

Time to Resurrect Capitalism

by Gordon K. Van Vleck

Secretary of Commerce Juanita Kreps was, in her own words, stunned. California's Gov. Jerry Brown was plainly angered. And Sacramento Host Breakfast participants, long resigned to pallid state-of-business type speeches, were delighted and amazed as cattleman Gordon Van Vleck, California Chamber of Commerce president, laid the responsibility for America's flagging economy on government's shoulders.

In a hard-hitting talk delivered last Aug. 24 at the Sacramento Host Breakfast, Van Vleck labelled the causes behind the nation's economic malaise as uncontrolled government spending, unchecked inflation, an anarchy of over-regulation and the deepening energy shortage. Citing a serious lack of political will to make the tough decisions necessary to save the country, Van Vleck demanded that business take the initiative and rebuild America within its original capitalistic tenets.

His speech is reprinted herewith in its entirety courtesy of the California Chamber of Commerce publication ALERT dated Aug. 31, 1979.

There is a time for every speech, and I think it's time for this one. It's time someone took off the gloves and said some things which need saying. The essence of my talk is simple: America is on the ropes and we'd better roll up our shirt sleeves and set about getting this country back on track. I know of no better antidote than a strong dose of plain old capitalism.

I'm not one to mince words. That has been the brand on my year as president of the California Chamber, and I still have five months left to speak out on issues that matter to me. Americans and businessmen—you in the audience—are getting a raw deal, both abroad and at home. This country runs on money generated by free enterprise, not dialogue produced by politicians and government officials. In recent years, the volume of words has been matched only by the volume of tax dollars flowing into government coffers to fund a corpulent bureaucracy and social programs spending this country into bankruptcy. And if you add the political hot air to the hot water this country is in, couple that with our seizure of inaction, then it's going to be a scalding experience soon for everyone—whether in the pay line, the gas line or the welfare line. And one thing is certain; unless we act to free ourselves of government constraints, there won't be a shortage of lines!

In past years, business and government leaders at this forum frequently have spoken of "golden opportunity and personal challenge" to heal a variety of national and state ills. In light of conditions today, those words ring hollow, and I intend to break with a tradition that has neither instilled a vision nor prompted sufficient action among the leaders of business gathered under this roof.

Nothing New

America is now reeling under a series of blows that threaten to bring us down to defeat and despair. Staggered by the energy shortage and the combination of unchecked inflation, an anarchy of over-regulation and irresponsible government spending, the capitalistic foundation we've built this nation on threatens to disappear and take the republic with it. I'm telling you nothing new, nothing you haven't heard on radio, television or in the papers. However, rational analysis and cool deliberation—unless coupled with action—is a formula for inaction and a disastrous policy when everyday citizens have lost faith and confidence in the mechanisms that run the country. The polls tell the story in blacker tones with each passing day, but I don't need surveys to tell me how I feel as I see the business I've worked a lifetime to build threatening to slip through my hamstrung fingers for the second time within a decade. I'm tired of words and inaction. I know it's time to resurrect capitalism.

Almost no one would argue that one of the underlying causes of inflation, which is riddling the economic stability of America,

is government spending. Former Secretary of the Treasury William Simon in his book *A TIME FOR TRUTH* noted, "It took us a hundred and seventy-one years to get a federal budget of a hundred billion dollars a year. That was 1960. Within nine years, we had reached two hundred billion dollars and four years later gone over three hundred billion dollars. And two years from now, if present trends are not reversed, we will reach four hundred billion dollars. The very existence of our free economy depends on getting government spending under control."

Reality

As sobering as that prediction was, it could not hold a candle to reality. Simon gave us until 1980 to reach that bloated state, but recent newspaper accounts tell us that congress trimmed \$6 billion from President Carter's proposed budget and set a "target" budget of \$532 billion for fiscal year 1980. The rate of our descent is much faster than Simon foresaw. A balanced federal budget is an accounting nicety, but it won't solve our inflation woes; only a real dollar reduction can do that.

What angers me the most about this spiraling inflation is the framework of economic unreality in which the government chooses to operate. As a consumer and businessman, my economic decisions are based on the steely-eyed necessity of what I can afford, not on how much I can go in the hole. I stretch my available resources to the breaking point and yet, after government does that, it blindly looks for new ways to spend money it doesn't have. It creates its own *credit*; it should concentrate on creating some *credibility*! Gov. Ronald Reagan hit the nail on the head when he told those of you here in 1974, "We often hear the phrase 'uncontrollable spending' when the federal or state budget is being discussed. What that really means is spending mandated by some previous statute which government accepts as unchangeable. There is no government program which should be exempt from constant review and cancellation if common sense indicates it is not worth its cost to the taxpayer."

A recent government economic report that inflation could be solved in 18 years is tacit admission that government can't control its own voracious appetite—like an acknowledged junkie whose next fix is another tax dollar. By comparison, President Eisenhower solved an inflation crisis in 18 months—after he severely cut back federal government spending. The precedent exists, but the political will doesn't, and that may be the most serious threat to the future of America.

Energy Problems

The resurrection of capitalism is crucially linked to solving America's energy problems and policy deficiency. I, for one, am not deluded that the current shortage and dependency on foreign oil isn't real. A Mobil Oil Corp. white paper called the

"Dangerous Decade" put the facts into focus. "Our America of 1979 is a handcuffed giant, blessed with an abundance of potential energy resources that will take years of hard and costly effort to make usable. Meanwhile, frustrating delays in the formulation of a rational and comprehensive national energy policy have increased U.S. dependence on foreign oil, making our nation ever more hostage to foreign countries. This so outrages many Americans that they find it hard to adapt to the changed situation and look instead for someone to blame for the passing of cheap and abundant energy."

To my mind, placing blame is counter-productive. Every one of us must shoulder our share of the burden until, by the force of our demands, we pull our country back from the brink of democracy's demise. And don't let anyone tell you that the effects of the energy shortage are limited to the users of gasoline and heating oil. A California Chamber poll of business last April asked the pointed question: Are energy supply problems having an adverse impact on your business today? Fifty-four percent answered "yes" and, of those, 7% indicated they were being forced out of business, with the rest citing delayed expansion and operational cutbacks as effects of the shortage. That's not competition forcing business to close; that's an artificial situation which is tampering with the ebb and flow of free enterprise dynamics.

When faced with a problem, businessmen leave no stone unturned in building a solution. Unfortunately, the leadership of this country sees fit to erect a whole host of barriers to possible solutions. In recent weeks right here in California, we have been dangerously close to demanding more electricity than we can generate. And yet we have such projects as New Melones and Diablo Canyon that are completed and ready to go and yet they can't be brought on line. It's a shame political necessity has to stand in the way of oil deregulation, energy development investment programs and a consistent national policy. The President did not propose tapping private industry and proven technology to alleviate our energy problems. Instead, he proposed creation of two new government agencies and the imposition of \$142 billion in new taxes. I know, you know, government leaders know what has to be done, but a collective lack of will prevents it.

Churchill

Sixty-one years ago, Winston Churchill laid the problem out in its baldest terms. "The times are hard and rough, and every man and every woman must choose their part and play it with all their might. Personal interests, party interests, class interests, sectional interests—all these will have to take second place to national interests if we are to get 'round the corner without disaster." I'm not going to suggest to you the truth of this assessment; if you can't see it for yourself, you're just so much

dead weight the country can't afford to carry. This can be the showcase for a resurrection of capitalism, turning the energy industry loose to insure America's energy stability and independence. And that means severing the regulatory shackles government has erected through the decades.

Regulation is a major cause of capitalism's stagnant condition. It is the sole reason for the growth of government as we know it today. Having government protect us from ourselves may be an overworked cliché, but I've met enough bureaucrats in my day to know that the "protection racket" is the biggest game in town.

Regulation stifles operations, boosts costs through the entire manufacturing-selling cycle, and interrupts the capitalistic dynamics of supply and demand. Where are the incentives to develop new resources and build new plants? Where are the incentives to bring a less expensive item to the marketplace and capture a great share of consumer demand when watchdogs are peering over your shoulder, giving directions, every step of the way? Nowhere, that's where!

Inflation

A recent congressional Joint Economic Committee report stated, "Inflation is the real problem, regulation is a major cause of inflation, and the nation's economic malaise stems from an inadequate supply of goods rather than from excessive

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consumer demand. What this means is that if business is given the proper incentives, productivity will rise and prices will go down." Simple. Neat. And true. But the chances for getting the proper incentives through the 96th congress and the White House are less than optimistic.

The anarchy of regulation touches every facet of American life; a smothering web of confusion, disorder and cross-purpose. I can cite you chapter and verse on outrageous statistics, but even that is part of the overall bureaucratic conspiracy—protection from the government itself.

The size of the problem is enormous. The visible federal spending to run the regulatory agencies has zoomed from \$745 million in 1970 to \$4.8 billion this fiscal year. Compliance is the other side of the coin. During this year, American business and industry will spend upwards of \$100 billion to comply, report and process government regulations. That means at a cost of \$500 per person in this country. Talk about hidden taxes!

In terms of capital formation, productivi-

ty, new jobs and innovation, government regulation is slowly and grindingly snuffing out the candle of capitalism. It is my firm conviction that it must be stopped. The delicate relationship of a government serving its people versus people serving the government has been dangerously tipped. To strengthen the flame of capitalism, we must act to shed the burden of regulation.

Steps Being Taken

Steps are being taken by a few concerned citizens who haven't been misled. While the phenomenon of Proposition 13 was the voice of angry taxpayers, its subconscious foundations ran to a much deeper fear—government is not responsible, and to save the republic, we must seize our power back. Well, an angry gesture at the polls may have been the first blow, but a combination is needed now and in 1980.

Americans and Californians must continue to rectify past political abuses by changing the law through the election process. As always, the heart of the problem is money. Now that Proposition 13 shortened the supply, the second approach needs to be implemented, structuring the allocation of that supply. That's where Paul Gann's Spirit of 13 spending limitation initiative comes in. As Proposition 4 on the November ballot, the Spirit of 13 will put an additional leash on government growth and give business time to reassert the values and rewards of capitalism. I urge you to support it with your dollars and then help get out the vote Nov. 6.

Second Step

The second step is to change the face of government itself. If we do this, put responsible people in government, people who understand the need to resurrect capitalism, then the obstacles to its rebirth will be removed before America is past the point of no return. Business dabbling in politics has generally been a taboo, though our visibility in fighting them on their own ground has heightened considerably in the past two years. I'm not talking about "dabbling"—I'm talking wholesale change. Change without political labels, change that holds to one and only one credo—capitalism can do the job.

Not overnight, but soon enough, a responsive government could chuck the majority of its regulatory functions and, by trimming back government spending, ease inflation and spur free enterprise growth. The job is not easy; in fact, it will take people of incredible courage, people of rock-solid commitment. Our task is to find them and put them in office to shoulder the burden of resurrecting our capitalistic society. I have faith we can do it.

Finally, I have this to say: America, you and I, would best be served if government got off our backs. And if they don't, the day will come when, by necessity, they are thrown off. The choice is theirs now only because we put it in terms of choice and not an ultimatum. 