There is something unseemly—unstatesmanlike—about partisan haggling over who shall be known as the tribunes of the middle class. Moreover, that approach cannot yield policies that strengthen economic growth. Fact is, we’re all caught in this economic downturn together—rich and poor alike.

There are two ways to approach the discussion of this situation. One is to assume that, when times are bad, whatever some people are losing or doing without, someone else has gobbled up. This effort to pit class against class does nothing more than to preach the politics of envy as a substitute for economic good sense.

That is the method that destroyed the political economies of Eastern Europe. It reminds me of the fable about the belly and the other parts of the body. Concerned that they were not receiving their fair share, the hands and mouth decided to withhold food from the belly. By the time they realized that they got nothing at all that way, it was too late.

The correct way to discuss our economic tribulations is to recognize that the health of the whole body causes all the parts to prosper. That is the only premise consistent with the vast body of historical evidence. Economic reforms that aim to enrich everyone will always be superior to so-called reforms that seek to benefit some at the expense of others. We can repair the ills of a sick economy, so long as we do not ourselves become sick with envy and bitter divisions.

I’m here to talk about “dual chartering,” which threatens to become a financial Maginot line so long as our economy remains under siege. In order to talk about financial reforms—and a reinvigoration of states’ rights is vital here—and the importance of dual chartering for credit unions, I have elected to place my remarks in the context of a general review of our country’s economic plight and some concrete plans for immediate recovery and long-term prosperity.

Let’s pause, however, to consider where credit unions fit in the overall plan of our nation’s economy. The role of credit unions in saving the United States from the full effects of unwise banking policies deserves to be told. In the 19th century what evolved under the rubric of “free banking” was in reality only a half-way house toward regulated, central banking. The “reserve bank” system strengthened the natural connections among note-issuing banks and intensified the exposure of sound banks to the economic weaknesses of fragile banks.

Additionally, the various experiments of national banks, from 1791 right through the crises of the 1830s (Remember Andy Jackson’s defiance of Chief Justice John Marshall!) all suggested a common understanding that banking was a form of economic enterprise peculiarly linked to national currency and legal tender policies, unlike other businesses. In one respect, banking does differ. For the failure of a single bank in a multi-bank system implicates all other banks in the system in a way that the failure of a furniture maker does not in itself implicate other furniture makers.
Nevertheless, banks respond not only to macroeconomic conditions but to local necessities both in note-issuing and deposit business. Central banking theories, which have prevailed throughout the Western world (despite examples of free banking such as the Scottish system), consistently operate to nationalize local bank failures, making all depositors and note recipients (and usually taxpayers as well) equally vulnerable to particular bank failures. In the United States the reserve bank system, which became a central bank system with the advent of the Federal Reserve in 1913, has played this same role.

An interesting combination of factors has previously operated to mitigate the worst effects of this arrangement. While the number of banks in the U. S. shrank from a 1913 high of 20,000 to its present 12,000, the number of banks in this country remains dramatically higher than those in other countries where the full effect of central banking has been felt. The multiplicity of banks in the U. S. reflects a multiplicity of local conditions, which push business development toward diversification. At the same time, the imperatives of the free market would lead toward mergers and the removal of geographic impediments to commerce.

This has not been the story of banking in the U. S. mainly because, despite the tendency of central banking to accelerate this process, the legal grounds on which banking has stood since 1819 constitutes a de facto barrier to cross-border banking, thus defining states as the relevant bank markets despite federal policies inconsistent with that status. The landmark case, *McCulloch v. Maryland*, actually defended the power of Congress to establish banks unimpeded by state taxing and regulation and thus, collaterally, the power of Congress to regulate banking in general. Nevertheless, Chief Justice Marshall, speaking for the Court, also made clear a role of states in the taxing and regulation of banks chartered under their own laws. In settling the “conflicting powers of the general and State governments” Marshall discovered that a superiority in one case does not necessarily produce the elimination or subordination of an inferior power in another case: “It can never be pretended these vast powers [of Congress] draw after them others of inferior importance, merely because they are inferior.”

While the states may not trump the powers awarded to Congress in the Constitution, it is no less true that powers of Congress cannot reach “objects not entrusted to the government.” The State of Maryland could not tax the Bank of the United States, precisely because it was not a Maryland bank—i.e., though falling within its geographic boundary, the bank did not fall under the jurisdiction of the state. Thus, banks subject to the exclusive jurisdiction of a state could be conceived, falling entirely within the geography of the state.

The implications of *McCulloch* were spelled out in detail in the 1852 case, which is still law, *Cooley v. Board of Wardens*. The *Cooley* case distinguished objects of regulation requiring “a single uniform rule” throughout the United States, on the one hand, and those “demanding that diversity which alone can meet the local necessities...,” on the other hand. Since grants of power to Congress not containing express restraints on states regarding the same subject matter are subject to this rule of interpretation, the jurist must examine each category to determine whether it “is such as to leave no doubt of the superior fitness and propriety, not to say the absolute necessity, of different systems of regulation, drawn from local knowledge and experience, and conformed to local wants.”

Consistently with these principles, the laws and regulations of American central banking have reinforced the geographic obstacles to bank expansion, perhaps unhappily. By the same token, however, they have necessarily evolved a system distinguishing federal and state banks, the former being subject to federal, not state regulation, mainly because opting to participate in federal deposit insurance. The deposit insurance route to regulation has operated as a de facto source of federal chartering of banks within the various states. The banks have remained relatively numerous, I repeat, primarily because of enduring federal respect for the geographic limitation, and because de facto chartering is still not so persuasive as *de jure* chartering.

Additionally, at about the time that pressure for central banking reached its height—the decade leading up to 1913 (when the Sixteenth Amendment [IRS] and the Federal Reserve Act were enacted)—a new form of banking appeared on the American scene, the credit union. The extraordinary growth of state-chartered credit unions proved that states retained still powerful means to elude direct federal regulation.

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Even with the passage of the Credit Union Act in 1934, no deposit insurance, and hence only the minimal of federal regulation, followed. That Act did, however, eventually create for credit unions a parallel distinction to those between federal and state chartered banks and federal and state chartered savings and loan associations. Thus, through the growth of credit unions, Americans continued to enjoy extensive local banking even while the number of “banks” shrank.

This story suggests the powerful impetus towards free banking, in the true sense, that has characterized the American economy. This impetus is discernible despite the accurate observation by Vera Smith in 1935, that to the vast majority of people government interference in matters of banking has become so much an integral part of the accepted institutions that to suggest its abandonment is to invite ridicule. One result of this attitude is that insolvency in the sphere of banking has won exception from the rule applied in other lines of business that it must be paid for by liquidation, and it is as important also to point out that since the laws of bankruptcy have almost never been strictly applied to banking, we should be diffident of drawing the conclusion that actual experiences prove the unworkability of free competition in banking.

While I agree with Smith’s conclusion as to the political impracticality of a banking perestroika in the United States (she would surely also have noted by now the pervasive inclination to nationalize every local itch with a federal back-scratch!), I note nonetheless that our history and traditions at least afford us ample opportunity to mitigate the effects of imprudent regulation. The states’ rights tradition, which I have described above, is deeply embedded in the institutional structure of banking. It may be relied upon to defend rights of entry in this line of commerce.

Further, the manifest evidence of the need for responsiveness to local conditions will defend arguments against the imposition of “a single uniform rule.” Moreover, we will paradoxically gain increasing leverage to defend market openness if we can substitute limitations of state jurisdiction in place of the limitation of state geography. Thus, competition (and doubtless some mergers) will make interstate banking a more virile economic foundation of the modern economy, while simultaneously opening purely local markets to those institutions best suited to serve such markets. As a parenthetical note, I will add that I am persuaded that this is the way to eliminate the relevance of the pernicious (if, in light of the regulatory scheme, economically defensible) practice of redlining.

Credit unions have played a capital role in fostering economic growth and security for countless Americans. As we ponder ways to exit our current economic morass, we must include a role for credit unions to play. That is the reason I have elaborated an economic reform plan that, while general in its scope and effect, specifically includes a role for credit unions to play. The New Economic Freedom relies on the soundness of those institutions and practices which, heretofore, have shaped our prosperity. I am confident they will do so in the future as well, and that is why I offer in this context my plan for economic recovery and reform.

Taking up this theme—so vital to credit unions which must be wondering by now where they can turn to get an understanding hearing of their complaints—I am put in mind of the fellow Ronald Reagan once described. He had fallen from a sheer cliff but managed in his descent to grasp the branch of a tree growing out of the side of the cliff. Suspended above a 300-foot drop straight to the canyon floor (sounds a bit like the situation of credit unions clinging to dual chartering with the open maw of federal regulation beneath them doesn’t it?), he raised up a petition to heaven, saying, “Lord, if there’s anyone up there, give me faith. Tell me what to do.” A voice from above said, “If you have faith, let go.” The man looked down at the canyon floor and then looked up again, saying, “Is there anyone else up there?”

Well, I maintain that our economy works best, not when we have to rely on government promises and centralized direction, but when American enterprises are free to produce and create in accord with their
best understanding of their own needs. And it seems to me that what has happened, and is happening still to
credit unions, is part of that larger picture of our economy as a whole: government has played the part, not
of the God above, but of the fellow who pushed us over the cliff in the first place—all the time saying,
“Have faith, the deficit will shrink; have faith, new jobs will sprout; have faith, capital will flow.” We just
want to say to government, “You keep the faith; give us freedom and we’ll drown the deficit in prosperity,
jobs, and capital investment.”

Today, then, I propose a New Economic Freedom for America, both to get us out of our recession
and to ensure our long-term prosperity. The New Economic Freedom will consist of several steps govern-
ment can take—and for which I shall labor in the United States Senate. And I will explain the reasons be-
hind each of these steps. But just to set them forth clearly at the beginning, they are:

1. Repeal of the market distorting provisions of the tax enactments of 1986 (such as the concentra-
tion of interest deductions on primary residences) and 1990 (such as the luxury tax and other tax
increases).
2. Act to preserve free community banking as the backbone of an American finance system inde-
dependent of government manipulation—specifically allowing that deposits be backed with low-
risk, highly marketable short-term securities (such as Treasury bills) and thus insuring bank de-
posits as well as bank liquidity. Similarly, the concept of private share insurance for credit un-
ions must be preserved.
3. Eliminate regulations (especially including FIRREA-type regulations) insofar as they have con-
tributed to the massive capital distortions that have exacerbated our recession greatly. And let
us insist upon no stronger distinction between banks and credit unions than the “for profit”
status of the former. It is a meaningful distinction, capable of producing a clear regulatory rela-
tionship, and one that ought to suffice for governmental purposes. The choice to engage in vol-
unteer, non-profit banking is an exercise of freedom which government has no business to dis-
courage.
4. Enact specific tax reductions calculated to remove existing disincentives for job creation and
employment—above all elimination of the payroll tax on all wages below $10,000 (concomi-
tantly raising the level of wages subject to the tax, eliminating at least the worst effects of re-
gressivity). This will enhance the economic circumstances of the poor and the middle class and
leave the correction of inordinate marginal tax rates to comprehensive reforms.
5. Repeal the capital gains tax—when we tax net business income as corporate income and then
tax it all over again as the return to the investor we are simply unjust.
6. Retirement of the national debt—which is the keystone in a fiscal policy that drags on our econ-
omy like an anchor on a leaky vessel. This may be done without raising taxes or inflating
prices, through future growth and the selling off of vast federal assets.
7. Fully fund and completely privatize federal government pensions.
8. Extend nationally the successful experiment to convert unemployment insurance wherever pos-
sible into a program of business capitalization. When we make the unemployed the self-
employed, who also employ others, we amplify and speed up the salutary effects of our policy.
9. Provide a transition from a graduated income tax to a flat rate income tax, continuing the posi-
tive reforms begun with the 1986 tax law.
10. Adopt the “Poverty Trap” welfare reform program—tying disbursements to job creation vouch-
ers for private businesses and encouraging Selfcare over Welfare. Further, rather than seeking
to limit welfare shopping by hobbling interstate travel and imposing lengthy residency require-
ments, it would be preferable to administer such direct welfare as remains by the agency of
families wherever possible—as family rather than individual support—thereby keeping recipi-
ents close to home and at the same time enlisting family members rather than bureaucrats to
lend the human support that can get the unfortunate back on their feet.
11. Establish a non-discriminatory Enterprise Zone Act for depressed areas.
12. Remove current regulatory disincentives which restrict small businesses’ access to capital markets. In this way we will restore the vitality of that sector of the economy which accounted for more than 100% of the job growth of the 1980s.

13. Strengthen reciprocal free-trade relations with America’s trade partners.

14. Provide for a systematic review of all federal agency budgets and seek federal spending limits based on the historical practice of the immediately preceding decade (thus to allow for further growth but prevent growth at the expense of over-all economic development).

These economic reform planks provide for immediate actions to spur economic recovery (and I hope that President Bush won’t wait for my arrival in the Senate in 1993 to put some of them to work!) and also long-term restructuring to protect future growth. To understand them we need to begin with an adequate understanding of where we are today.

The merest human feeling will tell the economic story in California and America today. We are in a recession, a deep recession. People know that we are in a recession, for it shows up first in the pinching reality of tightened budgets, lost jobs, and diminished opportunities.

The reason for the economic gloom that grips us is less clear, and people deserve an answer. The correct answer points to the way out, while the wrong answer will only lengthen the suffering. The wrong answer is the “excesses” of the Reagan years, which all too many crystal ballers use as a placebo to hide their own dismal grasp on economic reality.

Nor is the “business cycle” the right answer. No invisible hand brought about this severe business downturn. Rather, it was the all too visible hand of misguided policy that condemned California workers to taxes too high to bear and government spending on automatic pilot (in a period, 1987-90, when money growth was tight). This is not a business cycle recession, but a policy recession—produced by lawmakers and regulators who possess too little information to decide crucial questions of economic development but believe themselves wise enough to direct the entrepreneurial energies of Americans with centralizing theories.

When Ronald Reagan ran for the Presidency amid serious economic problems in 1980, he emphasized one central truth. The American people are not the problem. American business is not the problem. The free enterprise system is not the problem. Instead, the problem is the government. Washington’s professional politicians—combined with the bureaucracy and the entire tax-and-spend mentality—are the problem.

It is important to bear in mind that simple-but-fundamental truth as we consider the sources of our current economic problems. Once again, professional politicians find it convenient to blame someone, anyone, other than themselves. By listening to the Washington establishment you would never know that domestic spending has risen faster the last three years than under almost any other Administration in U. S. history. You would never know that the recent increase in government regulation has been faster than under Jimmy Carter. You would never know these things if you listened to Washington insiders, but you would know it if you listened to California developers, Silicon Valley manufacturers, California bankers, and, yes, credit union managers.

What we are told instead is very different. Without a massive tax increase, the professional politicians feared that they would lose their ability to “govern.” You would think that massive cuts in government spending had left Washington penniless—as if a budget of $1.4 trillion leaves government with insufficient resources. And conventional wisdom blames not politicians but instead a few businessmen for the greatest financial disaster of our time—the savings and loan collapse.

Now, let me state the obvious. When politicians start to blame the private sector for adverse economic events, it is time to become very, very skeptical indeed. Indeed, the economic problems caused by government are endless, and our time today is far more limited than is the ability of our political leaders to
create mischief. Accordingly, I’d like to develop particularly a topic of immediate interest: federal regulation of our financial institutions. I will speak more sparingly of the other planks in my reform plan.

It is usually helpful to begin at the beginning. Let me therefore start with the causes of the savings and loan crisis. It probably comes as no surprise for you to hear that the usual explanations of the S&L debacle are wrong, and are designed to shift attention away from the real culprits (while shifting increasing power into their hands). Most popular discussions of the S&L crisis blame greedy businessmen, deregulation, junk bonds, and on and on. The truth is very different. The central source of the S&L disaster is the system of deposit insurance (the same system now being expanded to provide cover for increasing regulation of credit unions). This insurance system was established for commercial banks in 1933 (the FDIC) and for saving banks (S&Ls) in 1934 (the FSLIC). These deposit insurance agencies were created in an effort to avoid a repeat of the general financial panic experienced in late 1932 and early 1933.

The system of deposit insurance is fundamentally flawed. All banks are charged the same premium regardless of the risk that a given bank poses for the deposit insurance agency (The same flaw, incidentally, is behind the overhead transfers being imposed on credit unions by NCUA). The nominal limit on insurance per deposit has increased to $100,000 from the original $2500, but in practice almost all deposits have been covered regardless of size.

Far more important, this insurance system creates two kinds of perverse incentives. First, banks are led to increase their risk exposure as their net worth declines; in the extreme, for a bank with no positive net worth, all risks associated with loans and other investments are borne by the deposit insurance agencies, which is to say, by other banks and by the taxpayers. Second, depositors have no incentives to discriminate against high-risk banks when choosing an institution into which they deposit their money. Since almost all deposits have been covered, regardless of size, this perverse incentive exists even for very large depositors.

These incentive problems are exacerbated dramatically by the U. S. system in which financial institutions are separated geographically and by lending specialization. By reducing the ability of financial institutions to diversify their activities both geographically and by activity (that is to say, competitively), the regulations increase the vulnerability of individual banks to downturns in specific geographic regions or economic sectors.

Thus, a decline in oil prices creates huge problems for banks in Texas. A decline in real estate prices is a nightmare for banks specializing in mortgages. The S&L system has imploded because S&Ls are especially vulnerable to downturns in real estate; moreover, they are vulnerable to increases in short term interest rates because most of their loans are long-term fixed-rate mortgages while most of their deposits are short-term and so can be withdrawn quickly should short-term interest rates rise.

Much conventional wisdom blames deregulation for the S&L crisis. That inference is precisely wrong. Without the removal of the interest rate ceilings—that is, deregulation—the crisis would have begun even sooner, because all deposit institutions would have lost deposits to such unregulated financial instruments as money market funds. These unregulated financial instruments could offer higher interest rates to depositors. Deregulation of the types of assets that institutions could hold allowed for greater diversification of portfolios.

The central reality is that the system of deposit insurance tends to induce a transfer of deposits from low-risk to high-risk institutions, particularly when insolvent or very weak banks are allowed to offer accounts insured by the federal government. This incentive is present because weak institutions can offer higher interest rates for depositors, financed with the hoped-for higher returns from riskier investments. If the investments come a cropper, it is the taxpayers who must foot the bill.

Nor are junk bonds the culprit. What is amazing about the public discussion of the S&L disaster is the extent to which central truths have tended to become completely obscured. Did you know that of all the S&Ls that have failed in recent years, only about fifteen held any junk bonds at all? And that two or three of those S&Ls held the bulk of those investments? Did you know that a GAO report in 1989 found junk bonds
to have been second only to credit cards in profitability among all types of assets held by S&Ls during the 1980s?

Unfortunately, the ability of politicians and regulators to wreak havoc is not limited to the past. The political response to the S&L disaster has been a concerted effort to limit the perceived riskiness of investments made by deposit institutions—hence, you have wandering CAMELs in state chartered credit unions, and new, vague “safety & soundness” requirements despite the fact that an estimated $165 million in credit union losses thus far this year, all have been in federally chartered credit unions. Politicians of all people do not know how to measure risk rationally, and certainly have no idea which sectors will do better than others in the future. This has resulted in greatly tightened regulatory scrutiny of particular investments by S&Ls, banks, credit unions, the insurance industry, and by money market funds.

These regulatory constraints on particular kinds of lending—high-yield securities, real estate loans, highly leveraged transactions, and others—have made debt finance far more difficult to obtain for businesses in numerous sectors. Hence, the widely observed “credit crunch.” This greatly enhanced regulatory oversight has exacerbated the effects of three years of tight monetary policy and misguided tax policy, declining prices in certain economic sectors, and other factors have reduced business and employment prospects in sectors that during the 1980s displayed strong employment growth.

How could it have gone unnoticed, that the sectors now facing greater difficulty in the search for debt financing are precisely the sectors that accounted for virtually all of the employment growth of the 1980s? Thus, the regulators have created a substantial increase in the cost of capital for precisely those firms and sectors that can be expected to generate the strong employment growth that will signal the end of the current recession.

Clearly, the higher unemployment now characterizing the U.S. economy is the result of numerous factors in addition to misguided regulation of capital markets. The recession—a result of three years of tight monetary policy—obviously is a major contributor to unemployment. The speed with which eased monetary policy can move the economy to positive real growth, however is affected by the nature and application of regulatory policy. One expert highlighted this dramatically, observing that “overall private debt growth, from bank lending to bond issues, has dived precipitously to about 2.7% from almost 14% in 1984-85. That and nothing else is the crucial fact behind the weak U.S. economy and its weak money supply.” Additionally, the most dramatic regulatory intrusion made a bad situation even worse: “In short, the RTC [Resolution Trust Corporation] operation is akin to a massive contractionary open market operation.”

In the last three years regulation of business has grown substantially, whether measured in terms of the administrative costs of federal regulatory agencies or in terms of the numbers of full-time equivalent regulatory staffing. The ability of high-employment growth sectors of the U.S. economy to generate new demands for labor will be constrained by the wave of regulation imposed upon capital markets in the wake of the S&L crisis.

The threat to dual chartering of credit unions is just one more sign of the constant growth toward the total bureaucratization of our society—a state in which the ordinary citizen’s most realistic contact with the rest of the world comes through sheaths of documents presented to anonymous officials, whether in government or business.

I am sorry to say that the banking legislation passed by Congress in recent weeks does little to solve the fundamental problems. Deposit insurance has been trimmed slightly, and capital requirements have been strengthened, although the regulators continue to face the same perverse incentives that I discussed a few moments before. But institutions still cannot diversify competitively or efficiently across geographic and economic sectors.

Banks remain subject to continued dangers of specific downturns and interest rate shifts. Foreign banks still enjoy competitive advantages that result solely from poorly conceived regulation. Above all, an entirely new layer of bureaucratic meddling has been imposed. New capital requirements have been added,
along with non-capital safety requirements, underwriting standards, minimum earnings tests, annual on-site examinations, lending restrictions, and on and on. In essence, this legislation attempts to prevent the problems regulations cause by adding another layer of regulation. Sound familiar?

The S&L debacle is a classic example of the perverse effects of government regulatory meddling. It illustrates as well the incentives for politicians to shift blame away from themselves, in part by attempting to correct for past errors by expanding the scope of regulatory intrusion. This is a policy approach doomed to failure, as so much past experience demonstrates. And the trillions—yes, trillions—of dollars of liabilities that the federal government has assumed (over and above the $4 trillion national debt) in the form of loan guarantees, off-budget loans, and pension and deposit insurance represents a monster waiting to burst forth from its shell.

It is time to find imaginative ways to shrink the scope of government taxation, spending, and regulatory intrusion. It is time to give the market a chance. That is the reason I have proposed A New Economic Freedom. This fourteen-point blueprint will recover for Americans that dignified prosperity that is their birthright.

Nor may we forget who are the greatest losers in this recession we now experience—namely, the poor, the disadvantaged, the marginal. They along with the honestly industrious are transformed into mere spectators as the foundations of their well-being are eroded day by day. No laws or policies aiming at poor relief can repair the damage caused by an anemic economy which destroys the very opportunities for upward mobility to which we so frequently appeal. Political haggling over how long unemployment insurance should last, while the successful regional experiment to convert that program into a business-building policy languishes, will not bring dignified prosperity to the suffering.

Nor will the homeless ever lay their heads upon their own pillows beneath their own roofs, while tax distortions, zoning inequities, and capital squeezes remove forever the hope of freely available affordable housing. No amount of McKinney Act largesse can alter the reality that a free market destroyed by centralizing government policies cannot respond to honest human needs.

Pope John Paul II captured the spirit of this plan for economic recovery in his encyclical last spring, “Centesimus Annus.” He observed that “a person who is deprived of something that he can call ‘his own’, and of the possibility of earning a living through his own initiative, comes to depend on the social machine and on those who control it. This makes it much more difficult for him to recognize his dignity as a person, and hinders progress towards the building up of an authentic human community.” Further, John Paul observed, one of the critical foundations of such dignified prosperity is the opportunity to gain in free exchange, that is exchange based on the “just price, mutually agreed upon through free bargaining.”

These principles trace through our entire economic system, from the complex negotiations of multinational corporations to the honest industry of displaced workers seeking to regain a foothold on the economic ladder. No economic reform that fails to observe the indissoluble tie of freedom, and the moral as well as material necessity of self-government, throughout the economic system can ever hope to restore our economic health.

Tocqueville observed that “freedom...engenders far more benefits than it destroys; and the nations which are favored by free institutions invariably find that their resources increase more rapidly than their taxes.” That is a lesson for the future of the newly freed nations of Eastern Europe. It is the history of the United States, and it can be our future also if we do not heedlessly consume our prosperity and our liberty with regulations that reject that lesson. Our nation owes dignified prosperity to every American who will work for it.

Within five to ten years the United States, and the world in consequence, will enter the most dramatic period of economic growth in history—a boom time is coming! The seeds of that boom are already sown in the natural development of our society. Here demography arrives to our rescue, to convert the errors of policy makers into opportunities for free citizens, provided we prepare for it adequately. The emer-
gence of “baby-boomers” as mid-lifers bring us dramatic life-cycle increases in savings (that is, capital investment), but we will also enjoy the economic boost that normally characterizes society in the periods immediately following the dislocations produced by assimilation of large waves of immigration. Still, the coming boom will be turned to gloom if we do not correct now the errors of policy that have plunged us into an unscheduled recession.

Policy errors in taxation, in social welfare, in banking regulation and other measures affecting capital formation, in debt financing, and in environmental, energy, health care, and other regulations can abort the economic boom that is rightfully ours. We must change course immediately, to relieve the current distresses of Californians and to safeguard that prosperity which will rightfully be ours in the years to come. Not quick fixes but real solutions—not campaign promises but realizable alternatives—are the answer.