



The Phyllis Schlafly Report



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BOX 618, ALTON, ILLINOIS 62002

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Private Enterprise vs. Socialism

Purchasing Power

Comparisons of standards of living and purchasing power between the United States and foreign countries usually leave me wondering about their validity because of the obvious statistical barrier posed by the different money systems.

Now, a respected international journal, *To The Point*, has published a meaningful comparison of eight major countries by showing the buying power of wage earners in different occupations expressed, not in money, but in the working time required to buy common consumer items. The resulting chart is a blockbuster that provides new proof of the superiority of the American system in providing more material goods to more people than any nation in history.

Compare, for example, the purchase of 22 pounds of sugar by a nurse. The American nurse can buy the sugar with one hour of work, the English nurse with four hours, 17 minutes of work, the Japanese nurse with four hours, 50 minutes of work, the Polish nurse with six hours, 48 minutes of work, and the Russian nurse must work 16 hours to buy the same amount of sugar.

What if you are a skilled laborer trying to buy a pair of men's shoes? The American can buy them with 6 hours of work, the Japanese with 10 hours of work, the Englishman with 15 hours of work, the Frenchman with 16 hours of work, and it takes the Russian laborer 45 hours or an entire week of work to buy one pair of shoes.

Now take the case of an engineer buying a man's suit. In America, it takes him 12 hours of work, in England 20 hours of work, in Sweden 22 hours of work, in Japan 34 hours of work. The Russian engineer has to work 162 hours or about a full month in order to buy a man's suit.

What if you are a teacher and you want to buy an automobile? In the United States, it takes you 2½ months of work, in Japan 4½ months of work, in England 7 months of work. The Russian teacher must work one year and three months to earn enough to buy an automobile, and the Polish teacher must work four years.

All these figures are based on average or middle rates. For example, the skilled laborer's work time is calculated on the average for five skilled trades, from welder to motor mechanic.

The statistics were compiled from a wide variety of official, semi-official and private sources, including the Organization of Economic Development and Cooperation, the International Work Bureau, the Union de Banques Suisses, the French-based Centre of Research and Documentation on Consumption and the Centre of Study into Revenue and Costs.

Anyone who wants to exchange our American economic system for the Socialist failures in other countries had better prepare himself for an abrupt reduction in standard of living caused by having to work up to 16 times longer for ordinary consumer necessities.

Jobs Creation Bill

At the end of World War II, victorious Great Britain fired its wartime leader Winston Churchill, defeated the Conservatives, and voted the Socialists into power. The same year the U.S. State Department sent a commission to the country we defeated and told the Germans they should adopt the economic policies advocated by the Englishman Lord Keynes, namely, inflation and government deficits.

West Germany declined to take our advice. Chancellor Ludwig Erhard took exactly the opposite course: a balanced budget, encouragement to private enterprise, incentives to individuals to save and invest their money in production, and elimination of price controls and government deficits.

In the succeeding 25 years, West Germany rose from bankruptcy to become one of the most prosperous nations in the world. The other defeated country, Japan, took a similar path of encouraging private enterprise and likewise achieved remarkable prosperity.

During the same period, Britain has gone steadily downhill from the crest of her World War II victory to the verge of economic collapse. A combination of Socialists (who nationalized many industries) and Keynesian spenders have skyrocketed government spending to 60 percent of all British income. The once-stable British pound has fallen from \$4.03 to only \$1.79.

The United States Congress is now considering two major economic proposals. One is the Humphrey-Hawkins Bill which, by guaranteeing a government-funded job to every unemployed person, will take us down the Socialist/Keynesian road Great

Britain traveled. When the government hires more employees, every paycheck must come out of the pockets of taxpayers.

The other proposal is the Jobs Creation Bill sponsored by Congressman Jack Kemp and 107 other Congressmen. This bill is designed to increase capital investment which will create new jobs and raise the productivity of labor. The Kemp Bill will encourage investment in new plant and equipment by eliminating double taxation of corporate dividends and by reducing other taxes which discriminate against private savings and private production.

New jobs are created by capital investment, which in turn is created either by savings or by borrowing. During the 1970s, corporate-retained profits have averaged only 1.8 percent of our national income. When employers turned to credit markets to finance their expansion, they found themselves crowded by big government borrowings to finance our huge Federal deficits. Although private business and agriculture provide 80 percent of American jobs, the government has been borrowing about 80 percent of the credit available.

Our current unemployment is a direct result of government deficits taking so much capital away from investment in business and agriculture. With two million additional young workers entering the labor market each year, our economy must have the capital investment necessary to create new jobs.

Whether Congress votes the Kemp Jobs Creation Bill or the Humphrey-Hawkins Bill will determine whether we choose proven private enterprise prosperity or make the same tragic mistake as did Great Britain.

Socialized Medicine

"Those who warm themselves at the gates of Hell will never go there" is an old saying that warns us to contemplate the discomfort of a fiery eternity before we indulge in the tempting pleasures of the moment. The same lesson is just as applicable to warn us about the British experience with socialized medicine before we fall into similar folly in the United States.

The social planners of Britain's National Health Service followed the customary liberal pattern of setting impossible goals while irresponsibly underestimating the costs. It provides free health care for everyone needing practically any kind of treatment. The annual cost is now running at more than 16 times the original estimate. The idea that spending more and more on health services will produce a healthier population needing less and less health care has been exposed as the will-o'-the-wisp it always was.

Britain's example enables us to identify the inevitable earmarks of a medical plan administered by the government: long waiting lists for treatment, the emigration of young doctors to other countries, and strikes of hospital personnel.

Doctors and nurses who first enthusiastically accepted the plan are now disenchanted and militantly organized to advance their own personal interests. Their dedication has been poisoned by 20 years of chronic shortages of funds, obsolete buildings and equipment, escalating paperwork, and bureaucratic controls that override their professional judgment.

One of the interesting byproducts of Britain's experience is the impressive growth of private health insurance among all those who can possibly afford it.

More than two million Britains and their families are now paying for private health insurance despite coverage by a comprehensive health service for which they are already heavily taxed.

When services are provided free to the consumer, they are bound to be used wastefully. Demand stimulated by zero pricing can never be satisfied. Although the government puts an overall limit on the total budget, so long as the discipline of price is absent there is no real check on individual consumption.

The truly needy are squeezed out by those who insist on continued medical consultations and expensive drugs even when the doctor thinks there is nothing wrong. The least well-informed, the least socially competent, the least active, and particularly the elderly, are just as much at a disadvantage as they were under a free-enterprise system.

Doctors in London's largest hospitals have diagnosed the National Health Service as a condition of "crisis," "collapse," and "catastrophe." The prognosis is clearly negative, and no one has any remedy to offer except a massive injection of more public funds which the British taxpayers cannot afford.

There are some people who have to make all their own mistakes, and there are those who are wise enough to profit from the mistakes of others. Let's hope that America will not duplicate Britain's medical mistake.

National Debt

There were more candidates for President in 1976 than anyone can remember—all looking for important issues to identify themselves with the voters. Yet there is one very important issue no candidate discusses. It is the no-no of the 1976 campaign.

Perhaps the reason no candidate mentions this issue is because no one has a solution. Even the candidates running as problem-solvers don't seem to have any answer for this question.

I refer to the national debt and what to do about it. About twice a year, our Government can't borrow any money to pay its bills because it has reached the debt limit. So Congress goes through a charade of raising what it calls the "temporary additional" debt limit.

Although the permanent debt limit has been set at \$400 billion ever since March 17, 1971, the "temporary additional" debt limit has pushed the actual figure to \$595 billion. The interest charges alone are about \$30 billion per year. The national debt was only \$1 billion when President Wilson was elected in 1912.

For openers, here is my solution. First, Congress should not raise the debt limit any more, permanent or temporary. This would stop the fires of inflation caused by printing Government bonds, which are then exchanged for Federal Reserve money (also printed by the Bureau of Engraving) in order to pay for those Government bonds.

Next the Government should sell some of the property, mostly unused, which it has acquired during the 200 years of our existence. Much of the land in Alaska and our Western states is owned by the Federal Government.

In addition, there are many idle Federal properties in the East and South, such as shipyards, military posts, training camps, old forts, and old post offices. It has been estimated that half of the national debt could be retired by selling off Federal lands from all over the country.

Not only would this bring immense savings in

taxes now levied to pay the interest on the national debt, but if Federal lands were sold to private owners, they would cease to be tax-exempt and would begin paying their fair share of local school and property taxes.

A quiet move designed to call a halt to the continuing upward spiral of Federal deficits has been marching across the country. Eight state legislatures have adopted resolutions calling for a constitutional amendment banning Federal deficit spending: Louisiana, Mississippi, Maryland, Georgia, North Dakota, Delaware, West Virginia, and Nebraska. Other states trying to pass such a resolution are Illinois, South Dakota, Nevada, New Hampshire, and California.

This is definitely not a case of "do as I say and not as I do." Many of these states practice what they preach and themselves live under state constitutional provisions that require a balanced state budget. The Federal Government should start imitating those of our states which forbid their governments to spend more than they receive in taxes.

The Mess In HEW

What is the biggest mess in Washington today? Some say it is the high-crime areas. Others say it is the postal system with its increasing deficits, higher postal rates, and decreasing service.

It is more probable that this dubious title belongs to the Department of Health, Education and Welfare. It costs the taxpayers \$118 billion a year, more than a third of the entire Federal budget.

In public assistance, 25 percent of the recipients are either ineligible or overpaid, costing us \$6 billion annually. In the new adult welfare program called Supplemental Security Income, 7.7 percent of recipients are not eligible and 11 percent are overpaid. Overpayments have already topped a half billion dollars.

A partial HEW audit made public on February 24, 1976 revealed hundreds of errors in Supplemental Security Income checks: 89% of the checks sent into Delaware had errors, and 55% of the checks to California recipients had errors.

With all that money to spend and 120,000 employees to keep track of, wouldn't you think that HEW would have developed a first-rate system to guard against fraud and error? Well, it hasn't. A year ago, there were only ten investigators and a ten-year backlog of uninvestigated cases. Since then, HEW has added only another ten investigators.

But there are more serious shortcomings with the HEW self-policing system than merely a scarcity of personnel. First, the investigators are under the supervision of HEW officials who have a vested interest in not finding out mistakes. Second, there seems to be a strange attitude that it is somehow unhumanitarian to hunt for cheating beneficiaries and incompetent bureaucrats.

In addition, a House Government Operations Subcommittee found that there evidently is "an unwritten agreement" that the Office of Investigation and Security shall not investigate the Social Security Administration, which accounts for 80 percent of all HEW expenditures.

Quite apart from the waste of the taxpayers' money built into the HEW budget is the fact that this prevents the Department from financing many worthy and needed projects. For example, last year Congress au-

thorized HEW to set up a Parent Locator Service to help families locate runaway fathers and require them to support their abandoned wives and children. When women appeal for help under this law, they are told that HEW does not have the money to pay for this project.

Meanwhile, according to Senator Charles Percy, HEW did have the money to pay for 10,800 abortions in Illinois in only one year at \$180 per abortion. Another example of a project HEW found money for is the \$339,788 it granted in 1974 to the Gay Community Services Center of Los Angeles for "human services specifically designed for the gay community."

The time is ripe for a fullscale investigation of the Department of Health, Education and Welfare to eliminate the ripoff of the taxpayers' money. It would probably also be a big improvement to separate this unmanageable mess into three separate departments of Health, Education, and Welfare.

Postal Monopoly

There is a new slogan sprouting on automobile bumpers that says: "If you like the Postal Service, you'll love nationalized oil." It is a measure of public disaffection with ever slower and ever more costly mail delivery that it has become a popularly-accepted criterion of government inefficiency.

With the Postal Service threatening to cut its service to three mail deliveries a week, it may be hard for those under age 30 to believe that one of Dwight Eisenhower's 1952 campaign promises was to restore the second daily mail delivery that had been eliminated by the Truman Administration. We used to have eleven home mail deliveries per week, we are now down to six, and we are threatened with dire forecasts of a further reduction.

Thomas Jefferson once predicted that the post office would be "a source of eternal scramble among the members [of Congress] to see who can get the most money wasted in their states." He was right, of course; but the Post Office under the spoils system was economical compared with the deficits that have piled up since 1970 when the Post Office was taken out of politics and turned into a government corporation.

The theory of the switch was that private managerial genius would breathe business efficiency into the post office. So the personnel of the post office was shifted from the precincts of the in-politicians to recruits from the top echelons of the largest businesses in the country.

This infusion of business expertise hasn't helped a bit. In fact, the reverse has been true. Costs are going up faster, and letters and packages are delivered slower than before the switch. The post office is a sanctuary where incompetence, deficits, and faulty service are not punished by the free market, but are rewarded by a supplemental appropriation from an indulgent Congress.

Since 1971, the number of pieces of mail carried by the Postal Service has increased only two percent (from \$87 to \$89 billion), but the annual postal deficit has increased 385 percent (from \$204 to \$989 million). The Consumer Price Index has risen 35 percent, but first class postal rates have risen 63 percent.

This deficit has been galloping upwards despite the fact that the Postal Service enjoys a legal monopoly enforced by the pettiest kind of harassment such as the prohibition against any individual's hand-delivering a

letter or circular in someone else's mailbox in your own neighborhood.

To enforce its monopoly, back in 1916 the Post Office declared that the corridors of any office building can be designated as post routes, thereby making private delivery of letters illegal. The Post Office has defined "letter" to include computer cards, bills, receipts, price lists, and other business documents.

The U.S. Constitution permits a postal monopoly, but does not mandate it. The Articles of Confederation conferred on Congress "the sole and exclusive right [of] establishing and regulating post offices," but the Founding Fathers made a deliberate decision against such an explicit delegation of monopoly power when they wrote the U.S. Constitution. The constitutional words adopted were merely: "The Congress shall have power ... to establish post offices and post roads." It is obvious that there is nothing sacred or inviolable about a Federal monopoly of postal service.

There isn't anything so difficult or special about delivering letters. It doesn't pose nearly as many problems as delivering quarts of perishable fresh milk or gallons of inflammable gasoline. Private carriers of packages are able to give good service and make a profit. When Government fails, it is a good time to try private enterprise.

The fault is not in who runs the post office. The fault is in the monopoly position of the post office which by its very nature rewards inefficiency. Government is inherently inefficient. There is no competition and no incentive to make a profit. The obvious remedy is to introduce competition so that the sanctions of the free market are continually at work to induce efficiency.

The American public is already the gainer because there are free-enterprise competitors to the post office in the carrying of parcels. It is time to repeal the law that prohibits competitors to the post office in the carrying of first-class mail. Neither politicians nor businessmen can cure the post office problem. What the post office needs is not new bosses, but new competition.

Competition: The Miracle Factor

Why is it that Americans have enjoyed more material benefits than any other nation? It is not because we are smarter than other peoples of the world. It is not because we work longer hours. It is not because our land is superior in natural resources. Russia, China, Canada and Brazil are all larger than continental United States.

Competition is the miracle factor which has given America the highest standard of living of any nation in the world. The areas of our economic life where competition has been the keenest, such as automobiles, airplanes, computers, and food, have given the consumer the best products in the world at the lowest prices. Our progress has been the least in the areas where government monopoly has been the rule, such as sewers, garbage collection, and the post office.

America has been able to give more good things to more people than any nation in the history of the world -- NOT because government solved our problems, but because government stayed out of the way and let the initiative and inventiveness of man solve our problems ourselves. This is the lesson that needs to be retold to each generation.

Phones And Whale Oil

Despite our present problems, it is good to remember that, whatever the shortcomings of our American economic system, it is still better than any other system in the world.

For example, take our privately-owned telephone system which we consider almost as basic to our way of life as indoor plumbing. Any American who tries to conduct business in other countries is dismayed by the comparative inefficiency of state-owned foreign phone systems. Even when there are no technical difficulties, there are interminable delays in the completion of telephone calls. It is a common thing, when placing a phone call from a hotel, to be told by the operator that there will be a one-hour wait.

Whereas new telephone service in the United States costs between \$10 and \$35, new phone service costs up to \$1,720 in France, \$500 in Japan, and \$93 in England. There is a long waiting period to have a new phone installed and no guarantee that it will work after it is installed. Whereas 95 Americans out of every 100 have telephones, in Russia only five out of 100 have telephones. Even though there are 1,000,000 telephones in Moscow, the Soviet government published only 50,000 telephone directories, and sold them for \$16 each on a first-come, first-served basis.

It is a puzzlement why, in the face of government failures in running businesses, so many Americans seem to think it is the responsibility of the Federal Government to pull us out of our present energy crisis.

In the 19th century, whale oil was the principal fuel used for home lighting. As the population grew, the demand for whale oil rose. Whalers had to fish farther out into the seas, and prices quadrupled. Fortunately, our government did not ration the scarce supply of whale oil or impose a heavy tax to discourage its use. Instead, some entrepreneurs went out and discovered an entirely new way to light the lamps of America: the more efficient, less costly kerosene. And, incidentally, the discovery by private industry that kerosene and gasoline can be distilled from crude oil produced our giant oil industry which has created so many jobs and so many useful products.

The truth is, there is no ceiling on man's resourcefulness -- so long as it is allowed to flourish in a climate of freedom.

Phyllis Receives Honor

Phyllis Schlafly received an honorary degree of Doctor of Laws from Niagara University, Niagara Falls, New York, at Commencement Exercises on May 23. In making the award, Niagara President Kenneth F. Slatery said: "Over the years, you have exemplified the ideals of Christian womanhood. We admire your personal integrity and your unflinching dedication to the cause of morality in society."

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