's policies toward solving this shortage, in the words of Alice in Wonderland, grow "curiouser and curioser."

The Federal Government has forbidden the drilling of gas or oil wells on the continental shelf off our East and West coasts, although our reserves there are estimated to be tremendous and to surpass the untapped gas reserves in our Gulf of Mexico waters. The underwater terrain off the coast of New Jersey looks like the oil-rich north slope of Alaska. The geographical features beneath the sea off South Carolina look just like those in the vicinity of oil-blessed Saudi Arabia.

Instead, the Federal Government has encouraged Occidental Petroleum to make a \$10 billion deal with the Soviet Union to bring gas 2,000 miles from Siberia to Vladivostok, and then across the Pacific Ocean. Another group of American corporations has been encouraged to make a \$6.3 billion deal to bring gas from western Siberia across the Atlantic.

The gas could not arrive here until 1980. But the American taxpayers would start paying for it now with a \$49.5 million grant from the Export-Import Bank. The gas from Siberia would cost about six times our present gas prices and would, in the words of one Congressman, "make last year's fleecing in the Russian wheat deal look like a Sunday school picnic." Some Congressmen charge that the Export-Import Bank is trying to make the Soviet loan despite the new Congressional law which will prohibit credits to the Soviet Union unless Russian citizens are allowed to leave the country.

It is also curious that, after telling us that America should not be dependent on Arabian oil, our Government seeks to make us dependent on Siberian gas. The Siberian gas deals would be a blunder even if they were made with a country such as Finland or Switzerland which has a good reputation for keeping its agreements. But, as the Senate Internal Security Subcommittee pointed out, the Soviet Union is the worst treaty-breaker in all history. It believes and practices what its founder Lenin taught that: "Promises are like piecrusts, made to be broken."

The great United States certainly does not have to go to Siberia for gas. In addition to the untapped gas on our continental shelf, we have the world's largest supply of coal available for gasification. *Combustion Engineering* announced last month that "commercial plants for coal gasification could be a reality by 1977 or 1978." Now that the price of oil has reached \$8 a barrel, clean fuel can be made from coal at competitive prices.

By developing the new American sources of gas and oil, we can eliminate the dollar drain, save taxes, and create new jobs at home.

## Business Loan Terms

If you go to your bank to float a business loan, the bank will fully investigate your credit history and your plans to repay the money. If you pass this financial third degree, then you get around to terms. If you are a blue-chip company such as General Motors, you can borrow the money at the prime rate which is 9½ percent; if not, the interest rate will be 11 percent.

About 40 percent of your investment will have to be your own money; the bank will lend only about 60 percent. How about the duration of the loan? 10 to 15 years if you secure the loan with a mortgage on saleable real estate; only about 5 years if you have good non-real-estate security.

Now, look what a different reception the Russians received when they borrowed U.S. money to build the largest truck plant in the world and a tremendous fertilizer plant.

First, their previous record of not paying their \$11 billion lend-lease debt was totally ignored. Second, instead of paying 11 percent interest which Americans must pay, the Russians are paying only 6 percent. On a \$100 million loan, this means a cash saving of \$5 million per year.

Third, the Russians have to provide only 10 percent of the funds themselves, instead of the 40 percent the American borrower must invest. Finally, the Russians can get 20-year loans, about double the time an American borrower might get.

For the Russian loans, 45 percent is advanced by the Export-Import Bank, which means that it comes from the U.S. Treasury, that is, straight out of the pockets of U.S. taxpayers.

The other 45 percent comes from commercial banks. How can they afford to tie up so much money for so many years at half the current interest rates? By forcing their other customers to make up the difference.

This is the conclusion of Professor Marshall I. Goldman, head of the Department of Economics at Wellesley College, who doubles as consultant to the Russian Research Center at Harvard University. Noting that there is no security for our loans to the Soviets, Professor Goldman said: "If I were a stockholder, an officer, or director of these (lending) outfits, I would go out of my mind."

Professor Goldman is right. The way the Russians have rooked the American taxpayers, with the connivance of the Export-Import Bank and certain international banks, is enough to blow your mind.

Mr. Goldman also brought out that, prior to the recent deals with the Russians, the longest loan agreement the Export-Import Bank ever made was for 12 years. He said, "If we make only 12-year loans to the Japanese, what sense does it make to give the Russians 20-year accommodation?"

It makes absolutely no sense. Nor does it make sense for the American people to be taxed to help build a plant which will not be workable for 20 or 25 years and will be on Soviet territory, subject to total Soviet control. Anybody who tried to foreclose on a plant on Soviet soil would quickly discover what an immovable object really is.

## Gold

What is the best investment a citizen could have made during the last five years to protect his family from galloping inflation? Not common stocks. Not government bonds. Not city real estate. Certainly not life insurance, or annuities, or dollars.

The answer is gold or stock in gold mines. According to Lipper Analytical Services, the best performer among all the mutual funds was International Investors, which has concentrated in gold stocks for the last five years. During these five years, the free-market price of gold has increased from \$35 per ounce to about \$175 -- a gain of 400 percent. The price of gold is fluctuating from day to day.

Why has our Government made it illegal for American citizens to own gold bullion and American gold coins? Simply because citizen ownership of gold restrains printing-press inflation.

In 1933, President Roosevelt ordered American citizens to turn over to the Treasury all their gold money. After this was done, the dollar was devalued 75 percent. While Americans were forbidden to exchange our dollars for gold, foreigners could, through their central banks, exchange their U.S. paper dollars for U.S. Treasury gold at the rate of \$35 per ounce.

The "Foreigners First" clause sold President Kennedy on the curious notion that letting only foreigners turn in their dollars for gold was good for the American dollar. In 1963, President Kennedy announced that he would continue to sell our precious gold supply for 35 paper dollars per ounce. European banks took full advantage of this policy.

This "Foreigners First" gold policy continued until August 15, 1971, when the flight from the U.S. dollar reached panic proportions. Because our paper dollars had nothing behind them, President Nixon was twice forced to devalue.

Meanwhile, our Government has taken away our last hard-money safeguards, such as pure silver dollars, silver half-dollars and quarters, and silver certificates which are dollar bills redeemable in silver. First, half the silver was removed from our silver coins, and then finally all of it.

The rich and the smart can put their money in gold stocks or Swiss bank accounts, and profit from devaluation. But most people's assets are locked into their homes, life insurance, social security, and pensions. They are cheated again and again by the soak-the-little fellow money policies of our Government.

When prices go up, it is not the fault of the unions, or the farmers, or industry. It is because the Federal Government has taken away our gold and robbed us of sound money.

The folly of government economic controls was once eloquently summed up in these words by Winston Churchill, the English Prime Minister who had such a gift of expression: "Socialism is the philosophy of failure, the creed of ignorance, and the gospel of envy. . . . Its inherent virtue is the equal sharing of miseries."

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Phyllis Schlafly is the co-author of three books on nuclear strategy, *The Gravediggers* (1964), *Strike From Space* (1965), and *The Betrayers* (1968), and has testified on national security before the Senate Foreign Relations and Armed Services Committees. She is now a commentator on *Spectrum* for CBS radio and television. Her 1972 series of interviews with military and nuclear experts was aired on 70 television and 50 radio stations.

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