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## Of windfalls and bailouts

BRUCE BARTLETT

IN A REMARKABLE EXAMPLE of irony the U.S. Senate voted within the space of three days during the week of December 17, 1979 to impose a \$178-billion tax on the oil industry for the "sin" of having made profits, while also voting to give Chrysler Corporation \$1.5-billion in Federal loan guarantees for the "virtue" of having lost approximately \$1-billion in 1979.

The Senate was, in effect, telling the American people and the world that profits are bad and losses are good. It was telling businessmen everywhere not to make investments which might reap them large profits or it would tax them away. It would be better for them to make bad investments which caused them to lose money, for then the gov-

ernment would come to their aid.

Such actions show an incredible misunderstanding of the nature of profit and loss in our economic system. When individuals make profits everyone prospers, for this means that they have found a better way to satisfy our wants, to supply us with necessary goods and services, and to make efficient use of scarce resources. In other words, the existence of profit is proof that more wealth has been created than consumed, and society as a whole is better off for it.

It is only the prospect of profit that gives people the incentive to find better methods of production and better products which can be sold for lower prices. And it is only the prospect of making large profits which encourages people to make risky investments in new technologies, to look for new supplies of scarce natural resources in unexplored areas, and to make large capital investments which

may not pay off for many years.

On the other hand, losses hurt everyone, because this means that capital has been misallocated, that scarce resources have not been put to their best use, that someone has misunderstood the public's desires by producing goods it did not want at prices it would not pay. Losses indicate that errors have been made.

The market today is telling us that profits are to be made in producing oil and that little or no profit is to be made in producing the kinds of cars Chrysler produces. This means that people should be encouraged to find and produce more oil, while Chrysler should change its operations to produce and market different kinds of cars at prices the public will pay.

Congress is moving in the opposite direction. It is acting to discourage the production of oil, and it is acting to keep Chrysler in operation despite its errors. The

result will be less domestic energy production, greater dependence on unreliable foreign sources of oil, and higher prices, which in turn will exacerbate the present economic slowdown and reduce auto sales, making it almost certain that Chrysler will not survive even with federal aid.

The opponents of a windfall profits tax and a Chrysler bailout have failed as much as anything because they could not bring themselves to believe that such legislation was totally unjustified. Quite apart from the political pressure, many conservatives believed that Chrysler had a case for aid because the Federal government had so greatly contributed to its problems with irresponsible regulatory and tax policies. And they did not really believe that the oil companies "deserved" the massive profits which would accrue to them from oil decontrol. Because of their ambivalent attitudes the conservatives were unwilling to fight to the bitter end and caved in after exacting only minimal concessions. Indeed, the votes against both measures came as much from extreme liberals, who hate big business and thought the tax was too low, as from conservatives, many of whom ended up voting for both measures.

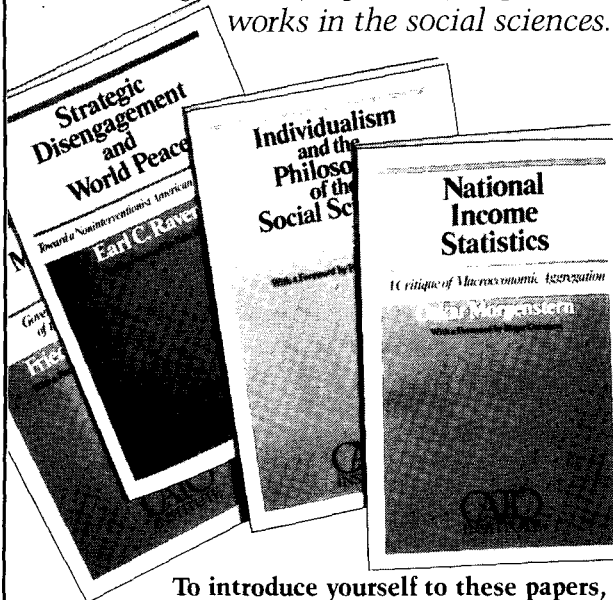
It is the final irony that Chrysler, of all companies, should have come to the government for aid. For many years it has been one of the very few big corporations willing to speak out against government policies on something approximating principle. Likewise, it is ironic that ultimate responsibility for the windfall profits tax probably belongs to our last Republican president, Jerry Ford, who had the power to decontrol the price of oil before he left office. Like so many Republicans, Jerry Ford knew the right thing to do but just didn't have the guts to do it.

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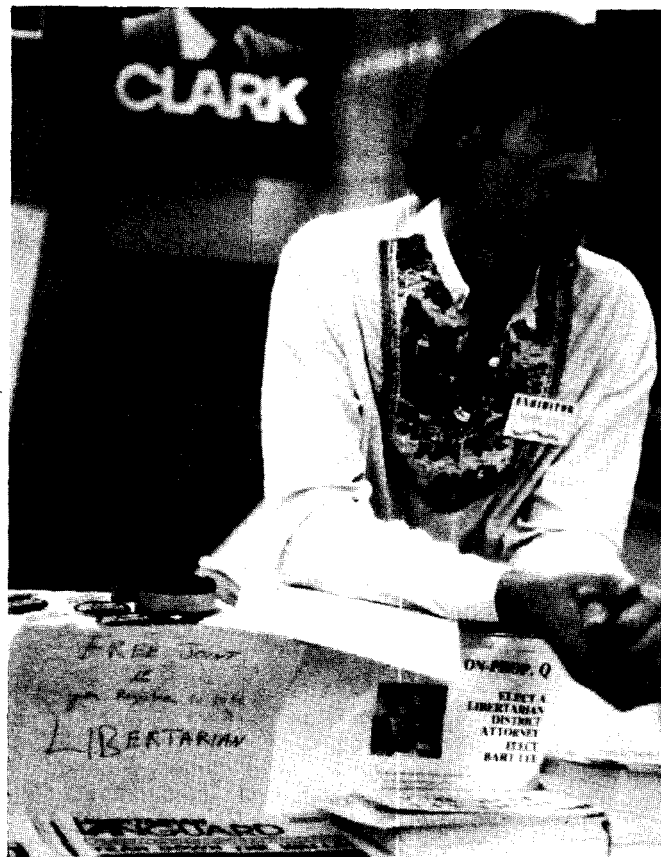
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# THE MOVEMENT



LESLIE J. NEWMAN

## JEFFREY SANCHEZ & ROY A. CHILDS, JR.

AS THE 1980 CAMPAIGN heats up, and the Republican and Democratic parties hold their first primaries, the Libertarian Party has scored a major triumph in the key state of California. On December 28, 1979, California Secretary of State March Fong Eu announced that the LP had finally qualified for permanent ballot status in that state. After more than five months of work, hundreds of men and women across the state succeeded in registering more than 92,000 voters as Libertarians, giving them a cushion of 21,000 over the required 71,000 registrants. Three of the most successful counties in the state were San Diego (4300), San Francisco (15,900) and Orange County, which brought in the astonishing total of 52,000. Special cheers from libertarians across the country should go to Jack Sanders in San Diego, James Skalican and Bob Costello in

San Francisco, Jack Deane and Dyanne Petersen in Orange County, and to a single dedicated activist, Eileen Langenfeld, who brought in an astounding 5000 registrants on her own in San Francisco.

The success of this hotly disputed race for ballot status in California marks an important milestone for the Libertarian Party, and may well mean the end of ballot drives in one of the nation's most influential states. Henceforth, the LP only needs to receive two percent of the vote or better in *any* statewide race once every four years to stay on the ballot permanently. But California is a pivotal state for libertarians in another way: in 1978, Ed Clark, now the LP's candidate for President, ran a well-managed campaign for Governor of California against one of America's most popular political figures, Jerry Brown (and his inconsequential Republican opponent, Evelle Younger), and piled up nearly 400,000 votes, more than 5.5 percent of the total votes cast. That

gave the LP visibility in California and across the nation, for it became clear that the LP was soon to reach balance-of-power status in elections across the country. With this threat in mind, the political establishment in California made every effort to block the LP from getting ballot status. It had forced Ed Clark to run officially on the ballot as an "Independent," despite his LP affiliation, and subsequently used that fact as an excuse to place the California LP in a Catch-22 situation: the LP couldn't claim ballot status, the Secretary of State said, because Clark had not been on the ballot as a Libertarian and, in turn, Clark *couldn't* be on the ballot as a Libertarian, because the LP was not ballot qualified! A veritable maze of court battles resulted, with every legal trick being used against the LP.

California libertarians decided then to confront the problem head on: to get the 71,000 registered Libertarians they needed to put an end to the manipulations of the State government. But as the registration drive wore on, the government showed that it was *not* finished with its harassment. One or two hired workers around the state had turned in fraudulent registrations and had been duly reported by the LP. The government saw this as a golden opportunity: it began leaking information to the media about alleged Libertarian "voter fraud," attempted at one point to call a halt to the drive completely, and, when that dirty trick failed, began threatening the libertarians who ran the drive with legal action. But they refused to cave in before these threats, and the continual harassment only increased their determination to shove more and more registrations down the government's throat. This they did in style.

The result is almost certain; the LP will soon be perceived by the national media