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McFarlane



(Insert to any Campaign Speech)

Friends, I'd like to digress from my prepared remarks for a moment to touch on one of the problems a President must cope with in an election year. This concerns the responsibility to lead; the responsibility to insure that ~~the~~ respect for the United States and American leadership is preserved -- without regard to how it may affect election prospects.

To some extent, this responsibility is a disadvantage. Unlike ~~my~~ ^{his} opponents ~~I~~ ^{the President} cannot afford to throw reckless charges and wild exaggerations around about our defense and foreign policies.

Our allies and friends look to America for constancy; as the steady firm thoughtful leader of the free world.

We cannot and must not ask the world for a time-out or proceed to conduct a ten-month half-time ceremony before we get back to the ball game of protecting our interests and standing up for what is right.

Let me give you an example of what I'm talking about.

Last year a Cuban expeditionary force intervened in Angola and, with Soviet sponsorship succeeded in installing a minority marxist oriented government. ~~We~~ ^{the President} made a determined effort to oppose the

Soviet/Cuban effort -- and would have succeeded if the Congress had not pulled the rug out from under ~~me~~ ^{the President}. What has happened since?

Encouraged by their victory, Cuba sent advisors into Mozambique to train insurgents for action in Rhodesia . By early April,

a combination of economic factors -- the partial closure of their border and interruptions of exports -- together with the outside Cuban interference

posed the threat of major war and bloodshed in Rhodesia -- with all that implies for the rest of Southern Africa.

In short, the Soviet/Cuban bandwagon was rolling. The rest of black Africa had seen the results of Angola, the apparent lack of US resolve, and were looking to their options in the US-Soviet context.

The trend was against us and fast action was necessary. That's why ~~the President~~ ^{Secretary} sent ~~Henry~~ Kissinger to Africa. We couldn't wait until after this or that primary.

And what were the results? I think the best testimony is the response. From Nairobi to Monrovia to Kinshasha, the African leadership has welcomed and taken heart from this solid demonstration of US support.

Basically, Africa's future must be determined by Africans, not by Americans -- and not by Russians or Cubans either. That was the message ~~A~~ ^{the Secretary was sent} sent Henry to convey, making clear that we were prepared to respond to their initiatives and to help where possible.

Now frankly, I don't believe Americans really find fault with that. We know what it means to establish independence and build a prosperous nation. And let's don't forget we had some help in the process. Today, we are the most prosperous nation on earth. I cannot believe Americans really begrudge our technology and technical assistance to people willing to help themselves. It isn't in the American tradition to refuse help to people in need -- particularly such people as those in the Sahel Desert

where drought threatens literally millions of lives with hunger,
despair and the threat of death.

America must be true to itself and ^{the} as President it ~~is my~~ ^{has shouldered} responsibility ~~to~~
to assure that our security interests and our role of international
leadership are not mortgaged in the surreal environment of this year's
election rhetoric.

That is what ^{he has} I have done and as your President that is what ^{he} I intends
to keep doing.

Some say this approach has hurt ^{him} me. Maybe -- but I doubt it.

Frankly, my belief in American values does color my politics. It
makes me ^{believe that you will react to} ~~conscience~~ daily of my trust to you to do what is right.

~~As a final footnote, I would only add that in my _____ years in
public life I have found that doing what is right is the best politics.~~

support a President who
puts his country before his
political ambitions.

~~President Ford~~



INSERT TO ANY CAMPAIGN SPEECH



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THE WHITE HOUSE
WASHINGTON

July 2, 1976

File - Speeches

MEMORANDUM FOR THE CABINET

FROM: MARGITA E. WHITE *new*
Assistant Press Secretary to the President
and Director, Office of Communications

Speeches distributed for the week of June 28 are:

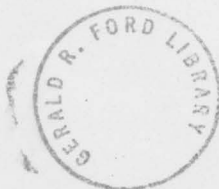
Secretary Kissinger: Speech before the 6th Regular General Assembly of the Organization of American States, June 8, 1976, Santiago, Chile, Topic: "Human Rights and the Western Hemisphere."

Secretary Simon: Remarks before the Commonwealth Club of California, San Francisco, California, June 18, 1976, Topic: Economic Illiteracy of the American People. Statement before the OECD Ministerial Meeting in Paris, June 22, 1976, Topic: International Economic Policies.

Attorney General Levi: Address before the Chicago Bar Association, Chicago, Illinois, June 24, 1976, Topic: Comments on the Justice Department.

Attachments

bcc: White House Senior Staff



The Secretary of State



JUN 22 1976

Speech

June 8, 1976
Santiago, Chile

Bureau of Public Affairs
Office of Media Services

HUMAN RIGHTS AND THE WESTERN HEMISPHERE

Secretary Henry A. Kissinger before the 6th Regular General Assembly of the Organization of American States (OAS).

One of the most compelling issues of our time, and one which calls for the concerted action of all responsible peoples and nations, is the necessity to protect and extend the fundamental rights of humanity.

The precious common heritage of our Western Hemisphere is the conviction that human beings are the subjects, not the objects, of public policy; that citizens must not become mere instruments of the state.

This is the conviction that brought millions to the Americas. It inspired our peoples to fight for their independence. It is the commitment that has made political freedom and individual dignity the constant and cherished ideal of the Americas and the envy of nations elsewhere. It is the ultimate proof that our countries are linked by more than geography and the impersonal forces of history.

Respect for the rights of man is written into the founding documents of every nation of our hemisphere. It has long been part of the common speech and daily lives of our citizens. And today, more than ever, the successful advance of our societies requires the full and free dedication of the talent, energy, and creative thought of men and women who are free from fear of repression.

The modern age has brought undreamed-of benefits to mankind—in medicine, in technological

advance, and in human communication. But it has spawned plagues as well—in the form of new tools of oppression as well as of civil strife. In an era characterized by terrorism, by bitter ideological contention, by weakened bonds of social cohesion, and by the yearning for order even at the expense of liberty, the result all too often has been the violation of fundamental standards of humane conduct.

The obscene and atrocious acts systematically employed to devalue, debase, and destroy human life during World War II vividly and ineradicably impressed the responsible peoples of the world with the enormity of the challenge to human rights. It was precisely to end such abuses and to provide moral authority in international affairs that a new system was forged after that war—globally in the United Nations and regionally in a strengthened inter-American system.

The shortcomings of our efforts in an age which continues to be scarred by forces of intimidation, terror, and brutality fostered sometimes from outside national territories and sometimes from inside have made it dramatically clear that basic human rights must be preserved, cherished, and defended if peace and prosperity are to be more than hollow technical achievements. For technological progress without social justice mocks humanity; national unity without freedom is sterile; nationalism without a consciousness of human community—which means a shared concern for human rights—refines instruments of oppression.

We in the Americas must increase our international support for the principles of justice, freedom, and human dignity—for the organized concern of the community of nations remains one of the most potent weapons in the struggle against the degradation of human values.

Human Rights Challenge in the Americas

The ultimate vitality and virtue of our societies spring from the instinctive sense of human dignity and respect for the rights of others that have long distinguished the immensely varied peoples and lands of this hemisphere. The genius of our inter-American heritage is based on the fundamental democratic principles of human and national dignity, justice, popular participation, and free cooperation among different peoples and social systems.

The observance of these essential principles of civility cannot be taken for granted even in the most tranquil of times. In periods of stress and uncertainty, when pressures on established authority grow and nations feel their very existence is tenuous, the practice of human rights becomes far more difficult.

The central problem of government has always been to strike a just and effective balance between freedom and authority. When freedom degenerates into anarchy, the human personality becomes subject to arbitrary, brutal, and capricious forces. When the demand for order overrides all other considerations, man becomes a means and not an end, a tool of impersonal machinery. Clearly some forms of human suffering are intolerable no matter what pressures nations may face or feel. Beyond that all societies have an obligation to enable their people to fulfill their potentialities and live a life of dignity and self-respect.

As we address this challenge in practice, we must recognize that our efforts must engage the serious commitment of our societies. As a source of dynamism, strength, and inspiration, verbal posturings and self-righteous rhetoric are not enough. Human rights are the very essence of a meaningful life, and human dignity is the ultimate purpose of government. No government can ignore terrorism and survive, but it is equally true that a government that tramples on the rights of its citizens denies the purpose of its existence.

In recent years and even days, our newspapers have carried stories of kidnappings, ambushes, bombings, and assassinations. Terrorism and the

denial of civility have become so widespread, political subversions so intertwined with official and unofficial abuse, and so confused with oppression and base criminality, that the protection of individual rights and the preservation of human dignity have become sources of deep concern—and worse—sometimes of demoralization and indifference.

No country, no people—for that matter no political system—can claim a perfect record in the field of human rights. But precisely because our societies in the Americas have been dedicated to freedom since they emerged from the colonial era, our shortcomings are more apparent and more significant. And let us face facts: Respect for the dignity of man is declining in too many countries of the hemisphere. There are several states where fundamental standards of humane behavior are not observed. All of us have a responsibility in this regard, for the Americas cannot be true to themselves unless they rededicate themselves to belief in the worth of the individual and to the defense of those individual rights which that concept entails. Our nations must sustain both a common commitment to the human rights of individuals and practical support for the institutions and procedures necessary to insure those rights.

The rights of man have been authoritatively identified both in the U.N. Universal Declaration of Human Rights and in the OAS's American Declaration of the Rights and Duties of Man. There will, of course, always be differences of view as to the precise extent of the obligations of government. But there are standards below which no government can fall without offending fundamental values—such as genocide, officially tolerated torture, mass imprisonment or murder, or comprehensive denials of basic rights to racial, religious, political, or ethnic groups. Any government engaging in such practices must face adverse international judgment.

The international community has created important institutions to deal with the challenge of human rights. We here are all participants in some of them—the United Nations, the International Court of Justice, the OAS, and the two Human Rights Commissions of the United Nations and OAS. In Europe an even more developed international institutional structure provides other useful precedents for our effort.

Procedures alone cannot solve the problem, but they can keep it at the forefront of our con-

sciousness and they can provide certain minimum protection for the human personality. International law and experience have enabled the development of specific procedures to distinguish reasonable from arbitrary government action on, for example, the question of detention. These involve access to courts, counsel, and families; prompt release or charge; and, if the latter, fair and public trial. Where such procedures are followed, the risk and incidence of unintentional government error, of officially sanctioned torture, of prolonged arbitrary deprivation of liberty, are drastically reduced. Other important procedures are habeas corpus or amparo, judicial appeal, and impartial review of administrative actions. And there are the procedures available at the international level—appeal to, and investigation and recommendations by, established independent bodies such as the Inter-American Commission on Human Rights, an integral part of the OAS and a symbol of our dedication to the dignity of man.

The Inter-American Commission has built an impressive record of sustained, independent, and highly professional work since its establishment in 1960. Its importance as a primary procedural alternative in dealing with the recurrent human rights problem of this hemisphere is considerable.

The United States believes this Commission is one of the most important bodies of the Organization of American States. At the same time it is a role which touches upon the most sensitive aspects of the national policies of each of the member governments. We must insure that the Commission functions so that it cannot be manipulated for international politics in the name of human rights. We must also see to it that the Commission becomes an increasingly vital instrument of hemispheric cooperation in defense of human rights. The Commission deserves the support of the Assembly in strengthening further its independence, even-handedness, and constructive potential.

Reports of the OAS Human Rights Commission

We have all read the two reports submitted to this General Assembly by the Commission. They are sobering documents for they provide serious evidence of violations of elemental international standards of human rights.

In its annual report on human rights in the hemisphere, the Commission cites the rise of violence and speaks of the need to maintain order and protect citizens against armed attack. But it also

upholds the defense of individual rights as a primordial function of the law and describes case after case of serious governmental actions in derogation of such rights.

A second report is devoted exclusively to the situation in Chile. We note the Commission's statement that the Government of Chile has cooperated with the Commission, and the Commission's conclusion that the infringement of certain fundamental rights in Chile has undergone a quantitative reduction since the last report. We must also point out that Chile has filed a comprehensive and responsive answer that sets forth a number of hopeful prospects which we hope will soon be fully implemented.

Nevertheless the Commission has asserted that violations continue to occur, and this is a matter of bilateral as well as international attention. In the United States concern is widespread in the executive branch, in the press, and in the Congress, which has taken the extraordinary step of enacting specific statutory limits on U.S. military and economic aid to Chile.

The condition of human rights as assessed by the OAS Human Rights Commission has impaired our relationship with Chile and will continue to do so. We wish this relationship to be close, and all friends of Chile hope that obstacles raised by conditions alleged in the report will soon be removed.

At the same time the Commission should not focus on some problem areas to the neglect of others. The cause of human dignity is not served by those who hypocritically manipulate concerns with human rights to further their political preferences, nor by those who single out for human rights condemnation only those countries with whose political views they disagree.

We are persuaded that the OAS Commission, however, has avoided such temptations.

The Commission has worked and reported widely. Its survey of human rights in Cuba is ample evidence of that. Though the report was completed too late for formal consideration at this General Assembly, an initial review confirms our worst fears of Cuban behavior. We should commend the Commission for its efforts—in spite of the total lack of cooperation of the Cuban authorities—to unearth the truth that many Cuban political prisoners have been victims of inhuman treatment. We urge the Commission to continue its efforts to determine the truth about the state of human rights in Cuba.

In our view the record of the Commission this year in all these respects demonstrates that it deserves the support of the Assembly in strengthening further its independence, even-handedness, and constructive potential.

We can use the occasion of this General Assembly to emphasize that the protection of human rights is an obligation not simply of particular countries whose practices have come to public attention. Rather, it is an obligation assumed by all the nations of the Americas as part of their participation in the hemispheric system.

To this end the United States proposes that the Assembly broaden the Commission's mandate so that instead of waiting for complaints, it can report regularly on the status of human rights throughout the hemisphere.

Through adopting this proposal the nations of the Americas would make plain our common commitment to human rights, increase the reliable information available to us, and offer more effective recommendations to governments about how best to improve human rights. In support of such a broadened effort, we propose that the budget and staff of the Commission be enlarged. By strengthening the contribution of this body, we can deepen our dedication to the special qualities of rich promise that make our hemisphere a standard-bearer for freedom-loving people in every quarter of the globe.

At the same time we should also consider

ways to strengthen the inter-American system in terms of protection against terrorism, kidnapping, and other forms of violent threats to the human personality, especially those inspired from the outside.

Necessity for Concern and Concrete Action

It is a tragedy that the forces of change in our century—a time of unparalleled human achievement—have also visited upon many individuals around the world a new dimension of intimidation and suffering.

The standard of individual liberty of conscience and expression is the proudest heritage of our civilization. It summons all nations. But this hemisphere, which for centuries has been the hope of all mankind, has a special requirement for dedicated commitment.

Let us then turn to the great task before us. All we do in the world—in our search for peace, for greater political cooperation, for a fair and flourishing economic system—is meaningful only if linked to the defense of the fundamental freedoms which permit the fullest expression of mankind's creativity. No nations of the globe have a greater responsibility. No nations can make a greater contribution to the future. Let us look deeply within ourselves to find the essence of our human condition. And let us carry forward the great enterprise of liberty for which this hemisphere has been—and will again be—the honored symbol everywhere.

DEPARTMENT OF STATE, U.S.A.
WASHINGTON, D.C. 20520

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REMARKS BY THE HONORABLE WILLIAM E. SIMON
SECRETARY OF THE TREASURY
BEFORE THE COMMONWEALTH CLUB OF CALIFORNIA
SAN FRANCISCO, CALIFORNIA
JUNE 18, 1976

Thank you, Mr. Brooks Walker, Jr., President John B. Bates, Mr. A. Frank Bray, Distinguished members of the Head Table, Ladies and Gentlemen...

For an Easterner like me, it's always a pleasure to come to San Francisco. But it is a very special privilege and honor to meet again this year with the Commonwealth Club of California, a group that is so knowledgeable and so vitally concerned with the great issues of our day.

I only wish more Americans shared your concern with the future of our democratic society and the great and productive engine for progress that is at its heart -- our free enterprise system.

Unfortunately many of our fellow citizens do not. Ironically, in this Bicentennial year, the one subject that is generally most misunderstood by an overwhelming number of Americans is the dynamics of the free economy which contributed so much to our nation's growth and greatness. In fact, this information gap -- this economic illiteracy -- of many Americans is one of the problems I would like to discuss with you today.

Much of what is best in our society -- its initiative, civic spirit, individuality and common sense approach to problems is exemplified by the men and women in this room. But these qualities, which are firmly rooted in our nation's heritage of personal and economic freedom, can only thrive and endure if all Americans and their succeeding generations understand and support them.

Justice Holmes once said, "The great thing in this world is not so much where we stand, as in what direction we are moving." So before I take your questions, I'd like to take a few minutes to look at where we stand, where we

are moving and how we can move in new directions to preserve the values of freedom and human dignity that has made the American experiment the hope of the world.

Of course we stand today for what we have stood for throughout our history -- for individual freedom and individual rights, for personal and economic liberty.

And yet, if we are to preserve these principles -- if we are to allow them to grow and flourish, under stresses and challenges, we must work together to create a climate of understanding in which this will happen.

It may seem strange, and it is certainly ironic, but at a time when Americans are enjoying such great abundance and such great opportunity, too many of us have lost sight of the principles and institutions that have made our way of life possible. Somewhere along the line, there has been a dangerous breakdown in communication.

Too many Americans -- especially those born into an affluent society which seemed to have no beginning or end, no cause and no effect -- have lost sight of, or have never been taught, the dynamics of prosperity in a free society.

Today, when nearly everyone takes the fruits of the free enterprise system for granted -- the abundance, the opportunity, the freedom of choice, the unprecedented opportunities for learning, travel, and general upward mobility -- not everyone understands the basic economic facts of life that create all these benefits.

Small wonder then, that when economic difficulties like the recession hit, millions of otherwise reasonable people fall for the quack nostrums of politicians who are more interested in promising than performing, and for quick fix government spending programs that provide some short term relief but only aggravate the long-term economic ills of inflation and stagnation in the private sector.

I am pleased that the Commonwealth Club of California is dedicated to certain proven and fundamental values, which I think should apply to all segments of our society.

These values include the openness and frankness of intellectual dialogue and inquiry; the importance of an objective, continuing democratic educational experience; and a climate of intellectual inquisitiveness that fosters creative criticism and creative change.

The opinion polls tell us the people want men and women in Washington they can trust to make value judgments

for them -- leaders who are honest and forthright, and have the courage to talk sense to the American people. Certainly opinion polls clearly indicate that the public appreciates any public official who levels with them.

And I have always believed that reality, stark though it may be, is better than illusion; and that the truth, even though at times unpleasant, is better than sham and deceit. Americans did not turn their backs on reality 200 years ago and there is less reason to do so today.

Because of this, I believe that the time is ripe for an economic heart-to-heart talk with the American people.

What is at stake is not just the future of this or that industry. At stake is the survival of the private sector, and the individual liberties which have never long survived the collapse of a society's free enterprise system.

Unless we get the facts across today, the America of tomorrow -- of our children and grandchildren -- will be doomed to a system of economic and political bondage that is the very opposite of all that we hold dear.

The problem already exists, as I have had ample opportunity to observe in my job as Secretary of the Treasury. And it is getting worse, not better. It is a question of both policy and perception for faulty perception of the economy makes faulty economic policy almost inevitable.

And I am firmly convinced that, taken together, misunderstanding and misdirection of the American economy have become the central, underlying problem of our times.

Part of it is a matter of image. Frequently, and especially to youthful idealists, those who support bigger government spending and more government domination of the private sector are perceived as concerned, socially progressive men and women who "care" -- in a nutshell, they are seen as the humane champions of the persecuted underdog.

On the other hand, those who warn that the government should not -- and cannot -- effectively solve every new problem that comes down the pike, and who advocate instead the strengthening of the free enterprise system are seen as either outdated theorists or a new generation of economic exploiters, indifferent to human suffering and only out to make a fast buck for themselves and their companies.



To make matters worse, surface appearances often tend to confirm this inaccurate impression. Advocates of big government are able to wax eloquent for hours about the ills they imagine they can cure by cranking out more currency and soaking up more credit through massive deficit spending. They have as many arguments as there are social, economic and political problems -- even though the spending they advocate, as we have seen with the New Frontier's war on poverty, is often part of the problem rather than part of the solution.

Those of us who recognize the fallacy of the big government approach have only one argument. It's the right one, but, by dint of repetition, people are getting tired of hearing about it. For we constantly invoke the free enterprise system, too often without defining the freedoms and the opportunities that it, and it alone, provides. We chant a slogan, a label, without defining it in comprehensible, human terms.

We can talk about the free enterprise system until we are blue in the face, but it still won't mean anything to those who do not understand what it really is and what makes it work. It's like trying to sensibly discuss the birds and the bees with someone who is unshakable in his belief that babies are delivered by the stork.

People who have never seen what happens in countries with state-controlled economies simply have no standard for comparison.

They have never witnessed the long lines of workers and housewives who have to queue up for hours outside state-owned food and department stores in order to buy a poor selection of over-priced food staples and state-manufactured clothing and merchandise.

They don't realize what a miracle of variety, economy and productive competition the average American shopping center would represent to nine-tenths of the earth's people.

They have never asked themselves why a country like the Soviet Union, with some of the largest, richest tracts of grainland in the world, but with a government-owned and run agricultural system, cannot even feed its people without turning to American farmers who own their own land, make their own decisions and feed not only our own people, but millions of others as well.

Too often they have been taught to scoff at the very profit and property motives which make our prosperity possible.

They have never lived in countries where the seemingly idealistic dream of a non-profit, propertyless society has turned into a nightmare reality -- where the state and the state alone dictates what kind of education you will receive; whether or not you will be allowed to travel; what kind of job you can have; what you will be paid; what merchandise you can buy with your earnings; where you will live; where you will receive medical treatment; and, ultimately, where you will be buried.

Just as importantly, they have not seen first-hand the political and social aftermath in democratic societies where the government has destroyed or eroded private enterprise -- the economic decay that follows, the demoralization of the population and often even the massive emigration of skilled workers and professionals indispensable to economic growth and vitality.

The issues involved are by no means narrowly economic. They concern fundamental principles of equity and social stability. For, as we have seen throughout history, the personal rights all Americans cherish -- freedom of worship, freedom of speech and freedom of association -- have never long endured once economic freedom has been destroyed. As Alexander Hamilton warned so long ago, "power over a man's substance amounts to power over his will."

History also tells us that without the individual profit motive, people simply do not work as hard, produce as much, or bother to come up with as many new improvements. Whether we like it or not, it is an immutable law of human nature.

Unfortunately, like clean air, economic freedom is something most people don't really appreciate until it begins to run out -- and then it is often too late.

So we have reached the point where, although the free enterprise system works, and works better than any other economic system in effect anywhere in the world -- and although it feeds, clothes and houses more people more affluently than any other while serving as the underpinning of our free society -- it is somehow losing the semantic war to an alien philosophy of government control and economic irresponsibility that has never worked but has somehow managed to preserve an aura of altruism that attracts many idealists.

What I am simply saying is that those of us who believe in the free enterprise system have got to do a better job of getting our story across to all Americans.

All of these misconceptions would be unimportant if they were not so misleading -- so blatantly phoney. My experience in Washington has convinced me that almost every man and woman in a position of high public trust cares deeply about the well-being of our people, especially those who are impoverished or face disadvantages because of their sex or the color of their skin.

The central question is not who cares the most, but rather how we broaden prosperity and reduce human hardship without sacrificing our freedom or destroying the most successful economic system that man has ever known.

That is really what is at issue underneath the semantics and the misleading labels.

Let's look at a few facts about government spending. For most of our history, the Federal Budget stayed somewhere below the \$100 billion mark -- usually way below it.

Then, in 1962, we finally hit \$100 billion -- and that was only the beginning. Seven years later, the budget broke the \$200 billion barrier and then, only four years after that, we hit the \$300 billion mark. And now, in our bicentennial year, we have reached the point where the Federal Government is spending \$1 billion a day, and going into debt another \$1 billion every week.

Government spending at all levels was only 17 percent of our GNP when I graduated from college. It now accounts for approximately 40 percent of our gross national product, and if recent trends continue, will reach 60 percent by the end of the century.

Government spending has continued to grow in recent decades because we suffer from a failure of success. The superiority complex that was our legacy as a nation from World War II led us to believe that any problem could be solved by government, any flaw in our society could be corrected by government and that government could attain any goal.

In short, we have perpetuated the notion that somehow government can identify, solve and pay to rectify every problem that comes along.

At home, technological progress and economic buoyancy fanned the spending fires, feeding the engines of social

reform with many costly and hastily conceived programs. Basking in an era of heady confidence symbolized by space-age achievements and rapidly rising standard of living, with no hint of scarcity or resource limitations, we may have forgotten a promise of our Declaration of Independence: the pursuit of happiness, not happiness itself. We may have misunderstood that a promise of our founding fathers was that this nation should be built on a principle of equality of opportunity, not a promise of equal gain for all.

The consequence is what Columbia sociologist Robert Nisbet has called this generation's dissatisfaction with equality of opportunity and its demand, instead for absolute equality regardless of individual merit and initiative.

Looking back only over the past 15 years or so, it is clear to any objective observer that despite their good intentions, programs of the Great Society were doubly flawed. First in their presumption that public generosity could atone for personal inhumanities; and second, by an unrealistic accounting of their costs and future escalations of those costs and their consequences.

The tendency of Congress, as Stanford President Richard Lyman has observed, has been "to legislate in haste and repent at leisure."

One result is a growth in government spending that has far exceeded the rate of expansion of our economy. For the past 20 years, for example, annual Federal spending has increased by 430 percent while our gross national product has risen only 280 percent.

Another result has been a residue of cynicism and disillusionment with government fed by society's over-expectations and government's under-performance.

In recent years, much of the growth in the Federal budget has come from transfer programs -- programs of benefits designed to provide some degree of security and freedom from want for our people.

While most of these programs are admirable in intention, they have grown at a rate of over 13% per year during the past twenty years. This is more than a tenfold increase in two decades and such outlays now comprise over half of the Federal budget. This rate of increase is simply not sustainable. Even after allowing for inflation, such spending growth is almost three times greater than the sustainable growth in

our economy and far exceeds any reasonable expansion of our tax base. Both common sense and economic reality tell us that we cannot continue the rate of rise in the cost of such programs.

I have been amazed, during the time I have been in Washington, by the growing reliance on the government for solutions to what are essentially private industry problems.

And this being an election year, such pleas do not go unheeded. We are hearing calls for still more government spending -- for new programs of high cost but uncertain benefit. Congress already has recommended raising President Ford's proposed FY 1977 \$395 billion Federal spending level to \$413 billion. This would increase the fiscal year deficit to more than \$50 billion -- a blueprint for more Federal spending, bigger Federal programs, higher taxes, higher inflation and deeper debt. In essence, Congress is telling Americans: We would rather spend your tax cut than let you spend it yourself."

But in talking about how much we can afford to spend from the Federal treasury, let's look at where the money comes from as well as where it goes. How much can we raise through taxes? How much can we safely borrow?

The Federal tax on the average household now is \$4,150, double what it was in 1968 and four times the 1956 tax. Interest payments on the national debt now run to \$38 billion a year, or one-tenth of all budgeted expenditures. And in FY 1977, it will be \$45 billion and will represent the third largest expense in the Federal budget. There is a point beyond which people cannot, or, in a political democracy, will not be taxed. After all, the government does not create wealth. It is the private sector which ultimately is the source of economic well-being for all of our people, and it is by healthy, sustained growth in the private sector that resources will become available to meet our social and economic needs.

We certainly are getting no nearer to the solutions of these problems by increasing, rather than beginning to slow down, the string of Federal Budget deficits that are unparalleled in our history. In 16 of the last 17 years, the budget has been in the red. And now, just when a balanced, healthy economic recovery has begun, the advocates of big spending would have us launch another round of reckless spending and runaway inflation.

The performance of our economy over the past year tells us in no uncertain terms that present policies are working. The unemployment rate, at a height of almost 9 percent last March, has been dropping steadily and now stands at 7.3 percent. More importantly, 87.7 million Americans are now working, more than ever before in our history. And the rate of inflation which had climbed to 13.5 percent as 1975 opened has been sharply reduced to an underlying rate of approximately 5 to 6 percent. Leading economic indicators testify to a continued strong business recovery and a new prosperity.

So we have made considerable headway in the past 14 months and we will make even more in 1976 and 1977 if consumers and businessmen remain confident that the government will not apply excessive economic stimulus to gain political advantages. But we still face serious long-term problems and we cannot afford to be complacent. Unemployment is still intolerably high, and inflation is by no means under control.

Our desire for progress, in the form of improved living standards and employment opportunities, will surely be frustrated unless we better control the insidious inflation which has destroyed economic stability by triggering a costly series of booms and recessions. The tragic policy errors of the past and our hopes for the future must force us to recognize a basic reality: Inflation is the single greatest threat to the sustained progress of our economy and the ultimate survival of all of our basic institutions. There is a clear record from the past: When inflation distorts the economic system and destroys incentives for real improvement the people no longer support that system and society disintegrates. History is littered with the wreckage of societies that have failed to deal with this problem. I am convinced that even our uniquely creative and productive society will collapse if we permit inflation to dominate economic affairs. There is no tradeoff between the goals of price stability and low unemployment as some critics have erroneously claimed. To the contrary, the achievement of both goals is interdependent. If we are to increase the output of goods and services and reduce unemployment, we must first make further progress in reducing inflation.

Because I feel so strongly about inflation some critics have labeled me as obsessed. I readily accept that label if it helps to communicate my deep concern although I am not so much obsessed as I am downright antagonistic to the apologists for big spending who really want bigger government even

though bigger deficits would result from their fuzzy political thinking. We must always remember that it is inflation that causes the recessions that so cruelly waste our human and material resources and the tragic unemployment that leaves serious economic and psychological scars long after economic recovery occurs. It is inflation which destroys the purchasing power of our people. It is inflation that drives up the cost of food, housing, clothing, transportation, medical attention, education, recreation and cultural opportunities. Inflation is not now, nor has it ever been, the grease that enables the economic machine to progress. Instead, it is the monkey wrench which disrupts the efficient functioning of the system. Inflation should be identified for what it is: The most vicious hoax ever perpetrated for the expedient purposes of a few at the cost of many. There should be no uncertainty about its devastating impact. Low-income families, the elderly dependent upon accumulated financial resources and the majority of working people who do not have the political or economic leverage to beat the system by keeping their incomes rising even more rapidly than inflation are the hardest hit of all. When inflation takes over an economy the people suffer and it is time that this basic point is emphasized by every responsible citizen and the full brunt is brought to bear on their elected officials. But let me assure you that regardless of the rhetoric emanating from Washington, D.C., the spend-spend, elect-elect syndrome is alive and well, and it will continue to be until our elected officials recognize that repeated votes for deficit spending will mean early retirement from elective office.

The great 19th century historian Thomas Carlyle once called political economics the "dismal science." On the surface, it seems nothing more than a pile of charts and a jumble of numbers so large as to be incomprehensible in everyday terms. To put it mildly, economics seldom makes "sexy" news stories. And yet the economy is the one thing that affects every other aspect of American life -- the food we eat, the quality of our education, our mobility, our freedom of choice in careers, services and merchandise, and our material and personal sense of pride and independence.

The smallest shock to the economy is felt in every limb of the body politic. And that is a big story, if only a graphic, gripping way of telling it could be found.

I wish that there were some way for television cameras to portray this story as vividly as they did the war in Vietnam or the race riots of earlier years. For, while the visual images are less dramatic, the problem is every bit as pressing and important.

I am convinced that all of us in government, leaders in the academic and business world, and indeed, leaders in all segments of our society must do a better job in getting this message across to the American people.

We must erase the economic illiteracy that could destroy the spirit of self-reliance that has supported the creative and productive energies of our people. Someone must tell the taxpayer the truth. There is no free lunch in Washington. As one Washington wag has put it -- and, yes, one can still find a sense of humor in the Capital -- "A billion here, a billion there, and pretty soon it adds up to real money." And the bill has to be paid, by us or by future generations.

The truth is that the American economy is the most successful the world has ever known not because of undisciplined self indulgence but precisely because it is an essentially humane creation of the people, by the people, and for the people.

No other country -- no other system -- has achieved so much for its people. Yet these tremendous achievements are the product of the same free enterprise system that now incredibly finds itself under attack.

Despite the growing influence of government over our lives, the private sector produces the food we eat, the goods we use, the clothes we wear, the homes we live in.

It is the source of five out of every six jobs in America, and it provides directly and indirectly, almost all the resources for the rest of the jobs in our all-too-rapidly expanding public sector.

It is the foundation for defense security for ourselves and most of the Free World.

It is the productive base that pays for government spending to aid the elderly, the jobless, the poor, the dependent and the disabled. Indeed, far from being the anti-human caricature painted by political demagogues, the American private sector is in reality the mightiest engine for social progress and individual improvement ever created.

This, ladies and gentlemen, is the crucial theme that must be communicated broadly and deeply into the national consciousness: The American production and distribution

system is the very wellspring of our nation's strength -- the source of present abundance and the foundation of our hopes for a better future. America can solve its pressing problems if it preserves and continues to improve this immensely productive system. And in this process, we'll also be preserving the freedoms that made it all possible. Let us make that our common resolve.

Thank you.



FOR IMMEDIATE RELEASE

June 22, 1976



STATEMENT OF THE HONORABLE WILLIAM E. SIMON
SECRETARY OF THE TREASURY
OF THE UNITED STATES
AT THE OECD MINISTERIAL MEETING IN PARIS
JUNE 22, 1976

As we meet today to strengthen the spirit of cooperation and consultation, we do so with heightened confidence. We can reflect with satisfaction on the improved pattern of growth and employment within the industrial world. The strong economic recovery in the United States and other industrial nations is beginning to improve worldwide economic prospects as trade increases. We have also reached agreement on the main elements of a new international monetary system which, when ratified by our Parliaments, will provide the legal structure for flexible and resilient arrangements patterned to the needs of today's world.

Yet the tasks before us remain formidable:

First, we must seek to convert the current recovery into sustainable economic expansion. The industrial countries have recovered from the worst recession in forty years. Our challenge now is to achieve sustained growth through the implementation of prudent economic and financial policies aimed at reducing inflation. Because conditions vary from country to country, different, though compatible strategies will be required.

Second, we must achieve a pattern of international payments which reflects the realities of the exchange market. There can be no stability in exchange rates or in international payments patterns, until stability has been restored in underlying economic and financial conditions. Substantial and in some cases difficult adjustments are required for both deficit and surplus countries.

Third, we must adopt policies that will assure a free and open world trade and investment order.

Fourth, we must realistically address the legitimate concerns of the developing world. But, we must avoid promising what cannot be delivered and reject policies which would distort the proper functioning of our market-oriented

at an 8 percent annual rate and most contract settlements have continued the process of slowly reducing cost pressures. With productivity gains somewhat above the historical average at this stage of the cycle, the increase in unit labor costs is moderate. Finally, the crop situation looks relatively favorable.

Our economic projections for 1976 have been revised. Our new projections anticipate output near 7 percent, well above the original estimate of 6 percent; the inflation rate near 5 percent, well below the original estimate of 6 percent; and the unemployment rate to decline below 7 percent by year-end. Moreover, we are confident that the expansion can be sustained well beyond 1976.

Virtually all of the economies of the OECD area are either experiencing recovery or, like the United States, have moved beyond the recovery stage to solid expansion. The concern today is no longer one of recovery but of sustaining our growth. Some believe that demand will not be strong enough to support further expansion. I do not see major near-term distortions in the continued expansion from the demand side. To the contrary, the greatest threat to the sustained expansion is the risk of a resurgence of inflation.

On the basis of present policies, the OECD Secretariat expects an average inflation rate in OECD countries of 8.2 percent in 1976. In some countries prices are expected to increase 15 percent or more. Unless these inflation rates are significantly reduced we cannot achieve a lasting worldwide expansion.

The policy errors of the past and our hopes for the future force us to recognize a basic reality; inflation is the greatest threat to sustained economic development and the ultimate survival of all of our basic institutions. The lessons of history clearly indicate that when inflation distorts the economic system and destroys incentives the people will no longer support that system and society disintegrates. Our uniquely creative and productive societies will be severely damaged if inflation continues to dominate economic affairs. Our recent experience demonstrates the fallibility of the old conventional wisdom that a tradeoff exists between the goals of price stability and low unemployment. To the contrary, the achievement of both goals is interdependent. If we are to sustain the output of goods and services and reduce unemployment, we must first control inflation. Inflation restricts the housing industry by increasing the prices of homes and interest costs on mortgage loans. It is inflation which undermines the purchasing power of our people as they strive -- too often in a losing struggle -- to provide the basic necessities

The Need for Balance of Payments Adjustment

Inflation is also a threat to economic prosperity through its impact on the trade and payments system. We have seen what inflation has done to the currencies of some of our member states and it has become glaringly obvious that there can be no stability in exchange rates without reasonable stability in domestic prices. The failure to control inflation will damage not only the country which inflates, but ultimately its trading partners as well. If there is no confidence in a government's anti-inflation policies, the downward pressures on rates of exchange may reach levels which tempt governments to resort to restrictive actions.

In the effort to avoid -- or to postpone -- exchange rate changes, countries may look for credits from abroad to help finance their deficit, and pursue a policy of intervention to support their currencies artificially in exchange markets. Lenders will become increasingly reluctant to finance expanding current account deficits unless borrowing nations make fundamental changes in their domestic economic policies.

The lesson we have learned -- the fundamental concept which the Jamaica agreement incorporates in the monetary system -- is the recognition that we must attack the causes of our problems, instead of the results. When an industrial country encounters difficulty in borrowing from the private markets, it is a clear and unmistakable sign that more fundamental measures are needed that will effectively deal with the underlying economic conditions and that will eliminate the need to rely on special external financing. The IMF and other multilateral balance of payments lending institutions have limited resources. The Financial Support Fund -- for which we are strongly urging affirmative Congressional action -- will hopefully soon be in a position to provide supplemental financing in the present transitional period. But none of these devices either can or should do more than provide a kind of "bridge" financing to tide a country over the period between the initiation of the necessary economic and financial policies and the delayed impact on the payments balance. If the open trade and payments system is to survive, countries in a weak position must recognize the need to adjust and put the necessary policies in place quickly -- before they find themselves in a crisis position from which there is no escape other than restrictions. Countries may then be forced to make political decisions which are not consistent with sound economics.

Let me assure you that the United States is as firm as ever in its commitment to a free and fair trading system. I am proud of our record over the past year -- despite fears from abroad that we were drifting towards a policy of protectionism. Although there has been concern about recent determinations of the International Trade Commission in favor of import relief and specific countervailing duty and anti-dumping investigations, we have maintained, with minor exceptions, an open market for imports from our trading partners. The Treasury Department is required by law to investigate all formal countervailing duty and anti-dumping complaints. Industries in every nation are protected from injury caused by international dumping of marginal or excess production. Nor should domestic companies be required to compete against government-subsidized imports. The anti-dumping and countervailing duty laws are designed to prevent such abuses. The current number of investigations is the result of procedural requirements that all pending cases received over the past few years be completed within a very short time frame under the Trade Act. But of the over eighty petitioners whose cases have been processed under the anti-dumping and countervailing duty laws in 1975, only about 10 percent have been awarded relief. These facts clearly refute any charges that America is turning protectionist.

On behalf of the United States, I renew our pledge to pursue a liberal and fair trade policy. We will continue to work to see that the spirit of free and open markets becomes an integral and more permanent feature of the world trading system.

The fulfillment of these objectives will require the cooperation of both industrial and developing nations. We will strive in the MTN to reduce tariff and nontariff barriers to trade in order to improve the international trading system. We have agreed that these negotiations will be concluded in 1977. Both in this organization and in the GATT the United States will work for the complete liberalization of trade for the benefit of all nations.

Progress on International Investment

Just as liberal trade is crucial to world economic progress, so is a hospitable climate for international investment. We must work together to dispel the impression that multinational corporations are harmful. Such corporations, and the investment they bring should be welcome because of the positive contribution they make to economic prosperity. In that regard, I am particularly pleased by our action yesterday in approving the National Treatment and Incentives/Disincentives

As we gain experience with implementation of the Guidelines and with procedures for consultations within the OECD, we should keep in mind that their success depends on their voluntary acceptance by MNEs. Any temptation to turn the consultation procedures into a complaint or quasi-judicial procedure against multinational enterprises must be avoided.

The Guidelines also incorporate a provision relating to bribery and illegal political activities. Bribery is not only ethically abhorrent, but it also distorts the operations of markets, undermines the investment climate, and threatens the free enterprise system. We are confident that the vast majority of American businessmen have conducted themselves properly. Nevertheless, the actions of a few have clouded the conduct of business in general.

The provision on bribery in the Guidelines is an important step in addressing this problem. However, this is not enough. The United States has proposed the establishment of a working group under the auspices of the United Nations Economic and Social Council to develop an international agreement to deal with this problem. I urge that governments join us in building the consensus necessary for the early negotiation of such an agreement.

Progress in Developing Countries

Finally, let us discuss the subject of relations with developing countries. The dialogue between developed and developing countries is now moving from highly political and visible forums such as the Seventh Special Session and UNCTAD IV to what we hope will be technical work in specialized forums and the CIEC commissions. As Secretary Kissinger emphasized yesterday, it is crucial that the Western developed countries maintain unity as we consider concrete issues. I would suggest several basic principles that should guide our work.

First, we must be realistic. It does no good to raise false expectations regarding what can be done. We must make clear to the developing countries that their future ultimately depends on their own efforts. We industrialized nations can, through constructive policies on trade and technical and financial assistance, help them to help themselves. But what will ultimately determine their rate of development is the degree to which they utilize their own human creativity and invest their resources, not one-time transfers of wealth.

of May, countries have drawn \$815 million from the liberalized compensatory finance facility, more than twice drawings in any previous whole year. We are thus attacking the root problem of disruption in development efforts caused by fluctuations in export earnings while allowing markets to continue their function of determining commodity prices.

We also believe that the long-term answer to many of the problems of the developing countries lies in foreign investment. We have put forward proposals to increase such investment, such as the International Resources Bank. We regret that other countries refused to study this proposal because we believe it would be beneficial to all countries. In this regard, there may be some public misunderstanding about the Bank, and it is important to understand what it would do and what it would not do. The Bank is designed to reduce the non-commercial, or political risks, related to investment in some developing countries. The market risk inherent in any investment would remain. As such, it is an insurance vehicle to protect against such occurrences as expropriation or nationalization. It is not a lender of money, and would not be a financing vehicle to substitute for the private sector. Further, it is not intended to become involved in ongoing investments but to encourage additional investment. Seen in this way, we believe it can make an important contribution to the need to increase investment in the developing world, and Secretary Kissinger and I will continue to seek consideration of such a concept.

We have also proposed that there should be producer-consumer forums for all key commodities, so that where problems exist, they can appropriately be addressed on a case-by-case basis. In these forums, we will be proposing and seeking constructive solutions based upon improvement of markets and trade expansion, rather than restrictive arrangements designed to fix prices. As such, we have made clear our rejection of the proposal for a common fund to finance and manage a series of buffer stock arrangements which we believe is unnecessary, unworkable and not a correct utilization of scarce resources.

We have also pursued policies in the United States and made specific proposals in the trade area which would benefit developing countries. We have adopted a generalized system of preferences that will greatly assist developing countries to expand their exports. In the MTN we have proposed a tariff cutting formula which would decrease tariff escalation, and urged that special treatment be provided for developing countries in new codes on safeguards and on subsidies and countervailing duties.

Conclusion

Mr. Chairman, fellow Ministers, We have in the past year made great strides in coping with the complex of problems we face. If we look forward to as much progress in the year ahead, we can indeed take an optimistic view. But progress will only come if we can build a worldwide framework of cooperation. As such, we need not distort our economic system in order to satisfy one or two interests at home or to appease a few abroad. Instead, we must avail ourselves of a rare opportunity to fight for a policy which is both principled and in the economic interest of the world. Let us renew our commitment to continued vigilance and cooperative effort, which is the road to the maintenance of an equitable, free and prosperous world economy.

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Department of Justice

FOR RELEASE UPON DELIVERY
THURSDAY, JUNE 24, 1976

JUN 24 1976

ADDRESS

BY

THE HONORABLE EDWARD H. LEVI
ATTORNEY GENERAL OF THE UNITED STATES

BEFORE

THE ANNUAL DINNER MEETING
OF
THE CHICAGO BAR ASSOCIATION

6:30 P.M.
THURSDAY, JUNE 24, 1976
RED LACQUER ROOM
THE PALMER HOUSE
CHICAGO, ILLINOIS



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I am delighted to be here to participate in the installation of Kenneth Prince as President of the Chicago Bar Association. This is an important occasion for the legal profession, an occasion that recognizes this significant office and the man who is to assume it. I am very proud of this Association, which I regard as my association, and which includes so many lawyers with whom I have worked in many ways throughout the years. Kenneth Prince is fully worthy of his distinguished predecessors, and they have been outstanding--which is the mark of an association which has lived up to its responsibilities. My pleasure is enhanced, although I cannot play favorites among law schools and universities, that Kenneth was a near-classmate of mine both at the college of the University of Chicago and in its law school. He graduated one year behind me in the college and one year ahead of me in the law school, which I admit says something about his alacrity and brightness. But these are qualities well known to you.

Since I assume I have been invited to speak at this solemn occasion because I am temporarily in exile in a far off place, I thought it would not be amiss if I began by describing one of the amusing folkways I have encountered.

It occurred just last week as I began to prepare for a formal press conference.

Two days before I was scheduled to talk with the press, I received what is known in Washington as a "briefing book." This briefing book, prepared by the public information staff at the Department, in consultation with the various divisions, U.S. Attorneys and bureaus, includes questions that might be asked with some proposed answers. In these days the briefing book is by no means brief. One peculiar thing is that the hardest questions often have no proposed answers. I suppose this is based on the theory that peril is a stimulant to wit.

In some ways the briefing book is a necessity, and it is a most valuable tool for the head of an agency. The Department of Justice is not a large department, as cabinet departments go, but it has about 52,000 employees. And while the Department has many aspects which go beyond those which might be expected in a large law office, the Department has enormous litigating, law advice giving and related duties, which would qualify a part of the Department as a rather large, although segmented, law firm. The Department has about 3600 lawyers, functioning as lawyers, handling a caseload of about 76,000 cases, of which more than one third are criminal. As I have indicated, a great deal of the work

of the Department goes beyond these matters. The law office aspect itself suggests the difficulty and importance of keeping informed so that one can achieve, when necessary, a unified approach. We use many methods to try to achieve this. In my own view, a too segmented Department of Justice is undesirable; one has to achieve a balance between centralization and delegation--a balance in which the exchange of information is pivotal. But all that is the subject of another talk. Suffice it to say that the briefing books, of which I have had many, are themselves valuable tools for keeping informed. As the Attorney General moves around the country, or even when he is in Washington, he is supposed to know or be able to say something--or look as though he could say something even if he says "no comment"--on every case, investigation or other matter in which the Department may be involved and as to which there is some curiosity. This convention of total knowledge is bothersome. But the briefing book is a legitimate help. The briefing book, however, goes beyond such questions.

Before an important press conference, the briefing book in the Department of Justice is supplemented with a session in which one goes over the questions and supposed answers with members of the Department's public information office. This session is, I suppose, a perquisite of office.

I must admit that it has rather astonished me, This is one aspect of Department of Justice life which, before returning to the Department a year and half ago, I would never have imagined would greet me.

So let me take you to this session which occurred last week. I apologize that this recounting inevitably involves an apparent preoccupation with myself. I like to think it would have happened to anyone. I just happened to be there. The book did not begin gently.

"Question: A recent article about you in one of your hometown newspapers suggested you regard the press as a rabble, unable to comprehend complex matters. Is this really your view?"

I remembered having been advised that the jocular style of the press has a glorious tradition, and that it has been best described in a Chicago setting by Ben Hecht and Charles MacArthur. I knew that it was not the better part of wisdom to make light of heritage. Of course when the revival of the play, The Front Page, opened in Washington this year, the Post piously observed that this play's bawdiness characterized a press era well past and an image of newsmen that had been eradicated by noble victories of reporting. Even so, I figured that as an outsider to the media I would only get into trouble commenting on style and tradition. Instead I mumbled weakly, as I was told this attack would be made upon me, that I might answer, "Some of my best friends are newsmen." "That answer won't do at all," I was told.

Then I moved on to the second question: "Columnists Evans and Novak recently described your performance with respect to the Boston Busing case as 'hopelessly amateurish.' Notwithstanding the fact," the question went on, "that those who are aware of the background of this matter know differently, do you believe that unnamed White House aides are deprecating you in talks with reporters?" I suggested I might say that the busing decision perhaps seemed bad because it was not politically shrewd--indeed was not political--and in that sense was hopelessly amateurish. I was inwardly a little relieved by the kind suggestion of the Department employee who wrote the question that "those who are aware of the background of this matter know differently," but then I looked at the third question, and realized that he might have a reason other than just kindness for saying so.

The third question: "One characterization of you that has appeared in the press with some frequency is that you are thin-skinned and take strong umbrage to criticism. Is this a fair assessment?"

Frankly, that irritated me.

All of my attempts to answer this question before my colleagues failed as being hopelessly defensive, offensive, or too light hearted.

At this point, I was presented with a fourth question, concocted too late for inclusion in the book, but presented on an emergency basis.

The fourth question: "Various commentators in the press have characterized you as indecisive, vacillating and ineffective. Do you feel such comments are justified?" The suggested answer which was given to me began with the statement "No, I don't", and then proceeded to wobble along with a series of equivocating, indecisive, vacillating, ineffective and unpersuasive defenses. Realizing I couldn't use these, and by now feeling totally taunted and done in, I suggested I might answer that various commentators at different times had characterized foreign tyrants as great liberals, knaves as heroes and scholars as fools, and that a little indecision among commentators might have a salutary effect.

My colleagues were divided between those who thought the answer was too flippant and those who considered it insulting.

Next I ventured I might reply that commentators have to say something in order to make a living and that is all right with me. One of my colleagues, playing the role of a newsman with a follow-up question, asked whether my answer didn't indicate the kind of grating arrogance that had been attributed to me. As to any answers to this, I was advised

that I should be apologetic, but not so apologetic that anyone might think I was being thin-skinned. When I ventured a serious response as to how I thought reasoned decisions should be arrived at, the unanimous view was that I should not try anything so complicated and therefore evasive.

Now through all of this I felt what a student of Zen must feel when, asked by his master an unanswerable question, he tries honestly to unriddle it and receives a blow on the head for his efforts. I suppose the genius in this Zen master approach is to thicken the skin by scarring it.

Anyway the press conference came. I was livid with preparation for it. None of the questions was asked. It was all quite amicable. In fact it restored my spirits which had been drenched by the hazing. But I was ready. I was ready.

I suppose that this experience of office holding is a part of the era in which we find ourselves. As a people we have been fortunate enough to have had government abuses of the past 30 years revealed in a short period of time. It is a serious moment in our history, and it is the part of statesmanship to handle these revelations, not with a cycle of reaction, but rather as an experience to be brought within our system of governance, which after all has shown itself to be as strong as we had hoped it was. I think, by the way, that civility and trust have been reestablished during the Ford Administration--an achievement, gained through openness and the willingness to accept the vulnerability that openness always entails.

At the Department of Justice we have tried to draw upon the experience of our recent past to determine where institutional changes are needed. We have also tried to look further back into our history to find the mechanisms that will most effectively accomplish the change. Guidelines now in effect controlling the Federal Bureau of Investigation's domestic security and civil disturbance investigations are a result of this effort. They provide a series of legal standards that must be met before various investigative techniques may be used. They tie domestic security investigations closely to the enforcement of federal criminal statutes. And they set up a detailed process of review of investigations by the Attorney General and other Department officials who are not a part of the FBI. We have undertaken the establishment of guidelines in a spirit of cooperation with Congress, which, I have often said, should undertake legislative efforts to clarify the jurisdiction of the Bureau. I believe it is important to the well-being of the public to be vigilant about the operations of the FBI and also to give it the support it deserves and needs in order to continue as an effective and highly professional investigative agency. This requires a consistency of concern that goes beyond the perceived issues of the moment.

The Department of Justice also drafted and President Ford proposed legislation providing for a special kind of judicial warrant procedure to be used for electronic surveillance to obtain foreign intelligence and foreign counter-intelligence information. Electronic surveillance in this special and extremely important area has never involved a judicial warrant procedure. Suggestions that it could and should have never before been accepted--not for 35 years. The unprecedented legislation proposed by the Administration in this area promises to provide an assurance to the American people that the federal government is not abusing its powers.

There have also been movements in Congress to undertake statutory reforms in reaction to the revelation of past abuses. One recent example is "The Watergate Reform Act," currently being considered by the Senate. It is doubtless a sincere effort to prevent the recurrence of abuses, but it raises serious questions.

The bill would require compendious public financial disclosures by all federal employees who earn more than about \$37,000 a year. I do not know whether this broadside public disclosure requirement will make it difficult for the government to attract from the private sector the high quality people that it needs. You are perhaps the best judges of this. The bill would also create a Congressional Legal Counsel who could, when Congress chooses, intervene or appear as amicus curiae in any litigation in which the United States is a party and in which the constitutionality of a

federal statute is challenged. Among its provisions the bill, as I read it, would also prohibit the Department of Justice from intervening in cases to challenge the constitutionality of federal statutes. The possible effect this would have upon the protection of constitutional rights is, I think, a matter which should be carefully considered.

I must say I am disturbed by the current provision in the bill to create a procedure by which a special prosecutor could be appointed by federal courts when certain allegations are made about a federal official. Tempting as it may be for an Attorney General to rid himself of controversial cases involving officials, I must say that the procedure in the bill is seriously flawed. When an allegation is made concerning a federal official in certain categories, it would be required that a special prosecutor be named unless within 30 days of the receipt of the allegation, the Attorney General certified that the allegation was clearly frivolous and that no further investigation was required. The time limit of 30 days is impractical. A thorough criminal investigation requires much longer. But worse is the certification the Attorney General must make. An Attorney General would be very unlikely to certify that an allegation is clearly frivolous. The consequence of the bill would be the appointment of numerous special prosecutors. I take it that it would remove U.S. Attorneys from any part in these cases. I also take it that an ongoing criminal investigation in which an allegation against certain federal officials is made might be required to be turned over to a special prosecutor to the exclusion

of the U.S. Attorney. I do not know what would be done if the allegation later turned out to be unfounded, but the procedure could result in a clumsy passing of the case back and fourth between the Department of Justice and special prosecutors. Such intricate cases are a reminder of the point that it is difficult to say whether an allegation is "clearly frivolous." Indeed, often the more outrageous the allegation the more it requires a careful and thorough investigation and review to evaluate. In addition the requirement that these allegations be reported publicly in court would result in the wide dissemination of all manner of malicious gossip and unfounded allegations. The provision of the Watergate Reform Act, designed as a reassurance, would have the effect of undermining the confidence of the people in the integrity of their government. Though I know it was not intended to do so, I fear that the bill would politicize justice.

Legal reforms based on our recent experience are certainly required. The Department of Justice has undertaken this effort. But the reforms must be carefully designed lest they create more problems than they solve. It is the duty of the legal profession to seize upon what is good and wise and abiding in the values we hold and the traditions we share as a people and to fashion from them the standards and procedures that will protect and nurture them. This duty is always with us. Organizations such as the Chicago Bar

Association and its new President, Kenneth Prince, play a significant part in meeting it. And the duty is most heavy upon us, I believe, at times such as this when legal reform is both a requirement and a danger, for it is an essential function of the bar to moderate the cycle of reaction and to remind us of the strength of our values.

THE WHITE HOUSE

WASHINGTON

June 4, 1976

*H -
Speech in
file*

MEMORANDUM FOR THE CABINET

FROM: MARGITA E. WHITE, Assistant Press Secretary to the President
and Director, Office of Communications *man*

Speeches distributed for the week of June 2 are:

Vice President: Remarks before the National Conference
on Regulatory Reform, Washington, DC, May 26, 1976,
Topic: Regulatory Reform.

Levi: Address before the American Law Institute,
Washington, DC, May 21, 1976, Topic: Electronic
Surveillance.

Coleman: Remarks before the American Law Institute,
Washington, DC, May 21, 1976, Topic: The Political
Public Servant. Remarks before the Economic Club of
Detroit, Detroit, Michigan, May 24, 1976, Topic:
Government Regulations and the Motor Industry.

Richardson: Address before the American Petroleum
Institute, Los Angeles, California, May 11, 1976,
Topic: "Energy Conservation--Responsibilities of
Government."

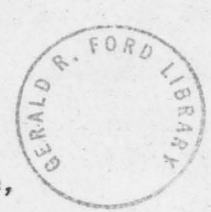
Kleppe: Remarks before the St. Paul Chamber of
Commerce, St. Paul, Minnesota, May 25, 1976, Topic:
Alaska Gas Pipeline.

Seidman: Remarks before the British-American Chamber
of Commerce, London, England, May 17, 1976, Topic:
"Rambouillet Revisited."

Knauer: Remarks before the Grand Rapids Rotary Club,
Grand Rapids, Michigan, May 13, 1976, Topic:
Government Regulation of Business.

Attachments

bcc: White House Senior Staff



FOR RELEASE AFTER
12:00 NOON E.D.T.

May 13, 1976

REMARKS BY

VIRGINIA H. KNAUER

SPECIAL ASSISTANT TO THE PRESIDENT FOR CONSUMER AFFAIRS

BEFORE THE
GRAND RAPIDS ROTARY CLUB

PANTLIND HOTEL
GRAND RAPIDS , MICHIGAN

THURSDAY

MAY 13, 1976
12:00 Noon

I am glad to be able to join you here today in Grand Rapids. Not only does my boss come from Grand Rapids but so does my Deputy. In fact, the few of us in Washington who aren't from Grand Rapids come out here so that at least we can say we've been here, even if we can't say we are from here.

Today I would like to talk with you about one of the problems of great concern to us in Washington. That is the problem of too much government regulation.

Not long ago there was a cartoon in the paper that illustrated what a lot of people -- including the President -- think government is in danger of doing to the business community. The cartoon showed the chairman of the board at a directors' meeting. The charts were on the wall behind him and the directors were sitting around the conference table. The chairman was saying, "Gentlemen, the bad news is the company is in a state of bankruptcy.... The good news is we have complied with all federal rules and regulations."

NOTE: This text is the basis of Mrs. Knauer's oral remarks. It should be used with the understanding that some material may be added or omitted during presentation.

As the President's consumer advisor, I see this problem from the perspective of the consumer. Consumers share the businessman's frustration with the regulatory processes of government. Unfortunately, one of the impediments to creating a more responsive and efficient regulatory structure is that business and consumers often do not see that many of their interests in government regulation are mutual rather than conflicting. When business and consumers see themselves as adversaries they are blinded to their common interests in regulatory reform.

Traditionally, business perceives the consumer as wanting more government regulation to solve every problem. And it perceives itself as wanting less government regulation in order to solve every problem. But the reality is often very different.

Time after time business comes to ask the Federal government for federal preemptive legislation if a few states enact differing laws that affect their business. And when, at the Federal level, proposals are made to reduce the regulation of an industry, the regulated industries are often the first to oppose change.

At the same time many consumers have begun to realize that in the end they are the ones who pay the costs of inefficient and burdensome regulation. For example, business may think it bears the brunt of filling out endless government forms but it is the consumer who pays in the price of the final product. The U.S. Commission on Federal Paperwork estimates that business spends at least \$20 billion a year on filling out forms and the Federal government spends another \$20 billion processing them. Ultimately this \$40 billion bill is passed along to the public both as consumer and as taxpayer.

Great as the manpower and paperwork costs are, the greatest costs of regulation are the hidden ones. Perhaps the heaviest cost the public pays is the cost of reduced competition in the marketplace. Competition is the driving force of our economy. But in some areas of industry, such as transportation, regulation has stifled much of the real competition.

As President Ford has said, "Government regulation is not an effective substitute for vigorous American competition in the marketplace." In addition he said, "Over the years Government has done as much to create and perpetuate monopoly as it has done to control or eliminate it."

The President is seeking fundamental reform of economic regulation in the United States. One of his first targets has been the excessive regulation of the transportation industry.

The estimates of the unnecessary costs imposed by present regulation of the transportation industries are staggering. The net costs of the regulation of trucks, buses and railroads may run into billions of dollars a year. Federal regulation of the airlines also results in excessive costs to the consumer. The airlines that operate within the Texas and California borders charge fares that are substantially lower than what the federally regulated interstate airlines charge for the same flight.

Federal regulations make it costly and cumbersome to cut prices. Competitors can object to a proposed price cut--and effectively put it on ice! In the trucking and railroad industries, rate bureaus made up of industry members have a major say in setting rates. This system -- which boils down to government authorized price-fixing--has greatly hindered price competition.

Stifling of price competition is coupled with restrictions on new entries into the transportation field. In almost 40 years of government

regulation of the airlines there has not been a single major new entrant into the field although the industry has grown 250 fold. Entry into surface transportation is also discouraged. The Federal Government, for example, sanctions efforts by a few bus companies to block the entry of new firms into the market which means that bus passengers often have to pay higher fares.

Transportation regulations also discourage innovation. It took a railroad four years of battling with the Interstate Commerce Commission to get permission to use the newly invented Big John hopper car for hauling grain. The hopper car was so much more efficient that the railroad was petitioning ICC to lower its rates by 60 percent.

And, finally, there is the terrible cost of regulatory delay. The Rock Island Railroad case has been before the ICC for 12 years. The railroad has gone bankrupt but the ICC hasn't yet reached a final decision. In the meantime, legal fees have run into the millions. That may be good for Washington lawyers—but it is not good for the American public.

President Ford has proposed major reforms of government regulation of airlines, railroads and motor carriers. Some of his reforms have

already been enacted as part of the Railroad Revitalization and Regulatory Reform Act which he signed in January. The new law reduces rate regulation and permits greater price flexibility. The President's proposed reforms of airline regulation would encourage competition on fares and his motor carrier proposal seeks to eliminate needless and wasteful restrictions. Government regulations now force some trucks to go the long way around to their destination or return empty.

Each of the President's proposals is based on the principle that competition does a better job than government regulation of promoting efficient and economical services. However, each proposal retains the government's responsibility for protecting the public against unfair and monopolistic practices.

The President's proposed reforms have tremendous potential for our economy, both by reducing costly inefficiencies and by stimulating growth opportunities for those already in the transportation field and for new competitors.

These reforms respond to the often-heard complaint of business that its biggest problem is government interference and that it could do a much better job if there were fewer bureaucrats in the way.

And yet where does the opposition to regulatory reform come from? It's not coming from the consumers whom business has traditionally viewed as the advocates of government intervention. Consumer advocates are strongly supportive and say that reform is long overdue. Opposition is coming from the regulated businesses--those industries that bear the brunt of government's heavy regulatory burden of red tape, delays, nonsensical or conflicting regulations and limitations on expansion. Those are the industries that are telling us that they can't live with the proposed reforms.

The President's regulatory reform proposals dramatically raise the questions: Does business really want government out of its hair? Or does it want government to provide a comfortable shield against competition?

The transportation industries, though overburdened with regulation, have leapt to the defense of the status quo. In particular, the airlines are the most outspoken critics of reforms to reduce the CAB's restrictions on their industry. Similarly, motor carrier associations vehemently oppose ICC reforms and in this they are joined by the Teamsters.



Whatever the talk about government interference, whatever the griping about red tape, heavily regulated industries appear to the consumer to be very comfortable with regulation. It's a form of social security in that it provides a relatively secure future. In return for filling out all those forms and complying with all those rules, the government protects industry from such uncomfortable uncertainties as too much competition. As Thomas Kauper, who heads the Justice Department's Antitrust Division, has noted, it is precisely when tranquility reigns in an industry that the consumer loses.

That unhealthy dependence on government regulation is not the principle on which our economic system was built. It is not the principle which brings the greatest benefits to the commercial and industrial users of transportation. Nor is it the system that can best benefit the individual consumer who buys travel and shipping services directly and who, in addition, ultimately pays for all the inefficiencies of our economy in the price of the final product in the marketplace.

If the transportation industries oppose regulatory reform so vigorously, you may ask whether it will bring them economic disaster. The answer is no. The Administration proposed these reforms because it is convinced that they would strengthen the transportation industries. However, one of the problems that industry has in seeing the economic benefits of regulatory reform is that it tends to think in terms of next quarter's profits rather than the long-term opportunities.

The risks an industry faces in a less regulated marketplace are certainly greater but so are the opportunities for expansion and profit. Realistically, we know that not every company will be a winner but we believe that more will win than will lose. And gain in return for risk is what our open competitive marketplace is all about.

The regulatory reform movement that would benefit both our economy as a whole as well as the consumer as an individual is in danger of being thwarted by the relatively few industries that oppose it. As Congress takes up these vital issues, where are the thousands of businessmen who would benefit from a more competitive transportation system? Where are those many thinking, concerned businessmen who want to help create a healthy economic climate for their country? Where are those business leaders who are worried by the increasing dependence of business on Washington?

I believe that they are here and in every American city. But we in Washington are not hearing from them on the issue of regulatory reform because they feel that Washington is a morass which only the lawyers can understand. The more complex government regulation becomes, the more likely businessmen are to turn to their trade associations and lawyers

to represent their interests in Washington. Representing business has become big business in Washington. There are armies of well paid lawyers who work full time doing it. Trade associations, which were once based in New York, Chicago and many other cities, have moved to Washington in droves.

By the very nature of their work, trade associations and Washington law firms thrive on the complexity of government. They depend on the business leader's dependence. Therefore they have no incentives to make life in Washington any simpler for business.

One of the problems we face in achieving regulatory reform is that business leaders have put too much of the responsibility for dealing with Washington in the hands of their technicians. If we are to have effective reform, top business leaders must personally take a more active role in shaping public policy. They must take personal responsibility not just for shaping the regulatory policies that have an immediate and major impact on their individual company, but for improving the overall structure of government's regulation of business.

The first step is to clear away the platitudes about business's response to government regulation. We need to honestly address the

fact that government regulation is sometimes the easy way out for business. We need to recognize that if we are going to reduce the burden of government regulation individual businesses may have to give up some of the protections they have enjoyed in order to achieve significant reform. In short, we need the strong support of business leadership in looking at the overall interests of the nation and in seeking reforms that are not riddled with exceptions.

If only those organizations that have grown content with regulation speak out on regulatory reform, we will not make progress towards reform. Neither Congress nor the Executive Branch will have a national perspective on the benefit that reform will bring to the public as a whole.

The regulatory reforms that need your attention and support as business leaders reach into many spheres of our economic life. Some are highly visible such as the regulation of energy supplies and prices. Others are relatively invisible to the public eye such as the Robinson-Patman Act which places restrictions on manufacturers or wholesalers who want to offer discounts or cut prices. By speaking up, business leaders can participate in the formulation of public policy in these and other areas where we need to reassess the cost of regulation.

In economic reforms the guiding question is how we can replace government regulation with the discipline of competition in the marketplace. But as we discuss ways to reform our regulatory processes we also need to recognize the limits of competition. Competition does

not provide protection against price fixing and other forms of collusion. To quote the President: "If we reduce Government regulation of business, we must make certain and positive that our anti-trust laws are vigorously enforced."

The President has cited two conditions which require government intervention. One is when "inherent monopoly structures prevent a free competitive market system from operating." The other is when well-defined social objectives can be obtained by government intervention. There are areas, notably health, safety and environmental protection, where competitive forces of the marketplace do not provide the optimum balance between economic and social goals. The consumer has no way of balancing the price on the sticker against the hidden information that, for example, the product could electrocute him.

Government regulations on industrial health, product safety and environmental protection are all leading targets of business criticism. And certainly some of the criticism about the complexity of the regulations and the bureaucratic delays are justified. There is room for reform and there is need for reform.

The first step to improving regulations in these areas is to recognize the seriousness and the validity of the problems which the existing regulations are designed to overcome. One can argue that the present regulations are not as effective as they could be in achieving our national goals. However, business will get nowhere by arguing that the American people don't need to worry about industrial or home hazards or environmental pollution.

When business leaders show that they are willing to work hard to cut down industrial accident rates or increase product safety, their suggestions for how the government can improve its regulation will be welcome. For example, at the urging of business management, the Occupational Safety and Health Administration is currently looking at ways to give advisory plant inspections so that a businessman can find out what his plant needs without being fined. Under present regulations federal OSHA inspectors can't go into a plant without giving citations and fines for every violation they see. But OSHA's regulations are so complex that a company may not be able to tell that it is in violation unless it gets the inspector in.

We, in government, need you to share with us in a constructive way your frustrations with regulation. Business, I believe, often feels as remote and cut off from government as consumers do.

What, you may ask, can the individual businessman or company do? First, give us the facts about the impact of regulation on your business. For example, Goodyear made a very effective presentation to Members of Congress and the Administration by calculating the total costs government regulation imposed on the company.

When specific reform proposals are being debated, business leaders need to speak up on how the legislation will affect them as users of regulated services. For example, one effective force working for railroad reform was a committee of major shippers that formed for that purpose. They came up with a series of proposals that would benefit them and their consumers by reducing shipping costs.

There is one final piece of advice that I would like to add from my perspective of having worked in Washington with consumer groups for seven years. I have seen consumer organizations grow in numbers, strength and sophistication. Consumer groups are actively working for regulatory reform in a number of areas. There are many more who could

be if business took the time to seek out consumer leaders and to help inform them on the issues.

The frustrations you feel with the excesses of government regulation are often shared with consumers. The costs that regulation imposes on you are ultimately borne by the consumer. In the regulatory debates of the coming years I urge you to seek out the consumer as an ally, not an adversary, in the national effort to make government regulation more responsive to the needs of the people.

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DEPARTMENT OF TRANSPORTATION

NEWS

OFFICE OF THE SECRETARY

WASHINGTON, D.C. 20590

13-S-76

REMARKS PREPARED FOR DELIVERY BY SECRETARY OF TRANSPORTATION
WILLIAM T. COLEMAN, JR., TO THE ECONOMIC CLUB OF DETROIT,
MAY 24, 1976

Being in the Motor City when auto sales are dramatically up, where a political public servant having anything to do with regulation of the auto industry might not always be welcomed, I am reminded of the alumnus who returned to his college campus the day before the big game and was boasting about his days as a football player. "When I was in college," he said, "I helped Michigan beat Michigan State three years straight." A student replies: "That's very interesting, which team were you playing on?"

So in coming here today to talk about government regulations and the motor industry, I hope to demonstrate that we are on your side -- or, rather, that there is only one side and we both want the same thing: namely motor vehicles that supply the public need for personal transportation in ways that are safe, energy-efficient, environmentally sound and socially responsible yet will yield sales at the present rate.

On the other hand, I would not want to be like the clergyman who proved to be very popular in his new parish. As one of the ladies from his congregation told him: "You're wonderful. I never knew what sin was till you came here."

I am honored to have this opportunity to address the Economic Club, and I do appreciate your warm and effusive welcome. Recalling that two of your most recent speakers have been here campaigning for high public office -- and remembering that most politicians have four speeches: what they have written down, what they actually say, what they wish they had said, and what they are quoted as saying the next day -- I will avoid being "political" and confine my remarks to two subjects: regulatory policy, and the role of the automobile in the urban environment.

It was Carlyle, I believe, who defined economics as "The dismal science." A year or so ago we might have been inclined to agree with that definition, but the latest economic indicators and the resurgence of the auto industry have made today's economics much less dismal.

I am delighted that my visit coincides with industry predictions of a 10.7 -- perhaps 11 million -- car year, and a selling season nearly 50% better than a year ago. As I said in my National Transportation Policy Statement last September, the automobile is and will continue to be the preferred and principal form of transportation in America. It is the most flexible and responsive mode, and provides the greatest freedom of mobility. It is the economic backbone of our country: highway passenger and freight transportation account for 18% of the gross national product. And the motor vehicle is directly or indirectly responsible for one out of every six jobs in the United States.

So any public policy presumably directed toward eliminating the automobile is patently phony. Any politician who suggests or supports such a policy is not acting in good faith.

But that is not to say that the automobile in its present form, or in the ways we now use it, represents the epitome of design or utility.

Both the motor vehicle's technical performance and its more intelligent and socially responsible use are matters of urgent and continuing concern, in Detroit and in the Nation. The salient question that must be answered is how those concerns will be resolved -- by government fiat, or through the response of the industry to free market forces and the prudent planning and management of transportation resources at local and state levels. I prefer the latter. President Ford prefers the latter.

The question epitomizes the central issue facing this country today.

It is time for the people of this country, and particularly the leadership in all sectors -- public, private and academic -- to answer with common sense, not fanciful rhetoric once removed from the reality of daily experience, this basic question: What kind of a society -- what kind of government -- do we want, and what price are we willing to pay?

It is time to bring to a halt the national nonsense that says to government on the one hand, give me more, do more for me; and on the other hand, cut back on government services and expenses, and lower my taxes.

It is time to realize -- again on the basis of realism, not an intellectual workout at the local civic club -- that we can have anything we need but not everything we want.

At some point, and surely, we have reached it, we must accept the fact that there are limits to our fiscal as well as our natural resources.

I am not peddling the gloom of the Club of Rome's "no growth" postulation, nor am I soaring euphorically with Herman Kahn's prediction that we are on our way to 10 years of the greatest economic growth in our history and -- in due course -- no less than the millennium.

What I am saying is that this country was founded as an optional society. Its citizens can make choices from a broad menu of options. We have come a long way from the time we could have a new car in any color we wanted -- as long as it was black.

We cannot, of course, enjoy a fully-equipped car -- or an option-rich government -- without paying the price. As Adlai Stevenson, Sr., said 25 years ago "there are no gains without pains." The acid test in government he said, is how well one governs -- not how generously one gives of the Nation's substance. "When the tumult and the shouting die, when the bands are gone and lights are dimmed, there remains," Stevenson said, "the stark reality of responsibility."

The truth is that every government program -- every guarantee of security and comfort -- must be purchased at a price paid by the governed.

The Founding Fathers of our great country could enjoy religious freedom, but not without leaving the safety and comfort of their native homes to find it. Our early pioneers found new and virtually boundless economic opportunity in the American West, but only at the cost of hardships and dangers.

There is an obvious intellectual conclusion to these observations, and a great many previous visitors to this podium have belabored it. Certainly at the level of intellectual reason our society at large embraces this realization and the brittle rhetoric of today's politicians crackles with it.



But there's many a slip between the cup and the lip -- between what we say and what we do.

What do we really believe in this country? What do we really want for our nation, and from our government?

During the 15 months I have been in Washington, I must confess I have sometimes questioned whether the spirit of self-reliance still survives in these United States. I am concerned by the evidence of a deepening dependence on government for solutions to problems that are properly the province of the private sector.

Too many American businessmen, while protesting government regulations and federal "interference," are at the same time seeking more and more government assistance and protection. Too many business leaders, publicly chafing under the restraints of government regulation, privately resist efforts to lift that regulation.

In fact, if things don't change, the cry: "get the government off my back - I just want freedom to compete," may very well join the list of our society's least credible statements, some of which you will recognize:

- (1) Your check is in the mail...
- (2) This is going to hurt me more than it does you...
- (3) Yes, darling, I swear I will love and respect you just as much in the morning as I do tonight.

As an aside, I might note that I have seen few signs of comfort in the auto industry with the regulations you have to live with as the result of foolish Congressional misdirection. So I presume that you are in accord with our regulatory reform proposals. But more on that in a few moments.

To return to what I was saying, the ambivalence of the business community -- or of public opinion, for that matter -- puzzles me. What sensible explanation can there be for the contradictory attitudes of the American people who, according to the public opinion polls, hold government and its ability to respond to their needs in very low regard, yet send their money to Washington, and appeal to that government for the solutions to all their problems?

Certainly government can -- and does -- solve many problems, but at a cost (1) in dollars, and (2) in private opportunity and the economic freedom of the individual.

The high dollar cost of government solutions to transportation problems is reflected in Amtrak, which presently gets more money from the taxpayer than it does from its passengers, and in the proposal originally propounded for high-speed rail passenger service in the Northeast Corridor.

After some probing investigation and realistic cost calculations, I found that the cost of constructing and equipping a 150 mile-per-hour rail passenger carrier between Washington and Boston would be in the neighborhood of \$5 billion. But for only slightly slower trip times -- two hours 40 minutes Washington to New York and three hours 40 minutes New York to Boston -- we could achieve smooth, reliable, safe train service along the corridor for less than \$1.7 billion. And we are proceeding accordingly. But in either case that is an enormous sum of your money.

Is that a good use of public funds? The high population densities along the corridor, the energy efficiency of rail transportation, the present highway and air congestion, and the prospects of reducing the need for further airports and costly urban-area highways argue persuasively that it is. Yet in making that decision, we are taking something away from the prerogatives of private enterprise, and we are asking the air and motor bus carriers in that region to compete against a heavily subsidized rail carrier.

I simply don't believe that I, as Secretary of Transportation -- or any other Cabinet officer, for that matter -- should be in the position of making economic decisions for business. This is the wrong use of public policy. President Ford believes so, too, and that is one of the reasons for his calling for an overhaul of all federal regulatory agencies.

These are the goals of our current proposals for the economic regulatory reform of the air and motor carrier industries. We believe the naturally competitive, dynamic, individualistic industries that make up the U.S. transportation system have been confined in the straitjackets of highly inflexible regulatory systems, which impede price competition, deny qualified entrants access to new or existing markets, and permit too many anti-competitive agreements.

We have seen the consequences of over-regulation in the rail freight industry, which for years took refuge in regulated rates and routes, until many of them were done in by external competition and internal inertia. We are seeing the effects today in the airline industry, where regulatory restraints prevent the wisest use of capacity, inhibit price competition and -- as a result -- dampen demand and depress earnings.

The costs of regulation, especially over-regulation, are high. In freight transportation alone, the economic cost of government regulation is estimated to be somewhere between \$3 and \$10 billion. The overall cost of government regulation may be as high as \$130 billion. A recent news story noted that General Motors will spend more than \$1.3 billion this year to comply with government regulations -- more than it cost to operate the entire Federal Government during its first 75 years.

While the risks an industry will face in a less regulated marketplace may be somewhat greater, the opportunities for growth and profit will be infinitely greater.

This is why President Ford is urging a four-year overhaul of all the federal regulatory agencies, or -- as he has put it -- "a declaration of independence from the needless regulations of government."

I have been talking for the most part about economic regulations, those that retard innovation and restrain competition, but I would not be responsive to the interests of this audience if I did not say a word about federal regulation of the auto industry.

I noted with some caution that when Mayor Coleman Young addressed this forum last year he used as his subject: "Are the Feds With Us, Or Against Us?" As I indicated at the outset, we are with you, responding as best we can to the public will in government just as you must in the market place. But perhaps it would be accurate to bend Pogo's philosophy somewhat and say that "we have met the Feds and they are us."

The Federal Government, perhaps, has demanded too much of the auto industry, too soon. Government has not, in the past, been as sensitive to the cost impact of new regulations as good sense would dictate. And it has proceeded perhaps too rashly in some directions, which the heated public rejection of the interlock ignition system serves to illustrate.

But I would like to make three positive points relative to the proper function of federal regulatory authority.

One: Regulatory directives should serve as a prevailing wind for the industry, in moving in the directions we are led by the necessities of energy conservation, environmental responsibility and safety.

The responsiveness of the industry in recent years has produced measurable results. Emissions have been reduced 75 to 80%. Today's cars -- both large and small -- deliver significantly better mileage than their 1974 counterparts. The safety features built into today's cars account at least in part, for the drop in highway fatalities. So regulation -- some regulation -- you will agree, is beneficial.

Two: Government regulatory policies should not, in my opinion, be unduly burdensome or too costly.

In this spirit, I announced a new regulatory policy, effective the first of this month intended to prevent Department of Transportation regulations from weighing too heavily on the pocketbooks of industry and consumers. This policy requires administrators to calculate -- honestly and objectively -- the cost impact on the consumer, the private sector and the government even before new regulations are proposed. I also expect every administrator to inform me of the substance and anticipated consequences of costly and controversial regulations at least 30 days before they are proposed.

Three: All decisions affecting the automobile or any industry will come, I assure you, only after a full and fair hearing on all the factors and circumstances bearing on that decision.

In my view, this is not just responsible administration: it's common sense. We live in a political democracy, and therefore whatever decisions are made by public officials must be well-reasoned and they must be decisions the public will support.

It has been my policy never to make a final decision on a controversial issue before the public and all concerned have had ample opportunity to influence that decision. I will follow the same course on the question of mandatory passive restraints, an issue that has been before the Department for some time and one I intend to resolve only after costs are fairly weighed against benefit.

On that subject, which promises to be one of the most difficult decisions I ever expect to make, I must weigh -- of course -- the expectation in lives saved against the measurable economic costs.

How effective would a passive restraint system be? What would the cost impact be -- to the industry and to the public? How superior would a passive restraint system be over the present lap and shoulder harness system, if we could get the majority of motorists and their passengers to buckle up?

These are among the obvious questions that have been considered and must be investigated and deliberated further. But these questions also must be addressed within the context of a regulatory policy consistent with the most basic values of the American public. We must make fundamental judgments concerning such questions as how much should the public pay to save a human life, and how far should the government go in providing health protection (for this is essentially what we are talking about) to individuals unwilling to take independent action to protect themselves. We must, further, make the decision in full cognizance of the inevitably conflicting tradeoffs between added safety protection and other, competing societal needs such as fuel conservation, environmental protection, and fiscal stability.

In concluding my time with you today, let me make two final observations:

First, I think it is clearly evident that the choice of characteristics making up the "right" car at any particular time has to represent a compromise between various ideals, and a number of social, economic and technical constraints. The industry has seen what an oil embargo and a subsequent adjustment to higher, but temporarily stable, fuel prices can do to the consumer taste in motor cars. You are also feeling the frustrations of trying to satisfy two inherently conflicting demands -- for cleaner air and greater fuel economy.

But the motor vehicle industry has proven itself equal to almost any challenge in the past, and I have been consistently confident that the same dedication and competence will prevail in overcoming today's problems. The industry has done a remarkable job, voluntarily, in moving toward the 40% mileage improvement goal we had set in 1974 as a reasonable and worthwhile target for 1980. In two model years, the average - on a fleet basis - improved 26%, from less than 14 miles per gallon to better than 17. In other words, the industry is two-thirds of the way toward the 1980 goal.

Those of you who followed the course of the Energy Policy and Conservation Act through Congress last year will recall that we vigorously opposed the mandatory approach to fuel economy, recognizing that fuel efficiency has market value and the manufacturers, therefore, have a strong economic incentive to produce new cars that can be operated economically.

When Mr. Reagan addressed this forum on May 14, he implied that the mandated fuel standards had the support if not the endorsement of the Administration. The truth is that we spared no effort in fighting the mandatory standards and tried to get a responsible energy bill. When our resistance to the measure itself did not succeed we managed to work out a compromise. As it now stands, the Secretary of Transportation has some administrative flexibility in enforcing the 1985 standard, and in setting the mileage levels for the 1981 through 1984 model years.

Since there are obvious trade-offs between fuel and emission standards, a decision by Congress to relax the present schedule for implementing tighter emission controls could have a favorable effect on the industry's ability to meet the proposed mileage standards. The point is, there are provisions in the act that would permit reasonable adjustments, and even some standard less than 26 miles per gallon can be set for 1985 and thereafter without Congressional approval - although such an action could be overturned by either House.

-more-

While President Ford signed the act, he did so with some reservations, recognizing the difficulty inherent in trying to legislate technology or dictate consumer choices. Nevertheless, the need for energy conservation is real; as the price of gasoline goes up people will turn increasingly to cars that offset the higher pump price by delivering more miles per gallon.

Then, secondly, I would say just a word about the important role transportation must play in the survival and revival of our cities.

The nation's highway program was designed originally to meet intercity and rural, not urban, needs. But when the urban migration and the automobile combined to move 70% of the population from the country to major metropolitan areas, the complexion of urban transportation changed -- and left us with the realization that neither the transit system of yesterday nor the highway system of today could fully or single handedly satisfy this new situation.

Obviously, we must have methods of getting people in and out of a city the most efficient way possible. But in most cities it is no longer enough, or even possible to build more freeways. In most cases it's not enough just to install a good mass transportation system. The key, clearly, lies in perceptive planning and in the effective application of good transportation management. The automobile should be partner to such a program, not its victim.

In that sense then, we must change our thinking about the proper place of the private car in urban territory. The car is not obsolete for urban travel; it simply must be used more efficiently, through carpools, vanpools or in park-and-drive partnership with public transit.

Our cities, after all, are the citadels of our civilization, worthy of preservation and restoration. They are centers of culture and commerce, trade and transportation. If they are to be made more accessible and livable they must have better transportation. Our national program of transit grants and operating assistance -- which to date have provided \$75 million for Detroit; and our continuing efforts to make more urban highway funds available to cities for their optional use in transit projects, are designed to serve that purpose -- to improve the utility of urban mobility.

Here in Detroit transit ridership has been declining steadily, falling from 130 million revenue passengers in 1967 to fewer than 75 million in 1975. Perhaps this should not be unexpected in the Motor City, but I do not believe that any major city -- particularly the Nation's fifth largest -- can function effectively without an efficient public transportation system that serves those without access to a car and those who prefer not to use a car for urban/suburban travel. The motorcar industry, I know, has supported proposals for a community-wide transportation improvement plan, involving various transit options, and I would recommend a renewal of interest in such a plan.

I close now with this:

Since moving to Washington, I have had frequent occasion to recall the story about Abraham Lincoln and his Secretary of War, Edwin Stanton. One day mid-way in the Civil War when things were going badly for the Union armies, Mr. Stanton came to the White House to urge the President to declare war on England. The British, he said, were running Union naval blockades and aiding the Confederacy. President Lincoln considered this for a moment, and then said: "I think not, Mr. Secretary, please -- one war at a time."

It seems that someone forgot to tell the airlines they couldn't have any problems until we had dealt with the problems of the railroads.

And no one told us we couldn't have an energy shortage until we had solved the emissions problem.

But I am not discouraged. An optimist, I submit, is not one who pretends that challenges do not exist, but one who believes that challenges exist to be mastered.

We have never regarded challenge as a cause for despair; only as a call to action, a stimulus to achievement, and a priceless chance to do something better -- to build something better -- than ever before.

That challenge, as it pertains to the automobile in our national transportation system, is -- I am confident -- in able and responsible hands.

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British-American Chamber of Commerce
May 17, 1976
Savoy Hotel
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RAMBOUILLET REVISITED

L. William Seidman

My Lord Mayor, My Lords, Ladies and Gentlemen. I count myself among those who are filled with delight and expectation in returning once more to Britain. My affection for this land extends beyond the beauty of the landscape or the majesty of your monuments. It is more firmly rooted in a recognition of the great contributions of the British people. The British as a people demonstrate a crucial characteristic of a free society -- that the ordinary man believes in himself and in his ability, along with his fellows, to govern his country. It is when a people loses its self-confidence that it surrenders its soul to a dictator or an oligarchy. It "welcomes manacles to prevent its hands from shaking."

We in the U.S. continue to be confident of the future of the U.K. despite some current economic difficulties.

I would like to speak today about progress on international economic issues.

The leaders of the United States, Great Britain, West Germany, France, Japan, and Italy met at Rambouillet last November in recognition of the interdependence of their

economies and in acknowledgement of the need for cooperation in dealing with their serious common economic and political problems. Indeed, economic conditions had seldom been so universally unfavorable.

Many observers were skeptical about the utility of holding an economic summit, questioning whether it would have anything more than rhetorical value. I can assure you that President Ford and his Administration took the Summit very seriously. I remember well the intense interagency preparation during the weeks preceding the meetings.

It is now exactly 6 months since the conclusion of the Summit at Rambouillet and an appropriate time to reflect on its results. My remarks, entitled "Rambouillet Revisited," examine the major areas of discussion at Rambouillet and assess our performance in the last 6 months before describing the major remaining economic problems which we face.

Creating the Conditions for Sustained Recovery

The overriding concern of those who gathered at Rambouillet was the economic recession that plagued the Western world. The Summit declaration reflected this concern. "The most urgent task is to assure the recovery of our economies and to reduce

the waste of human resources involved in unemployment. In consolidating the recovery, it is essential to avoid unleashing additional inflationary forces which would threaten its success. The objective must be growth that is steady and lasting."

At Rambouillet there were varying degrees of optimism regarding the pace and shape of the recovery. Now, 6 months later, the rate of recovery has exceeded the most optimistic expectation. This is in large part due to a turnaround in the inventory situation. Accumulated inventories have now essentially been run off and no longer represent a drag on production.

Secondly, in virtually all of the industrial economies, private consumption has been strong. Savings rates, which were extremely high 6 months ago, have receded significantly with a reduction in the rate of layoffs of workers, lower inflation rates, and a decline in consumer debt -- all of which have worked to stimulate private consumption.

Moreover, the evidence suggests that the recovery is occurring simultaneously in almost all of the industrial economies, a further sign of growing interdependence. Industrial production in the United States has climbed at



an annual rate of 9 percent since last October; output has picked up strongly in Japan, West Germany, and France. Production in the United Kingdom has lagged that of her neighbors, but the evidence suggests that starting in the fourth quarter of last year the British economy also began to recover from what proved to be a rather shorter recession than that experienced elsewhere in the industrialized world.

On the inflation front, since Rambouillet we have witnessed a considerable reduction in the rate of inflation in both the United States and Great Britain. In some countries, particularly Germany and Japan, current high levels of unemployment have led to moderate wage settlements. But despite the considerable improvement in the rate of inflation, we have discovered that inflation is a stubborn enemy that is extremely difficult to wring out of the system. The most recent figures -- an annual rate of approximately 3 percent for the first quarter in the United States -- if misread, could produce a false optimism. Controlling inflation will be a long process requiring resolute and wise policies.

At Rambouillet there was agreement on the need to pursue policies to achieve a sustained expansion without inflation. While it is impossible to calculate precisely the contribution

of Rambouillet, it is clear that it served to help reinforce the determination of the leaders gathered there to resist pressures for excessive stimulation and to take the politically difficult decisions necessary to place the Western world on the road to stable economic recovery. At Rambouillet, the leaders' convictions were strengthened by a shared commitment to pursue policies that, while not easy or altogether popular, were designed to produce sustained economic growth without inflation. They collectively rejected the tempting "stop-go" measures of the past. By any objective measure -- real growth, production, employment, and prices -- the policies adopted and pursued since the Summit have contributed to the healthy recovery now underway.

Their cooperative actions have helped to restore confidence in the long term viability of our economic systems. Restoring confidence in free society's ability to handle economic problems was the principal reason for the meeting. Six months later we can see that the Summit made a significant contribution to its objective.

Trade

A second concern at Rambouillet was the maintenance of progress toward freer trade.

One of the most significant postwar economic developments has been the rapid expansion of trade among market economies from a level of \$55 billion in 1950 to over \$1 trillion in 1975. A major factor in the expansion of United States trade has been the remarkable economic development in Western Europe and Japan during the past 30 years. In turn, American markets have become increasingly important to European and Japanese exporters. Throughout the 1960s the United States maintained a surplus position in bilateral trade with the European Community, but the gap has narrowed and moved into approximate balance in recent years. In general, both areas have benefited greatly from the expansion of trade in the Atlantic Community and from vigorous global commerce.

Recessions and the early stages of recovery always pose the greatest threat to trade.

Since trade directly affects the number and quality of jobs in a country, inevitably trade issues quickly become the basis for domestic protectionist pressures. The recent recession, the deepest since the 1930s, produced the strongest pressures for protectionism that the industrial democracies have faced since the 1930s. Politicians find calls for protectionism difficult to resist because the benefits from trade for the population are general, but the costs and economic disruptions from trade are specific and affect individual workers and companies.

The participants at Rambouillet committed themselves to resist pressures for protectionism and to continue to press for a successful conclusion of the Multilateral Trade Negotiations in Geneva.

Since Rambouillet, the leaders have demonstrated the strength of their collective commitment. We in the United States are especially proud of our record. Under the provisions of the new Trade Act of 1974, President Ford has faced numerous escape clause cases filed by a wide variety of industries seeking trade protection--including asparagus, slide fasteners, stainless steel flatware, shoes, ceramic dinnerware, and specialty steel. In every instance he has rejected the arguments and case for increased tariffs or for tariff rate quotas. He also resisted strong political pressures. In only one case did the President decide to seek an orderly marketing agreement in close consultation with our trading partners.

I am convinced that the economies of both our countries will benefit from the wise decisions in this area. Other governments have resisted domestic protectionist pressures. Britain can be proud of its record under most difficult conditions.

In an affirmative sense, the participants at Rambouillet called for an acceleration of the MTNs and proposed a 1977 deadline for completion of the negotiations. Since the Summit there has been progress. The tropical products group negotiations are progressing well. The United States and the European Community each tabled its list of offers to LDC participants in March. The U.S. has also tabled its proposal for a tariff cut formula. The progress is substantial and appears to be on target for concluding the negotiations in 1977 as planned.

On balance, in the wake of Rambouillet, the industrial nations are together successfully weathering the storms of protectionism and steadily pursuing a course of trade liberalization for the benefit of all their peoples. In my view this is an exceptionally good performance under the circumstances.

Monetary Issues

A third objective of the Summit was agreement on a new monetary system.

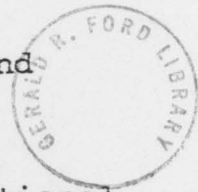
There was general agreement that the monetary system should remain flexible in order to prevent unusually large or chronic payment imbalances which would ultimately disrupt the equilibrium of the entire world economy. Furthermore, there was agreement that intervention in exchange markets to gain competitive advantages should be prevented.

Rapprochement between the United States and France at Rambouillet set the stage for the January meeting of the IMF Interim Committee in Jamaica. There a comprehensive agreement was reached combining long-term structural reforms with measures to meet the more immediate financing needs of various countries.

The basic goal of the new international monetary system is to restore stability to the system by providing that exchange rates reflect underlying economic conditions. The provision that each nation select its own approach to exchange rate valuation is not inconsistent with that overall objective. The amendments to Article IV dealing with exchange rates specify that each member of the IMF retains the right to adopt either a flexible or fixed exchange rate and that there is no legal or moral obligation to establish a par value.

A further important development associated with the exchange rate agreements involves the creation of an improved consultation process to monitor currency fluctuations. Specific details are being worked out as we go along, and arrangements will evolve over time.

The continued phasing out of gold from the international monetary system and an increased role for the SDR constitute another important result.



The structure of the international monetary system will undoubtedly continue to evolve in the future. The agreements reached this January represent an important benchmark that will enable the broad reform measures to move ahead. We obviously still have much to learn. We must find better ways to operate the new system to assure the desired results. Nevertheless, the progress has been substantial.

Relations with the Developing Nations

The Rambouillet Summit occurred at a critical time in the evolving relationship between the industrialized and developing nations. The existence of large deficits in the current accounts of many developing countries was and is, a source of fundamental concern. The Conference on International Economic Cooperation (CIEC), to launch the dialogue between developing and developed nations, was to begin a month later in Paris. At Rambouillet ~~the~~ assembled leaders reached a fundamental agreement to assist the developing countries to deal with their balance of payments problems and to conduct the dialogue in a positive spirit.

This consensus helped to generate substantial progress. The agreement among the leaders at Rambouillet to make urgent improvements in international arrangements for the stabilization of export earnings of developing countries was quickly turned into a reality. In January 1976 the International Monetary Fund expanded its compensatory financing facility, as the United States had earlier proposed. This will make available considerably larger amounts of resources to stabilize developing country export earnings. The countries represented at Rambouillet were also the primary movers behind the decisions to create an IMF Trust Fund to help meet the balance



of payments needs of the poorest countries in addition to the general increase in IMF quotas.

The key element in the dialogue between the industrial and developing nations, of special concern to the participants of Rambouillet, was energy. The leaders at Rambouillet expressed their determination to secure for their economies the energy sources needed for their growth. They recognized that their common interests required continued cooperation to reduce dependence on imported energy through conservation and the development of alternative sources. The leaders also recognized that an important element in their approach to energy was cooperation between oil producers and oil consumers. Along with their domestic development and conservation efforts, they agreed that a constructive dialogue with oil producers should be part of an overall effort. In the CIEC energy commission, much work has been done to analyze the energy picture and to emphasize the importance of secure supplies at reasonable prices.

However, turning this effort into concrete results will require much additional effort.

Overall, Rambouillet achieved more than was generally expected and in some areas, significantly more.

But, lest my enthusiasm for the progress that has occurred on international economic issues during recent months leave

the impression that I am blissfully optimistic about the future, it is appropriate that I conclude by briefly reviewing several significant challenges that remain.

First, inflation remains our principal long term problem. Sustained economic growth without inflation will not occur automatically. The inflation that all industrial economies have suffered from recently is in substantial part attributable to excessive government spending and monetary expansion. Most industrial nations have been running high full employment deficits which will require discretionary changes to reduce. This is a problem the United States is now facing and a problem which must also be confronted in most of the industrial nations.

As the recovery proceeds, the potential for capacity bottlenecks remains significant, risking intensified inflationary pressures. Rising demand provides increasing investment opportunities and will increase the competition for capital among individual companies, governmental entities, and nations. While I have great confidence in the ability of the market to allocate capital among competing priorities and to ensure adequate capital availability, it is important for governments to assure that there are proper incentives to encourage capital formation. During my recent travels in the Middle East and

Europe I was impressed with the increasing recognition of the need for creating conditions that will foster greater capital formation. This competition for capital is healthy and in the interest of businessmen if it does not result in protectionist measures. Governments must also avoid policies which compromise long-term growth possibilities by placing too much emphasis on consumption at the expense of the investment.

Second, a major international economic issue is the balance of payments and debt problem of the developing countries. Rising import costs, caused in large measure by higher oil prices and reduced export earnings resulting from recession in the industrialized nations, has generated unprecedented international payments deficits for the developing nations. Although global economic recovery has begun, many countries will face persistent deficits this year. While highly constructive measures have been taken by the IMF to provide additional financing to less developed nations and private capital markets have provided substantial financing, problems still remain. The debt issue must be addressed in relation to each country's specific position and needs. We must stand ready to help countries suffering

acute debt service problems with measures appropriate to each under procedures agreeable to creditor and debtor alike. However, in the long run reallocation of real resources is the only answer.

Third, energy is a key to economic growth in all nations. We must all make renewed effort to give substance to our expressed determination to reduce dependence on imported oil. British prospects in this regard are exceptional. The United States results to date have been disappointing. While some movement has been made, we have not been able to get the action necessary for real progress. Longer term, the United States has excellent prospects for energy independence. It can become an energy exporter by the year 2000. All of us will benefit each other by firm domestic policies to reduce vulnerability.

The industrial nations are now in the midst of a healthy recovery from the worst economic turmoil experienced since the 1930s. Our ability to achieve sustained economic growth without inflation and to meet our other economic goals depends, in no small measure, on our confidence in each other and our commitment to work together.

I am optimistic that we can continue in the spirit of cooperation that characterized Rambouillet. This spirit,

which has made such a significant contribution to our improved economic conditions, will enable us to meet the challenges which face us all.

UNITED STATES DEPARTMENT OF
COMMERCE
NEWS
WASHINGTON, D.C. 20230

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SECRETARY

ADDRESS BY SECRETARY OF COMMERCE ELLIOT L. RICHARDSON PREPARED FOR DELIVERY BEFORE THE MID-YEAR REFINING MEETING OF THE AMERICAN PETROLEUM INSTITUTE, CENTURY PLAZA HOTEL, LOS ANGELES, CALIFORNIA, 10:00 A.M. PDT, TUESDAY, MAY 11, 1976

ENERGY CONSERVATION--RESPONSIBILITIES OF GOVERNMENT

I congratulate the American Petroleum Institute on the theme of its 41st Midyear Refining Meeting: energy conservation in petroleum refining and in the use of petroleum products. This is the only example I can think of in which an entire industry has set as its goal a reduction in the growth of its own market.

But the national interest in the fulfillment of this goal is clear. The continuation of declining domestic petroleum production and rising demand has led to a rapid growth in imports:

- From 1.8 million barrels per day, or 19% of consumption, in 1960;
- To 3.4 million barrels per day, or 23% of consumption, in 1970;
- To 6 million barrels per day, or 37% of consumption, in 1975.

In 1942 and 1943, your industry used only domestic crude. Imports now represent four out of every ten barrels processed for use.

We are now spending about \$27 billion a year -- or about \$125 per person -- for imported oil, as compared with about \$3 billion, or \$15 per person in 1970. We saw in 1973-1974 how vulnerable we were to severe supply disruptions and oil price increases. We are even more vulnerable today.

Rapidly increasing dependence upon foreign sources of oil which could be interrupted without notice is not an acceptable risk for the United States to continue to take. But since we cannot quickly reverse this dangerous trend by substituting other

MAY 18 1976

domestic energy, energy conservation must become a keyword for Americans. In a literal sense, a barrel saved by conservation methods can add up to more than produced when the energy costs of extraction, transportation, and refining are factored in.

President Ford emphasized in his February energy message to Congress, "The Nation has made major progress in reducing energy consumption in the last two years. But greatly increased savings can (still) be realized in all sectors."

The refining industry's own contribution to energy conservation has, as all of you here today know, been significant. A reduction of 10.3% since 1972 in the use of energy in refining operations is impressive. This increase in energy efficiency for the last half of 1975, which follows earlier reported figures of 8.7% for the first half of 1975, and 7.7% for 1974, demonstrates a sustained commitment to increased energy efficiency. You are well on the way to meeting the goal of a 15% increase in energy efficiency by 1980.

Conservation, of course, is but one element of our energy policy. The basic ingredients of that policy are deceptively simple. They call for (1) measures to increase our domestic supplies of energy; and (2) to reduce the rate of growth of our energy demand without too much slowdown in growth of our standard of living, and (3) to manage our foreign relations in such a way that we can continue to import the energy we absolutely need, but cannot produce ourselves, under tolerable conditions of price stability and continuity of supply.

Simple, basic concepts -- but extremely hard to fulfill, because no major decision on energy policy by Federal, State or local governments, or any major action in the field of energy by private industry, can be taken in isolation.

The use of energy, and decisions about where to seek it, how to produce it, how to use it, and how, as in the case of nuclear power, waste residues are disposed of, are inevitably intertwined with policies affecting the economy, the environment, the health and safety of producers and consumers, and the national security of this Nation.

Obviously, we can't review this whole range of issues here this morning, although there is no group in the country with whom I would rather do just that. But I can give you some indication of how we are approaching these issues in the dual context of the Energy Resources Council and the Economic Policy Board. And I can reaffirm the vital role that energy conservation will play.

As many of you know, the Energy Resources Council and the Economic Policy Board are two Cabinet-level groups which have been established to provide an overall review of key policy issues transcending the role of any single department or agency.

Since several of my colleagues are members of both bodies, this joint mode of operation contributes to the formulation of energy policies compatible with our overall economic goals.

The Energy Resources Council, which I Chair -- Frank Zarb is the Executive Director -- holds its meetings jointly with the Executive Committee of EPB, to which I also belong.

Acting together, they provide a forum in which key policy issues are reviewed. Among such issues now under active review are these:

How do we proceed toward the sensible and rational development of nuclear power in the country?

How do we assess both the security and economic implications of importing liquefied natural gas?

What do we do about insuring that we have efficient and economical ways of marketing both the oil and gas from the North Slope of Alaska?

We are working hard on these problems. We are working on them in the context of the President's overall policy, which means that we are seeking to achieve our goals with a minimum of government regulation and a maximum of reliance upon the free market economy. Much of the phenomenal increase in our GNP in the last 40 years is directly related to huge increases in energy consumption per capita with concomitant increases in petroleum and petroleum products. Our usage of energy, viewed from almost any standpoint, is breathtaking; Americans use just a little less energy than the USSR, Japan, France, Italy, West Germany, Belgium, and the Netherlands combined. Currently Americans consume approximately 345 million Btu's per capita each year for an aggregate of about 72 quads of energy. Energy demand grew at a rate of 3.6% in the 20 years before the 1973 embargo, when consumption hit a high of 74.7 quads. With the economy expanding, and industrial production and employment going up, energy consumption is also increasing, and it is increasing despite drastically higher fuel prices. At the same time, vastly increased consumption is predicted in every sector of the third world.

The President has not hesitated to recommend new regulatory action in the energy conservation area where it is clear that such action is necessary to achieve objectives which are in the national interest and in which regulatory activity is appropriate -- appropriate in the sense that clear regulations can be written, and that compliance can be both measured and enforced at costs commensurate with the anticipated gains.

This type of regulation falls primarily in the area of product efficiency, i.e., the setting of mandatory requirements with respect to the energy efficiency of appliances, automobiles, and even buildings -- since buildings can quite properly be viewed as products of the building industry.

For example, the Energy Policy and Conservation Act requires energy efficiency labeling of all major appliances so that consumers can make judgments as to operating costs at the time of purchase. In addition, new automobiles must meet a fuel efficiency standard of 20 miles a gallon by 1980 and 27.5 miles per gallon by 1985. Labeling of gasoline mileage efficiency will be required on all new automobiles. The President has also introduced legislation that will establish mandatory thermal efficiency standards for all new homes and commercial buildings.

Mandatory regulations may also be required for purposes sometimes referred to in terms of energy conservation, but which really involve "energy curtailment". These are the measures we take to allocate or ration the use of different kinds of energy to different kinds of consumers -- for instance, when demand far exceeds supply at current prices or, in the case of a severe emergency like the Arab embargo. Our natural gas curtailment measures are a good example of the former; the allocation procedures instituted during the winter of 1973-1974 illustrate the latter. But there is another vitally important opportunity for energy conservation which, in our judgement, does not justify direct government regulatory action. This is the area of industrial energy conservation -- the more efficient use of energy to produce the goods or services that a business firm sells to its consumers.

We do not favor calling upon the Federal Government to prescribe rules and regulations for increasing the efficiency of industrial energy use because what we are really seeking is energy efficiency in the context of the optimum use of all resources. Otherwise, we risk distorting the economics of our productive system, by emphasizing only one element, energy, to the detriment of the wise use of the other key elements of productivity -- capital, labor, and other raw materials.

The provisions of the Energy Policy and Conservation Act of 1975 rely on voluntary industrial energy conservation. The Act gives the Federal Energy Administration -- in consultation with the Department of Commerce and the Energy Research and Development Administration -- responsibility for promoting increased energy efficiency within American industry.

Starting with the ten most energy-consuming American industries, as these industries are defined in the manufacturing section of the Standard Industrial Code, the law requires the establishment of voluntary energy efficiency improvement targets for each. The petroleum refining industry is the third largest of these industries, ranking only behind chemicals and primary metals. The present schedule calls for initial publication of the program targets in August; oral and written comments will be considered before final decisions are reached.

The 50 most energy consumptive corporations, provided that they use at least 1 trillion Btu's a year or more, will be required to submit a report of their energy conservation progress to the Administrator of FEA effective January 1, 1977. However, the Administrator of FEA must exempt from this mandatory reporting requirement those corporations which are participating in an adequate voluntary reporting program.

As things now stand, the 10 most energy-consuming industries have been selected. A group of outside contractors is developing initial draft targets. Procedures to identify the 50 top energy-consuming corporations in each industry should be ready in about a month. The mandatory reporting forms for those corporations, and the criteria to exempt those which are participating in an adequate voluntary program will be published for comment soon.

Commerce is working closely with the FEA on all aspects of this program. We are particularly interested in maintaining and strengthening the present successful industry association-based voluntary conservation programs and reporting system. We seek a mode of interaction between government and industry which reinforces the businessman's natural desire to make optimum use of all the resources involved in his operations. The more efficient use of energy combines a primary business objective with a primary national objective.

I have with me today copies of the first 1976 Progress Report on Voluntary Industrial Energy Conservation, a report which is the third in a series which was commenced last year. The report, compiled in my Department with the cooperation of FEA, presents material submitted to us by 31 industry groups who are now actively participating in this program. The majority of industries participating in the program, including the petroleum industry, are committed to a goal of a 15 percent increase in energy efficiency by 1980, compared to 1972.

While it would be incorrect to generalize at length about the energy savings of one industry as opposed to another since each industry operates in a different framework of functional interrelationships, the progress of American industry in conserving energy is clearly shown by the figures supplied.

Your progress and the progress of other industry groups in this program calls to mind the words of Bernard Baruch in his final report of the War Industries Board after World War I:

"The highest and the best form of efficiency is the spontaneous cooperation of a free people."

The United States and the petroleum industry have come a long way since the first meeting of the American Petroleum Institute in 1932. In 1932, GNP per capita in the United States -- adjusted to 1958 levels -- was \$1,155; the current level is slightly more than \$4,000. There were 39 million Americans employed in 1932, compared to more than 86 million today.

Our society and its problems were less complex in 1932 than they are today. They are less complex today than they will be in the future. Sorting out the evolving and changing roles of industry and government will be an important part of that process.

The voluntary industrial energy conservation program in which we are all participating is to my mind a good indication that the evolution can be fruitful. But, while this program can be cited as one area wherein industry and government are appropriately working together in a voluntary mode, there are other areas where we do need -- and have not been getting -- constructive Congressional action. Areas in which Congress must act if we are to cope with our energy future in a sensible way.

In his February energy message to Congress, the President reemphasized the need for action on a broad range of legislative proposals designed to assist the United States to achieve energy independence. Among the President's initiatives for which we are still awaiting final Congressional action are proposals to: (1) deregulate the wellhead price of new natural gas; (2) expedite delivery of natural gas from Alaska's North Slope; (3) provide for an insulation tax credit; (4) create an Energy Independence Authority; (5) provide for synthetic fuels loan guarantees; (6) amend the Clean Air Act; and (7) enact the Nuclear Fuel Assurance Act.

Enactment of the President's full program is needed now. We can regain independence from insecure foreign sources of petroleum, but only by adopting a full and balanced energy program -- one that will lead to development of a wide range of domestic energy resources together with an aggressive program of energy conservation.



Department of Justice

FOR RELEASE UPON DELIVERY
FRIDAY, MAY 21, 1976

ADDRESS

BY

THE HONORABLE EDWARD H. LEVI
ATTORNEY GENERAL OF THE UNITED STATES

MAY 24 1976

BEFORE

THE AMERICAN LAW INSTITUTE

12:45 P.M.
FRIDAY, MAY 21, 1976
MAYFLOWER HOTEL
WASHINGTON, D. C.



- 2 -

To start with what may seem far afield of whatever subject I have, I should like to refer to an article by Professor James McGann in a magazine called "Critical Inquiry." That article, which is on the function of criticism, builds upon the work of Professor Harold Bloom in a series of essays published a few years ago under the title "Ringers in the Tower," with the subtitle "Studies in Romantic Tradition." Bloom's essay on Ruskin as Literary Critic provides McGann with material for exhibiting a central conflict. The conflict concerns the role of the critic. The conflict is between the virtue of accuracy and the virtue of the "more imaginative act of vision." As to the virtue of accuracy, Ruskin is quoted as saying: "The greatest thing a human soul ever does in this world is to see something, and to tell what he saw in a plain way." But Ruskin as a prophet, as he grew older, was more captured by the apocalyptic yearnings of mankind, in which seeing becomes an act of prophecy, a penetration into the "life of things," a finding of the truth of imagination. McGann describes the force of this conflict upon Ruskin as finally bringing on what Ruskin described as the Storm Cloud of his later years, when he was beset by a special madness.

I trust I may be forgiven for borrowing this fugitive material so imperfectly from a sister branch of the humanities.

The problem of the conflict is one with which law is fully familiar. We are well aware of the duty and difficulties of attaining accurate description, and the importance of the craftsmanship of detail. We also know that the foreseeability inherent in our judgments lurks in all the ambiguities, not only of speech, but of what we in fact see, or wish to have accomplished. So the Restatement of Law often cannot help but be--and sometimes is intended to be--a predictor--some would say a vision--of better things to come. I do not suggest that this should lead us, as perhaps it did Ruskin, to almost total incapacitation. We are accustomed to the problem. Our system of law is arranged so that we can argue about what we see or ought to see.

You may indeed wonder, as I have, what has brought me to the idea of the suitability of this story about a somewhat mad genius and his view of art, as appropriate for this occasion. The answer is that a major problem for government today, a major problem for the vitality of a democracy, and a major problem for the administration of justice is the achievement of a shared and accurate perception of events and problems. But the accuracy is most difficult to attain. In an age of most extensive and rapid communication, somehow accuracy gets lost. In an age of creativity in the law, our perception of what the problem is can be clouded by the very techniques which have been used to make change possible.

All of this is perhaps a prologue to some obvious concerns which I have. One concern, which I believe is of general importance, is the image of the Department of Justice. It is well enough to say that in the long run it is the reality and not the image which counts, but because of past events and because of the ways of our present society, the reality can become lost in the constant stream of images which may be quite false.

It is with some diffidence that I illustrate this problem. But I want to give two recent examples. The first comes from an article by I. F. Stone in the New York Review of Books. Mr. Stone wrote, "It is depressing that despite all we now know Attorney General Levi has rejected recommendations from within the Department for an independent citizens' investigation of the (Martin Luther) King assassination and insists on turning it back for another self-inquiry by the FBI." Stone was trying to make a point, but his facts were wrong. The investigation of whether the FBI was involved in any way in the assassination of Dr. King has not been turned over to the FBI. I have assigned Michael Shaheen, the Department of Justice Counsel on Professional Responsibility, to recruit a number of attorneys and others to investigate that issue thoroughly and independently and to report their conclusions and recommendations to me. I have also directed Mr. Shaheen to investigate whether the FBI's investigation into

the assassination was thorough and honest, whether any information concerning the assassination has come to the attention of the Department which should be dealt with by appropriate authorities, and whether the nature of the relationship between the Bureau and Dr. King calls for prosecution, disciplinary proceedings or other appropriate action.

The second illustration derives from one of the reports of the Senate Select Committee to Study Government Operations with Respect to Intelligence Activities. In the first paragraph of its report on Warrantless Surreptitious Entries, the Committee included this sentence: "Since 1960, more than five hundred warrantless surreptitious microphone installations against intelligence and internal security targets have been conducted by the FBI, a technique which the Justice Department still permits." The careful or unintended ambiguity in that sentence conveyed a misimpression which was widespread when reported by the media. It could easily be read, and doubtless was read by some, to mean that the Department of Justice still conducts warrantless electronic surveillance against "internal security" targets--that is, domestic groups perceived to be a threat to national security. The Supreme Court decision in United States v. United States District Court, however, prohibited warrantless electronic surveillance of targets unconnected with foreign powers. The Department of Justice does not use warrantless electronic surveillance against

anyone who is not the agent of a foreign power. One of the first things I did when I came to the Department of Justice was to try to be clear about the policy in this area. I discussed it time and again. To make the point that domestic security surveillance was not involved, I stated on July 9, 1975, that at that time there was no warrantless surveillance directed at an American citizen. This has been true for the entire period since that time as well. It should be no surprise, and hardly news, that the Department of Justice does engage in warrantless electronic surveillance under strict procedures. Former Attorney General Richardson announced that policy in a September 12, 1973, letter to Senator Fulbright after the decision in United States v. United States District Court. On numerous occasions I have announced the number of warrantless electronic surveillances that have been authorized, each time stressing that they are directed only against agents of foreign powers. The Department engages in warrantless electronic surveillance because of the curious shape of the law in this area which assumes that the Department will undertake this activity. I have said that the state of the law is unfortunate and should be clarified by legislation, executive policy-making and court decisions. Misleading statements such as the Committee's reference to internal security surveillances make this clarification difficult.

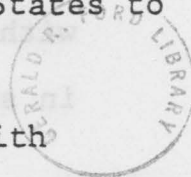
Such statements, which are fairly typical and for which I assess no blame because they are to be expected in the way things work, reflect undoubtedly a noble objective. Perhaps they are intended to look beyond the details to the spirit. But they mislead and they disfigure. They impede the work of reconstruction.

Most difficult in the process of reconstruction are those areas of law and administration where basic individual rights and bona fide national security are involved. In these areas it is essential that the government take special precautions to be thoughtful and knowledgeable about what it does. The scrutiny is made more difficult because the informed reactions which would otherwise come from the society at large either do not come or are distorted because of the long term effects of secrecy.

• As far as electronic surveillance for foreign intelligence, we must recognize that we are dealing with practices and procedures of government that have been kept in relative secrecy for 36 years. Each Attorney General since Attorney General Jackson--along with Congress and the courts--has played a role in one way or another in carrying on or creating the present system. Faced with this problem my associates and I determined that, while we knew it would be an extremely difficult task, the best course would be to achieve legislation in this area.

The President some weeks ago announced that he was seeking bipartisan support for the legislation. The Department has worked with members of both parties in the Senate and the House and has consulted with a number of distinguished lawyers and legal scholars, some of whom are present today. It is often said that while present administration practices with respect to warrantless electronic surveillance may be sufficiently protective of individual rights, there is no assurance that these practices will continue. The legislation will meet this concern. It is innovative. It is a step no administration has ever taken before. And because I think it is so extremely important, I want to impose upon you at this time to bring some of its details to your attention.

The bill provides for a suitable judicial warrant procedure by which applications specifically authorized by the Attorney General in each case, under general authorization by the President, would be made to one of seven district court judges designated by the Chief Justice. Appeals from a denial of the warrant application would be taken to a special court of appeals made up of a presiding judge and two other judges designated by the Chief Justice. The United States would have the right to appeal an affirmance of denial to the Supreme Court. The bill would provide for electronic surveillance for the gathering of foreign intelligence information which is defined as: first, information relating to the ability of the United States to protect itself from actual or potential attack or other hostile acts of a foreign power; or second, information with



respect to foreign powers or territories which, because of its importance, is deemed essential to the security or national defense of the nation or to the conduct of the foreign affairs of the United States; or third, information relating to the ability of the United States to protect the national security against foreign intelligence activities. The judge would receive a certification by an appropriate Presidential appointee that the information sought is foreign intelligence information as defined. The judge would be authorized to issue a warrant if he finds probable cause to believe that the subject of the interception is a foreign power or an agent of a foreign power. Foreign power is defined as including "foreign governments, factions of a foreign government, foreign parties, foreign military forces, enterprises controlled by such entities, or organizations composed of such entities, whether or not recognized by the United States, or foreign-based terrorist groups." Special protection is accorded United States citizens and permanent resident aliens in the definition of agent of a foreign power, which is as follows: "a person who is not a permanent resident alien or citizen of the United States and who is an officer or employee of a foreign power; or. . . a person who, pursuant to the direction of a foreign power, is engaged in clandestine intelligence activities, or who conspires with, or knowingly aids or abets such a person in engaging in such activities."

It has been urged that at least as to citizens and permanent resident aliens, even if they are clandestine intelligence agents of a foreign power, there should be no electronic surveillance absent a showing of probable cause that a crime has been or is about to be committed. The bill does not adopt that approach. The espionage laws simply do not make all clandestine intelligence activities undertaken on behalf of a foreign power criminal. To change them to encompass all such activities would be difficult and could make the espionage laws too broad. The spirit behind the suggestion that electronic surveillance for foreign intelligence be tied strictly to violations of law derives, I suppose, from a perceived need for complete symmetry between this area and the traditional law enforcement area. But the symmetry may not be possible in the working out of the details of policy, no matter how inviting it may be in its spirit.

In addition to the probable cause requirement, the bill provides that the judge must also be convinced that "minimization procedures to be followed are reasonably designed to minimize the acquisition and retention of information relating to permanent resident aliens or citizens of the United States that is not foreign intelligence information." Thus we have tried to limit both the scope of acquisition and the retention of overheard information.

We recognize that there may be an argument that the limited sort of determinations to be made by judges under this legislation might not be appropriate judicial business. The bill follows what we regard as the implied suggestions of Justice Lewis Powell in the Almedia-Sanchez and Keith cases that special warrant procedures can be fashioned to meet the unique circumstances that arise in this area.

The bill defines electronic surveillance as the interception of radio communications that begin and end in the United States and all wiretap and microphone surveillances within the United States. This definition does not include intelligence gathering by sophisticated electronic means directed at international communications. For this reason, the bill contains a section concerning Presidential power.

Title III of the Omnibus Crime Control and Safe Streets Act of 1968 included a proviso reserving the President's power to conduct warrantless electronic surveillance for certain described purposes. The Supreme Court, in United States v. United States District Court wrote that Congress, by this proviso in Title III, left Presidential power where it found it. It held that there was no Presidential power to conduct warrantless electronic surveillance of individuals or groups which have no foreign connection. In the latest version of the legislative proposal the section concerning Presidential power states that nothing in the bill or in the Communications Act of 1934 "shall be deemed to affect the exercise of any

constitutional power the President may have to acquire foreign intelligence information if (a) such acquisition does not come within the definition of electronic surveillance in the bill, "or, (b) the facts and circumstances giving rise to the acquisition are so unprecedented and potentially harmful to the nation that they cannot be reasonably said to have been within the contemplation of Congress in enacting this chapter." The first part of this section is meant to leave untouched a program of surveillance of international communications which simply does not fit the kind of analysis and system this bill would impose. This is not to say that legislation is impossible nor that safeguards cannot be designed and implemented. Special protective procedures are already in effect. But an effort to treat this program in the context of the proposed bill would not be useful. The second half of the section of the bill concerning Presidential power represents the lawyer's concern for providing for all possible eventualities. This may seem akin to the vision of the apocalyptic poet, but it serves an important purpose. By stating a provision to provide for a situation of utmost danger, one also narrowly and carefully delimits what it is that can be considered as such a situation in the future. It is at least as important as a guarantee that the standards and procedures in the bill will be followed in all foreseeable circumstances as it is as a hedge against the unforeseeable.

One other feature of the bill has raised some questions-- the lack of a notice requirement such as the one included in Title III. While there may be some disagreement about this, the special nature of the foreign intelligence field, when foreign powers or their intelligence agents are involved, makes such notice inappropriate. Notice would destroy sensitive investigations, cause great risks to individuals cooperating with the investigations and sometimes have other serious implications. While it is not possible to convince everyone on this point, I believe most will recognize the validity of these reasons.

The proposed legislation covers an area that until now has been thought not to be amenable to statutory control. That generally has been the position for 36 years. I believe that if enacted it will be an important step in the restatement, reshaping and advancement of the law. If it is not enacted, I fear much time may pass before another legislative effort goes forward.

I need hardly tell the American Law Institute that the law does not just simply clarify itself. The clarification requires a willingness to raise issues, to confront problems, to articulate principles, to test these principles through their meaning in application. Many of the problems with which the law deals raise the most complex social issues; they have been surrounded with controversy. They must be approached

with care and responsibility. The difficulties can be enormous. But if our law is to be a vital and responsive force--if indeed it is to be a rule of law--then we must not hide from the hard questions. We can only hope that the spirit of candor and thoughtfulness with which these issues are approached will be understood. Let me add that for many of these areas, the work of the American Law Institute itself has helped and can help to lead the way. There is, I think, a great deal for all of us to do.



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SUGGESTED REMARKS FOR SECRETARY OF TRANSPORTATION WILLIAM T. COLEMAN, JR.,
BEFORE THE AMERICAN LAW INSTITUTE, WASHINGTON, D.C., MAY 21, 1976

Thanks for the honor of inviting me to speak before this annual meeting of the American Law Institute. Lawyers are an odd lot. (Incidentally, I imagine this is why legal fees are so high.) They make a lot of money being lawyers, but they still spend a good deal of their time trying to figure out a way to be something else. In Gore Vidal's book on Aaron Burr, a young apprentice asks Burr if he should take the bar examination. Burr replied "certainly," "but I don't want to be a lawyer," the young man replied. Burr answered, "well, who does? I mean, what man of spirit does? The law kills the lively mind. It stifles originality. But it is a stepping stone...." The smart lawyers become law professors or judges, I suppose, and the ones who aren't smart enough to be law professors or judges go into the government. Of course, on rare occasions the public gets both -- those like Ed Levi and Archibald Cox who have combined an academic career with brilliant stints of government service. In any event, when President Ford asked me to go into government, I took the job. I certainly hope I can keep it for a while.

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I am not here tonight to talk about the law, I suspect there are a good many people here who would rather avoid the subject. For law has been your diet for the past three days while your spouses took in the art museums.

I thought perhaps it would be more appropriate and instructive for me to reflect on my new role as a political public servant. I've been in the government for a little more than a year now, and during that year I've dealt with problems that have generated a lot of controversy -- I-66 and the Metro financing problem are familiar to those who live in the Washington area. The rail freight reorganization was news in the Northeast, while auto passive restraint systems -- a euphemism for seat belts and air bags -- concern the midwestern auto manufacturer. The Concorde decision achieved national prominence. And there are many other transportation issues which frequently touch the lives of the public, even if they fail to capture the imagination of the press.

Dealing with these issues has caused me to struggle with how a political public servant should discharge his functions in the post-Watergate period -- if we want to keep an open, free society, based upon the rationality created by our system of a government of laws, not men.

Several things contribute to the effectiveness of a political public servant. The one that comes most immediately to mind is the history of the moment -- for times often do make the man. It is no coincidence, I think, that most of our greatest Presidents served during wartime or during time of great national trial -- Washington, during the first formative years of the nation; Lincoln, during the Civil War; Wilson, during the First World War; and FDR, during the Depression and the Second World War. I believe history's verdict on President Ford's tenure will develop as it has for President Harry Truman -- a man thrust into power to restore balance to the nation after a serious crisis. Likewise, I think it is no coincidence that some of the least noted Presidents -- men like Cal Coolidge and Warren Harding -- served in times of national complacency -- in times, in other words, when the people wanted to be left alone and they were left alone. Times of crisis are, of course, no guarantee of greatness. I assume that times of crisis in this country could beget a political public servant who is as great a failure as Lincoln was a success.

To the extent that a public servant is not goaded into greatness by the push of events, there is the man himself -- his ideas, his beliefs, and the way in which he preforms his duty. These are things that can make a man great. Whether a man's ideas and beliefs do make him great, however, is and always will be open to debate. Many people never will

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agree on FDR's greatness. On the other hand, I doubt if those same people would contend that Herbert Hoover -- even a Herbert Hoover with FDR's style and forcefulness -- would have been the nation's answer to the Depression. The great Depression plainly and simply called for action and for new programs, not for a President content to sit back and rely on the 1930's classic economic solutions. Likewise, I don't suppose a person with Roosevelt's ideas, but with Hoover's style, could have been a successful President. A man with good ideas, even in times of crisis, has to be able to implement these ideas effectively -- to be able to put his programs into action and make decisions in a way that will make people believe both in the man and the decision.

The point I'm making is that public servants must be able to conduct programs with style. I would like to spend a few minutes talking about style tonight. The best way to make my point is by analogy to an artist.

Two artists can sit down in the same room, each with his own canvas. They can use the same paint and the same brushes, and they can be asked to paint a portrait of the same woman. But when they both finish, they will have painted two completely different pictures. One may have painted every hair on the woman's head with a very fine brush -- he may have shown every eyelash, carefully painted the pupils of her eyes, so that no matter how close you get, the eye still looks like an eye. The other may paint the hair with two or three broad brush strokes, and the eye with a single flick of the brush, so that you have to stand at a distance merely to identify the subject. A third artist may decide to eschew literal representation altogether -- to paint something that doesn't remotely resemble the common subject. He may put an eye here, another eye there, perhaps leaving out the mouth altogether if it pleases him. A fourth artist might have no desire to portray the subject, but rather desire to paint something entirely different -- a field of colors, a can of tomato soup. A hundred different artists would develop a hundred different paintings, each in his own particular style.

A national leader deals in a different medium, of course. He doesn't use a brush, paint and a canvas. Instead, he works with problems, people and facts. He deals with the most delicate of subjects -- the human mind and the human spirit and the intangibles which hold us together as civilized people.

But, in many ways, asking a political public servant to make a decision -- to do his job -- is like asking an artist to paint a picture, and like artists, no two will do the job in the same way. Suppose, for example, a President has to decide whether the United States should go to war. One man might work himself, and Congress, and the nation into a

frenzy of patriotism. Another may go to Congress and to the public carefully and deliberately, discussing all the risks, taking no chances. A third might ignore Congress and just send some advisors, maybe a few hundred at a time, and before anyone understands it, we're at war. Now in the end the nation might go to war regardless of leadership, but one President might go down in history as a great man, and another as a villain. Theodore Roosevelt, for example, was something of a political jingoist. If he wasn't responsible for sending the country to war in 1898, it was only because he wasn't President. He did resign his position as Secretary of the Navy to lead a regiment to battle in Cuba. He believed in carrying a big stick -- whether or not he spoke softly is still open to debate. As President, he apparently incited a revolution in Colombia to ensure American control over the Panama Canal, beginning a problem for the present incumbent, and he sent the U.S. Navy around the world on tour even when Congress refused to pay for it.

Contrast his style with that of Woodrow Wilson only a few years later -- an academician in the White House who led the nation to war only after the war had been in progress for three years. I think there can be little doubt that if Theodore Roosevelt had been President in 1914, the United States would have gone to war earlier than it did, and I doubt if "T.R." would have gone down in history as a great President. And if instead of Dwight Eisenhower, a man of "T.R.'s" attitude had been President in 1954, this country might well have gone to war in Vietnam then. History would scarcely have applauded that.

Now you might ask what distinguishes a good national leader from a bad one. My analogy to style might answer that question too. I spoke a few minutes ago about two or three artists painting a picture of the same subject, and developing completely different pictures. You might just as well ask what makes one of those paintings a great work -- another just a pretty picture, or even a waste of paint. At the most basic level, I suppose, one's preference for a painting can depend on any number of undefinable factors. One person might like the colors in a particular painting, and another may not. One person may find the subject, perhaps a woman, beautiful, while another may find her unattractive. Another might even prefer pictures of trees.

On a higher level, one might rate the painting depending on its fidelity to the subject. If the artist tried to paint a portrait of the woman, did it look like her?

These factors are important to the quality of a work of art, but a great work of art needs more than that. An artist must do more than portray a woman who looks like the woman. I think an artist's greatness depends on his style, and whether an artist's style gives him greatness

depends on history. Leonard da Vinci is recorded as one of history's greatest artists. He was a master technician and a great observer of nature. As a result, he had the ability to paint figures that were extraordinarily lifelike. It isn't an accident that every time you view the Mona Lisa, her facial expression changes.

Cezanne's paintings of women are radically different. The impressionist painted with rough strokes of the brush; a couple of dabs of paint would be the hair, another dab of paint the eye. The figures are anything but lifelike. Up close, a Cezanne looks like so much paint -- you have to view the painting from a distance to understand the work and the subject matter. Cezanne was painting pictures of light and shadow, not of people. The simplest and surest thing that can be said of him is that he taught the world to see things in a new way.

And today, you can walk over to the National Gallery and look at Picasso's paintings and you may barely be able to discern the gender. Yet everyone agrees that Leonardo da Vinci and Cezanne and Picasso were all great artists. How can this be? The answer, I think, is that they were great artists first because their style was appropriate for their time. When Leonardo painted, artists were concerned with realism and with trying to depict accurately the human form. They wanted to breathe life into the pictures they painted. They were commissioned to paint portraits of people which had to be as lifelike as possible. By the 19th Century, artists were becoming less concerned with lifelike appearances. Cameras had been invented and artists were no longer needed to create likenesses. The impressionists abandoned realism in order to capture the kinds of ineffable nuances that a camera couldn't capture. Picasso went even further, and abandoned imitation altogether. He began creating new forms and ideas on canvas; he wanted his art to be admired for the ideas the painting itself evoked, completely aside from the subject matter. Picasso was not concerned with painting a picture of a woman, but with creating something altogether new. Ask, then, whether Leonardo da Vinci would be considered a great artist if he were alive and doing the same kind of work today. I think not. Picasso certainly wouldn't have been considered a great artist in the 16th Century. The style must be appropriate for the time.

I think that the public's and the historian's perception of the quality of a political leader likewise depends very much on individual style. A political public servant must, of course, like an artist, be a good technician. He needs a thorough understanding of the issues with which he deals. His brush, paint and palate translate into the hardworking people of his staff. But a political public servant cannot be great just by being a good administrator. He must have a style of governing that is the right style for his moment in history.

The public servants that I spoke about earlier provide good examples. Theodore Roosevelt is perhaps the best. He was probably the perfect President to lead the United States into a position of world power in the Twentieth Century. He had the insight to realize that the United States would play a powerful role in world politics in this century, and he had the personal force to lead the nation into that position. His impact on the domestic front was equally forceful. He understood, for example, that business monopolies were a significant threat to the competitive economy of the United States, and more than others he had the courage and the audacity to refuse to be intimidated by big business. By the end of his term, Roosevelt had brought antitrust suits against 44 of the biggest industrial combinations in the country -- companies such as Standard Oil, the American Tobacco Company, and Dupont.

He didn't consult the J. P. Morgan's or Congress. He simply began suing people, and evaded the conservative business forces who might have persuaded a less independent and forceful President to back away.

In the same way, Franklin Roosevelt's political style was appropriate for the Thirties. The United States was in a Depression, and FDR's style met the people's needs. First, he was in a good mood most of the time, most people weren't. Second, he took action; he tried to get the country moving again when it was locked in economic paralysis. It didn't always matter what he did, as long as he was doing something.

I don't know, and I don't suppose anybody knows, whether we would have come out of the Depression any sooner or any later if we had had a different President. But Roosevelt was a great President because he led the public to action when leadership was needed, and he gave them real hope when hope was needed.

In another time, these men might not have been such great Presidents. Particularly in these past two-and-a-half decades when this nation needed thoughtful and deliberate leadership, a President in the style of either of the Roosevelts might have been less than satisfactory.

The United States in these years was beset by a number of hobgoblins -- the supposed threat of communists in the State Department, and the impulse to take aggressive action against these threats had to be restrained by careful and considerate leadership.

Numerous times in the last 25 years -- in Vietnam, in Cuba, in Berlin, in the Middle East -- this nation has been on the brink of what might well have been national and international disaster, and the aggressive, self-righteous leadership of a Teddy Roosevelt, or the action-for-action's sake approach of an FDR -- might easily have pushed the United States over the brink.

I hope my point in this excursion into art and history is evident by now. I think both the quality of an artist and the quality of a political public servant, are a function of style and history.

The question I must answer is what kind of style makes a good political public servant in 1976. And, in particular, how can I run my department in such a way that the people I am supposed to be serving will know I'm doing a good job?

When I was appointed Secretary of Transportation, the image of the public servant in this country was probably at an all time low. A President and Vice President had been forced out of office under threat of prosecution. Several of the President's closest advisors were under indictment for federal crimes, including three former Cabinet members, among them an attorney general.

I think these events gave the new appointees under President Ford an imperative not only to be technically good, but to perform their jobs with a style that would restore the public's faith in government.

The personal implication to me was that I had to do more than sit back and think through all the issues with which I had to deal, to be honest and make the right decisions. That was important, but it had to be done in a way that would emphatically underline honesty and integrity in a public servant.

A prime example, I think is the Concorde problem. This decision was difficult for two reasons.

First, it was technically complex. The Federal Aviation Administration sent over a mountain of data about noise, about ozone, about air pollution, about fuel reserves, and a dozen other things. Some people told me it was safe, some said it wasn't. Some told me it would cause skin cancer, some said it wouldn't.

The second thing that made the problem difficult was three or four years of history. The U.S. government had known for several years that the British and French wanted to fly the Concorde to the United States, and people -- and by people I mean Congressmen as well as other types of people -- believed that secret deals had been made.

All this was, in fact, not true. The only way to counteract that impression was to conduct the whole process out in the open. I called for a public hearing on the Concorde and I spent a day listening to people tell me what they thought or knew about the airplane.

British and French government officials were there and testified at the hearing, an unprecedented occurrence. People from the area around Dulles and New York City attended. I announced that I would give my decision in 30 days, a difficult deadline to keep.

Thirty days later I issued a 60-page opinion explaining my decision, and then exposed myself to an extended press conference by a press that had had two hours to study the decision.

I laid out one side of the argument and then the other, and finally authorized a test period, as I'm sure most of you know. During this time, I answered people in Congress who had wide ranging questions and made available all documents which were in the Department.

The point of all this was to open the Department of Transportation to the public, to let people have a chance to participate in the decision and to see that we were trying to make difficult decisions in the open under public scrutiny.

The decision might not have changed if I had done the whole thing quietly in my office, but I hope people felt reassured when I was done.

Well, I was sued by a half a dozen people the day I made my decision. The point of the process was not to avoid a law suit, but to try to restore some of the faith in the government that had been lost in the last two or three years, and to make the decision a legitimate one in the eyes of the public.

The Concorde decision was typical, I think, of the type political public servants increasingly are asked to make -- decisions which require balancing seemingly remote or competing interests.

There has been in the public view, a dichotomy between "political" and "business" decisions -- a distinction which the test of history.

This is especially true where, with the railroads laying track along rights-of-way made available by the Federal Government; and with water carriers using the canals and rivers improved by federal agencies, conscious decisions were made on the growth patterns of America. A Pittsburgh would thrive -- an Abilene might fade.

The timely investment in mass transit may save a strangling city. An enlightened policy to protect the environment against aircraft noise may also stimulate a stagnate aircraft industry.

It is the political public servant who must strike the balance between competing community and commercial interests. He must operate openly, giving constant assurance to everyone that their interests -- however remote -- are being served by a process designed to render the best decision -- develop the best policy -- a masterpiece of political art incorporating the technical excellence and sensitive style of a great artist.

But here the urge to compare artists and politicians should be tempered by my earlier caveat -- the importance of time. A Michelangelo, a Picasso, a Rembrandt will be of timeless value. A Concorde decision serves only its moment and must always be reviewed. Only the process has value.

As with any aspiring artist, I have my own view of what is necessary to raise political artfulness in 1976, to the status of a masterpiece. First, I believe that all major political public servants must involve themselves in public hearings.

A prospective housing program is as important an issue as an urban Interstate highway. A proposed closing of a defense installation affects more than the armed service concerned.

Second, to be valid, a decision must stand the scrutiny of public review -- regardless of the alignment of controversy. One may not agree with the decision, but it is important to see its logic.

This must be done through the discipline of writing the decision. Only then can the decision-maker force himself to tackle all the issues -- for any omission will be noted by those adversely affected.

Individual values are important considerations. A society might be better off in the long run if progress were not equated with doing something faster. Restraint and time for leisure are also high values for a civilized person.

I think Attorney General Levi has responded to some of the same types of problems over at Justice with a style of his own that is perfect to restore faith in that Department.

He has brought a certain intellectual and moral leadership to that Department which has quite frequently been missing in the last decade, and I think as a result the Justice Department's reputation is as high now in the eyes of the Bar as it has ever been.

A man of less courage or less dedication to a fair process of deliberation could not have corrected the abuses of the FBI and CIA with no infringement of the rights of the individual. He certainly could not have done so in a way that was accepted by the agencies involved, the Congress and a wide range of the public.

I don't always agree with everything Ed Levi does. Indeed -- and I say this here because it's already public knowledge -- I have been urging him during these last several days not to add to our inventory of disagreements by taking a position in the Boston school litigation which, in my respectful view, would be ill-timed and unsound in law.

But what has most impressed me throughout our frank and extended discussions has been the Attorney General's insistence that he, and he alone, bears final responsibility for determining the government's legal position.

I will acknowledge that for a while I thought that the matter should be resolved by the Cabinet. I now feel -- and I am glad publicly to state it -- that I was wrong.

The Attorney General must decide this question, just as the Secretary of Transportation had to decide the Concorde question, without having to defer to the Cabinet, or the President -- or even (and, maybe this is hardest of all) his own trusted subordinates. On questions of law, the buck stops with the Attorney General. This was a point a former Attorney General forgot in the ITT case.

Just as I applaud his acceptance of responsibility, I also applaud the Attorney General's recognition of his obligation to listen to opposing points of view. He has listened to Roy Wilkins. He has listened to Louise Day Hicks. He has listened to Senators and law professors -- and even to the Secretary of Transportation, who has been careful not to argue that busing falls in his domain.

I know -- and this makes me proud to be your colleague, Ed -- that you will weigh all views and make up your own mind. If you reach the wrong decision, I won't refrain from telling you so -- and I know you wouldn't want it any other way.

I also know, Ed, that you and I are agreed on one other thing -- that it's a rare privilege to serve a President who asks only that each of his chief officers will accept the responsibility for decisions that accompany acceptance of high public office.

In the long run, whether particular governmental decisions are wise or foolish is less important than whether the process of decision is rooted in integrity and an open process. For, if the process is right, the decisions will tend to be sensible ones.

In other words, I think that the style of government that is now, or should be, in vogue in this Administration to solve the problem of governing in the late Seventies is one of honesty, openness, and intellectual courage that will restore the faith of the public in its political public servants.

Now I hope this hasn't sounded like a campaign speech. I do campaign a little now and then for President Ford, but I hadn't intended to do any tonight.

I might also add one last thing. I haven't been too careful about my pronouns tonight, and whenever I've been talking about a political public servant I've said "he this" or "he that" and never "she this" or "she that."

I notice there are a lot of women in the audience tonight, and I suspect that if some women are here because they are married to lawyers, some men are also here because they're married to lawyers.

Well, I realize that some women are public servants -- Carla Hills and Shirley Hufstedler, for example -- and I don't want the women to feel slighted. So please understand that when I said "he this" tonight I meant "he or she this," and when I said "he that" I meant "he or she that."

The problem is that if I really had said "he or she" everytime, nobody would have paid any attention to what I was saying. If anyone can find a way to solve that problem with style, he or she really will be a great political public servant.

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DEPARTMENT of the INTERIOR

For Release on Delivery 1:00 p.m. (EDT), May 25, 1976

news release

REMARKS OF SECRETARY OF THE INTERIOR THOMAS S. KLEPPE
BEFORE THE ST. PAUL CHAMBER OF COMMERCE,
ST. PAUL, MINNESOTA, MAY 25, 1976

Recently the high school band from Columbia Heights, Minnesota, played a noontime concert in the little park just to the north of the Interior building in Washington.

Although I did not get a chance to hear them, Department employees who spent their lunch break in the park tell me it was an excellent performance by the young people. They did a good job of selling Minnesota.

Some of those watching were especially intrigued by the manner in which the director of the band conducted without using sheet music to guide and remind him of the intricate pieces which were played.

It occurs to me that my job as Secretary of the Interior is very much like that of an orchestra director. The Interior Department with 60,000 employees and its vast array of bureaus, commissions, and offices must be in tune and on the same beat.

Interior represents all of the people of the United States--the camper who wants to pitch his tent in Glacier National Park, and the power company in Southern California which wants to burn coal mined on the public lands to make power for its customers. Trying to achieve harmony between economic needs and environmental safeguards is my job.

I don't have any sheet music for guidance...but I do frequently think of what President Ford told me when he asked me to take my current position:

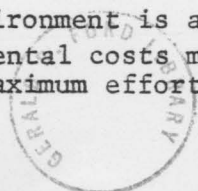
"Tom, your job is to find a way to develop and use our resources and yet protect, preserve, conserve our environment, our quality of air, our quality of life."

So it is my job to blend the blare of the developers with the drumbeat of the environmentalists, and provide a melody--and a society--that lives on.

It is my belief that we can achieve this type of harmony. Rational Americans can through a process of adjustment, balance and compromise come up with programs which will safeguard both our standard of living and our quality of life.

The principles under which I operate are these:

1. Energy is an indispensable element in maintaining and improving our standard of living. An America which is heavily dependent upon imported fuels will find itself in political and economic bondage.
2. Protection of the environment is an indispensable element in maintaining the quality of life. Environmental costs must be ascertained in any energy development program or project, and maximum effort must be made to eliminate or minimize adverse effects.



One thing is for certain: those who say that we can either protect the environment or develop our resources are not helping resolve our problems.

Businessmen who refuse to acknowledge the need to conserve energy, to protect our resources, to prevent pollution--these men and women are not facing up to the responsibilities of the age in which we live.

Extremists who oppose all development and who will not consider the unreasonable costs of some of their programs--these men and women are not facing up to the realities of this age.

Now, if we are to achieve the compromises which I suggest--not compromises in principle but compromises in the practical solutions to problems--we have two requirements:

-- First, we obviously need people who are willing to discuss issues rationally and to work out the adjustments and balances which go into true compromise.

-- Second, we must have adequate information.

There's not too much that I can do about the first necessity--but I do believe that growing public understanding of our national problems is making people more willing to listen and to work for agreements. The extremists are losing influence in the process by which public opinion is formed.

Those who advocated no growth have lost credibility.

Those who expected a backlash against environmentalism have been proven wrong.

The American people want progress. They want the resources of this country developed.

And they want the quality of life kept at a high level--they want a minimum cost in terms of environmental impact from necessary development.

Here in the State of Minnesota--which is one of the most environmentally-conscious areas of our country--you face a dilemma over energy.

One way to provide the energy fuel needed by the Upper Midwest is to deliver natural gas through a pipeline from Alaska. But you have some problems. There are environmental costs, most assuredly. And there is tough economic competition from other proposals.

As you may know, the Interior Department already has done a great deal of work in assessing possible routes and methods of delivery. The Trans-Alaska Oil Pipeline Authorization Act of 1973 directed the Department to make feasibility studies of one or more oil or gas pipelines from the North Slope of Alaska to connect with a pipeline through Canada that will deliver to U.S. markets. Our report was filed last December.

We believe that both of the major proposals which were being discussed at that time are economically and technologically feasible.

It is estimated there are 26 trillion cubic feet of proven reserves in the Prudhoe Bay field on the North Slope--that's more than 10 percent of the Nation's total proven reserves. There are other natural gas resources which could be tapped for this pipeline.

In our study we considered four different trans-Canada pipeline routes and two different configurations using pipelines and the transportation of liquefied natural gas by tanker to the lower 48. The systems we studied are not identical with those proposed by Arctic Gas or El Paso, but they are close enough to form tentative working theories.

Costs of the systems we investigated would range from \$6.5 billion to more than \$7 billion in 1975 dollars. Since it would take a minimum of 5 and one-half years to complete a system, we can plan on the cost being somewhat higher.

It is our estimate that the net economic benefits to the Nation would be more than \$8 billion.

Despite all the information we compiled, the Department concluded that we could not at this time make a recommendation that any one system or route would be superior. We strongly feel it would be a mistake to pass legislation at this time specifying a method or route.

But we believe that the decision can and must be made by the late summer of 1977. This would give us time also to assess the several new proposals which have surfaced more recently.

President Ford has proposed legislation which would provide for a timely and rational decision on which method should be used in the delivery of Alaskan gas to the lower 48.

His bill would require the Federal Power Commission and other concerned Executive Branch agencies to complete all studies and assessments by next February First. Then, using this data, the President no later than August 1, 1977, would chose a route and method of delivery. Congress would have the opportunity to disapprove the decision.

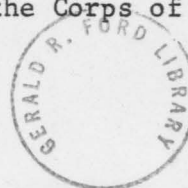
This is a process which I believe would give ample opportunity for the people of Minnesota and the Midwest to put forward their arguments on behalf of a system which delivers the gas into this region.

Congress appears ready to make a decision soon on this proposal.

Having concentrated on energy to this point, let me now switch the tempo and talk about some of our efforts to protect wildlife and the environment in general.

I know that everyone in Minnesota is concerned in one way or another about the wetlands. They are vitally important to the farmer, the shipper, the hunter and fisherman, the nature enthusiast--all of us, really.

It should be clarified that the current controversy over permits for dredging or other work in the wetlands involves primarily the Corps of Engineers--how much authority and jurisdiction they have.



However, it is the role of the Interior Department's Fish and Wildlife Service to review some 40,000 permit applications annually and make recommendations to the Corps of Engineers concerning the environmental impacts of dredging and related projects.

We know that much damage to wildlife could be avoided or mitigated if projects were well-planned, but we have been handicapped in the past by a lack of adequate knowledge.

To overcome this, in 1974 the Fish and Wildlife Service created a new Biological Services program.

One example of what is being done under this program is a contract with Winona State College to find ways to rehabilitate backwater areas along the upper Mississippi which were once much more productive for waterfowl, fish and other wildlife. We want to restore that productivity.

By far the largest undertaking of the Biological Services program is an inventory of all wetlands in the United States. This three-year project will update the previous survey made during the 1950s.

The life of Minnesota is very largely centered on the Upper Mississippi River and its tributaries. This is the circulatory system of the body politic. The healthy survival of this system is vital.

This inventory will help us determine what amount of water must be maintained in streams to sustain fish and wildlife resources.

We will gain information on the effects of proposed energy corridors in relation to important wildlife habitats.

We will gain insight on what stipulations to recommend in Federal leases to protect important wildlife species.

This will aid in all programs to protect the environment.

One way we protect our wildlife resources is through the National Wildlife Refuge System. Since 1961 alone about 2 million vital acres of wetlands have been set aside under the Wetlands Loan Act.

The habitat protected by the refuges has doubled in 19 years to its present total of 34 million acres.

President Ford recently signed a bill extending the Wetlands Loan Act another 7 years and increasing the authorization from \$105 million to \$200 million for acquisition of migratory bird habitat.

These are a few examples of what is being done at the Federal level.

We in the Interior Department are anxious to work with other Federal, State and local agencies in programs to advance our knowledge and protect the environment.

Through the Fish and Wildlife Service we are cooperating in the Great River Environmental Action Team.

Using a computerized land use study of the Upper Mississippi between St. Paul and Gutenberg, Iowa, we are seeking to increase knowledge of the resources and provide a more rational approach to resolving conflicts.

Man has acquired the technology to draw enormous riches from the earth.

Satellites and computers have been feeding us information on how to increase our production from farming, mining and other processes to improve man's material well-being.

We are employing these same tools to maintain or increase our natural production of ducks, fish, and all wildlife.

It is my belief that the more we learn, the more it will become evident that we can carry on resource development necessary to maintain a high standard of living without harm to the environment.

When science delivers the information, then we must make the hard political decisions.

When President Ford handed me the baton to direct the Department of the Interior, it was with the intention of producing something more than a waving of the arms.

During the past seven months I have moved ahead with prudent haste to develop outer continental shelf oil and gas resources. We have issued carefully considered coal leasing regulations.

We are approaching the issues of resource development and environmental protection with a sense of urgency.

But more important is the fact that we are approaching the issues in concert. We are seeking informed counsel from all disciplines and all points of view.

I hope that today I have given you some insight into my philosophy in approaching this task.

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JUN 1 1976

FOR IMMEDIATE RELEASE

May 26, 1976

Office of the Vice President
(Washington, D. C.)

REMARKS OF THE VICE PRESIDENT
AT THE
NATIONAL CONFERENCE ON REGULATORY REFORM
GRAND BALLROOM, L'ENFANT PLAZA HOTEL
WASHINGTON, D. C.

AT 9:35 P.M. EST

THE VICE PRESIDENT: I am no longer governor, so you don't have to get up.

(Laughter)

Thank you very much, Mr. Naisbitt, Ms. Shannon, Mr. Smith and ladies and gentlemen. I am honored and delighted to be here. I want to apologize for having held you up, but there was a group of eager members of the media who were interested in last night's developments. So we had a little discussion on the subject.

These are exciting days, depending on where you stand. But this is the thrill of living in a free country, and we are very fortunate. All I can say is let's keep it that way.

Now, I would like to say how delighted I am to welcome you to the National Conference on Regulatory Reform. This subject is dealing with the crucial growth and strength of our economy and, thus, the Nation itself.

Regulatory reform is an area of special concern and interest to me. I think that any of us who have a belief in our system and this Nation cannot help but have a deep concern.

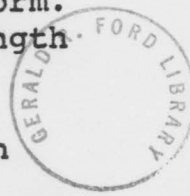
I would like to say that, while we are discussing here largely the business aspect, productivity in business, as one who served for a number of years in local government, -- that is, the State of New York -- regulatory reform is equally important relating to State and local government.

While it is not in my text and not in your concern, there are 1,007 categorical grants that the Federal Government gives to State and local government, local agencies, each one of which has Congressional legislative restrictions and then Administrative restrictions, and they are constantly changed, and each one of which says that the State must enrich and improve its program in order to get the funds from the Federal Government. So if you feel you are set upon in business, just remember that governors and mayors and county executives and local legislators also are suffering the same fate.

I was talking to a head of a Latin American state and I said, "We are increasingly beginning to feel we represent foreign governments at the State level in the United States." So we sympathize with you and your problem.

That is not part of my discussion this morning, but this is such a sympathetic audience, I couldn't help mentioning a subject that is close to my heart.

MORE



As many of you may know, I have the pleasure of serving as Chairman of the National Center for Productivity and the Quality of Working Life, which is the new name the Congress has given it. They have given it a new life, a new name, but as yet have not appropriated any money, which is sort of standard procedure these days. But you know how life is.

(Laughter)

Excuse my side comments.

(Laughter)

In carrying out its legislative mandate to help increase this Nation's productivity, the Center has chosen regulatory reform as an area for major concentration of its efforts.

Industry by industry, the Center is organizing task forces made up of management, labor, government regulators and economic and other experts involved in a particular industry. These task forces will attempt to identify the objectives for the area.

I happen to feel very strongly myself that this is an important factor, that so many of our regulatory agencies have been in existence for 100 years or more without reviewing the objectives for which they were created, sort of a natural evolution of growth without taking a fresh look.

If you take the aviation industry, for instance, one could ask, should our objective be to have an Air Canada in the United States or do we want to preserve private enterprise in the field? If so, what does it take to do it? Then you start from there and then you start to work backwards.

So if we are going to review regulatory activities, we have got to know what is the objective of the regulation, what is our national interest, and how do we achieve it. And then you work back from that and come to the second -- that is, identify the industry's major problems stemming from regulation; third, document the impact of regulation on the industry; and fourth, make recommendations for regulatory reform to improve productivity in that industry with an eye to maximizing national objectives in the area.

Now, this seems so simple that one wonders why one hasn't approached it on this basis before. But let's face it, if you have got an ongoing program of regulation in one area or another or an ongoing program in most any area, those involved don't automatically by themselves tend to step away and take a fresh look at what they are trying to do and where they are and then reexamine what they are doing in the light of that.

I think we have got the momentum to do it, and I think the American people, whether it is in government or whether it is in business, private enterprise, or whether it is even -- it is very interesting. I held hearings for the President around the country last fall and winter

in connection with his domestic programs and policies through the Domestic Council. We found that universally people were worried about the complexities of bureaucratic red tape in Washington. And that went for governors, heads of corporations, heads of labor unions right to welfare recipients, who were equally indignant about the indignities they suffered and the uncertainties.

So I think this is something that has the total attention of the American people, and they are looking to all of us to see how do we deal with this problem intelligently in the best national interests and do it efficiently. This country is known for efficiency, and I don't see why we shouldn't apply it in this area.

I am optimistic that this is the psychological moment to approach this. And I think the Productivity Center is one of the vehicles which can be very helpful and useful in this.

Now, because these task forces will be made up of the people directly dealing with government regulation, the people on the regulatory front line in a particular industry, I have great confidence in the realism and the relevance of the recommendations they are going to make.

I might say parenthetically that I had the privilege of being Chairman of a commission created by the Congress to review the 1972 Water Quality Regulations, which had five Senators, five Congressmen and five citizens on the commission. We worked for three years, spent \$15 million of your taxpayers' money and found some very interesting things about the impact of the 1977 standards, the 1983 standards and the 1985 goal of no pollutants in navigable waters by that period.

This same could have applied to air quality standards. I don't have to mention that when the air quality standards on smokestack emission were applied to the foundries of the Nation, that 50 percent of the foundries went into bankruptcy. We found in the electroplating industry, if they applied the 1977 standards and the 1983 standards that are now on the books, 35,000 or the 70,000 American companies in the electroplating business would go into bankruptcy, because they can't afford to fulfill their obligations as set out by the Administration.

So we are dealing in very real terms with the heart of American life. Many Americans, including many in government -- particularly in Congress -- don't realize the implications of the laws they have passed, administrative procedures and particularly the constant change in administrative procedures.

I remember one governor, Governor Dan Evans of Washington, told a story when he was testifying before our committee, that they had prepared a program -- outstanding governor, too. I won't say what party.

(Laughter)

He had prepared a program asking for a \$7 million appropriation under some Federal grant in aid program.

They worked for months and prepared all the details, sent it to Washington and thought they had covered every angle. They got word, "Sorry; we changed the regulations since you prepared your program, so you will have to redo it." That's one side of the coin.

He told another side of the story and told how they worked out a way to save \$1 million. They sent that in for approval and they said, "Sorry; there is no provision in the regulations that call for savings."

(Laughter)

So we really in our zeal to accomplish objectives we have got ourselves a little bit tied up, if we can put it that way. We have lost a little bit of our flexibility which has been our strength and creativity and freedom of America.

Today I would like to approach this whole issue of regulatory reform in terms of an historical perspective -- in terms of the forces which have shaped America's growth. This is a good year, our 200th birthday. Two hundred years ago brave men signed a landmark manifesto not only for civil liberty but also for economic freedom. I think this is too often overlooked.

Important as it is to commemorate the Declaration of Independence as a landmark for civil rights, it is equally important to recognize it as a charter for economic freedom and opportunity.

The Founding Fathers recognized that individual liberty required economic freedom, that these two were wholly interrelated, and that one could not exist truly without the other. They knew that human dignity is destroyed not alone by suppression of civil rights but also by economic bondage. Our forefathers struggled against a system which sought to regulate their industry and commerce to a design set in London for the benefit of the British -- no disrespect to the British.

(Laughter)

They fought efforts to subject the vast American domain and its people to plans that subordinated America's growth and American aspirations to the service of an oligarchy in a far-off land, England.

The American Declaration of Independence, and the American Constitution that followed 13 years later, were not only historic milestones of a political revolution. They signified a major economic revolution as well, one that challenged government domination of trade, that broke the bonds of British mercantilism, that wiped out the remnants of feudal land laws imposed upon this country, and set loose the forces that ended indentured labor services and ultimately ended human slavery.

Two hundred years of human liberty and economic freedom produced an American enterprise and social system that has given ordinary individuals the widest possible

opportunity under which their drive and productivity have achieved the highest standard of living in history. In these accomplishments, the United States developed a pragmatic balance between personal freedom and the common good.

A realistic examination of the history of the American enterprise system reveals that it was by no means a totally private enterprise endeavor. Government has always played not only a significant but a crucial part in American economic life. The role involved not alone the negatives of restraints but the positives of promotion as well.

This system achieved a productive balance between autonomy in enterprise and governmental direction and restraints in economic activity. These relationships between government and the public have been dynamic, not static, a continuing evolution politically and economically.

And if you just want to think for a second, take the automobile industry, which is one of the greatest industries in this country, based on roads built by government, billions of dollars. One of the other great industries in this nation, the aviation industry, is based on research and military plane development and construction. The farmers of America have all been related to government policies, starting with the land grants, the railroads, land grants of property. You go through the whole history of our country and there is a very interesting and exciting balance between the government and the private sector. And government has never hesitated to do those things which would stimulate national objectives and stimulate individuals and private enterprise in achieving those objectives.

Now, how does that balance stand today? Are the basic concepts set forth by the Declaration of Independence as sound today as they were 200 years ago? The Federal Government has played an extraordinarily constructive and essential role throughout our economic history. The tremendous dedication of loyal civil servants has made government work. And the need for Federal leadership and creative initiatives continues.

Nevertheless, there are growing and legitimate claims that a dominant central government in Washington is already placing impediments and nonproductive restraints upon individual activity, voluntary association and economic enterprise. And, of course, the one that concerns me most is the willingness to take risks, the willingness to be creative. And that requires a framework of laws within which the freedom -- certainly, if you are going to invest \$100 or \$100,000 and you are not sure if the rules of the game are going to be changed while you are making the investment, you are just not going to make the investment. What I worry about is this is going to have a serious effect on the creative dynamic drive of our whole American enterprise system.

There are those who see a danger that this central government and its bureaucracy -- remote from the great productive regions of industry and commerce, remote from the farms, factories, mines and markets, remote from communities and their governments -- is enacting laws and laying down

edicts that unnecessarily stifle growth and bear little relevance to the actual scene.

There are those who warn that designs set in Washington are stifling individual and corporate initiative, thereby constraining growth, productivity, and the necessary increase in job opportunities. And so we must ask ourselves: Is there a threat to human liberties today because economic freedoms are being restricted, initiative discouraged and individual creativity thwarted?

Here in our own land, we run the risk of falling into the trap of thinking that human liberties and economic freedoms can exist one without the other. They never have and they never will. Throughout the world the thrust for individual liberty has been challenged and blunted by doctrinaire assertions that economic security must be the prime object of society. It is held by some that only centrally-adopted and centrally-directed planning and programming, and implementation by an all-powerful government, can achieve economic security.

The risk here in America is not so much that we will take up the worship of the false gods of totalitarian ideologies. It is more that we may drift into Statism by government's progressively legislating such overwhelming and detailed responsibilities for the ordering of society that liberty will be surrendered in the process.

It was clear in the hearings on domestic policy that I held on behalf of President Ford around the country that there is a growing concern on the part of people in all walks of life -- that due to a great deal of well-intentioned but hastily-enacted legislation, enormous authority has already been delegated to a proliferating governmental bureaucracy under myriads of statutes, administrative rules and regulations, resulting in a maze of red tape.

To comply with this ever-changing complex of laws, rules, regulations and orders has already become an ever-growing burden. It perplexes and inhibits individuals. It stymies small business. It stifles initiative and compounds the costs of large and small enterprises alike. Even determining the proper legal mode of conduct is becoming so complex as to be unintelligible.

More and more the citizen or his lawyer or both must go to the bureaucracy for the answers, and hope that the answers are not contradictory when more than one agency or one level of government is involved. We run the danger of reaching that stage at which too many other nations have already arrived, where one must go to the offices of the particular ministries to find out what the laws are and how they are being interpreted, and to do this periodically to be sure that the interpretations are still the same.

The genius of the American system lay in the fact that government established a broad framework of policy and law within which individuals, groups and enterprises could operate with great flexibility. And that also is true for local government. It is time to reemphasize this essential concept -- to foster a climate within which enterprise, individual and voluntary group endeavors are stimulated

for the productive benefit of all Americans. This does not mean a retreat into the past, a scrapping of social progress, nor abandonment of goals of equity, fairness and progress. It means the development of a framework of law and enlightened regulation geared to today's needs and tomorrow's challenges, that will call into play the energies of the American enterprise system, the dynamism of our industry, the creativity of our labor, the ingenuity of our science and technology. It means that government regulations should not only achieve national social goals but should also promote productivity and increasing job opportunities rather than hinder them.

Toward that end, I specifically recommend that the executive and legislative branches of government, together with labor and management, science and technology, should in each area of regulation:

(a) Establish clear national objectives and criteria for regulations to achieve them;

(b) Determine the effects of regulation, both intended and unintended;

This is one of the most serious aspects, that we moved so fast in so many areas that we are not clear about the potential unintended side effects of these regulations designed to create certain specific social objectives.

(c) Change, where necessary, existing laws, rules and procedures to assure that they are promoting, not hindering, the attainment of our overall national objectives.

In the future, any proposed new laws or regulations should be made in light of our broad objectives, instead of the piecemeal, ever-changing process of the past which has hindered productivity and progress.

Twelve days ago the President sent legislation to the Congress that would make a major contribution towards achieving these ends. This legislation called "The Agenda for Government Reform Act" requires the President and the Congress to jointly consider and act on reform proposals in each of the next four years. The President would analyze the total effects of government regulation on major sectors of the economy, and the Congress would commit to act upon these proposals.

By setting forth an agenda for action, we will encourage individual Americans in all walks of life -- businessmen, workers, consumers, teachers -- to work in concert with their government to build a more rational regulatory environment. The question is not and should not be whether government should play an economic role. The question is how government should be creatively involved in protecting and promoting the freedom, well-being and opportunity of American citizens as individuals as well as protecting our environment and assuring our national security.

In the Declaration of Independence the Founding Fathers proclaimed the revolutionary truth that human liberty and economic freedoms are inseparable. They saw that

expanding economic opportunity in a boundless America would not only provide better living but would be a principal guarantee of human freedom. They saw an America that would not mandate the life style of its people but encourage them to develop their own. They saw an America that looked to dynamic economic growth for the future well-being of all.

And I say, at this Bicentennial let us rediscover this America. At this conference you can make an important contribution toward that rediscovery.

I thank you very much for letting me be with you.

QUESTION: Mr. Vice President, we have heard a great deal of talk here concerning the difference between economic and social regulation. If you could address yourself to perhaps the issue of, say, the Environmental Protection Agency, is it possible to meet the goals established by the EPA, the social goals of a clean and protected environment, while at the same time not stifling the economic ability of business and industry to grow and provide jobs?

THE VICE PRESIDENT: I think the answer is yes, if we are realistic and if we are willing to be a little flexible.

Just take one case. Everybody said Lake Erie was dying and that there was no chance of its ever coming back to life again. Don't ask me to explain what it means for a lake to die, but never mind. Well, what has happened is that by the control of sewage disposal in the lake from New York and Ohio and surrounding areas, the lake is coming back to life at a very much more rapid rate than anybody had anticipated.

One of the things -- and it is somewhat controversial, naturally -- the 1977 standards which applied -- it is the best practical elimination of pollution, that it may well be that that will go a long way to achieving the 1983 standards. As all you businessmen know, as you eliminate anything -- all these curves are the same -- the bulk of elimination is relatively inexpensive. Then as you get down to the last 20 percent, last 10 percent, the curve goes up, and the last 10 percent may cost you more than the first 90 percent to eliminate.

So we may be in a position where we can achieve social goals and not put this inordinate burden on the productivity of our country.

Now, there is a fascinating thing; I happen to live in New York, and Con Ed has built two atomic power plants and they are now in the process of trying to be able to build a third. This water goes into the Hudson River from their cooling operation. It does heat the water, and this is a very controversial issue about the fish.

So they have come up with a plan to avoid putting hot water into the Hudson because some fish, when they first put it in, are killed. Although, I have to say to you, one of the best fishing spots is where the hot water comes in from the atomic power plants. We changed one on

the lake on Lake Erie and all the fish died after we took the hot water out.

(Laughter)

So this is one of the exciting things, three sides to every coin. But they have come up with a plan to meet this problem of not putting the hot water into the Hudson. They have got a cooling tower that is 1,000 feet tall, that is 600 feet across the base, that is about 60 stories and 300 feet across the top. It puts steam up another 1,500 feet, so that is 2,500 feet sticking up in the air.

When I was governor, we set up a commission to protect the beauty of the Hudson River Valley. Well, this has got to be the most unbeautiful and monstrosity that ever happened. Now you have got a question of aesthetic pollution, but you have got another problem.

We have a variable climate in New York, and in the fall and spring you get that point where it is just at the freezing point. Now, you put tons of water up in the air in the form of vapor in a period when it is freezing -- some of you have been in ice storms -- and that comes down on the highways and freezes. We may have the most serious highway problem of accidents because of skidding on the highway. So these are the very questions you are asking about.

Now, this thing gets back to how flexible can we be in this society? And I don't blame the ecologists, and I have a tremendous admiration for them. They have made a tremendous contribution to our country, and they have had a tough battle to fight and they have won tremendous victories. But we have gotten to a point where people have got to have a little flexibility.

Their rigidity was what made it possible for them to make the gains. But if they maintain the rigidity, I think we are going to find we are going to pay a very serious price in this country and not serve the long-term best interests.

With science and technology there is no problem relating to pollution we cannot solve. We may not be able to do it yesterday or today, but it will be easier to do it tomorrow when the scientists have had a little more time. We can balance these things out. I have total confidence we can do both. And the research ought to be done together, not separately, so you don't get these clashes which result in the blocking of any progress.

QUESTION: Mr. Rockefeller, what is your opinion of Senator Muskie's so-called Sunset proposal, which would require regular review of the functions of regulatory agencies? Do you support such legislation?

THE VICE PRESIDENT: Well, I support regular review of regulatory agencies. I hope the Sunset isn't for New England.

(Laughter)

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I hadn't heard about that, and I don't know what the Sunset means. But I am for regular review of regulatory agencies.

He and I served on this commission together, and I am a great admirer of his. He and I are both Mainiacs. That means we were both born in Maine.

(Laughter)

I like the idea of regular review of regulatory agencies, but I don't understand the Sunset business.

QUESTION: I asked a question of Dr. Friedman and Mr. Nader last night on which there was an evasive answer given.

THE VICE PRESIDENT: I wouldn't have thought Mr. Nader was evasive.

QUESTION: He didn't get a chance to answer. He was monopolized by Dr. Friedman. I got a chance to read a little more on the theme of the question in last night's paper. I will read you the two paragraphs.

"Agencies find themselves pulled from one crisis to another with little time to look ahead or behind. Traditional lack of emphasis on long-term chronic dangers. Regulatory emphasis has generally been on the obvious short-term problems rather than the more invisible ones such as cancer."

This gets back to my question of last night. In anticipatory management how would you instill that, sir?

I am very, very sympathetic to what you are saying. I am a great believer in long-range planning. You can't do anything in less than five years, probably ten years. So you have got to plan.

The public likes to have things done, as I said, yesterday or today, which is impossible, and we waste a lot of money when we try to do them.

Now, John Glenn, who was an astronaut, when he was a Senator -- and he is a great believer of this -- through the Government Operations in the Senate, called a hearing on long-range planning in government, which is what you are talking about. He asked Senator Humphrey and myself to be the first witnesses, both of us being very much interested in this subject. There were a distinguished group of Senators there and a large group of public.

I went and Senator Humphrey was there for the pictures and then he got called off.

(Laughter)

So I am testifying and one Senator after another had to slip off to a committee meeting and so forth. Now we are down to John Glenn and myself and the public. Everything was going well and then one of his aides came over

and whispered in his ear. He said, "Please forgive me. There is a roll call."

So I stood up and turned around and I spoke to the audience, a very sympathetic audience. I said, "Now you understand why there is no longer any long-term planning in government. Nobody has time to sit still long enough to think." I don't mean to say "think," but "to plan."

They think while they are on the run. And this is really the problem. Everybody is running from one crisis, one roll call, one committee meeting to another. And this is really very serious. This is why the Commission on Critical Choices for Americans -- because I deeply believe the only way we can intelligently reflect on our best long-term interests is to get views from people in all walks of life, thrashed these things out. And there is nothing we can't do in this country if we set our minds to it.

I am totally in agreement with you, and that when you are talking about something ten years from now, there isn't the same danger of confrontation that you have when you are talking about something today where everybody is upset. But ten years from now we have got time to work it out, reconcile differences, find new solutions and do it on a sound basis. So I am delighted with your question and totally in agreement with you.

I will take one more over here.

QUESTION: Mr. Vice President, I believe that periodic review of agency purposes is desirable. As a practical matter, how much do you think it can accomplish in the vested interest in the agencies?

THE VICE PRESIDENT: Don't limit it to the vested interest in the people of the agencies. There are vested interests on the Hill, in staffs, in members of the Congress who sponsor programs very popular at home, and there are vested interests in every group.

Therefore, the only way this can be done, in my opinion, is to bring in all of the interested parties -- business, labor, executive branch, legislative branch -- to sit down to say, "Where do we want to be in this industry? What are our objectives?"

Now, we have grown up under what many people feel is a free market system and that the government hasn't had anything to do with it. Well, of course, they are really wrong, because government does have a lot to do with these things. But we don't think of it that way.

Therefore, the first thing we have got to do is recognize government has a legitimate role and that that role should be creative and stimulative in terms of incentives and penalties as well as regulatory in terms of protecting people's interests and this balance we have found.

Now, I think it is time we did this more consciously, because life has gotten much more complicated. We are totally interdependent on the rest of the world -- not totally, but extremely interdependent -- and change

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is moving very rapidly. I think you cannot have just an agency of government reexamine its own program because -- you are absolutely right -- they have got a vested interest. Now can you take a regulatory agency, which is like a hothouse, plant, and take it out of the greenhouse and put it in the snow and expect it to live. This has got to be something done with intelligence.

I think this is a very exciting challenge to our country and that it would be very stimulating and very worthwhile for all of us to consciously think together as to what we want to accomplish, how we can do it, how we can maximize our extraordinary resources, talents, abilities, both human and natural, in this country and restore our strength at home and our leadership and ability to meet our responsibilities in the world.

I thank you very much.

END (AT 10:12 A.M. EST)

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