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THE WHITE HOUSE

TEXT OF REMARKS BY THE PRESIDENT
TO BE DELIVERED TO THE
WHITE HOUSE CONFERENCE
ON DOMESTIC AND ECONOMIC AFFAIRS

THE HIGHWAY HOTEL

It is a great pleasure to be here in New Hampshire again - a State of infinite riches. A State that has more than its share of scenic beauty. A State that has more than its share of Yankee know-how. A state that has more than its share of American history. And a State that has less than its share of United States Senators.

I am pleased to join this White House Conference on Domestic and Economic Affairs. I have found meetings of this kind a two-way street: They help us in Washington keep in touch with your views and give us the opportunity to tell you about our programs.

These sessions, attended by a cross-section of Americans, focus on our major concerns. Every Administration faces an agenda of pressing issues, calling for immediate action. In 1975, these issues are America's role in the world, the reestablishment of our economic health and creation of a new and long-range policy on energy.

Certainly, these problems require our best thinking and most decisive action. But America has other problems that also deserve attention. One of these is the need to reconsider the relationship between Government and business. Federal regulations have entangled far too many aspects of our economic system. The area of Government regulations has been neglected too long.

We must reassess the archaic and rigid regulations which hamper the U. S. Economy and directly affect the American consumer. In far too many cases, Government regulation has become counter-productive and remote from the needs and interests of businesses and consumers alike.

What affects business, ultimately affects consumers. And meaningful reform of our present regulatory system must be a part of the current effort to respond to the consumer.

Today, more than 100,000 people are employed by the Federal Government alone to write, review or enforce some type of regulation. Just to list all of the rules and regulations established last year required 45,000 pages of the very small print in the Federal Register.

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This bureaucracy is expensive to maintain and even more costly in its impact. But the administrative costs are not nearly as significant as the price tags for the inefficiency too often produced by regulation. The time has come for serious reevaluation of the regulatory system. And reform must be based on less dependence on Government and more reliance on the citizen as producer and consumer. This Administration has several initiatives underway and more are planned to move the Government toward deregulation.

Last fall, we sent the Congress legislation to create a bi-partisan National Commission on Regulatory Reform. The proposal specified a one-year life span and a mandate for action. To date, there has been no Congressional action. But the obvious need for reform convinces me that Congress must respond. During the past few months, we have studied the problem of excessive Government regulations and how they stifle productivity, eliminate competition, increase consumer costs and contribute to inflation. And we have concluded that there is action that can and must be taken to alleviate these problems.

Shortly after I assumed office, this Administration began requiring Inflation Impact Statements to measure what Government rules and regulations cost. These statements were the first such attempt to see how Government actions contribute to inflation. What we are finding out is not just the administrative costs of these actions, but also the costs to consumers. The responsibility of Government in contributing to inflation is of great concern to this Administration. This prompted our call for a reduction in the force of 40,000 Federal employees and a ten per cent reduction in White House personnel. Belt-tightening for this Administration begins at home.

The downturn in the rate of inflation is very encouraging. When I took office the rate of inflation was climbing at an annual rate of 12.2 percent, that rate has slowed to 7.4 percent. This rate, of course, is still too high, and we will maintain our efforts against inflation. I am determined to veto legislation that is too expensive in terms of the budget deficit and legislation that will cost business and consumers too much. Regulations sprang up in response to certain economic conditions and have been perpetuated by too little attention to their effectiveness. An out-dated view of business as the oppressor, which must be controlled by the Government, has also contributed to the failure to tackle reform. The relationship between Government and business is a relationship between Government and the consumer, and this must be the spirit behind reevaluation and reform.

The producers and the customers in our system are not enemies -- but partners. Cooperation is needed to help promote reform of the regulatory system. Producers, who strive to achieve a reputation for fair dealing, are very aware that goodwill with the public is the most valuable asset a company can have. Business and consumers must unite for the common good to help unsnarl the restrictions that encumber our economy. One unfortunate by-product of regulation is the stifling of competition. Reduced competition hurts the customer first and ultimately the entire free enterprise system. Competition is the key to productivity and innovation. Even those businesses that enjoy a protected status under regulation are adversely affected.

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Although it is difficult to come up with an exact price tag on the cost of unnecessary and ineffective government regulation -- some estimates place the combined cost to consumers of government regulation and restrictive practices in the private sector at more than the Federal Government collects in personal income taxes each year -- or something on the order of \$2,000 per family. Even if the real costs are only a fraction of this amount -- this is an intolerable burden on our pocketbooks.

Transportation is an example of an industry where consumers are at the mercy of outdated regulation. As a result, the industry has been hampered and harmed.

The Interstate Commerce Commission, created in 1887 to protect the public from the monopoly of the railroads, produced massive constriction of rail transportation.

The defects of airline regulations by the Civil Aeronautics Board can be seen in California and Texas where CAB-regulated carriers compete with intrastate carriers, which are not regulated by the CAB. Fares of the non-regulated intrastate carriers are as much as 40 percent lower than those controlled by the CAB.

To deal with inefficient and inequitable regulation in the transportation industry. I will send to the Congress a comprehensive program of regulatory reform which will promote competition by allowing greater price flexibility, greater freedom of entry, and by reducing the power of Government agencies to grant antitrust immunity.

These proposals are designed to allow railroads, airlines and trucking firms to lower their rates. Increased competition will also result in more efficient use of energy and savings to the consumer.

Stimulation of competition is also the goal of another legislative item, the Financial Institutions Act, which I have already sent to the Congress. It proposes the removal of outdated constraints on services and rates which banks and savings institutions offer to consumers.

As most of you know, present regulations now allow the large depositor to get higher interest rates more easily than the small depositor. Banks should be allowed to compete for the small investor's dollar -- and this legislation would facilitate that.

If approved by the Congress, this Act would open up new sources of deposits and increase the lending power of financial institutions. The increased financial flexibility will obviously provide an economic boost and give the average consumer a better opportunity to earn a good interest from savings.

Marketplace competition would be improved by increasing consumer information. The better informed the purchaser, the more competitive producers must become. All of the initiatives toward deregulation should be accompanied by enforcement of antitrust laws. Vigorous antitrust action must be part of the effort to promote competition.

A number of industries were made exempt from these controls others were not. Like many Government interventions in the market system, the exemptions enacted in response to various economic difficulties, real or imagined, with little or no thought on the long-run effect. The time has come to reconsider these exemptions and to discontinue those not justified.

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Reevaluation of another counterproductive pattern, so-called "Fair Trade" laws is underway in State Legislatures. And New Hampshire is one of the states where these outdated laws have been repealed. These State laws are sanctioned by Federal statutes, and they permit manufacturers to dictate the prices at which retailers must sell their goods.

Those of you who live in Maine and Massachusetts understand well what these laws cost you as consumers. "Fair Trade" laws cost Americans an estimated \$2 billion in higher prices each year. The State legislative repeals are encouraging. But the Congress should act to remove the Federal laws that allow States to honor these practices. Senator Edward Brooke of Massachusetts has proposed such legislation, which should be passed.

In the coming weeks, the Administration will propose legislation to permit legitimate discount pricing. To the maximum extent of law, manufacturers should be allowed to pass on to retailers the cost benefits of producing and shipping large orders for chain stores and other volume buyers. Like "Fair Trade" laws, restrictions on discounts act to keep consumer prices higher than necessary.

These are only some of the areas where the Administration has focused on potential action to promote more competition in the marketplace, which benefits business and consumers. Other actions will be taken and more legislation proposed.

I urge reform of State and local regulations. The need to clear the cobwebs from our Government regulations applies to all forms of Government controls. Reforms of our present regulatory structure depend upon a revision in our attitudes. New perceptions are already here, many of them triggered by consumer advocates. Some arise from our current economic problems. In unraveling nearly a century of regulations, we must ensure that the public interest prevails. Nothing resists change more stubbornly than a comfortably entrenched bureaucracy, intent upon self-preservation.

But the history of this Nation, indeed its founding which we are about to celebrate, is a continuing chronicle of change. America has the unique ability to reform itself. It is our great strength. The need to reform the relationship between Government and business is not as dramatic as some of the reforms we have made in the past. But it is vital to our economic recovery and stability.

Change is the lifeblood of democracy, and the willingness of America to confront change insures the continuity of our institutions. I am confident that America will respond to the challenge for growth.

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