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Central Files

4/8/75

THE WHITE HOUSE
WASHINGTON

Bill Sedman

info.
respond to writer.

E. H. GAUER
1221 Jones Street
San Francisco, California

March 31, 1975

The President
The White House
Washington, D. C. 20500

Mr. President:

I am not an economist and I am the first to admit it. I am a businessman who has spent a lifetime selling clothing to ordinary Americans. As a result, I think I have a good understanding of economic realities and how to explain simple economic truths.

I would never have been presumptuous enough to prepare this paper about simple economic truths if some of these thoughts and concerns had been publicly voiced in the halls of Congress, in the "economic summit conferences," or in the statements of your economic advisers. Unfortunately, these points have not been brought forcefully to the attention of the public.

First, I am concerned that our economic and political system --- the most beneficial to the largest number in history --- is being destroyed by runaway taxation caused by uncontrolled government expenditures. At the rate that taxes are now increasing, government (including federal, state, and local government) will confiscate 100 percent of all personal income shortly after the year 2000.

Second, I am concerned, Mr. President, because this is happening without the knowledge or consent of the American people. Politicians anxious to curry favor with voters are buying votes with taxes taken out of the pockets of American families and no one is effectively challenging this practice.

Third, I am concerned because inflation and recession are principally caused by excessive taxation and uncontrolled expenditures by government. Yet, nowhere do we find voices being raised to pinpoint these forces

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as the real cause of our economic woes. Most politicians would have us choose between fighting inflation and fighting recession. Some propose tighter control of the money supply to fight inflation, while others would restore wage and price controls to hold prices down. But rising wages and rising prices are a product and a symptom of inflation, not a cause. We can and must fight both inflation and recession, and I believe that giving the American people the facts about government spending and taxation is the best way to do it.

Finally, Mr. President, I would like to offer a few "political" observations of my own.

I do not believe you can successfully battle the spendthrift elements in the Congress by arguing that the federal budget deficit should be "only" \$52 billion instead of \$84 billion or \$105 billion. I believe you must spell out a philosophy of government that is simple and easy to understand: a philosophy that is based on letting the American people know the cost of government as it affects them and asking them whether or not they approve.

The time is right for this approach. Even those Americans who receive more in government benefits than they pay in taxes are complaining about the crushing burdens of taxation. There is widespread concern about the solvency of the social security system upon which ride the hopes of millions and millions Americans for old age security.

In short, the American people are ready to listen --- but they will want straightforward, understandable answers. I believe you can give them answers that will restore confidence in our national leadership and in our traditional institutions.

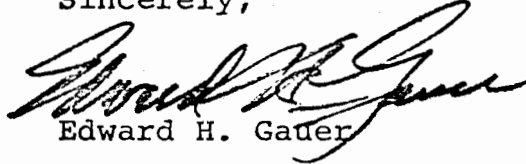
Some economists may sneer at the simplicity of the approach and the analysis presented in this paper. To them I say: let them disprove any of its basic points. If they disagree with the statistics presented, let them come forward with statistics they can defend. But I doubt that the conclusions will differ, for

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government is consuming our personal income faster than we are producing it --- and this trend cannot continue indefinitely without the gravest consequences for our economic and political system.

I believe you can seize the initiative and defend the values I know you believe in by adopting and proclaiming a new philosophy: let the people know the truth.

Sincerely,



Edward H. Gauer