FROM: Phyllis Schlafly

68 FAIRMOUNT, ALTON, ILLINOIS 62002 / (618) 462-5415

RELEASE: MARCH 13, 1981

THE PRODUCTIVITY STATE

"What's in a name?" Shakespeare asked. "That which we call a rose by any other name would smell as sweet." But would it? American businesses spend millions of dollars to research and choose (or invent) a name before marketing a product. Publishers know that a book's title often makes or breaks its sale.

The rather unique economic system under which America, from a little band of immigrants who landed on our shores with only the clothes on their backs, grew into far-and-away the most prosperous and productive nation in the world is the greatest success story in history. But the people who enjoy its fruits don't seem to have much respect for the tree or know how to keep it producing.

The reason may be that the tree suffers from the handicap of not having a winning name. "Capitalism" (mistakenly, I believe) connotes big business to which most Americans do not relate with affection. "Free enterprise" and "private enterprise" have a hard time competing semantically and sentimentally with "the welfare state" or "the social welfare state," probably because more people relate to "welfare" than to "enterprise."

Yet the proven failure of the social welfare state and of socialism is just as dramatic as the success of capitalism/free enterprise. From Europe to Africa to the Caribbean to Asia, socialism is shown to be a congenitally diseased system which produces perennial shortages, food lines, black markets, political prisons, and people voting with their feet to escape to a capitalist country.

Even Sweden, long touted as the Perfect Experiment in democratic welfare statism, provides convincing evidence of its failure under the most advantageous circumstances: a homogeneous population, rich natural resources, and 150 years of avoidance of war.

With the government now consuming 64 percent of the Gross National Product, a typical Swedish industrial worker pays 50 to 60 percent of his wages in taxes, plus an additional 22.5 percent in value-added tax (VAT), a form of sales tax on all goods and services including food.

(more)

The United States may be rushing headlong down the same dead-end road. High taxes to make costly incentive-destroying, non-productive handouts have resulted in double-digit inflation, double-digit interest rates, high unemployment, and low savings and investment. Despite the proven success of the American economic experiment, Americans appear to lack understanding of and commitment to the system that produced our prosperity.

The uniqueness of our economic system has been its high level of capital formation -- the investment in plant and equipment which creates jobs, enables worker-plus-machine to produce more per manhour and thereby be paid higher wages. That's why it is accurate to call our system "capitalism."

However, in the 1980s the word "capitalism" inherits the semantic baggage of decades of leftwing smears. The word "capitalism" looks at the system through the eyes of the saver-investor-owner whom the worker-student-journalist-academician types have been taught to believe is the enemy. We need a new name to sell the successful American system. We need a name to which all participants in the economic process can relate personally.

I suggest we call our unique American economic system "The Productivity State." Productivity is a "good" word; whether we are workers, bosses, or journalists, we all understand that increased productivity (producing more per manhour of labor) brings a higher financial reward. Therefore, all types can relate to the goal: let's increase our productivity so we can labor less and enjoy it more.

The United States over the last decade has had the lowest employee productivity rate of any Western industrial nation. The auto industry, which has priced itself out of the world market, is only the most dramatic proof of our nationwide malaise.

Restoring our world leadership in productivity will require many things, starting with federal budget cuts, which in turn will allow tax cuts, which in turn will allow increases in savings and investment, which in turn will cause more capital formation, which in turn will create more jobs and more productive jobs.

Calling the American economic system "The Productivity State" will give us a vision of a more prosperous future in which all individuals and groups have a vital stake, can work toward, and can taste their rewards. "The Productivity State" can dispose of the semantic problem so we can get on with the economic tasks.

(end)