The Phyllis Schlafly Report

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Unemployment -- Causes and Solutions

Our biggest problem today is not the energy shortage. It is the job shortage. The unemployment rate has climbed to the highest since the Great Depression of the 1930s. More than nine million Americans are unemployed, and their savings and unemployment benefits are running out fast.

George Meany has been running large newspaper ads to tell Congress to vote a big budget deficit so the Federal Government can hire the unemployed. Others recommend the opposite, that Congress should balance the Federal budget. Let us consider alternative solutions.

Our greatest national resource is our large amount of capital, or savings, available for investment in new American factories and mines. This fountainhead has provided an endless stream of new jobs which gave the United States the highest standard of living in the world.

Most other countries protect their national treasures from being exported. Italy forbids permanent removal of her priceless Renaissance paintings. The marvelous sculptures of ancient Greece may no longer, like the Elgin marbles, be taken away to other countries.

But our Government, by means of $300 billion in foreign aid, billions more in uncollectible overseas loans given or guaranteed by the Export-Import Bank and the Commodity Credit Corporation, and other incentives, has encouraged American capital to go overseas.

Instead of providing jobs for Americans, this investment money has provided new jobs in Europe and Russia, such as at the world's largest truck factory we are building on the Kama River, at the world's largest fertilizer complex on the Volga River, at the world's largest ethylbenzene processing plant on the Caspian Sea, at the world's largest tanker shipyard on the Black Sea, at the large chemical plant at Severodonestsk, and at a large tire factory in Rumania.

Under this policy of encouraging our capital to go overseas, the direct investment per job in the United States has fallen from $55,000 in 1965 to $41,000 in 1974. As a result, the United States is short at least 13 percent of investment money to build refineries, factories and tools for the millions of new American jobs we need. Our capital investment per worker has lagged behind that in West Germany, Japan, and France. Those countries have full employment, while we don't.

When the Federal Government hires more employees, their wages come out of the pockets of the already over-burdened American taxpayer. But if the Government would encourage instead of discourage capital investment inside the United States, new wages would come out of increased production and everyone would benefit.

Job Preference

When there are not enough jobs to go around, the economic hardship does not fall equally on everyone out of a job. Those with children to support are hurt the most.

The role of the Federal Government in employment today is spelled out in several laws, especially the Equal Employment Opportunity Act of 1972. This law prohibits discrimination in employment on the basis of race, religion, or sex.

In the hands of the Federal bureaucrats, however, this has been interpreted to require job preference for certain minorities, including employed women, in order to achieve arbitrary race and sex quotas. In other words, instead of the Federal Government prohibiting job discrimination, it has been requiring job discrimination on the basis of race or sex.

This practice unjustly discriminates against the person who is trying to support a family. When the principal wage earner of a family unit is bumped from a job, the end result is that many more persons are hurt, especially children. More people go on welfare, which in turn increases the taxes that all of us must pay. Who gets the job preference may be the difference between putting one person on welfare or ten.

The question is, if there are not enough jobs to go around, who should get the job preference when qualifications are roughly equal? Should the preference be given on the basis of race or sex? Or should it not rather be given to that person, regardless of race, religion, or sex, who is supporting a family? In a period of high unemployment, it is unjust for job preference (for reasons of race or sex) to be given to a second wage-earner in a family over another family which has no wage-earner at all.

There is one obvious solution, and Congress should act immediately. Congress should amend the Equal Employment Opportunity Act of 1972 to authorize employers to give job preference in hiring and promotions, and retentions during layoffs, to the spouse designated as the Principal Wage Earner in each family.

Each married couple could itself decide which

spouse is to be designated as the Principal Wage Earner, and this decision would be registered with the Social Security Administration for employers to verify. Only one spouse per family could be so designated. Where there is only one parent, he or she would obviously be the Principal Wage Earner.

This plan would be wholly voluntary, it could be put into effect immediately, and it has the logic of simple justice. It will distribute the available jobs in the most equitable manner. It will be fair to all races and both sexes. It will reduce the welfare burden and save taxes. It will safeguard the dignity and economic independence of the family unit.

Investment Capital

There is no way the Federal Government can provide any significant number of the jobs needed, and the current trauma in New York City shows that we cannot look to states or cities for the solution, either.

Since it takes around $30,000 to create each new job, and since we need to create some 10 million new jobs by 1980, that means we need $300 billion of investment capital just to check unemployment.

One frequently quoted study of our national capital requirements for the next decade concluded that we will have a shortfall of investment capital totalling about $650 billion out of an estimated cumulative need of $4.7 trillion.

Instead of increasing our investment to cope with this problem, our country has been in a trend of underinvestment for at least a decade. Of the four principal sources of investment money, profits and depreciation reserves have been severely reduced by inflation, borrowing has already reached maximum debt capacity in many companies, and equity capital has dried up in the face of high taxes and the high cost of living.

Other leading Western nations have done a great deal more to encourage capital investment than the United States. In the last 10 years, we have devoted only 13.6 percent of our Gross National Product to nonresidential fixed investment, compared with Japan's 29 percent, West Germany's 20 percent, and France's 18 percent. Even Italy and the United Kingdom devoted a larger share of GNP to investment than we did.

Caspar Weinberger provided the answer to why this has happened when he gave his valedictory upon leaving his post as Secretary of the Department of Health, Education and Welfare. He said that, at the rate we are going, half of the American people will be working to support the other half.

Weinberger warned that it will be "virtually impossible to maintain our free-enterprise-incentive, capitalist system if we have to use 50 percent of the Gross National Product to pay for domestic social programs alone." He described welfare spending as a vast sponge which soaks up capital needed for new jobs.

The shortage of investment capital is a greater long-term danger to the American economy than the energy crisis. Even more than oil or gas, investment capital is the real fuel which powers our free enterprise system that has produced more benefits for more people than any other system in all recorded history. Like energy resources, capital must be conserved and developed.

We should reduce taxes and restore meaningful incentives for investors in order to generate the investment our country so desperately needs. This is the only way we can achieve full employment of labor, full utilization of industrial capacity, gains in productivity to equal those of our international competitors, and a continued growth in the American standard of living.

Capital Gains Tax

More than 90 percent of all work in the United States is done by machinery. Without this machinery, there would be no automobiles, trucks, railroads, electric power and appliances, telephones, or the many things that give Americans the highest standard of living in the world. It is this machinery, rather than the physical labor of our people, which enables us to produce more than half the world's goods, although we have only six percent of the world's population.

The purchase of most of this productive machinery comes out of the savings of a small fraction of the American people. In order to provide the incentive for people to save and invest in new industries, and to expand existing ones, the possibility of profit must exceed the risk of loss. We must have a steady, continuous supply of investment from private savings if we are to build and purchase enough machinery to provide enough high-paying jobs.

The London *Economist*, the leading British newspaper in a country with plenty of experience with bad economic policies, stated: "The standard of living of a nation depends . . . on the productive capital it possesses . . . much more . . . than on all other things put together." Many people feel that one of the factors in the tremendous economic recovery and prosperity that West Germany experienced after World War II was the fact that the capital gains tax was eliminated altogether.

Although private savings are essential to the purchase of machinery, our government is actually discouraging and confiscating savings through what is called the capital gains tax. This is a tax on the increase in the value of property that you bought with money you saved at some earlier time, and then sold for a larger sum than you paid for it.

It is a tax that penalizes the thrifty people who save their money and invest it in productive enterprises. It is a tax that takes money out of productive uses where it can buy new machinery to create jobs, and puts it instead into the unproductive projects of the government bureaucracy.

If the government insists on imposing this capital gains tax, then it is only fair to determine what are the true capital gains. In the great majority of cases, the capital gains tax is imposed on what is no real gain at all, but is only a price increase due to inflation. The longer you have held the piece of property, the more your gain is due to inflation rather than to a real value increase.

Over the last 35 years, prices have about tripled. If you bought a piece of real estate or some corporation stock in 1940, and sold it this year for twice or even three times what it cost you, you have had no real gain in value. When the government taxes the fictitious gain based on the dollar price, it is confiscating a part of your property that you already earned and paid income taxes on when you first received that money, and it is penalizing you for saving your money and investing it in productive purposes.

Any capital gains tax should be applied only to the true gain, not to the inflationary rise. This could be done by applying a progressively lower rate of tax the longer an asset has been held, because that would be a rough measure of the inflation factor in the price.

Should We Bail Out New York City?

The eastern liberals have been putting on a bleeding-heart campaign to persuade the Federal Government to bail New York City out of its financial crisis. Every time we turn on the tube or pick up an eastern newspaper, we are told that New York City is a *United States problem*, that it is our obligation to save New York by lending or giving billions of our tax dollars. A delegation of big-city mayors teamed up with Mayor Abraham Beame of New York to plead for Congress to pass a multi-billion dollar federal bailout plan for all cities on the verge of default.

If New York's problems were caused by a tidal wave, an earthquake, or a hurricane, Americans would help as generously as they have always helped victims of unavoidable disasters.

New York's troubles, however, are of their own making. Nine out of the twelve largest cities in the country had healthy budget surpluses in 1974. Only New York City had a big deficit. New York's per capita welfare cost is 17 times that of Philadelphia. New York spends six times as much per citizen to finance city workers' pensions as does Chicago. New York's per capita health and hospital costs are 2½ times those of Detroit. New York is the only city in the country that maintains a huge university and charges students practically no tuition.

Victor Riesel, the respected national authority on labor, reports that thousands of New York City employees goof off with so many vacations, holidays, sick leave, and other leisure gimmicks that they actually "turn in half a year's work for a full year's pay."

New York City started on its reckless spending binge a decade ago. In the make-believe world of liberal economics, government is a merry-go-round on which politicians can ride forever, singing the tune of special interests and spending borrowed money. City expenditures for welfare, social services, and higher education all quadrupled. The cost of welfare and social services rose from half a million dollars per year to two billion dollars. While Chicago maintains one municipal hospital, New York provides 19. Expenditures on colleges and universities, which charge no tuition to city residents, rose from $180 million per year to $612 million.

As budget deficits rose from $100 million in 1964 to $600 million this year, New York City kept borrowing from one group of creditors to pay back loans from others. As the ranks of lenders declined, New York issued "tax anticipation" notes in anticipation of taxes which had not yet been collected (and which some people thought might never be collected). The joy ride ended when the banks refused to extend any more loans because New York City is such a poor credit risk.

Financial Capital of the U.S.

For more than a hundred years, New York has been the financial capital of the United States, the center of the municipal bond market, and the oracle of national advice about investments. Now the three largest New York banks want the rest of the country to make good the unsound bonds they foolishly bought. Why didn't they foresee the consequences of New York City's extravagance?

The Conference of Mayors is issuing wild threats that, if we don't bail out New York, we will be "playing Russian roulette with economic disaster." Governor Ronald Reagan expressed the views of most American taxpayers when he said, New York "is a plain case of mismanagement."

Former Supreme Court Justice Brandeis warned in his classic book, *Other People's Money*, about investment bankers who are careless with other people's money. The New York City banks must have simply closed their eyes, year after year, to foolish fiscal practices that they never would have tolerated in any other borrowers. The New York City banks should have exercised greater care with their depositors' money instead of pouring good money after bad by lending to a bad credit risk.

Congress should give New York sympathy but no cash. If New York were given the billions of dollars it needs just to stay solvent in the coming year, it would open the floodgates to similar demands from other cities that have been living beyond their means.

But what would be worse is that such emergency aid would relieve New York City of the obligation of putting its own financial house in order. It could go on raising salaries, keeping unnecessary people on the payroll, and handing out free college tuition and welfare benefits as though there were an endless supply of money. There is no reason why the already-overburdened taxpayers in the rest of the country should be taxed to save New York City from the consequences of its own financial folly.

Advice From New York and Washington?

If I wanted to become a good golf or tennis player, I would take lessons from a successful pro rather than from another beginner. If I were having problems in my business or profession, I would seek the counsel of a proven success rather than one in bankruptcy.

One of the troubles with the United States is that our financial headquarters is in New York City, our government headquarters is in Washington, D.C., and our news media are headquartered jointly in New York and Washington; but the governments of those cities are the most conspicuous failures in handling public money and guaranteeing personal safety.

New York and Washington are two of the highest crime areas in the United States. One recent dramatic example of the breakdown of law and order in our nation's capital was the use of an ice pick to put out a bystander's eye, and other violence, in front of the Washington Monument during the celebration of Human Kindness Day in May 1975.

It is illogical to expect the solutions to today's complex political and economic questions to come out of New York City or Washington, D.C. However, we are inhibited in our search for success models elsewhere by the fact that the national news media are themselves based in those very same cities. The press corps in New York and Washington operates in an intellectual cloister which assumes that nearly everything of importance originates, happens, or is thought about, only east of the Hudson and the Potomac Rivers.

The financial clouds over New York City could have a silver lining if they caused our politicians, our businessmen, and above all our reporters to go west in their search for new solutions and new leaders.

High Prices -- Causes & Solutions

One of the unfortunate social results of inflation is the quarrels it has instigated among different groups of American citizens. City dwellers blame the farmers and middlemen for high food prices. Farmers blame the unions for the high cost of what the farmer buys, especially transportation.

Industry blames its inability to finance new plants and equipment on Congress for imposing double taxes, first on all corporate income and again on corporate income going out as dividends.

A Louisville restaurant owner has dramatically illustrated who is really to blame for high prices. He is advertising a fine plate lunch for 45 cents, a steak sandwich for 40 cents, and ham and eggs for 40 cents. What is the catch? The customer must pay in the *silver* quarters and *silver* half-dollars which circulated when good lunches did cost only 45 cents.

Our entire money system has been deliberately cheapened by our government. The silver has been taken out of our coins, and all silver certificates, which were redeemable in pure silver, have been removed from circulation. The gold backing for our paper money has been removed, and our dollar bills are no longer exchangeable for gold.

President Franklin Roosevelt devalued our paper money 75 percent in 1934. President Richard Nixon devalued our paper money 20 percent, part in 1971 and part in 1973. Because our irredeemable money is backed by nothing, the Federal Government prints bonds, and the Federal Reserve prints Federal Reserve money, to pay for huge annual deficits.

Today, old silver quarters, silver half dollars, and silver dollars --when you can get them -- sell for about three times their face values of 25 cents, 50 cents, and a dollar. As the Louisville restaurant dramatically illustrates, if we still had silver coins and gold-backed dollars as money, we could all buy good lunches for 45 cents, and everything else would cost only about a third of today's prices.

Our laws punish burglars, robbers, and counterfeiters. It is strange that there is no punishment for public officials who deliberately cheapen the public's money and who remove its gold and silver backing. Congress should investigate this as thoroughly as it investigated the mere trespass to the Watergate political headquarters.

The blame for high prices should be put on the spendthrift Presidents and Congressmen who indulged their irresponsible extravagances by deliberately debasing our money and removing its gold backing and silver content.

Reagan's Tax Cut

The liberal spending complex in government and education is in shock about the dramatic proposal of former California Governor Ronald Reagan for a $25 billion federal income tax cut next year and a $90 billion cut in federal spending -- enough to wipe out our entire budget deficit.

Reagan has upstaged the other politicians in both parties on the key issue that affects more Americans than any other because we are nearly all taxpayers. The Reagan proposal cannot help but be popular with the voters and significantly boost his chances in the presidential sweepstakes.

Governor Reagan would achieve these federal spending cuts by transferring authority in whole or in part from Washington, D.C. back to local and state governments in areas such as welfare, education, housing, food stamps, medical care, and community development. These programs obviously will cost less when handled at the state and local levels.

If you pass an ice cube from one hand to another around the table, its volume significantly decreases by the time it returns to you; and likewise the money you send down to Washington shrinks as it goes through many hands before it returns in local benefits.

When Governor Reagan gets around to pruning out waste on an item-by-item basis, a good place to start would be the $121,000 federal grant given to Southern Illinois University to administer marijuana to paid male volunteers, then show them erotic films, and then measure their reactions. Or the $342,000 given to Michigan State University to conduct a survey of college students on their premarital sex habits. Or the $57,800 of our tax money paid to a five-man team to make 79 body measurements of 423 American Airlines stewardesses. This study was titled "Anthropometry of Airline Stewardesses." (Anthropometry is the science of measuring the various parts of the human body.)

Among the other wasteful spending projects of the federal government are the $71,000 spent to compile a history of comic books, and the $131,417 spent to discover that most mothers prefer no-iron children's clothing. The Women's Bureau in the Labor Department costs about $2 million a year to run. A great deal of its time and effort are spent promoting the controversial Equal Rights Amendment. Another good place to save money would be the International Women's Year boondoggle in the State Department, currently costing the taxpayers $300,000. Bella Abzug is currently asking Congress to appropriate $10 million to the Commission on International Women's Year to finance women's lib conferences all over the country during 1976.

The ripoff of the American workers by the liberal big-government and big-spending programs is a national tragedy. We should restore to the American taxpayers the fundamental individual right to spend our own money.

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