

HOW TO REVIVE THE U.S. ECONOMY

By Patrick M. Boarman

[Editor's note: Dr. Boarman earned his Ph.D. in Economics from the University of Geneva, Switzerland. He has held major positions with General Electric, A.T. & T., and the World Trade Institute. Today he teaches Economics at National University, San Diego, and heads his own international business consulting firm.]

The precipitous decline in the past decade of the power and influence of the United States is the most talked-about subject in the world today. And with good reason. Policymakers in other nations, whose fortunes are linked directly or indirectly with those of the U.S., are aghast at the threat to their very survival which the collapse of U.S. leadership betokens.

How is this collapse to be explained? There is persuasive evidence that it is the progressive decay of the U.S. economy, whose symptoms are rampant inflation and declining productivity, to which must be ascribed the major blame for the diminishment of our world role.

While the Carter Administration did not initiate the U.S. inflation nor trigger the fall-off in U.S. productivity, its zigzag economic policies greatly aggravated both of these morbid phenomena. Together they have debased the U.S. dollar at home and internationally, threatening the whole Western economic order.

Our raging inflation, or sagging productivity and our faltering economic posture abroad are interrelated and interdependent. What are we doing wrong that others are doing right? Consider first the weakness of our productivity performance. The numbers in recent years tell a stark and depressing story. In the 1960s, productivity — output per man-hour — was growing at an annual rate of 3%. In 1977, productivity was growing at a rate of only 1% a year and in 1978 it was nearly zero. In 1979 productivity in the U.S. fell by 2%! This turpid productivity performance of the U.S. has led to low economic growth, high budget deficits, and inevitably, inflation.

If the nation is ever to get a handle on the roaring inflation and the stagnant growth which feeds it, productivity must be raised by a significant margin. This depends on our ability and willingness to alter those determinants of productivity over which we have some control. These include: (1) the rate and level of investment, i.e., of capital formation; (2) the rate of saving; and (3) the rate and level of technological innovation.

Regarding the rate of investment, the U.S. has been spending too much and saving too little. Many of our basic industrial plants are virtual antiques, outmoded and inefficient. This shortfall in investment is rooted in policies, made in Washington, that deter investment — high taxes on capital gains, excessive government spending, unrealistic depreciation schedules, gov-

ernment regulations shifting capital from capacity — enlarging investments to activities such as abatement of environmental pollution.

Also, productivity is dependent on savings, the source of investment capital. Our virulent inflation today stunts the growth of savings, because with inflation at 18%, even high interest rates yield a negative return. Today, people don't save much. They tend to buy consumer goods now... before the price goes up!

The U.S. also lags today in technological innovation due to inadequate tax incentives for business research and development. And the fact that American-made products are not always competitively salable in world and domestic markets inhibits productivity as well.

The prescriptions for coping with the productivity malaise include: (1) Tax reform to encourage savings and capital formation. Government limits on the amount of interest that banks and other savings institutions can pay should be abolished and taxes on that interest should be eliminated. These reforms would help to raise the rate of private savings in the U.S. far above its present woefully low level. Also, the long-standing and onerous double taxation of corporate income (via the tax on dividends to investors) should be ended, to channel a vast flow of new savings into the hands of U.S. entrepreneurs. (2) Encouragement of investment by selective reduction of regulation. Economists and politicians of every persuasion agree that the U.S. economy is in imminent danger of strangulation by excessive regulation. (3) Inflation should be brought to a halt by planning for a balanced budget on a permanent basis (with provision for emergency unbalancing). The explosive and dangerous growth in transfer payments from 28% to the total federal budget in the mid-1960s to more than 50% today should be halted, with any future increases in such payments limited to increases in real economic growth. (4) The growth of the money supply should also be held within the range of the real growth of the economy, i.e., real GNP, or between 4 and 6% per annum. Money supply increases should be steady and continuous, and manipulation of the interest rate should cease to be a target of Federal Reserve policy. (5) Domestic oil production should be encouraged by cancelling the windfall profits tax. This totally misconstrues the economic function of profits and contradicts the purpose of price decontrol of oil, the purpose of which is to restrain consumer demand and provide producers with incentives to get more oil out of the ground. To levy a tax on the profits earned under decontrol is to take away with the left hand what the right hand has given; to raise the price of oil beyond the uncontrolled price because producers will inevitably pass the tax through to the price; and to give the government a huge tax bonanza that will again

depress productivity, inhibit innovation, and contribute little to increased energy production!

Today there is evidence that a significant ideological change is in the making in the United States. Many prominent officeholders are just discovering the advantages of supply-side economics. For example, a recent report of the Joint Economic Committee of the Congress states that the U.S. can try to lower the inflation rate by restrictive monetary and fiscal policies, knowing that the amount of restriction required to stop a 20% inflation and unemployment through targeted tax cuts aimed at lifting investment, productivity and output.

Americans in the early 1980s face one over-riding choice; Either trim sail a-broad and lower the standard of living at home; or rally the society for a mighty new surge of wealth-creating production. Can there be any doubt as to which of these two options we should choose?

Americanism Educational League

WORLD DIGEST

AFGHANISTAN DESERTIONS

A reliable report from Kabul states that one of the largest mass defections from the Afghanistan Army since the Soviet takeover has occurred near Kandahar. Approximately 1,000 officers and men from the Afghan 7th Infantry Division deserted with their weapons to mujahedin freedom fighters while the division was en route to combat the Muslim insurgents. The mass desertion reduced the vastly understrengthed 7th Infantry Division by nearly 50%. Afghan insurgents in the Kandahar area have been considerably strengthened as a result of this desertion, particularly by crew-served weapons and trained personnel to man them. More desertions from the 7th Infantry Division and other puppet Afghan Army units are expected. The Soviet Army of Occupation in Afghanistan is finding the going tougher day by day.

RED CUTS

Beset with monumental financial and economic problems brought on by communist mismanagement under the Mao regime, Red China is cutting its defence spending for 1981 and 1982. Party officials report that PLA military leaders are to strengthen management, simplify administration and to increase training efficiency with current arms and equipment in an effort to reduce China's defence spending. Peking is stressing energy conservation, especially petrol, electricity and water. With a bungled economy and a steadily increasing population, Peking's communist leadership is worried over possible internal political upheavals in the near future which will increase with the passage of time.

—Intelligence Digest, 17 Rodney Rd., Cheltenham, Gloucestershire, GL50 1JQ, U.K.

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THE SCOTT REPORT

by PAUL SCOTT

SOVIETS DEFECT IN AFGHANISTAN

Washington, D.C., A Soviet military unit of 52 soldiers recently defected in Afghanistan and is now being held in a heavily guarded section of a refugee camp in Pakistan.

This is the highly explosive information gathered by NATO intelligence officials who have been monitoring the fighting in Afghanistan and have access to high-ranking military officers in Pakistan.

Their confidential report, being circulated at the highest levels of the Reagan Administration, reveals that the defectors are being debriefed while Pakistan officials determine what should be done with them.

The group defection of Soviet military personnel, the first of its kind in the Afghan war, came after the Afghan freedom fighters switched their military-political strategy in battling the Soviet invaders.

The general policy of the Afghans until recently was against taking prisoners because of the cruelty of the Soviet attackers and the problem of keeping and feeding those captured.

The no prisoner policy was changed in May. Soviet soldiers are now being urged to defect or surrender. The Russians are being given assurances that they will not be harmed and that their defection can be their ticket to freedom in the West via Pakistan.

Word of the group defection has been suppressed by Pakistan officials because of their concern that Moscow will react militarily. Pakistan officials also haven't yet worked out a policy on what to do with the defectors.

The Soviet military already have used helicopter gunships and aircraft to strike across the Pakistan border at Afghan freedom fighters when they took temporary refuge in that country.

The new concern of Pakistan officials is that the Soviets will try to bomb the camps where the Russian defectors are being held once they learn of their location. By keeping the secrecy lid on the defection, Pakistan officials hope to discourage the Russians from moving.

Soviet Morale Problem

Although there have been other recent reports indicating that the fighting in Afghanistan has not been going too well for the Soviets, the group defection of Soviet soldiers caught Pakistan and other Western military officials by surprise.

The incident which took place in the first part of May

raises new questions about the reliability and morale of Soviet military personnel not only in Afghanistan, but also in Poland should the Soviets decide to use force in that East European country.

While most of the details of the defection are still secret, one report out of Pakistan is that the soldiers were distressed over the policy of destroying entire villages in Afghanistan after Soviet convoys were attacking the region. Rather than carry out this policy, the unit decided to defect.

Another far reaching development in the war is that Soviet leaders have begun admitting to their people that things are more difficult in Afghanistan than had been made public.

A front page story in Pravda earlier this month by a Soviet military correspondent described the difficulties in dealing with the Afghan fighters. The story admitted that savage fighting was raging in the eastern part of Afghanistan, particularly around Kabul and in Pakistan province. This is the first time there has been such a report since the Soviets launched their invasion.

U.S. Remaining Silent

The policy of the Reagan Administration is to publicly remain silent about the Soviet defection for several compelling reasons.

The first of these is that Pakistan officials want the security lid kept on for now. The second is that U.S. experts have been unable to determine if the group defection is an isolated incident or a sign of a much bigger and serious morale problem among Soviet troops in Afghanistan.

If the latter should be the case, this could influence a hotly debated dispute within the Reagan Administration over whether to furnish covert arms aid to the Afghan freedom fighters.

Supporters of the aid say the defection could greatly help their argument if it is shown that the fighting in Afghanistan is creating a major morale problem among the Soviet troops.

Such a crack in the Soviet military, made possible by the brave stand of the Afghan freedom fighters, could be the turning point in this strategic conflict. If taken advantage of by the West, there are some intelligence-military experts that believe the fallout could spread swiftly to Eastern Europe where the Polish Free Labor Movement is gradually setting the stage for the dismantling of communist rule.



TOM ANDERSON

Welfare has become a gigantic make-loaf program which is destroying the character of those residing permanently in its womb, while it bankrupts and socializes our nation.

In "Fun City" alone, more than a million people are now getting government relief checks. That's one out of every seven residents. (They call New York Fun City because it's a riot.)

The Food Stamp program was initially a small part of the welfare program. It has mushroomed into a scandalous racket. Food Stamps are now purchased not only by the needy, but by college students, hippies, military men and unionists "out on strike." The Food Stamp program has become a bargaining tool which encourages striking unions to hold out against management at taxpayers' expense.

The combination of public welfare and Food Stamps has enabled the unions to force management capitulations in many union strikes. Thus, the government has sabotaged collective bargaining at taxpayers' expense.

The General Accounting Office presumably investigated anti-poverty officials in New York City who "lost" \$8 million during a three-year period. (But who's guarding the guards?) The word "lost" means \$8 million is unaccounted for. One dollar out of every four they handled merely vanished.

Your tax dollars have financed riots, anarchy, subversion, crime syndicates and Marxism.

Millions of taxpayers' dollars have been used by killers, karate instructors, Maoists, Marxists, anarchists and Castroites. Vast sums of money are flushed through intricate pipes going to countless regional, sectional, municipal, neighborhood and street divisions, organizations, agencies and fronts.

The opposition mounts. The demagogues and Democrats, often indistinguishable, scream that President Reagan is robbing the poor and protecting the rich.

The Food Stamp program was begun in 1964 by that pore-folks lover, Lyndon Johnson, who started out pore and ended up worth about \$30 million, on the public payroll all the way. In 1968 the Food Stamp program cost \$118 million. In 1980, it cost only some 15 times that. Remember all those starving children with distended bellies and the derelicts prostrate in the gutters prior to 1964?

Fifty-seven percent of Puerto Rico's people are on our Food Stamps. Otherwise they might become a dependency of Cuba?

Freedom Vs. Security

Someone has said that freedom is like a handful of sand. The second you relax any of your fingers, it starts slipping away from you.

We've relaxed our grip on freedom for a handout — for "security." The only people who have "security" are the inmates of institutions: three hots a day and a place to flop. The government can't give you security without making you an inmate. And if you are an inmate of the welfare state, you still haven't got security because the state itself will surely decay and be destroyed. Welfare states always have.

The welfare state is a political organization which confiscates private property from the productive to give to the unproductive. It's a system wherein an army of political and bureaucratic Robin Hoods are at liberty to pursue either happiness by stealing from rich and poor to redistribute, after taking care of themselves, according to the prevalent political formula: Give a little something to everybody and get everybody's vote. Get from each according to his ability to pay, and give to each according to the need for him at the ballot box.

We Could, Would, & Should

Although we're in a war for survival as a free people under God, more people get government checks for not working than at any time in history. That's because our government is so huge, so socialist, so crooked, so immoral, and so influenced by minority pressure groups.

Private charities in our country could, and would if allowed, take care of all deserving cases. Children should not go hungry, regardless. Able-bodied adults who depend on government and refuse to work should go hungry. It is immoral and unconstitutional for the government to gouge money from the rest of us to subsidize indolence, fornication, unwed motherhood, crime, agricultural over-production, government "art," rents, ad stealeum. When a government dispenses "charity," you can be certain that the political favorites, the Bureaucrats, and not the needy will receive most of it. Total government planning has no room for true Christian charity!

The best way to reduce the exploitation of man by man is to embrace Christianity. The Christian tenet holds that the reformation of society begins with the individual himself, is activated by a regeneration of the spirit and maintained by faith, works and thanksgiving.

Tell Us

Guest commentary by S.Taiz, Taiz of Tucson tobacco blender, 1062 North Campbell Avenue, Tucson, Arizona 85719.

We older "squares" are accused of not understanding the rebellious, pot smoking, shacking-up generation. It would help if they would reveal their standards.

If you have moral codes, what are they?

If you have thoughts for the future, what are they?

You beat your breast for the environment, yet after rock concerts and other groupings, communities spend much time and money cleaning the mess you create.

You protest against the dangers of nuclear plants, yet you endanger more lives when you drive under the influence of alcohol or drugs.

You reject the religion of your parents and embrace religions sometimes mystical.

You reject patriotism.

Do you owe society or your parents anything?

You scream exploitation. Is the acceptance of food stamps by healthy students not exploiting your neighbor?

Do you know the difference between love and lust?

Are you better off away from home?

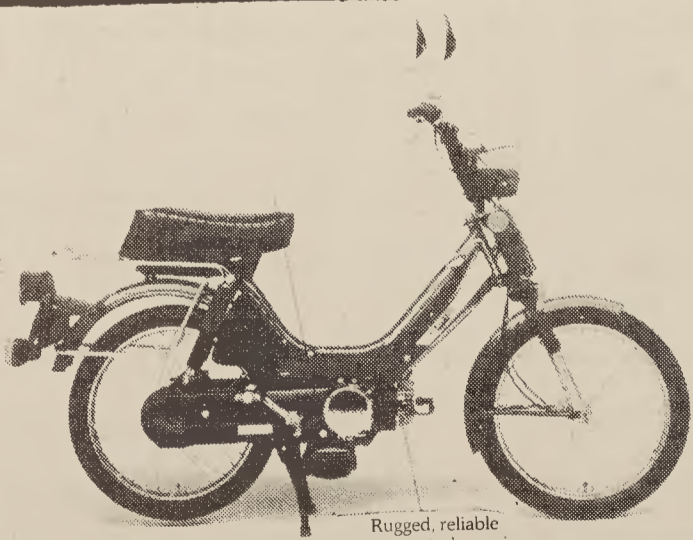
It is not enough to reject, one must have a better substitute. Perhaps we can join you in a better life, if you can explain your lifestyle, and where you are going. You reject standards used over 5000 years. If you have better, it is your duty to reveal them.

I am not being facetious. I really want to know.

—Manchester Union Leader

STOP, THIEF!

The National Science Foundation stole \$65,000 of our tax money trying to find out what makes people laugh and cry.



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"I can stand brute force, but brute reason is quite unbearable. There is something unfair about its use. It is hitting below the intellect."

—Oscar Wilde

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The trouble with many people in trying times is that they stop trying.

—The Lion

SOCIAL SECURITY

FRAUD

A government report concedes that up to 20% of almost 3 million people receiving Social Security disability benefits are not entitled to them.