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REMARKS BY EDWARD C. SCHMULTS
DEPUTY COUNSEL TO THE PRESIDENT
TO THE
NATIONAL CAR RENTAL SYSTEM INC.
APRIL 7, 1976
LAS VEGAS, NEVADA

*Read over
to
use for
help in answering
questions.*

I AM DELIGHTED TO BE HERE TO DISCUSS THE ROLE OF
GOVERNMENT IN REGULATING BUSINESS PRACTICES. I WOULD LIKE
TO OUTLINE FOR YOU THE BROADER CONTEXT OF THE REFORM EFFORT
AS THE ADMINISTRATION SEES IT.

REGULATORY REFORM: THE BACKGROUND

THE REGULATORY REFORM PROGRAM GREW OUT OF AN
INCREASING RECOGNITION THAT CONVENTIONAL MONETARY AND
FISCAL POLICIES WERE INADEQUATE BY THEMSELVES TO DEAL WITH
OUR NATION'S ECONOMIC ILLS. AS WE LOOKED A DECADE AHEAD WE
NEEDED TO FIND MORE FUNDAMENTAL SOLUTIONS TO THE "STAGFLATION"
PROBLEM.

THE CENTRAL ISSUE FACING US DURING THE NEXT TEN
YEARS IS THE SAME ONE WE HAVE GRAPPLED WITH FOR THE LAST TEN
YEARS -- STOPPING INFLATION WHILE PROVIDING JOBS FOR A GROWING
LABOR FORCE. HOWEVER, THIS TIME THE SOLUTION WILL BE TOUGHER.



Nota

-2-

FOR EXAMPLE, SOME 19 MILLION JOBS MUST BE CREATED IN THE COMING DECADE COMPARED WITH 13 MILLION JOBS DURING THE LAST DECADE. BY SOME ESTIMATES, CAPITAL NEEDS COULD REACH A STAGGERING \$4 1/2 TRILLION DURING THE NEXT TEN YEARS -- THREE TIMES THE TOTAL SPENT OVER THE PAST DECADE. THESE CAPITAL FORMATION NEEDS ARE NOT LIMITED TO THE PROVISION OF JOBS BUT ALSO TO MEET OTHER PUBLIC OBJECTIVES -- NEW ENERGY RESOURCES, A CLEANER ENVIRONMENT, SAFER WORKING CONDITIONS.

PROVIDING JOBS AND MEETING THESE CAPITAL NEEDS WILL REQUIRE FUNDAMENTAL CHANGES IN OUR ECONOMIC POLICIES. WE NEED TO DEVELOP POLICIES DESIGNED TO PROMOTE COMPETITION AND INCREASE PRODUCTIVITY THAT WILL COMPLEMENT SOUND MONETARY AND FISCAL POLICIES. THE PRESIDENT BELIEVES THAT ONE ESSENTIAL ELEMENT NEEDED TO ACHIEVE THESE POLICIES IS A COMPREHENSIVE PROGRAM OF REFORM OF REGULATION.

THE IMPACT OF GOVERNMENT REGULATION WAS A MAJOR CONCERN AT THE SUMMIT CONFERENCE WHICH WAS CONVENED BY PRESIDENT FORD AT THE BEGINNING OF HIS ADMINISTRATION. ECONOMISTS AT THE SUMMIT WERE NEARLY UNANIMOUS IN THEIR BELIEF THAT GOVERNMENT REGULATION IMPOSES A HIDDEN, BUT LARGE AND SOMETIMES UNNECESSARY COST ON THE ECONOMY. THEY URGED PRESIDENT FORD TO MAKE A COMPREHENSIVE PROGRAM OF REGULATORY REFORM A TOP PRIORITY OF HIS ADMINISTRATION.

THAT REFORM PROGRAM IS NOW IN ITS SECOND YEAR. IT HAS SPARKED A NATIONAL DEBATE ON GOVERNMENT REGULATION AND THE BROADER ISSUE OF THE ROLE OF GOVERNMENT IN THE ECONOMY WHICH, THOUGH NOT NEW, IS CERTAINLY MORE INTENSE THAN DURING ANY PERIOD SINCE THE 1930'S.

THE NEED FOR REFORM HAS BEEN RECOGNIZED BY EVERY PRESIDENT SINCE HARRY TRUMAN. HOWEVER, LITTLE PROGRESS HAS OCCURRED. IN FACT, NEW REGULATORY RESPONSIBILITIES HAVE BEEN ADDED BECAUSE REGULATION TRADITIONALLY HAS BEEN VIEWED AS A SIMPLE WAY TO ADDRESS SOCIAL PROBLEMS.

IN THE PAST YEAR, GOVERNMENT INTERVENTION IN THE MARKET PLACE HAS BECOME A SUBJECT OF HEIGHTENED PUBLIC INTEREST AND CONCERN. IN PART, ECONOMIC CONDITIONS HAVE HIGHLIGHTED THE NEED FOR A CRITICAL EXAMINATION OF GOVERNMENT POLICIES AND REGULATIONS IN ORDER TO DETERMINE THEIR EFFECT ON COMPETITION AND ON BUSINESS COSTS, ON JOB AND EMPLOYMENT OPPORTUNITIES, AND ON CONSUMER PRICES. OTHER NATIONAL ISSUES SUCH AS THE ENERGY CRISIS HAVE CALLED REGULATORY PRACTICES INTO QUESTION. REGULATORY REFORM, WHICH HAS LARGELY BECOME SYNONYMOUS WITH BIG GOVERNMENT REFORM, HAS BECOME A POPULAR SUBJECT THAT HAS RECEIVED MORE AND MORE PUBLIC ATTENTION.

PEOPLE HAVE LONG RECOGNIZED THAT THE MARKET SYSTEM ALONE CANNOT ALWAYS BE RELIED UPON TO WEIGH ECONOMIC COSTS AGAINST PUBLIC BENEFITS BUT THEY ARE ALSO BECOMING INCREASINGLY SKEPTICAL THAT THE PRESENT GOVERNMENT INTERVENTIONS ARE IN FACT SERVING THEIR INTENDED PURPOSES, AND THEY ARE STARTING TO QUESTION WHETHER SOME OF THOSE PURPOSES REMAIN VALID IN AN ECONOMY SUBSTANTIALLY DIFFERENT FROM THE ONE IN WHICH THEY WERE FIRST CREATED.

THE PROBLEM

WE HAVE BEEN LOOKING AT THE PROBLEMS CAUSED BY TWO BASIC REGULATORY APPROACHES. IN THE FIRST, CONGRESS HAS GIVEN CERTAIN AGENCIES THE POWER TO ESTABLISH DETAILED CONTROLS OVER PRICES AND THE STRUCTURE OF PARTICULAR INDUSTRIES, SOME OF WHICH ARE POTENTIALLY VERY COMPETITIVE. INTERSTATE COMMERCE COMMISSION REGULATION OF TRUCKING RATES AND ROUTE STRUCTURES IS AN EXAMPLE OF THIS APPROACH. THE SECOND CATEGORY CONSISTS OF AGENCIES WHICH HAVE BEEN GIVEN BROAD LEGAL AUTHORITIES DESIGNED TO ACHIEVE A PARTICULAR SOCIAL GOAL (CLEAN AIR, FOR EXAMPLE) THROUGH DETAILED STANDARDS AND POLICING AUTHORITY OVER MANY INDUSTRIES. THE ENVIRONMENTAL PROTECTION AGENCY IS SUCH AN AGENCY.

THE ADMINISTRATION HAS BEGUN ASKING CRITICAL QUESTIONS ABOUT BOTH APPROACHES. MUST COMPETITION BE SUPPRESSED TO THE EXTENT THAT IT HAS IN MANY INDUSTRIES IN THE NAME OF PROTECTING "RELIABLE" SERVICE TO THE ECONOMY? MUST WE RELY ONLY ON LEGAL COMPULSION AND DETAILED COMPLIANCE STANDARDS TO ACHIEVE IMPORTANT SOCIAL GOALS? HOW CAN WE INSURE THAT RELATIVELY NEW GOVERNMENT PROGRAMS DO NOT QUICKLY DEVELOP MANY OF THE SAME SYMPTOMS OF INEFFICIENCY THAT ARE APPARENT IN OLDER BUREAUCRACIES?

ADMINISTRATION ATTEMPTS AT REFORM

WE HAVE LEARNED THAT THE ISSUES INVOLVED IN GOVERNMENT REFORM ARE HIGHLY COMPLEX AND TOO OFTEN VIEWED BY THE PUBLIC AS DISTANT FROM THEIR EVERYDAY CONCERNS. IT IS EXTREMELY DIFFICULT TO SIMPLIFY THE PROBLEMS OR MAKE THEM APPEAR CRITICAL AND URGENT IN ORDER TO ATTAIN BROAD PUBLIC UNDERSTANDING.

FOR EXAMPLE, THE FEDERAL REGISTER IS THE GOVERNMENT'S DAILY MAGAZINE. THIS FASCINATING DOCUMENT PRINTS ALL THE GOVERNMENT'S PROPOSED NEW REGULATIONS. IT IS READ WITH ENTHUSIASM BY LAWYERS LOOKING FOR FEES AND WITH DISTRESS BY SMALL BUSINESSES TRYING TO SURVIVE. LAST YEAR IT WAS 43,000 TRIPLE COLUMNED PAGES OF LEGAL JARGON. HOW CAN WE MAKE SUCH COMPLEX ISSUES INTELLIGIBLE TO THE AVERAGE AMERICAN? HOW CAN WE EXPECT THE BUSINESS COMMUNITY

TO DO ANYTHING MORE THAN TRY TO PRESERVE ITS SANITY?
ALSO THE INDEPENDENT AGENCIES HAVE DEVELOPED A NEW LANGUAGE
INCOMPREHENSIBLE TO THE AVERAGE AMERICAN WHO IS ONLY
TRAINED IN ENGLISH AND PERHAPS A FEW OTHER WESTERN EUROPEAN
LANGUAGES. WHAT DO WORDS LIKE "RATE BASED RATE OF RETURN",
OR "CERTIFICATE OF NECESSITY" MEAN? OR HOW ABOUT OSHA'S
EFFORT TO DESCRIBE A BUILDING EXIT IN ORDER TO REGULATE IT --
"EXIT IS THAT PORTION OF A MEANS OF EGRESS WHICH IS SEPARATED
FROM ALL OTHER SPACES OF THE BUILDING OR STRUCTURE BY
CONSTRUCTION OR EQUIPMENT AS REQUIRED IN THIS SUBPART TO
PROVIDE A PROTECTED WAY OF TRAVEL TO THE EXIT DISCHARGE."
WHAT DID THAT SAY?

DESPITE THIS ARCHAIC AND ESOTERIC REGULATORY MAZE,
THE PRESIDENT DURING THE PAST YEAR HAS PUSHED FORWARD ON
REEXAMINING AND REDUCING GOVERNMENT REGULATION, BECAUSE
RELATIVELY MORE WORK HAD ALREADY BEEN DONE TO DOCUMENT THE
FAILURES OF ECONOMIC CONTROLS IN HIGHLY REGULATED INDUSTRIES
(BANKING, TRANSPORTATION, ETC.). INITIAL LEGISLATIVE
EFFORTS HAVE CONCENTRATED ON NECESSARY CHANGES IN ECONOMIC
REGULATION -- MORE SPECIFICALLY ON THE SECURITIES MARKETS,
THE FAIR TRADE LAWS, AND TRANSPORTATION.

IN THE FIRST INSTANCE, COMMISSION RATES CHARGED BY
STOCKBROKERS WERE SIMPLY GOVERNMENT-SANCTIONED PRICE FIXING

THAT HAD GONE ON FOR ALMOST TWO HUNDRED YEARS. THE SECURITIES ACTS AMENDMENTS OF 1975 SIGNED BY PRESIDENT FORD LAST JUNE ABOLISHED THIS ANTI-COMPETITIVE MEASURE. THE ACT PLACED STOCKBROKERS' FEES ON A COMPETITIVE BASIS AND INSURED THAT COMPETITION WAS ALSO A PRIME CONSIDERATION IN ESTABLISHING OR ABOLISHING RULES FOR OUR SECURITIES MARKETS. THE SECURITIES INDUSTRY WAS AN EXAMPLE OF WHERE COMPETITIVE FORCES WERE UNNECESSARILY RESTRICTED BY GOVERNMENT REGULATIONS. TODAY, INVESTORS CAN "SHOP AROUND" FOR THE BEST DEAL ON A COMMISSION CHARGED ON A STOCK PURCHASE.

JUST LAST MONTH ANOTHER REFORM MEASURE TOOK EFFECT. IN DECEMBER, THE PRESIDENT SIGNED THE REPEAL OF THE FAIR TRADE LAWS WHICH BECAME EFFECTIVE ON MARCH 12. FAIR TRADE LAWS WHICH HAD BEEN ESTABLISHED BY MOST STATES WERE FOUND TO BE IMPOSING A HIDDEN TAX ON CONSUMERS AND PROHIBITING BUSINESSMEN FROM CHARGING COMPETITIVE PRICES ON ALL OF THEIR BRAND NAME MERCHANDISE. THESE LAWS WERE COSTING CONSUMERS BILLIONS OF DOLLARS EVERY YEAR IN ARTIFICIALLY HIGH PRICES. NOW CONSUMERS AND BUSINESSMEN IN ALL STATES CAN TAKE ADVANTAGE OF THIS INCREASED OPPORTUNITY FOR PRICE COMPETITION.



THE THIRD BILL WHICH WAS RECENTLY SIGNED BY THE PRESIDENT IS A GOOD EXAMPLE OF HOW HIGHLY COMPLEX GOVERNMENT REGULATIONS OFTEN IMPOSE HIDDEN COSTS ON THE ECONOMY. THE RAILROAD REVITALIZATION AND REGULATORY REFORM ACT WAS SIGNED ON FEBRUARY 5, 1976. THIS ACT PROVIDES FOR LONG OVERDUE REFORM OF THE OBSOLETE AND INEFFICIENT REGULATIONS GOVERNING OUR RAILROADS. I MIGHT ADD THAT THIS LEGISLATION ALSO INCLUDED OVER \$6 BILLION OF FINANCIAL ASSISTANCE TO REVIVE THE RAILROADS WHOSE ILLNESS WAS PARTLY THE RESULT OF GOVERNMENT REGULATION.

WHILE THE RAIL BILL HAS BEEN SIGNED AND THE PROSPECT FOR REFORM IN THE REGULATION OF OUR NATION'S RAILROADS IS ENCOURAGING, WE HAVE TWO MORE VITAL PIECES OF TRANSPORTATION LEGISLATION THAT ARE AWAITING CONGRESSIONAL ACTION. THE AVIATION ACT AND THE MOTOR CARRIER REFORM ACT HAVE BOTH BEEN SUBMITTED TO CONGRESS.

THE AMERICAN PEOPLE ARE CONCERNED WITH THE PRICE OF AIR TRAVEL IN THIS COUNTRY. FOR EXAMPLE, WHY SHOULD IT COST NEARLY TWICE AS MUCH TO FLY ON A CAB-REGULATED AIRLINE AS IT DOES TO FLY ON A STATE-REGULATED AIRLINE? WHY DID IT TAKE SO LONG FOR CHARTER FLIGHTS TO BE AVAILABLE TO INDIVIDUAL CITIZENS? WHY ARE SOME AIRLINES HAVING FINANCIAL PROBLEMS? IN PART, THESE PROBLEMS ARE THE RESULT OF OUTDATED AND INEFFICIENT REGULATIONS. IT IS TIME FOR A NEW APPROACH TO ENSURING A RELIABLE AIR TRANSPORT SYSTEM. WE ARE VERY

PLEASED TO SEE THAT THERE IS BIPARTISAN RECOGNITION OF THE PROBLEM. THE SENATE HAS BEGUN HEARINGS ON THIS LEGISLATION THIS WEEK AND WE LOOK FORWARD TO ACTION ON THE PRESIDENT'S PROPOSAL. THE MOTOR CARRIER REFORM ACT ADDRESSES SIMILAR CONCERNS IN THE TRUCKING INDUSTRY.

ALL OF THESE REGULATIONS ADD ANOTHER ELEMENT TO THE COST OF DOING BUSINESS -- COSTS WHICH ARE NOT SUBJECT TO THE SAME PUBLIC SCRUTINY THAT WE GIVE OUR FEDERAL GOVERNMENT BUDGET. NEVERTHELESS, THEY ADD TO THE COST OF ALMOST EVERY COMMERCIAL ITEM PURCHASED IN THIS COUNTRY. HOWEVER, THESE REGULATORY COSTS HAVE BEEN VIEWED AS INEXPENSIVE AND POLITICALLY EXPEDIENT. BUT THEY ARE NOT INEXPENSIVE. THE FEDERAL GOVERNMENT HAS BEEN MYOPIC. IF A NEW REGULATION DOESN'T INCREASE THE FEDERAL BUDGET TOTALS, IT IS A FREE LUNCH. MILTON FRIEDMAN HAS BEEN TEACHING STUDENTS FOR DECADES THAT THERE ARE NO "FREE LUNCHES". REGULATORY REQUIREMENTS GET PAID FOR JUST AS CERTAINLY AS THE COST REFLECTED IN YOUR 1040 EVERY YEAR. THESE COSTS ARE PAID FOR BY AMERICAN BUSINESS. ALTHOUGH THE CONGRESS NOW HAS BUDGET AND APPROPRIATION COMMITTEES AND A NEW BUDGET OFFICE, THERE IS NO MECHANISM AT PRESENT TO PUT A CEILING ON THE INDIRECT COSTS THAT GOVERNMENT REQUIRES THAT YOU PAY. THE PRESIDENT'S REGULATORY REFORM PROGRAM WILL BE TRYING TO ADD SUCH A DISCIPLINE TO THE GOVERNMENT'S ENTHUSIASM TO PASS COSTS INDIRECTLY TO BUSINESSES AND CONSUMERS AND AVOID THE BUDGET PROCESS. RECENTLY THE

PRESIDENT'S COUNCIL ON WAGE AND PRICE STABILITY UNDERTOOK A STUDY OF THE TOTAL CUMULATIVE COST OF REGULATIONS ON THE STEEL INDUSTRY AS A FIRST STEP TOWARDS UNDERSTANDING THESE INDIRECT COSTS AND THEIR EFFECTS. SEVERAL CORPORATIONS HAVE UNDERTAKEN SIMILAR EFFORTS IN ORDER TO IMPROVE THE DATA UPON WHICH WASHINGTON MAKES DECISIONS.

HOWEVER, WE DO KNOW THAT THESE COSTS ARE NOT INSIGNIFICANT. ACCORDING TO FOOD RETAILERS, ICC REGULATIONS REQUIRE SOME TRUCKS TO RETURN HOME EMPTY FROM DELIVERIES AND THEY COST AN ESTIMATED \$250 MILLION A YEAR IN FREIGHT CHARGES IN THEIR INDUSTRY ALONE. NATURALLY, THESE COSTS ARE EVENTUALLY PASSED ON TO THE CONSUMER. ICC REGULATIONS HAVE A MORE INDIRECT, BUT JUST AS COSTLY, EFFECT WHEN THEY DELAY BUSINESS DECISIONS, SUCH AS IN THE ROCK ISLAND MERGER CASE THAT STILL ISN'T SETTLED AFTER 13 YEARS. SIMILARLY, REGULATIONS SOMETIMES PROHIBIT COST SAVING INNOVATIONS. FOR EXAMPLE, IN THE BIG JOHN CASE, A RAILROAD WANTED TO USE A MORE EFFICIENT RAILROAD CAR FOR HAULING GRAIN AND CUT ITS PRICES BY 60 PERCENT. IT WAS PREVENTED FROM DOING SO BY THE VERY REGULATORY AGENCY THAT IS CHARGED WITH PROTECTING THE PUBLIC INTEREST IN THE FIELD OF TRANSPORTATION. IS STIFLING INNOVATION AND PROHIBITING LOWER PRICES PROTECTING THE PUBLIC INTEREST? THE ADMINISTRATION DOESN'T THINK SO.

CONSUMERS ARE BECOMING INCREASINGLY AWARE OF THESE HIDDEN COSTS AND THEY ARE ASKING THE PRESIDENT AND CONGRESS TO TAKE A HARD LOOK AT A NUMBER OF DIFFERENT REGULATIONS AFFECTING MANY AREAS OF THE ECONOMY. IN ALL OF THESE AREAS, WE ARE ATTEMPTING TO DESIGN GOVERNMENT POLICIES WHICH SUPPLEMENT COMPETITION, RATHER THAN SUPPLANT IT. THE ADMINISTRATION DOES NOT VIEW REGULATION AND COMPETITION AS INCOMPATIBLE -- WE ARE LOOKING FOR A BLEND OF CONSTRUCTIVE COMPETITION AND RESPONSIBLE REGULATION.

IN ADDITION TO LEGISLATIVE CHANGE, THE REGULATORY REFORM EFFORT HAS ALSO BEEN CONCERNED WITH THE NEED FOR ADMINISTRATIVE AND PROCEDURAL IMPROVEMENTS. LET ME JUST MENTION TWO ADMINISTRATIVE ACTIONS THAT THE PRESIDENT HAS TAKEN IN CONJUNCTION WITH THESE REFORM INITIATIVES. FOR MORE THAN A YEAR NOW, THE PRESIDENT HAS REQUIRED EXECUTIVE BRANCH AGENCIES TO CONDUCT INFLATION IMPACT ANALYSIS OF THEIR MAJOR LEGISLATIVE AND REGULATORY PROPOSALS. WE HOPE THAT THIS WILL PROVIDE US WITH THE OUNCE OF PREVENTION SO THAT THE POUND OF CURE IS NOT NECESSARY IN THE FUTURE. IN ADDITION, PRESIDENT FORD HAS ALSO INSTRUCTED EXECUTIVE BRANCH AGENCIES TO REDUCE THE NUMBER OF FEDERAL FORMS BY 10 PERCENT BY JULY 1976. AS MANY OF YOU KNOW, IN CARRYING

OUT GOVERNMENT REGULATIONS AND PROGRAMS, THE FEDERAL GOVERNMENT IS DEMANDING AN EXTRAORDINARY AMOUNT OF TIME AND EFFORT BY INDIVIDUALS AND BUSINESSES TO FILL OUT FORMS. ACCORDING TO THE FEDERAL PAPERWORK COMMISSION, EACH YEAR THE PUBLIC SPENDS \$40 BILLION ON PAPERWORK. SMALL BUSINESSES ALONE PAY APPROXIMATELY \$18 BILLION. SUCH A COST CANNOT BE PASSED OFF AS "INCIDENTAL". NEW GUIDELINES HAVE BEEN PUBLISHED TO REDUCE THIS BURDEN AND THE PRESIDENT INTENDS TO MONITOR THE PROGRESS TOWARD HIS GOAL VERY CAREFULLY.

THE OTHER MAJOR AREA OF GOVERNMENT REGULATION IS HEALTH AND SAFETY. IN ADDITION TO THE LARGE BODY OF ECONOMIC REGULATION WHICH HAS BEEN ESTABLISHED OVER THE YEARS, GOVERNMENT HAS ALSO BUILT A SYSTEM OF HEALTH AND SAFETY REGULATION WHICH REQUIRES THOUSANDS OF PAGES OF MANDATORY STANDARDS AND DETAILED SPECIFICATIONS. WE FEEL THAT INSUFFICIENT ATTENTION HAS BEEN GIVEN TO THE COSTS SUCH REGULATION IMPOSES ON THE ECONOMY. IT IS POSSIBLE THAT NEW AND BETTER ALTERNATIVES ARE AVAILABLE TO MEET THESE IMPORTANT SOCIAL GOALS. WE ARE EXPLORING THE POSSIBILITIES OF ACHIEVING THESE GOALS AS EFFICIENTLY AND FAIRLY AS POSSIBLE.

THE ADMINISTRATION IS SEEKING WAYS TO EXPAND THE SCOPE OF THE PRESENT EFFORT IN ORDER TO ADDRESS BOTH SAFETY

AND HEALTH REGULATION AND THE BROADER ISSUE OF GOVERNMENT'S ROLE IN THE ECONOMY. IN ORDER TO PROVIDE AN UNDERSTANDABLE RATIONALE FOR GOVERNMENT ACTION (AND A MEANS TO JUDGE WHAT REFORMS ARE MOST NEEDED), THE ADMINISTRATION IS FOLLOWING THESE LONG TERM GOALS. THEY ARE:

- MAKING SURE THAT GOVERNMENT POLICIES DO NOT INFRINGE ON INDIVIDUAL CHOICE AND INITIATIVE;
- REDUCING GOVERNMENT INTERVENTION IN THE MARKET PLACE;
- FINDING BETTER WAYS TO ASSURE THAT SCARCE ECONOMIC RESOURCES ARE USED MOST EFFICIENTLY SO THAT WE FULFILL OUR DESIRABLE SOCIAL GOALS AT MINIMUM COSTS;
- IMPROVING OUR ABILITY TO ENSURE THAT PUBLIC EXPENDITURES BENEFIT THE PUBLIC AS A WHOLE AND THAT GOVERNMENT POLICIES ARE EQUITABLY ENFORCED;
- MAKING SURE THAT THE PUBLIC INTEREST RATHER THAN SPECIAL INTERESTS BENEFIT FROM GOVERNMENT PROGRAMS.

HOWEVER, MERELY IDENTIFYING ABSTRACT GOALS IS ONLY A BEGINNING. AN INTELLIGIBLE FRAMEWORK IS NEEDED TO CONTINUE FACT GATHERING AND ANALYSIS TO HELP IMPROVE OUR UNDERSTANDING AND OUR ABILITY TO ENLIST PUBLIC SUPPORT.

THE CURRENT ENVIRONMENT

THE ADMINISTRATION IS NOT ALONE IN RECOGNIZING THAT GOVERNMENT INTERFERENCE IN THE ECONOMY HAS TOO MANY FACETS AND AFFECTS TOO MANY PEOPLE TO PERMIT A PIECEMEAL APPROACH TO THESE PROBLEMS. A NUMBER OF CONCERNED CONGRESSMEN AND SENATORS, FOR EXAMPLE, HAVE RECENTLY INTRODUCED LEGISLATION WHICH, IF ENACTED, WOULD REQUIRE MAJOR CHANGES IN THE CONVENTIONAL PRACTICES OF FEDERAL REGULATORS.

- SOME BILLS WOULD GIVE CONGRESS THE AUTHORITY TO VETO PROPOSED REGULATIONS. OTHER BILLS CALL FOR THE IMMEDIATE OR PHASED ABOLITION OF SELECTED AGENCIES.
- MORE COMPREHENSIVE BILLS PROPOSE THAT ALL AGENCIES BE SUBJECT TO A ZERO-BASE AUTHORIZATION REVIEW IN CONGRESS ON A PERIODIC SCHEDULE.
- STILL OTHER BILLS WOULD CREATE NEW OFFICES WITHIN CONGRESS TO REVIEW SPECIFIC AGENCIES



AND/OR REGULATIONS, TO MANDATE NEW GUIDELINES FOR REGULATORY PERSONNEL, OR TO REQUIRE AGENCIES TO ACT WITHIN CERTAIN DEADLINES IN ORDER TO AVOID THE PROBLEMS OF DELAY WHICH CHARACTERIZE SO MUCH OF THE FEDERAL GOVERNMENT'S ACTIVITIES.

-- AND LASTLY, OTHER LEGISLATION SEEKS TO MAKE THE PRESIDENT RESPONSIBLE FOR PROPOSING A SERIES OF ANNUAL PLANS DESIGNED TO AMEND THE AUTHORITIES OF A NUMBER OF AGENCIES RESPONSIBLE FOR CONTROLLING CERTAIN INDUSTRIES (E.G., TRANSPORTATION) OR ACHIEVING CERTAIN GOALS (E.G., EQUAL EMPLOYMENT OPPORTUNITY).

ALL OF THESE BILLS SUGGEST THAT THE CONGRESSIONAL MOOD MAY BE SLOWLY SHIFTING. MORE ATTENTION SEEMS TO BE FOCUSING ON THE FACT THAT NUMEROUS GOVERNMENT REGULATIONS, AS WELL AS SUBSIDIES AND TAX OR CREDIT PREFERENCES, HAVE A COMPOUND EFFECT ON THE HEALTH AND PRODUCTIVITY OF THE NATION'S ECONOMY. IN THE COMING MONTHS, WE IN THE ADMINISTRATION WHO ARE CONCERNED WITH THESE ISSUES WILL BE WORKING TO GAIN A CLEARER AND MORE COMPLETE PICTURE OF THE TOTAL IMPACT THAT GOVERNMENT ACTIONS HAVE ON THE ECONOMY. A START IN THIS AREA IS CWPS' REVIEW OF THE CUMULATIVE EFFECT OF GOVERNMENT REGULATIONS IN THE STEEL INDUSTRY. NSF IS BEGINNING SIMILAR STUDIES.

ANY ATTEMPT TO CHANGE THE PRESENT SYSTEM WILL REQUIRE ENCOURAGEMENT AND SUPPORT FROM ALL SEGMENTS OF THE AMERICAN PUBLIC -- FROM BUSINESSMEN, TAXPAYERS, LABOR GROUPS AND CONSUMERS. TO EARN THAT SUPPORT, WE MUST UNDERSTAND AND BE ABLE TO EXPLAIN THE COMPOUND EFFECTS THAT REGULATIONS, SUBSIDIES, TAX PREFERENCES AND THE LIKE HAVE ON OUR ECONOMY. WE WILL BE RELYING ON GROUPS SUCH AS YOURS TO HELP US BUILD THE NECESSARY KNOWLEDGE AND INFORMATION AND TO DETERMINE WHAT CHANGES SHOULD BE MADE FOR THE BENEFIT OF THE NATION AS A WHOLE. WE ARE AT AN IMPORTANT THRESHOLD. WE NEED YOUR VIEWS AND SUPPORT IF WE ARE TO MEET THE CHALLENGE INTELLIGENTLY AND SUCCESSFULLY.

THANK YOU.

Population Explosion Statistics?

THE WHITE HOUSE

WASHINGTON

April 20, 1976

Buchen - FYI

MEMORANDUM FOR THE PRESIDENT

FROM: EDWARD C. SCHULTS *EC*
SUBJECT: Comprehensive Regulatory Reform Legislation

Issue

On February 4, you met with members of the Domestic Council Review Group and Senior Staff regarding the current status and future directions of the regulatory reform program.

We discussed a two part implementation plan to maintain and build upon our present momentum. Part one involved the creation of a short term task force effort to improve regulatory practices in selected agencies. While we have run into some personnel problems, now largely resolved, a separate memorandum on this effort will be submitted to you shortly.

Part two of the plan was to broaden the scope of the present regulatory debate by undertaking a fundamental reexamination of the Federal regulatory system and setting forth a comprehensive calendar of reform for the next four years. This memorandum outlines in greater detail how such a program might be implemented and requests your decision as to how to proceed.

Background

To date, the regulatory reform program has concentrated primarily on specific targets of opportunity designed to reduce government interference in the private sector and minimize the direct and indirect costs which government programs impose on the economy. In searching for new targets, however, we find that we are faced with a number of difficult theoretical and practical problems which decidedly narrow our chances for success. Your success in formulating strong budgetary, foreign affairs and defense and inter-governmental relations policies has depended in part upon a clear articulation of goals in each of these areas.



Comprehensive plans have helped explain your position on these complex areas to the public and have provided a framework for legislative and administrative decisions. A similar framework is needed in the regulatory reform area.

The Proposal

Attached at Tab A is draft legislation (and a Section-by-Section analysis) which establishes a comprehensive regulatory reform agenda for the next four years. It requires the President to assess the impact that Federal regulations and subsidies have on the private sector and to propose by January 31, 1978-1981 a series of legislative recommendations and administrative actions to reduce the burden of unnecessary Federal intervention. It also requires congressional consideration of these proposals within a given period of time.

In order to develop the required Presidential proposals an effort would be initiated late this year or early next year under the general direction of a Special Assistant to the President to be appointed specifically for this purpose. It would be organized into four working groups established to review specific segments of the economy:

- Transportation and Communications Industries (including, at a minimum, a look at such agencies as the ICC, CAB, FCC and the Department of Transportation).
- Heavy Manufacturing, Agriculture, Mining, and Public Utilities Industries (including such agencies as FEA, EPA, FPC and the Departments of Agriculture and Interior).
- Light Manufacturing and Construction Industries (including such agencies as the EEOC, FDA, CPSC, and the Department of Labor).
- Banking, Insurance, Real Estate, Trade and Services Industries (including such agencies as the SEC, FTC, and the Comptroller of the Currency).

Chart 1, which appears at Tab B to this memorandum, illustrates how the effort would be structured with the working groups operating simultaneously. The percentages on the chart indicate approximately how much of the total effort would be devoted to the various segments in any given year. It is estimated that approximately \$2 million per year and a full-time staff of 30 people would be required to implement this program. Chart 2 (also at Tab B) describes the specific timetable in more detail and provides examples of the issues and agencies to be addressed.

Each year, an inventory of Federal involvement would be prepared to identify the extent to which Federal regulations subsidies and other program requirements impact on a given segment of the economy. From this information, major issues would be identified and public hearings would be held to obtain additional information on specific problems and to develop greater public understanding. At the end of each year, four specific products would be submitted for Presidential review:

1. Specific legislative proposals.
2. Specific recommendations for administrative reforms in the agencies.
3. A list of issues or deferred legislative recommendations to be analyzed further in later-year efforts before specific legislative proposals are made to Congress.
4. A comprehensive report on the total impact of government interventions in that particular segment of the economy to serve as a basis upon which to justify the specific administrative and legislative recommendations.

The President would review these products, submit the report and appropriate legislation to Congress, issue guidance and instructions for administrative change and assure that deferred recommendations and proposals on cross-cutting issues were assigned to relevant working groups for incorporation into subsequent legislative proposals.

Legislative recommendations each year would be referred to appropriate committees of Congress for consideration and possible modification. If the committees had not reported legislation to the floor by November 15 of the same year, the Administration's legislative plan would become the pending order of business on the floor. It would remain the pending item until acted on by each House. Desired administrative improvements could be implemented by Executive Order.

Discussion

There is increasing congressional interest in undertaking this type of a reform effort. Currently, Congress is considering a variety of bills which range from requiring zero-based budget reviews of all agencies to abolishing a number of major regulatory agencies. Action on some form of legislation to require a comprehensive analysis of existing Federal programs or agencies appears likely at least in the Senate.

Legislation similar to the proposal outlined in this memorandum has already been introduced in the House and Senate by Senators Percy and Byrd, Representatives Jordan, Anderson and others. However, this proposal differs in several important respects:

1. In addition to focusing on agencies (which is primarily the Percy-Byrd approach), our legislation would require more attention to the cumulative impact of government intervention on important sectors of the economy. This approach would help reduce the congressional inclination to simply "move the boxes", a problem recurrent in past studies of the need for government reform. The proposed legislation would address all important government programs and agencies, many of which are not itemized in the existing congressional versions.
2. The Administration bill recognizes the need for congressional cooperation without attempting to mandate a constitutionally questionable forcing mechanism on Congress as does the Percy-Byrd bill.
3. The proposed legislation gives the President the flexibility to defer legislative recommendations on important crosscutting issues until sufficient evidence is available to support them, e.g. OSHA regulations have an impact on manufacturing industries as well as transportation. Under this proposal, legislative recommendations for fundamental changes in OSHA regulations could be deferred until a number of industries had been examined.
4. Our proposed legislation would be somewhat broader in scope, encompassing non-tax subsidies as well as regulation.

We believe that the proposed legislation represents a significant improvement over the present congressional proposals and would demonstrate your continued leadership on this important issue. Such a proposal would provide a disciplined mechanism for assuring a more informed public and congressional debate on the costs and benefits of Federal programs.

We are persuaded that the prospects are excellent for broad support of this proposal. The Chamber of Commerce has drafted a bill similar to this proposal but have suggested that they would prefer to support an Administration bill. The National Association of Manufacturers is also interested in getting behind such a long term effort. In developing this legislation we met with a number of people such as Don Rice of RAND, Roy Ash, Bill Ruckelshaus, Irving Shapiro of Dupont, Lloyd Cutler and Charles Schultze of Brookings. They all had different views on how to organize an effort like this, but they were unanimous in believing such a program was worth undertaking. We have incorporated many of their suggestions. Finally, the issue was discussed at the EPB and there was general agreement that a long term effort should be initiated.

Recommendation

Recommend that you approve submission of the proposed legislation accompanied by a Presidential Message along the lines of the draft at Tab C.

Decision

Agree _____ (Supported by:

Disagree _____ (Supported by:

See Me _____

Draft Legislation for A Comprehensive Review of
Government Regulations and Subsidies

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, that this Act may be cited as the More Efficient Government Act.

FINDINGS AND PURPOSES

Sec. 2(a) The Congress finds: that government's role in the national economy has grown so large that it often places unnecessary burdens on individual Americans; that the costs of government regulations and subsidies often outweigh the benefits to the general public and to the economy as a whole; and that means for achieving desirable social and economic ends have been inequitably and inefficiently applied to individuals and small businesses.

(1) The American economic system was founded on the principle that competition among businesses and minimal government intervention were the best ways to insure continued opportunities for new enterprises, the greatest number of productive and rewarding jobs for America's work force, and the maximum degree of economic and social prosperity for the Nation as a whole.

(2) Over the years, some federal legislation and regulations have retarded economic growth and productivity and eroded individual opportunity by restricting competition in many industries and excluding individuals and business that seek to compete. Elimination of these constraints would contribute significantly to higher levels of economic output, employment and the Nation's well-being.

(3) In addition to the Federal Government's economic regulation, recent programs designed to improve public health and safety have added significant burdens to the cost of doing business, often without sufficient regard for their total economic cost. Many programs have become overlapping and in conflict, adding to business difficulty to comprehend or comply. Federal reporting requirements overburden small and big businesses alike.

(4) The American consumer pays for unnecessary regulation in two ways: First, an increasing part of our tax dollar goes to maintain a federal regulatory bureaucracy amounting to billions of dollars in the annual federal budget. Second, an even greater, although less obvious cost of government regulation may be found in the indirect costs these regulations impose on the economy. These costs take the form of restrictions on competition, constraints on innovation, and federally mandated specifications--all of which serve to increase the price of goods and services which must be paid by all Americans.

(5) The Congress and the Executive are jointly responsible for creating these federal agencies and programs and for insuring that affirmative steps are taken to promote competition and to reduce unnecessary regulatory burdens, consistent with other important National goals. It is incumbent upon them to review systematically these programs and agencies from time to time to insure that their original purposes remain valid and that affirmative steps are taken to promote our overall goals in a manner consistent with the best interests of all Americans.

(b) It is therefore the purpose of this Act to require the President over a period of four consecutive years to submit, at least once every year, a plan designed to (i) eliminate or modify those federal statutes and regulations which now add more in costs to American consumers and taxpayers than they provide in benefits of economic and social well being to the Nation as a whole and (ii) provide affirmative steps for increasing competition and economic efficiency in order to achieve higher levels of employment and productivity and other important social and economic goals.

(c) Each such plan shall present the President's proposals for changes in the basic mandates of federal agencies, reforms in the authorizing or appropriating statutes for any program, and where appropriate, recommendations for change in the Code of Federal Regulations.

(d) Each plan shall also include such provisions for the reorganization or elimination of agencies' authorities as the President determines necessary so as to eliminate conflicting or duplicative functions and jurisdictions.

DEFINITIONS

Sec. 3. For the purposes of this Act--

(1) "agency" has the same meaning as provided in section 552(e) of title 5, United States Code; and

(2) "subsidy" is defined as a grant of money made by government other than as may be provided by the Federal tax laws.

PRESIDENTIAL PLANS

Sec. 4 (a) Unless otherwise modified by the President with the concurrence of the President pro tempore of the Senate and the Speaker of the House of Representatives, not later

than the last day of January in each of the years referred to in paragraphs (1) through (4) of this subsection, the President shall submit a plan containing the information to be included under subsection (b) with respect to such statutes, regulations, subsidies and agencies as the President elects to include in the following areas:

(1) By the last day of January, 1978 the transportation and communications industries (as defined by major groups 40-48 of the Standard Industrial Classification Manual dated 1972). The plan would consider at a minimum the activities of the following agencies: CAB, ICC, FMC, FCC, Department of Transportation.

(2) By the last day of January, 1979, Agriculture, Mining, Heavy Manufacturing, Public Utilities Industries (as defined by major groups 1-14, 26, 28-30, 32-37, and 49 of the Standard Industrial Classification Manual dated 1972). The plan would consider at a minimum the activities of the following agencies: Department of Agriculture, Department of Interior, EPA, FEA, FPC, NRC.

(3) By the last day of January, 1980, Light Manufacturing and Construction (as defined by major groups 15-17, 20-25, 27, 31, 38-39 of the Standard Industrial Classification Manual dated 1972). The plan would consider at a minimum the activities of the following agencies: CPSC, FDA, NLRB, EEOC, Department of Labor.

(4) By the last day of January, 1981, Finance, Insurance, Real Estate, Trade, and Service Industries (as defined by major groups 50-99 of the Standard Industrial Classification Manual dated 1972). The plan would consider at a minimum the activities of the following agencies: FTC, SBA, SEC, Comptroller of the Currency, FDIC.

(b) A plan submitted by the President pursuant to subsection (a) shall contain the following information with respect to statutes, regulations, subsidies or agencies which are included in any such plan pursuant to paragraphs (1) through (4) of subsection (a)--

(1) recommendations for revising or eliminating the findings of Congress which have led to the establishment of federal programs no longer considered by the President to be of benefit to the economy as a whole;

(2) recommendations for affirmative steps, including the elimination or modification of outdated, conflicting, or overlapping statutes and rules and transferring, consolidating, or eliminating agency jurisdictions, authorities or functions--



which in the President's view will help to fulfill the objectives outlined in the findings and purposes of this Act (Sections 2(a) and (b)).

CONGRESSIONAL REVIEW

Sec. 5(a) The President shall submit each plan required under section 4 to the Congress and separately transmit such plan to the Speaker of the House of Representatives and the President pro tempore of the Senate.

(b) Each plan submitted under section 4(a) shall be referred jointly--

(1) to the appropriate standing or special committees of the House of Representatives having legislative jurisdiction or oversight responsibilities with respect to the subject matter of such plan; and

(2) to the appropriate committee or committees of the Senate having legislative jurisdiction or oversight responsibilities with respect to the subject matter of such plan.

(c) The committees to which a plan is referred under this section shall review such plan and report a bill approving or disapproving such plan in whole or in part, with such amendments as are deemed appropriate. Such reports shall be joint reports if agreement between or among such committees can be made with respect to any such plan(s), but otherwise shall be separate reports. The reported bill shall become the pending business in the House of Representatives and the Senate not later than the 15th day of November of each specified year. It shall remain the order of business until acted on by each House.

AUTHORIZATION

Sec. 6. There is authorized to be appropriated to the President such funds as are necessary to carry out the provisions of this Act.

SECTION-BY SECTION ANALYSIS

Section 2 - Findings and Purposes

Section 2 details the major failings of the present system of government interventions in the private sector, e.g. regulations and subsidy programs. These are:

- (a) The loss of economic growth and productivity;
- (b) The unnecessary cost born by businesses and consumers as a result of government mandated limits on competition;
- (c) The uncertain and sometimes excessive nature of regulations and other interventions designed to achieve important social goals, and the absence of a well informed debate over the trade-offs between the costs and benefits of these requirements.
- (d) The taxpayers cost required to maintain a growing Federal bureaucracy and the time and cost required to comply with government paperwork demands.

The section also explains that the purpose underlying the Act is to establish a definite timetable over which the Executive and Congress will examine the impact of Federal interventions in the private sector. The review will (1) require the President to submit concrete proposals for legislative and administrative changes in agencies and programs and (2) commit the Congress to taking action on the President's plans. The plans will stipulate needed modifications required to reduce unnecessary regulatory costs and to provide new incentives for increasing competition and economic efficiency in order to better achieve important national goals.

Section 3 - Definitions

This section delineates the scope of the inquiry by defining what is meant by "agency" and "subsidy".

Section 4 - Timetable for Reform

This section lays out the sequence of reviews which the President will undertake and submit to Congress.

The legislation organizes the reviews around major industries. By January 31 of each of the following years, the President will submit plans for reforms which appear to him most critical for the following areas:

- a) By January 31, 1978 - The Public Transportation and Communications industries. This includes railroads, motor carriers, airlines, water carriers, pipelines, local and suburban transit systems, transportation services, broadcast and communication services and all other industries contained in major groups 40-48 as defined by the Standard Industrial Classification (SIC).

In this area the President would consider at a minimum the activities of such agencies as CAB, ICC, FMC, FCC, Department of Transportation.

- b) By January 31, 1979 - Agricultural, Mining, Heavy Manufacturing and Public Utilities Industries. This includes crop and livestock production, forestry, mining, oil and gas extraction, paper, chemicals, petroleum refining, rubber, concrete, primary metals, machinery and transportation equipment, electric, gas, and sanitary services and all other industries contained in major groups 1-14, 26, 28-30, 32-37, and 49 as defined by SIC.

The President would consider at a minimum the activities of such agencies as Department of Agriculture, Department of the Interior, EPA, FEA, FPC, NRC.

- c) By January 31, 1980 - Light Manufacturing and Construction Industries. This includes food processing, textiles and apparel, printing, measuring and controlling instruments, construction, and all other industries contained in major groups 15-17, 20-25, 27, 31, and 38-39 as defined by SIC.

The President would consider at a minimum the activities of such agencies as CPSC, FDA, NLRB, EEOC, Department of Labor.

- d) By January 31, 1981 - Finance, Insurance, Real Estate, Trade and Services Industries. This includes banking, securities and commodities, trading, insurance, business, health and legal services, education, and all other industries contained in major groups 50-99 as defined by SIC.

The President would consider at a minimum the activities of such agencies as FTC, SBA, SEC, Comptroller of the Currency, FDIC.

The section indicates that the President and Congress together may agree to change the order of these plans if necessary and desirable. Furthermore, the President may defer recommendations for changes in agencies or statutes affecting one industry (or group of industries) if he determines that changes would be more beneficial once reviews of subsequent industries had been completed.

Section 5 - Congressional Review

This section requires the Presidential plans to be referred to the appropriate committees in the House and Senate.

Bills reported from these committees shall become the pending business in their respective houses not later than November 15 of the year in which the plan was originally submitted and shall remain the order of business until acted on by each House.

Section 6 - Authorizations

This section authorizes such sums as are necessary to carry out the purposes of the act. (It is estimated approximately \$2 million per year would be required.



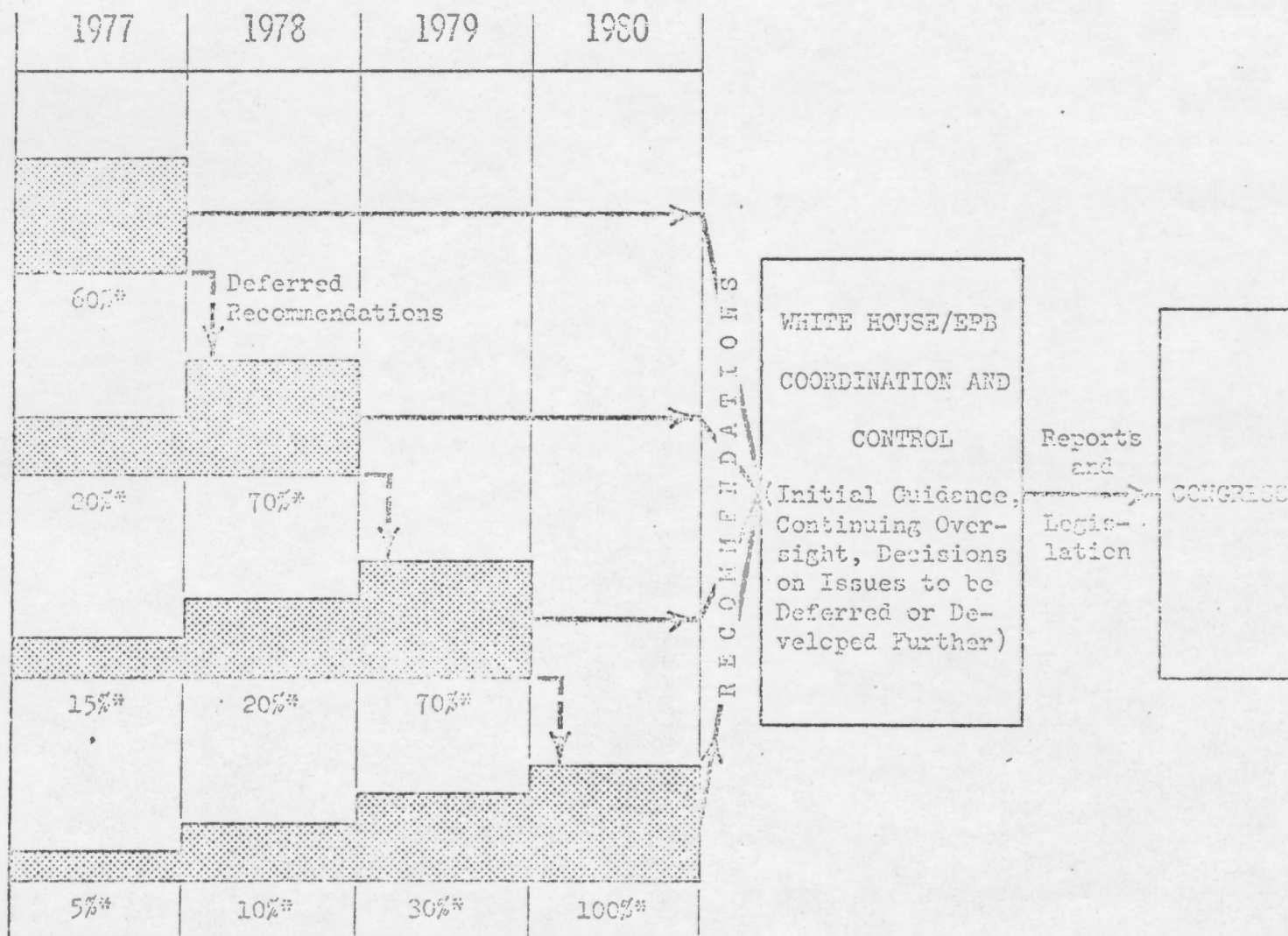
TIMETABLE FOR COMPREHENSIVE REFORM PROGRAM

SECTOR 1: Transportation and Communications (Principal Recommendations, e.g., ICC, CAB, FCC, DOT)

SECTOR 2: Heavy Manufacturing, Agriculture, Mining, Public Utilities (Principal Recommendations, e.g., EPA, FEA, USDA, Interior)

SECTOR 3: Light Manufacturing and Construction (Principal Recommendations, e.g., Labor, EEOC, FDA, CPSC)

SECTOR 4: Banking, Insurance, Real Estate, Trade, Services (Principal Recommendations, e.g., SEC, FTC, Comptroller of the Currency)



*Approximate Percentage of effort.

Timetable for Comprehensive Reform Program

<u>Year</u>	<u>Principal Sectors of the Economy Investigated</u>	<u>Discussion</u>
1	<u>Transportation and Communications</u> E.g., railroads, motor carriers, airlines, water carriers, pipelines, local and suburban transit systems, broadcast and communication services.	Builds on the Administration's current work to evaluate and restructure the economic regulatory authorities of ICC, CAB, FMC, FCC. Would include analysis of major transportation subsidies (e.g., airlines, rails, and merchant marine) and address problems of transportation safety (FAA, NHTSA, Coast Guard, etc.). (Work would begin on issues of employment standards and health/safety concerns etc. but major recommendations on these would probably be deferred until later years.
2	<u>Agriculture, Mining, Heavy Manufacturing and Public Utilities</u> E.g., crop and livestock producers, forestry, mining, oil and gas extraction, paper, chemicals, petroleum refining, primary metals, electric, gas, and other public utilities.	Year two would address major issues of farm policy including agricultural quotas, price supports and other subsidies (e.g., CCC, ASCS) inspection and grading of products (e.g., APHIS); the environmental and safety issues associated with all use of natural resources (e.g., NESA, EPA), and the major trade-offs associated with environmental and energy related objectives (e.g., FEA, EPA). The analysis would continue to build on employment safety data developed in year 1. It would also outline the government's energy policy beyond decontrol.
3	<u>Light Manufacturing and Construction</u> E.g., food processing, textiles, apparel, printing, and construction	Year three would probably produce most major legislative recommendations dealing with employment (health, safety, compensation standards, etc.) and would address agencies such as OSHA, EEOC, Labor which tend to fall disproportionately on small businesses. Consumer protection issues (labeling, product safety, etc.) will also be considered as they are promoted by agencies such as CPSC, FDA, ATF.
4	<u>Finance, Insurance, Real Estate, Trade and Service Industries</u> E.g., banking, securities, insurance and other financial services, wholesale and retail trade, legal services, etc.	Major issues addressed will most likely be competition between financial institutions (e.g., FHLBB, FDIC, Comptroller), the trade practices and the adequacy of public disclosure (e.g., SEC, Federal Reserve, FTC) and the government's role in distribution and trade.

Message to Congress

Some years ago President Eisenhower eloquently warned Americans of the potential dangers inherent in the growth of the industrial military complex. Today, I would warn of the dangers of the growth of a different system--the ever growing system of government regulations.

Starting even before 1776, the American way was to rely on individual initiative and freedom as a way of providing for our economic needs. Over the last several decades, however, we have departed from this trust in individual initiative and consumer choice. For good reasons and bad, we have expanded government's role and the scope and detail of governmental controls. We have created a governmental system which is more and more rigid and less able to respond to changing conditions. In an increasingly complex society, government's role should be to assist in the search for solutions to our problems. But in many cases government has become a part of the problem.

This growth of government accelerated in the Depression era. New government agencies were created to resolve numerous economic and social problems--to help reduce unemployment, to still unstable financial markets, and to protect failing businesses. Over time, we have turned to the Federal Government to bring us better housing, a national transportation system, better health care, and equal opportunities in the job market.

In our compassion to solve urgent human problems, we have given the Federal Government the power to regulate more and more of our economy and our way of life. At the time it seemed like an inexpensive, easy answer to some very complex problems.

Government programs and bureaucracies have grown geometrically to handle all of the Government's responsibilities. In the last 15 years, we have created 236 departments, agencies, bureaus, and commissions. Only 21 have been eliminated. It is no wonder that today we have more than 1000 different Federal programs, more than 80 regulatory agencies, more than 100,000 government workers whose primary responsibility is to regulate some aspect of our lives and tens of thousands of government regulations.

Every President since Harry Truman has tried to reform some aspect of the regulatory system. But in the past year, we have achieved the most significant and comprehensive

progress toward the reform of government regulation in three decades. We have moved toward a more open and vigorous free market with less paperwork and more opportunity for businessmen to run their own businesses.

We have reversed the trend of paperwork growth. We have reduced delays and we have instituted reforms to help small businessmen.

We have repealed the Federal fair trade laws which for 40 years were creating artificially high prices for consumers.

The Senate has passed the Financial Institutions Act which is the most sweeping reform of banking regulation in over 40 years.

We have increased civil and criminal penalties for anti-trust violations to ensure that competition can flourish.

We have opened up competition in the securities markets for the first time since the major stock exchanges were established almost 200 years ago.

We have lessened ICC regulation of the Railroads for the first time since the creation of the agency in 1887 and I have introduced the first major reform of airline and trucking regulation since the 1930's.

However, it is not enough to rest on our first successful efforts. There is much more that needs to be done. First we need to conduct a fundamental reexamination of how we achieve our regulatory goals. We need to find out more about the total impact of the maze of government regulations and subsidies. We need to see where there are contradictions and where there are overlaps. We need to know where outdated and unnecessary regulations should be eliminated. We need to know more about the impact of regulation on jobs, on prices, on innovation and on individual freedoms.

Only by undertaking a comprehensive, systematic program of our regulatory system will we know where our future efforts should be directed, what the best approach to change should be and how we can achieve concrete results.

Certainly we do not seek to change or abolish all regulations, only those that are obsolete, inefficient and benefiting special interests at the expense of the public interest. We do, however, need to know more about our entire regulation system.

The legislation I am submitting to the Congress today would establish a disciplined approach to the design of these policies. It would establish a comprehensive reform program to:

- make sure that government policies do not infringe on individual choice and initiative;
- reduce government intervention in the marketplace;
- find better ways to assure that scarce economic resources are used most efficiently so that we fulfill our desirable social goals at minimum costs;
- improve our ability to ensure that public expenditures benefit all Americans and that government policies are equitably enforced;
- make sure that the public interest rather than special interests benefit from government programs.

To achieve these goals, we need a systematic approach to understanding the problem, so that we can explain the facts to the American public, and assure timely action on the reforms that are necessary.

I have not been alone in recognizing that government interference has too many facets and affects too many people to permit a piecemeal approach to the problems. Congressmen and Senators of both parties have recently introduced legislation requiring major changes in the conventional practices of government agencies. Some bills would give Congress the authority to veto proposed regulations. Others call for the immediate or phased abolition of selected agencies. More comprehensive bills proposed that all agencies be subject to a zero-base authorization review in Congress on a periodic schedule, or that new offices be created within Congress to review specific agencies and/or regulations.

Finally, Senators Charles Percy and Robert Byrd have proposed legislation which would require a series of annual plans designed to amend the authorities of agencies responsible for controlling certain industries or achieving certain goals. The legislation I am submitting today is based on this same concept. Many members of Congress have already voiced their support for this kind of approach. We will be working together to achieve a legislative mandate for a systematic program to reform our regulatory system. I am confident this will enable us to realize our long term goal of greater economic prosperity in America's third century.

My legislation:

- focuses disciplined attention on major aspects of government activity that have been often neglected in the past;
- provides for a systematic, phased review and scrutiny of all government institutions, agencies, laws and administrative regulations that directly affect our economy with the aim of eliminating those that do not generate benefits to the public commensurate with their costs;
- provides a means for making a systematic assessment of the cumulative impact of government involvement on major sectors of the economy and for building the basis for informed choices on alternative ways of achieving our economic, social and environmental goals;
- emphasizes the role of Congress, the agencies, State and local governments, business and labor groups and the consumer in formulating proposals for reform and developing the support necessary for success.

The legislation requires the President over a period of four years to submit annual plans designed to eliminate or modify those Federal statutes and regulations which now add more in costs to America's consumers and taxpayers than they provide in benefits. These plans would provide affirmative steps for increasing competition and finding more effective methods of achieving important social and economic goals.

The annual plans would be referred to the appropriate oversight committees in the Congress, giving the Senate and the House of Representatives an opportunity to review and modify the plan. However, it requires that the Congress act on the proposals within ten months of their submission.

Let me stress that this comprehensive, phased program of reform must in no way delay reform efforts now underway. It is vital to our economic health as a Nation to achieve reform of the regulations governing our airlines, the motor carrier industry and financial institutions as soon as possible. This legislation is a compliment to, not a substitute for, the legislative proposals I have already sent to the Congress.

I believe that the reform of our regulatory system is one of the best investments that we can make in our future as a Nation. I believe we can make Government responsive to the American people and an instrument of economic progress without the endless growth of red tape and regulations.

Let us work together to revitalize our regulatory system in order to build a stronger, healthier, safer America to leave to our future generations.

THE WHITE HOUSE
WASHINGTON

Garfile

April 21, 1976

MEMORANDUM FOR THE PRESIDENT

FROM: EDWARD SCHMULTS

SUBJECT: Comprehensive Regulatory Reform Legislation
Issue

On February 4, you met with members of the Domestic Council Review Group and Senior Staff regarding the current status and future directions of the regulatory reform program.

We discussed a two part implementation plan to maintain and build upon our present momentum. Part one involved the creation of a short term task force effort to improve regulatory practices in selected agencies. While we have run into some personnel problems, now largely resolved, a separate memorandum on this effort will be submitted to you shortly.

Part two of the plan was to broaden the scope of the present regulatory debate by undertaking a fundamental reexamination of the Federal regulatory system and setting forth a comprehensive calendar of reform for the next four years. This memorandum outlines in greater detail how such a program might be implemented, requests your decision on whether to submit legislation and recommends an announcement be made shortly.

Background

To date, the regulatory reform program has concentrated primarily on specific targets of opportunity designed to reduce government interference in the private sector. In searching for new targets, however, we find that we are faced with a number of difficult theoretical and practical problems. Your success in formulating strong budgetary, foreign affairs, defense and intergovernmental relations policies has depended in part upon a clear articulation of goals in each of these areas. Comprehensive



plans have helped explain your position on these complex areas to the public and have provided a framework for legislative and administrative decisions. A similar framework is needed in the regulatory reform area.

The Proposal

We have in the OMB clearance process for agency comments legislation which establishes a comprehensive regulatory reform agenda for the next four years. It requires the President to assess the impact that Federal regulations and subsidies have on the private sector and to propose by January 31, 1978-1981 a series of legislative recommendations and administrative actions to reduce the burden of unnecessary Federal intervention. It also requires congressional consideration of these proposals within a given period of time.

In order to develop the required Presidential proposals an effort would be initiated late this year or early next year. It would be under the general direction of a Special Assistant to the President appointed specifically for this purpose and organized into four working groups established to review specific segments of the economy:

- Transportation and Agriculture (including, at a minimum, a look at such agencies as the ICC, CAB, and the Departments of Transportation and Agriculture).
- Heavy Manufacturing, Mining, and Public Utilities Industries (including such agencies as FEA, EPA, FPC and the Department of Interior).
- Light Manufacturing and Construction Industries (including such agencies as the EEOC, FDA, CPSC, and the Department of Labor).
- Banking, Insurance, Real Estate, Communications, Trade and Services Industries (including such agencies as the SEC, FTC, FCC and the Comptroller of the Currency).

Chart 1, which appears at Tab A to this memorandum, illustrates how the effort would be structured with the working groups operating simultaneously. The percentages on the chart indicate approximately how much of the total effort would be devoted to the various segments in any given year. It is estimated that approximately \$2 million per year and a full-time staff of 30 people would be required to implement this program. Chart 2 (also at Tab A) describes the specific timetable in more detail and provides examples of the issues and agencies to be addressed.

Each year, an inventory of Federal involvement would be prepared to identify the extent to which Federal regulations subsidies and other program requirements impact on a given segment of the economy. From this information, major issues would be identified and public hearings would be held to obtain additional information on specific problems and to develop greater public understanding. At the end of each year, four specific products would be submitted for Presidential review:

1. Specific legislative proposals.
2. Specific recommendations for administrative reforms in the agencies.
3. A comprehensive report on the total impact of government interventions in that segment of the economy to serve as a basis upon which to justify the specific administrative and legislative recommendations.
4. A list of issues to be handed off to other working groups for further study.

The President would review these products and submit the report and appropriate legislation to Congress. He would also issue instructions for administrative change.

Legislative recommendations each year would be referred to appropriate committees of Congress for consideration. If the committees had not reported legislation to the floor by November 15 of the same year, the Administration's legislative plan would become the pending order of business on the floor. It would remain the pending item until acted on by each House.

Discussion

There is increasing congressional interest in undertaking a regulatory reform effort. Currently, a variety of bills are being considered ranging from zero-based budget reviews of all agencies to abolishing a number of major regulatory agencies. Action on some form of legislation to require a comprehensive analysis of existing Federal programs appears likely at least in the Senate.

Legislation similar to the proposal outlined in this memorandum has already been introduced in the House and Senate by Senators Percy and Byrd, Representatives Jordan, Anderson and others. However, this proposal differs in several important respects:

1. In addition to focusing on agencies (which is primarily the Percy-Byrd approach), our legislation would require more attention to the cumulative impact of government intervention on important sectors of the economy. This approach would help reduce the congressional inclination to simply "move the boxes", a problem recurrent in past studies of the need for government reform. The proposed legislation would address all important government programs and agencies, many of which are not itemized in the existing congressional versions.
2. The Administration bill recognizes the need for congressional cooperation without attempting to mandate a constitutionally questionable forcing mechanism as does the Percy-Byrd bill.
3. The proposed legislation gives the President the flexibility to defer legislative recommendations on important crosscutting issues until sufficient evidence is available to support them, e.g., OSHA regulations have an impact on manufacturing industries as well as transportation. Under this proposal, legislative recommendations for fundamental changes in OSHA regulations could be deferred until a number of industries had been examined.
4. Our proposed legislation would be somewhat broader in scope, encompassing non-tax subsidies as well as regulation.

5. A cumulative review of Federal programs would result in specific improvements in public policy formulation by providing a basis for more informed trade-offs between our broad economic goals, e.g. reduced inflation and unemployment, and specific regulatory objectives such as health and environment. By looking only at agencies, the Percy-Byrd bill does not provide this perspective.

The proposed legislation represents a significant improvement over the present congressional proposals and we believe it would demonstrate your continued leadership on this important issue. The concerns that have been expressed focus principally on whether a multi-year reform effort of this magnitude is a feasible undertaking. It has also been suggested that we concentrate on safety, health and environmental problems in the first year. Finally, a question has been raised as to whether or not new legislation is required to initiate such an effort.

The Domestic Council Review Group feels that a comprehensive effort is achievable, but only with sustained Presidential interest and leadership. The task is admittedly large, but we believe that it could be accomplished and if we are ever to effect the future growth of Government, it must at least be tried. We also believe it would be unwise to start with safety and health issues because our knowledge is weakest in these areas and additional time is needed to build a persuasive case for reform. Also, if the effort is perceived as simply a pro business attempt to roll back existing safety and health regulations (which is probable if we begin with these issues), its chances for success would be bleak since strong opposition would be encountered immediately.

Finally, we believe legislation is necessary in order to assure continued congressional attention and support for reform. It would also help to secure the necessary assistance from the private sector, and the Federal Government agencies because they would view the potential for action to be much greater. Finally, without a strong proposal of our own, we stand a good chance of losing the regulatory reform lead to Congress.

We are persuaded that the prospects are excellent for broad scale support of our proposal. We have talked with Senator Percy and he intends to hold hearings on his bill before the full Government Operations Committee in the middle of May. The Chamber of Commerce has drafted a bill similar to our proposal but would prefer to support an Administration bill. The National Association of Manufacturers is also interested in getting behind such a comprehensive effort. In developing this legislation we have met with a number of people such as Don Rice of RAND, Roy Ash, Bill Ruckelshaus, Irving Shapiro of Dupont, Lloyd Cutler and Charles Schultze of Brookings. Although they all had different views on how to organize an effort like this, they were unanimous in believing such a program was worth undertaking. We have incorporated many of their suggestions. Finally, the issue was discussed at the EPB and there was general agreement that such an effort should be initiated.

Recommendation

That you submit legislation along the lines outlined above and announce your decision as soon as possible.

Tab B contains a draft statement which could be used to explain the need for a comprehensive program and indicate your personal interest and support.

Approve _____

Disapprove _____

Other _____



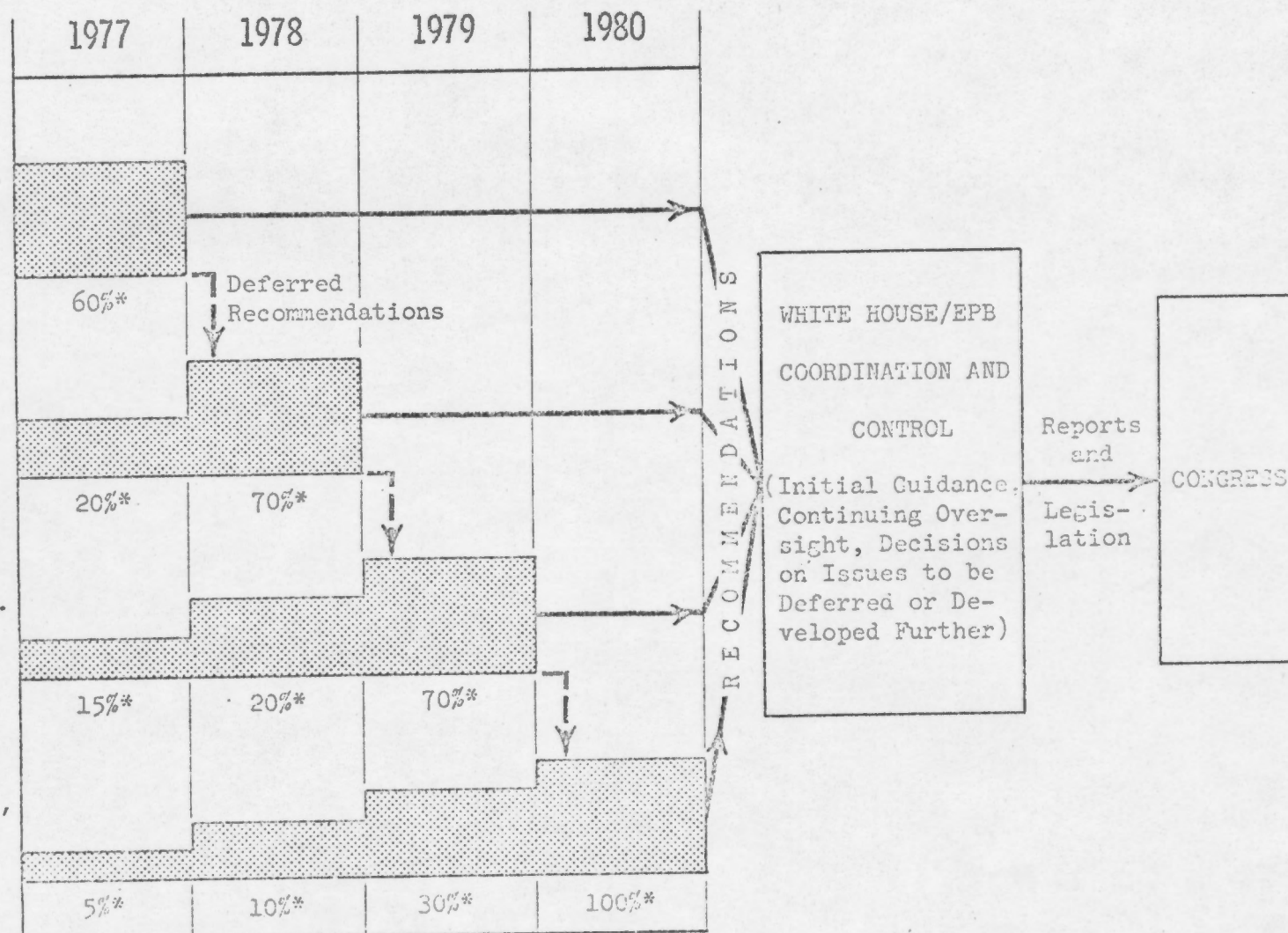
TIMETABLE FOR COMPREHENSIVE REFORM PROGRAM

Sector 1: Transportation and Agriculture (Princ. Recs. e.g. ICC, CAB, USDA, DOT)

Sector 2: Heavy Mfg., Mining, Public Utils., (Princ. Recs. e.g. EPA, FEA, Interior.)

Sector 3: Light Mfg. and Construction (Princ. Recs. e.g. Labor, EEOC, FDA, CPSC)

Sector 4: Banking, Real Estate, Insurance, Trade, Communications, Services (Princ. Recs. e.g. SEC, FTC, FCC, Comptroller of the Currency)



*Approximate Percentage of effort.

Timetable for Comprehensive Reform Program

Year	Principal Sectors of the Economy Investigated	Discussion
1	<u>Transportation and Agriculture</u> E.g., railroads, motor carriers, airlines, water carriers, pipelines, local and suburban transit systems, crop and live-stock producers, and forestry.	Builds on the Administration's current work to evaluate and restructure the regulatory authorities of ICC, CAB, FMC.. Would include analysis of major transportation subsidies (e.g., airlines, rails, and merchant marine) and address problems of transportation safety (FAA, NHTSA, Coast Guard, etc.). Would also address major issues of farm policy, including agricultural quotas, price supports and other subsidies (e.g., CCC, ASCS) inspection and grading of products (e.g., APHIS). Work would begin on issues of employment standards and health/safety concerns, etc. but major recommendations on these would probably be deferred until later years.
2	<u>Mining, Heavy Manufacturing and Public Utilities</u> E.g., mining, oil and gas extraction, paper, chemicals, petroleum refining, primary metals, electric, gas, and other public utilities.	Year two would address the environmental and safety issues associated with all use of natural resources (e.g., MESA, EPA), and the major trade-offs associated with environmental and energy related objectives (e.g., FEA, EPA). The analysis would continue to build on employment safety data developed in year 1. It would also outline the government's energy policy beyond decontrol.
3	<u>Light Manufacturing and Construction</u> E.g., food processing, textiles, apparel, printing, and construction.	Year three would probably produce most major legislative recommendations dealing with employment (health, safety, compensation standards, etc.) and would address agencies such as OSHA, EEOC, Labor which tend to fall disproportionately on small businesses. Consumer protection issues (labeling, product safety, etc.) will also be considered as they are promoted by agencies such as CPSC, FDA, ATF.
4	<u>Finance, Insurance, Real Estate, Communications, Trade and Service Industries</u> E.g., banking, securities, insurance and other financial services, broadcast and communication services, wholesale and retail trade, legal services, etc.	Major issues addressed will most likely be competition between financial institutions (e.g., FHLBB, FDIC, Comptroller), regulation of broadcast and communications services (FCC), the trade practices and the adequacy of public disclosure (e.g., SEC, Federal Reserve, FTC) and the government's role in distribution and trade.

Message to Congress

Some years ago President Eisenhower eloquently warned Americans of the potential dangers inherent in the growth of the industrial military complex. Today, I would warn of the dangers of the growth of a different system--the ever growing system of government regulations.

Starting even before 1776, the American way was to rely on individual initiative and freedom as a way of providing for our economic needs. Over the last several decades, however, we have departed from this trust in individual initiative and consumer choice. For good reasons and bad, we have expanded government's role and the scope and detail of governmental controls. We have created a governmental system which is more and more rigid and less able to respond to changing conditions. In an increasingly complex society, government's role should be to assist in the search for solutions to our problems. But in many cases government has become a part of the problem.

This growth of government accelerated in the Depression era. New government agencies were created to resolve numerous economic and social problems--to help reduce unemployment, to still unstable financial markets, and to protect failing businesses. Over time, we have turned to the Federal Government to bring us better housing, a national transportation system, better health care, and equal opportunities in the job market.

In our compassion to solve urgent human problems, we have given the Federal Government the power to regulate more and more of our economy and our way of life. At the time it seemed like an inexpensive, easy answer to some very complex problems.

Government programs and bureaucracies have grown geometrically to handle all of the Government's responsibilities. In the last 15 years, we have created 236 departments, agencies, bureaus, and commissions. Only 21 have been eliminated. It is no wonder that today we have more than 1000 different Federal programs, more than 80 regulatory agencies, more than 100,000 government workers whose primary responsibility is to regulate some aspect of our lives and tens of thousands of government regulations.

Every President since Harry Truman has tried to reform some aspect of the regulatory system. But in the past year, we have achieved the most significant and comprehensive

progress toward the reform of government regulation in three decades. We have moved toward a more open and vigorous free market with less paperwork and more opportunity for businessmen to run their own businesses.

We have reversed the trend of paperwork growth. We have reduced delays and we have instituted reforms to help small businessmen.

We have repealed the Federal fair trade laws which for 40 years were creating artificially high prices for consumers.

The Senate has passed the Financial Institutions Act which is the most sweeping reform of banking regulation in over 40 years.

We have increased civil and criminal penalties for anti-trust violations to ensure that competition can flourish.

We have opened up competition in the securities markets for the first time since the major stock exchanges were established almost 200 years ago.

We have lessened ICC regulation of the Railroads for the first time since the creation of the agency in 1887 and I have introduced the first major reform of airline and trucking regulation since the 1930's.

However, it is not enough to rest on our first successful efforts. There is much more that needs to be done. First we need to conduct a fundamental reexamination of how we achieve our regulatory goals. We need to find out more about the total impact of the maze of government regulations and subsidies. We need to see where there are contradictions and where there are overlaps. We need to know where outdated and unnecessary regulations should be eliminated. We need to know more about the impact of regulation on jobs, on prices, on innovation and on individual freedoms.

Only by undertaking a comprehensive, systematic program of our regulatory system will we know where our future efforts should be directed, what the best approach to change should be and how we can achieve concrete results.

Certainly we do not seek to change or abolish all regulations, only those that are obsolete, inefficient and benefiting special interests at the expense of the public interest. We do, however, need to know more about our entire regulation system.

The legislation I am submitting to the Congress today would establish a disciplined approach to the design of these policies. It would establish a comprehensive reform program to:

- make sure that government policies do not infringe on individual choice and initiative;
- reduce government intervention in the marketplace;
- find better ways to assure that scarce economic resources are used most efficiently so that we fulfill our desirable social goals at minimum costs;
- improve our ability to ensure that public expenditures benefit all Americans and that government policies are equitably enforced;
- make sure that the public interest rather than special interests benefit from government programs.

To achieve these goals, we need a systematic approach to understanding the problem, so that we can explain the facts to the American public, and assure timely action on the reforms that are necessary.

I have not been alone in recognizing that government interference has too many facets and affects too many people to permit a piecemeal approach to the problems. Congressmen and Senators of both parties have recently introduced legislation requiring major changes in the conventional practices of government agencies. Some bills would give Congress the authority to veto proposed regulations. Others call for the immediate or phased abolition of selected agencies. More comprehensive bills proposed that all agencies be subject to a zero-base authorization review in Congress on a periodic schedule, or that new offices be created within Congress to review specific agencies and/or regulations.

Finally, Senators Charles Percy and Robert Byrd have proposed legislation which would require a series of annual plans designed to amend the authorities of agencies responsible for controlling certain industries or achieving certain goals. The legislation I am submitting today is based on this same concept. Many members of Congress have already voiced their support for this kind of approach. We will be working together to achieve a legislative mandate for a systematic program to reform our regulatory system. I am confident this will enable us to realize our long term goal of greater economic prosperity in America's third century.

My legislation:

- focuses disciplined attention on major aspects of government activity that have been often neglected in the past;
- provides for a systematic, phased review and scrutiny of all government institutions, agencies, laws and administrative regulations that directly affect our economy with the aim of eliminating those that do not generate benefits to the public commensurate with their costs;
- provides a means for making a systematic assessment of the cumulative impact of government involvement on major sectors of the economy and for building the basis for informed choices on alternative ways of achieving our economic, social and environmental goals;
- emphasizes the role of Congress, the agencies, State and local governments, business and labor groups and the consumer in formulating proposals for reform and developing the support necessary for success.

The legislation requires the President over a period of four years to submit annual plans designed to eliminate or modify those Federal statutes and regulations which now add more in costs to America's consumers and taxpayers than they provide in benefits. These plans would provide affirmative steps for increasing competition and finding more effective methods of achieving important social and economic goals.

The annual plans would be referred to the appropriate oversight committees in the Congress, giving the Senate and the House of Representatives an opportunity to review and modify the plan. However, it requires that the Congress act on the proposals within ten months of their submission.

Let me stress that this comprehensive, phased program of reform must in no way delay reform efforts now underway. It is vital to our economic health as a Nation to achieve reform of the regulations governing our airlines, the motor carrier industry and financial institutions as soon as possible. This legislation is a compliment to, not a substitute for, the legislative proposals I have already sent to the Congress.

I believe that the reform of our regulatory system is one of the best investments that we can make in our future as a Nation. I believe we can make Government responsive to the American people and an instrument of economic progress without the endless growth of red tape and regulations.

Let us work together to revitalize our regulatory system in order to build a stronger, healthier, safer America to leave to our future generations.

file

THE WHITE HOUSE
WASHINGTON

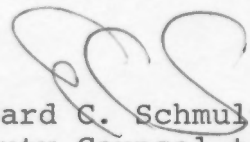
May 27, 1976

MEMORANDUM FOR SENIOR WHITE HOUSE STAFF

Attached is the latest update to the Regulatory Reform Status Report. Highlights of the Report include:

- On May 13, 1976 the President sent a message to Congress transmitting the Agenda for Government Reform Act. The legislation would require a systematic review and reform of the regulatory system as it affects various sectors of the economy. Both OMB and the Justice Department have testified in favor of the bill. Hearings before the full Senate Government Operations Committee began May 18, 1976 and have been completed.
- The President has also announced the creation of short-term Presidential task forces to simplify and streamline government regulation beginning with the regulations of OSHA and FEA.
- On May 19, 1976 the Senate passed S. 3308, The Interim Regulatory Reform Act of 1976, which would grant legislative and budgetary by-pass to seven independent regulatory agencies and require periodic review, updating, and recodification of agency regulations.
- The House Small Business Committee has held hearings on the ICC and independent truck operators. Hearings on the Administration's Motor Carrier Reform Act are expected in the Senate during the last two weeks in June.
- Hearings on the Aviation Act are continuing in both the House and the Senate.

If you have any questions or comments or if you would like more information on the Agenda for Government Reform Act, please call.


Edward G. Schmults
Deputy Counsel to the President



1976

REGULATORY REFORM STATUS REPORT

May 21, 1976

REGULATORY REFORM (GENERAL)

Speeches	Groups
Meetings	Studies

ECONOMIC REGULATION

Financial Institutions	Prevailing Wage	Agriculture
Transportation	Communications	
Restraint of Trade	Patents	
Antitrust & Competition	Energy	

ADMINISTRATIVE STRUCTURE AND PROCESS

General
Inflation Impact
Consumer Representation
Forms Reduction

HEALTH AND SAFETY REGULATION

STATE AND LOCAL REGULATION

*INDICATES A NEW OR REVISED ENTRY

	ACTION IN THE ADMINISTRATION	ACTION IN THE CONGRESS	ACTION IN THE INDEPENDENT AGENCIES, THE COURTS, etc.
REGULATORY REFORM (GENERAL) Presidential Speeches 1976.	<p>--State of the Union, Jan. 9, 1976.</p> <p>--Message to the Congress transmitting the Economic Report, Jan. 26, 1976.</p> <p>--Remarks and statement upon signing the Railroad Revitalization and Regulatory Reform Act, Feb. 5, 1976.</p> <p>--Remarks to the meeting of regulatory commissioners, April 8, 1976.</p> <p>--Remarks at the Bicentennial Salute to Small Business Luncheon, May 13, 1976.</p>		
Meetings	<p>--Second meeting with the Commissioners was held on April 8, 1976 to discuss progress toward administrative reform within the independent commissions. Next progress report due by Sept. 15, 1976.</p> <p>--The Commerce Department held regional hearings in Dec. and Jan. on regulatory problems.</p>		--AEI sponsored a meeting of economists to discuss the role of government in the economy on March 26, 1976.

	ACTION IN THE ADMINISTRATION	ACTION IN THE CONGRESS	ACTION IN THE INDEPENDENT AGENCIES, THE COURTS, etc.
Groups	--The ECRG has been expanded to include DOT, Labor, Commerce, Agriculture, HEW, SBA, National Center for Productivity and the Quality of Work, NSF, and FEA.		--CAB advisory group on internal procedural reforms released its report on Jan. 5, 1976. --ICC established a group within the Chairman's office to continue investigations into internal agency problems. Report on field operations issued.
	--Proposal for a National Commission on Regulatory Reform resubmitted to Congress. No action taken.	--A panel of experts has been formed to advise the Senate Committee on Government Operations in their study of regulatory reform. Members of the panel are Peter Hutt, Harry McPherson, Roger Noll, Merton Peck, Robert Pitofsky, William Ruckleshaus, and Lee White.	

	ACTION IN THE ADMINISTRATION	ACTION IN THE CONGRESS	ACTION IN THE INDEPENDENT AGENCIES, THE COURTS, etc.
General Studies	<p>--NSF has announced the funding of a study of the benefits and costs of public regulations that affect the price, supply and quality of copperwire, ground beef, and consumer financial services.</p> <p>--Nine research grants have been awarded by NSF for study of the impact of Government regulations, particularly the impact on productivity.</p> <p>--CWPS has begun a study of the costs and benefits of Federal regulations on the steel industry. The study is expected to continue for 6-8 months.</p>	<p>--Senate has approved S. Res. 71, to fund a joint study of regulation by the Government Operations & Commerce Committee. The deadline for the report has been extended to Feb. 28, 1977.</p>	<p>--The American Enterprise Institute has proposed establishing a Center for the Study of Government Regulation and is currently seeking funding for the Center. An advisory group for the Center has been established under the direction of Irving Kristol.</p>

	ACTION IN THE ADMINISTRATION	ACTION IN THE CONGRESS	ACTION IN THE INDEPENDENT AGENCIES, THE COURTS, etc.
ECCNOMIC REGULATION	--Financial Institutions Act resubmitted to Congress.	--Senate Banking Committee held hearings on FIA in May and June, 1975. The bill was passed by the Senate on Dec. 11, 1975 by a vote of 79-14.	
Financial Institutions	--The President has signed into law an extension of Regulation Q until March 1977. --The EPB has asked agencies to develop proposals for possible changes to the present structure of the banking regulatory agencies.	--The House has passed 279-85 H.R. 12934 the bill to revise the Federal Reserve Act.* --The House Banking Committee has returned H.R.13077, The Financial Reform Act, to the Subcommittee for further consideration. --On May 20, 1976 the Committee reported the bill to control foreign bank operations in the U.S. by a vote of 29-3.* --Both the Senate and the House have agreed to defer plans to consolidate the banking regulatory agencies. --Hearings have been held in the Senate on S.2304, to increase penalties available to banking regulatory agencies for insider dealing violations and the bill has been reported to the floor by the committee.* --The House Government Operations Committee held oversight hearings on bank regulatory agencies.	

	ACTION IN THE ADMINISTRATION	ACTION IN THE CONGRESS	ACTION IN THE INDEPENDENT AGENCIES, THE COURTS, etc.
	--Securities Act Amendments of 1975 (P.L. 94-29) signed by the President June 4, 1975.		--The SEC has ordered all stock exchanges to abolish rules preventing price com- petition through member firms trading in listed se- curities off the exchange floors by March 31, 1976. --The SEC has begun an in- tensive review of all dis- closure requirements. Re- sults are expected later this year.

	ACTION IN THE ADMINISTRATION	ACTION IN THE CONGRESS	ACTION IN THE INDEPENDENT AGENCIES, THE COURTS, etc.
Transportation, Surface (Railroad, Truck)	<p>--Railroad Revitalization and Regulatory Reform Act was signed by the President on February 5, 1976.</p> <p>--Motor Carrier Reform Act submitted to Congress on Nov. 13, 1975. Introduced in the House on request by Representative Jones, H.R. 10909, on Dec. 1, 1975. Introduced on request by Senator Hartke, S. 2929, on Feb. 4, 1976.</p>	<p>--The Senate is expected to hold hearings on the Motor Carrier Reform Act during the last two weeks in June.</p> <p>--The House Small Business Committee held hearings on the ICC and independent truck operators on May 19, and 20, 1976. Hearings will continue on May 26, 1976.*</p> <p>--The House Commerce Committee held oversight hearings on the ICC in Feb and March.</p>	<p>--ICC has announced the start of a rulemaking proceeding to consider widening commercial zones and terminal areas.</p> <p>--ICC has started an investigation to determine if there is any further need to regulate freight and transportation brokers.</p> <p>--The ICC began a comprehensive survey on Jan. 5, 1976 to determine the extent that trucks travel empty on the highways.</p> <p>--The ICC has issued a final report and order on rate bureau regulations affirming the freedom to take independent action and establishing time deadlines for rate bureau actions.</p> <p>--The American Trucking Assoc. has held meetings in 10 cities in March to oppose the President's regulatory reform proposals.</p>

	ACTION IN THE ADMINISTRATION	ACTION IN THE CONGRESS	ACTION IN THE INDEPENDENT AGENCIES, THE COURTS, etc.
Airline	<p>--Aviation Act of 1975 submitted to Congress on Oct. 8, 1975.</p> <p>- Introduced in the House by Reps. Jones, Harsha, & Anderson, H.R. 10261, on Oct. 21, 1975 by request.</p> <p>- Introduced in the Senate by Senators Magnuson & Pearson on Oct. 22, 1975 by request.</p> <p>--The Administration has submitted an amendment to the Aviation Act to provide for a subsidy for service to small communities.</p>	<p>--Hearings on the Aviation Act have been held in both the Senate and the House. Hearings are continuing.*</p> <p>--Senator Kennedy has introduced S. 3364 calling for reform of airline regulation.</p> <p>--The House Small Business Committee has held hearings on the CAB and the FAA and small businesses.</p> <p>--The House Public Works Committee held hearings on the economic condition of the airlines during March. Hearings on economic conditions and regulatory reform are continuing.*</p>	<p>Chairman Robson has testified in support of the reduction of airline regulation calling for a statutory mandate to favor competition over regulation. The CAB is expected to submit its legislation in the near future.*</p> <p>--The report from CAB advisory committee on procedural reforms was released on Jan. 5, 1976. Comments on the report were submitted by Feb. 20, 1976.</p> <p>--CAB announced on 8/19/75 the beginning of a rule-making procedure to decide whether to increase load factor standard.</p> <p>--On Jan. 20, 1976, the Air Transport Association endorsed a two-year test period of pricing flexibility for airlines and recommended imposing time limits on CAB actions.</p> <p>--The CAB has proposed a new type of charter flight be established which would allow charter tour operators more flexibility and passengers more low-cost flight possibilities.</p> <p>--On March 10, 1976 the CAB established time limits for taking action in public rulemaking proceedings.</p>

	ACTION IN THE ADMINISTRATION	ACTION IN THE CONGRESS	ACTION IN THE INDEPENDENT AGENCIES, THE COURTS, etc.
Maritime	<p>--Both the State Dept. & the Transportation Dept. have testified against S.868.</p> <p>--An information memo on the Administration's position on the third-flag carrier bills was sent to the President the week of April 19, 1976.</p> <p>--An issue paper has been sent by the Maritime Task Force to the DCRG for consideration in the near future.</p>	<p>--Senate Commerce Committee has reported out favorably S.868 which would expand FMC powers to regulate third-flag carriers. Report not yet filed.</p>	
Restraint of Trade Fair Trade	<p>--On Dec. 12, 1975, the President signed into law the repeal of fair trade laws.</p>		

	ACTION IN THE ADMINISTRATION	ACTION IN THE CONGRESS	ACTION IN THE INDEPENDENT AGENCIES, THE COURTS, etc.
Robinson-Patman	--A draft report on the Robinson-Patman hearings has been circulated to the DCRG for comment.	--House Small Business Committee held hearings on the Robinson-Patman Act on Nov. 5-6, 11-12, 1975. Hearings continued during January, February, and March.	
Antitrust and Competition	<p>--Antitrust Immunities Task Force formed to examine anti-trust exemptions in Feb. 1975.</p> <p>--Meetings have been held with insurance industry groups, state regulators, and consumer groups to discuss possible changes to the McCarran-Ferguson Act. The Justice Department is seeking further comments on the issues and will report in May.</p> <p>--The Justice Dept. has filed an antitrust suit against the American Society of Anesthesiologists for conspiring to fix fees.</p> <p>--On Nov. 24, 1975 the Justice Dept. filed suit against the American Pharmaceutical Association to force it to allow its members to advertise the retail prices of prescription drugs.</p>	<p>--S. 2028, the Competition Improvements Act of 1975 has been sent from the subcommittee to the full Senate Judiciary Committee.</p> <p>--S. 1284, Antitrust Improvements Act, has been approved by the full Senate Judiciary Committee and is expected to be considered on the floor on May 25, 1976.*</p>	<p>--FTC has announced investigations into the anticompetitive practices of the real estate brokerage industry and the veterinary services industry.</p> <p>--FTC has charged the AMA and two medical societies in Connecticut with illegally fixing fees through their code of ethics that prohibits advertising.</p> <p>--FTC has proposed a regulation that would permit advertisements dealing with the price and availability of prescription eyeglasses.</p> <p>--FTC is investigating prohibitions against advertising of retail drug prices. Regional hearings were held in December & January.</p> <p>--The ABA has voted to allow its members to engage in limited advertising.</p>

	ACTION IN THE ADMINISTRATION	ACTION IN THE CONGRESS	ACTION IN THE INDEPENDENT AGENCIES, THE COURTS, etc.
		<p>--The House passed H.R. 8532, Parens Patriae as amended on March 18, 1976.</p> <p>--The CID bill, H.R. 13489, was reported to the floor by the Judiciary Committee on May 18, 1976.*</p> <p>--The House Judiciary Committee held one day of hearings on H.R. 13131 premerger notification, one May 6, 1976.*</p> <p>--On Dec 12, 1975 the Senate passed S.1136, authorizing an increase in antitrust enforcement resources by voice veto.</p> <p>--The House Judiciary Committee held a hearing on S.1136 on March 4, 1976.</p> <p>--On March 18, 1976 the Senate passed S.2935 which would increase funding for the FTC and give the agency legislative, budgetary and appointment by-pass.</p>	
Prevailing Wage	--CWPS has studied the inflationary impact of Davis-Bacon Act. Report is expected to be sent to the Labor Dept. but has been delayed pending review.		

	ACTION IN THE ADMINISTRATION	ACTION IN THE CONGRESS	ACTION IN THE INDEPENDENT AGENCIES, THE COURTS, etc.
Communications	<p>--After discussions with the White House staff, the DCRG has recommended further study of the regulations governing cable television.</p> <p>--On Dec. 16, 1975, the Justice Dept. filed a brief with the FCC urging the commission to act on two-year-old plans to increase the number of VHF television stations in major metropolitan areas across the country in order to promote greater competition and more diversity in programming.</p> <p>--On Feb. 4, 1976, the Justice Dept. filed a brief challenging the legality of anticompetitive pay cable television rules of the FCC.</p>	<p>--The House Commerce Committee held hearings on the regulation of cable tv May 17-20, 1976. Hearings will continue.*</p> <p>--The House Commerce Committee Subcommittee on Communications has issued a report criticizing the regulation of the cable television industry stating that current regulations serve to protect large broadcasters and stifle competition.</p> <p>--The House Commerce Committee held oversight hearings on the FCC on Mar. 2, 3, 1976.</p> <p>--Several bills have been introduced in Congress that would reaffirm the monopoly position of AT&T in the telephone industry.*</p>	<p>--FCC is expected to submit a report on an investigation of the economic and competitive impact of liberalized rules on the interconnection of customer-owned devices to the telephone network to the Congress the week of May 24, 1976.*</p> <p>--FCC has announced it will undertake a thorough review of existing regulations to see where deregulation of cable TV might be appropriate and it will propose legislation to carry out these recommendations.</p> <p>--FCC has adopted new rules to reduce delays and to improve its decisionmaking processes in two areas - common carrier regulations and safety and special regulations governing business, amateur and citizen band radios.</p>
Patents	<p>--Patent reform bill was introduced in the Senate in March, 1975.</p> <p>--Agencies have been asked to comment on the Senate-passed bill.</p>	<p>--Compromise patent bill was passed by voice vote in the Senate on Feb. 25, 1976.</p>	

	ACTION IN THE ADMINISTRATION	ACTION IN THE CONGRESS	ACTION IN THE INDEPENDENT AGENCIES, THE COURTS, etc.
Energy	<p>--Administration legislation proposing deregulation of new natural gas sent to Congress as part of the Energy Independence Act in January.</p> <p>--On September 10, 1975 the Administration submitted a legislative proposal which includes authority for the FPC to allow interstate natural gas pipelines to purchase gas from intrastate sources free of price controls. Introduced as S.2330 by Senator Pearson.</p> <p>--On December 22, 1975, the President signed S.622, the compromise oil price control bill which will temporarily roll back the price of oil and then gradually end controls over a 40-month period.</p>	<p>--On October 22, 1975, the Senate passed a five-year phase-out of controls on new natural gas.</p> <p>--On Feb. 5, 1976, the House passed a bill which removes price controls from smaller producers on natural gas, continues price controls on larger producers, and extends controls to the intrastate market.</p> <p>--The House Commerce Committee held hearings on the oversight of FPC, regulatory reform, and the deregulation of natural gas throughout January.</p> <p>--The House Commerce Committee has begun hearings on H.R. 12461, the Electric Utility Rate Reform and Regulatory Improvement Act.</p>	

	ACTION IN THE ADMINISTRATION	ACTION IN THE CONGRESS	ACTION IN THE INDEPENDENT AGENCIES, THE COURTS, etc.
Agriculture	<p>--CWPS has issued a preliminary study of milk prices, including the price impact of Federal price supports and marketing orders, import quotas, states regulations, and cooperatives.</p> <p>--A consultant to CWPS has said that consumers are paying \$500 million more each year for dairy products under Federal marketing restrictions, and milk prices are 22% higher than they would be without government controls.</p>	<p>--The House Judiciary Committee held hearings on competition in the food industry in Feb. and March.</p> <p>--S.3055, to establish a Federal Grain Inspection Agency to develop standards and inspection requirements for export grain, passed the Senate 52-18 on April 28, 1976.*</p> <p>--The House Agriculture Committee has begun hearings on H.R.12104, to establish a National Commission on Food Production Processing Marketing and Pricing and related bills.</p>	<p>--FTC has announced an investigation of the citrus fruit industry to determine the impact of agricultural cooperative associations and government marketing orders on the structure, conduct, and performance of the industry.</p>

	ACTION IN THE ADMINISTRATION	ACTION IN THE CONGRESS	ACTION IN THE INDEPENDENT AGENCIES, THE COURTS, etc.
ADMINISTRATIVE STRUCTURE AND PROCESS	<p>--The President in his July 16, 1975 Cabinet meeting directed 6 executive branch agencies (Labor, HEW, Agriculture, Transportation, FEA, and EPA) to work with the White House Task Force to examine and reform their own regulations and regulatory process. Meetings have been held with Agriculture, Labor, Transportation, HEW, and EPA. Reports have also been received by these agencies.</p> <p>--On May 13, 1976 the President announced the creation of short-term Presidential task forces to simplify and streamline government regulations beginning with OSHA and FEA.*</p> <p>--HEW, Labor, Agriculture, and DOT have established internal task forces to improve the department's regulations.</p>	<p>--Hearings on a bill, H.R.3658, which would permit either House of Congress to disapprove certain rules proposed by executive agencies were held on Oct 21-23, 29-31, 1975. Both executive branch agencies & independent agencies testified against the bill.</p> <p>--The House Judiciary Committee has reported out H.R.12048 which includes provisions establishing a procedure for congressional review and disapproval of executive branch rules and regulations.</p> <p>--The Senate Judiciary Committee has held hearings on various proposals to amend the APA including establishment of congressional review of regulations.</p> <p>--On Nov 6, 1975 the Senate voted 94-0 to pass S.5, the Government in Sunshine bill, which would require all collegial agencies to hold more open meetings and would control ex parte communications.</p> <p>--Both the House Government Operations and Judiciary Committees have passed the Government in Sunshine bill. The bill is now pending before the Rules Committee.</p> <p>--On Nov. 12, 1975 the Senate Judiciary Administrative</p>	

	ACTION IN THE ADMINISTRATION	ACTION IN THE CONGRESS	ACTION IN THE INDEPENDENT AGENCIES, THE COURTS, etc.
		<p>Practices Subcommittee held hearings on S. 1289, limiting ex parte communications.</p> <p>--S. 2715, to award attorney fees to participants in regulatory proceedings, has been reported to the full Senate Judiciary Committee by the Administrative Practices Subcommittee.</p>	

	ACTION IN THE ADMINISTRATION	ACTION IN THE CONGRESS	ACTION IN THE INDEPENDENT AGENCIES, THE COURTS, etc.
	<p>--On May 13, 1976 the President sent a Message to Congress transmitting the Agenda for Government Reform Act. The legislation would require a systematic review and schedule for reform of the regulatory system as it affects various sectors of the economy. Introduced as S.3428 by Senators Scott and Brock. Introduced as H.R.13793 by Representative Rhodes and others.*</p>	<p>--Senators Percy and Byrd introduced S.2812, the Regulatory Reform Act of 1976, which would establish a systematic timetable for reform of Federal regulatory agencies by 1981. The bill has also been introduced in the House.</p> <p>--Hearings on several bills, including S.2812 and S.3428, were held May 18, and 20, 1976. OMB and Justice testified on May 20, 1976. Hearings are continuing.*</p> <p>--Other congressional proposals for general regulatory reform legislation include establishing a Congressional Office of Regulatory Policy, S.2878, (Javits and Muskie) and requiring all government programs to be subject to a zero-base budget review every four years, S.2925 (Muskie).</p> <p>--Hearings on S.2925 were held Mar. 17-19, 23-25, April 7-8, 1976 by the Senate Government Operations Committee. The Subcommittee has reported the bill to the full committee.*</p> <p>--On May 19, 1976 the Senate passed S.3308, the Interim Regulatory Reform Act of 1976, which includes provisions giving seven independent regulatory agencies legislative and budgetary by-pass and requires these agen-</p>	

	ACTION IN THE ADMINISTRATION	ACTION IN THE CONGRESS	ACTION IN THE INDEPENDENT AGENCIES, THE COURTS, etc.
		cies to periodically review, update, and recodify their regulations.*	
Inflation Impact Analysis	--An evaluation of the first year's experience with infla- tion impact statements has been discussed by the FFB.	--Several pending bills would also require economic impact statements.	
Consumer Representation	--Agency plans to increase consumer representation were published in the Nov. 26, 1975 Federal Register. Pub- lic meetings were held in January around the country to explain how these plans will work.		--The NRC asked for public comments on the legality and desirability of the commis- sion giving financial as- sistance to participants in licensing procedures. Re- sponses are currently under consideration.

	ACTION IN THE ADMINISTRATION	ACTION IN THE CONGRESS	ACTION IN THE INDEPENDENT AGENCIES, THE COURTS, etc.
Forms Reduction	<p>--On March 1, 1976, the President requested all executive branch agencies subject to the Federal Reports Act to reduce the number of forms by 10% by July 1976. OMB guidelines on reducing the number of forms were sent to the agencies on Mar. 2, 1976.</p> <p>--A subcabinet briefing on the reduction of forms was held on March 16, 1976. Workshops on the guidelines were also being held.</p> <p>--Progress toward the President's goal of a 10% reduction has begun. The number of forms is now approximately 5000.</p> <p>--The President has asked the independent regulatory commissions to reduce their reporting requirements in conjunction with executive branch agency efforts.</p>	<p>--The Senate Government Operations Committee has held hearings on S.3076 the Paperwork Review and Limitation Act of 1976.</p>	
HEALTH AND SAFETY REGULATIONS	<p>--The Commerce Department is working to prepare case studies on the cost effects of environment, health and safety regulations.</p>		
STATE AND LOCAL REGULATIONS			<p>--FTC announced that it will investigate entry barriers in the appliance repair industry that are created by state licensing systems.</p>

THE WHITE HOUSE
WASHINGTON

Regulatory

June 15, 1976

Dear Senator Bellmon:

This is in further regard to your letter of April 6, 1976, to the President concerning the deregulation of Citizens Band radio. The President is, of course, deeply committed to the reform of federal regulation.

As you know, the regulation of radio use is of both national and international concern. A basic ingredient of radio regulation has been licensing the use of all radio transmitters to provide the thread of regulatory control. According to the FCC, the most compelling argument for continuation of some form of licensing is the fact that users feel a license can be taken away and consequently tend to appreciate the rights bestowed by that license.

This does not mean that licensing must continue in its existing or traditional form, and I understand that the FCC is investigating alternatives to their present system. One of the prerequisites for any licensing system is maintaining a current and accurate data base while, at the same time, minimizing the cost to the government and licensees.

The Commission is currently receiving complaints of interference to home entertainment equipment such as TV and hi-fi sets involving CB transmitters at a rate of over 70,000 per year. The Commission's action to resolve these interference complaints, without using costly and time consuming direction-finding techniques, is dependent on an accurate data base. Moreover, the efficiency of the minimal enforcement activity currently being engaged in by the Commission is greatly enhanced by this data base. If no data base is maintained, the FCC asserts that the assignment and use of a call sign for identification, as suggested by Mr. Eger, Acting Director, Office of Telecommunications Policy, would serve no useful purpose and be an added burden on the public.

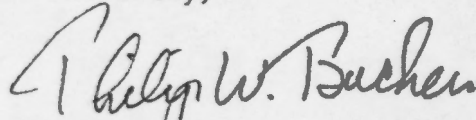


One of the primary purposes of the President's regulatory reform effort is to eliminate unnecessary delays and improve service to the public. I believe the Commission has taken significant steps in this area. They have simplified the application forms and processing procedures. These changes, along with the addition of some temporary personnel, have allowed them to reduce the application processing time for most applications from 10 to 12 weeks to 6 to 8 weeks -- and I understand that further reductions are in the immediate offing. The Commission is also contracting for a high speed licensing system design study which, hopefully, will further reduce this time. Moreover, the Commission instituted a temporary permit procedure for CB, effective April 16, 1976, which allows an applicant to operate his CB transmitter immediately upon mailing his application for a period of 60 days.

While the Commission appears to have reasonable grounds for CB licensing, it should continue to seek ways to improve its service to the public. In this regard, we recently had a meeting at the White House with representatives from manufacturers of CB radios and user associations to hear their views about licensing. We were surprised to learn that nearly everyone present supported FCC licensing of CB radio use. However, concern was expressed about frequency allocation, regulatory lag and other problems. Thus I believe efforts should continue to reduce wherever appropriate the regulation of CB radio.

Your interest in this matter is greatly appreciated.

Sincerely,



Philip W. Buchen
Counsel to the President

Honorable Henry Bellmon
United States Senate
Washington, D. C. 20510



THE WHITE HOUSE OFFICE

0.71-1

REFERRAL

To: Federal Communications Commission
1919 - M Street, N.W.
Washington, D.C. 20554

Date: April 19, 1976

ACTION REQUESTED

☒ Draft reply for: (See remarks)

☐ President's signature.

☐ Undersigned's signature.

☐ Memorandum for use as enclosure to reply.

☐ Direct reply.

☐ Furnish information copy.

☐ Suitable acknowledgment or other appropriate handling.

☐ Furnish copy of reply, if any.

☐ For your information.

☐ For comment.

NOTE

Prompt action is essential.

If more than 72 hours' delay is encountered, please telephone the undersigned immediately, Code 1450.

Basic correspondence should be returned when draft reply, memorandum, or comment is requested. There is no question about its value as a valuable and effective resource, not only for the Section as a whole.

REMARKS:

Please prepare a draft response for the signature of Philip W. Buchen, Counsel to the President

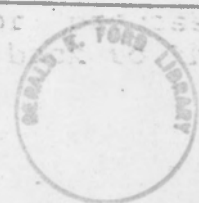
Description:

☒ Letter: ☐ Telegram: ☐ Other:

To: The Honorable Gerald R. Ford
From: Senator Henry Bellmon
Date: April 6, 1976
Subject: Licensing problems re Citizen Band Radios

By direction of the President:

Barry N. Roth
Assistant Counsel



14

(White House File Copy)

THE WHITE HOUSE
WASHINGTON

July 30, 1976

Regulatory
For filing
B.

MEMORANDUM FOR:

PHIL BUCHEN
JIM CANNON
DICK CHENEY
DAVE GERGEN
BOB HARTMANN
JACK MARSH
BILL SEIDMAN

FROM:

ED SCHMULTS

SUBJECT:

Regulatory Reform

Attached is a column that I have sent to the National Association of Manufacturers for inclusion in a special regulation issue of NAM reports. The column outlines the Administration's approach to regulatory reform. Attached also are two recent one-page articles from the National Journal on airline reform and "Busing-Big Government Link" which may be of interest.



National Association of Manufacturers Report - Special Regulation Issue

The Administration's Approach to Regulatory Reform

The Ford Administration is firmly committed to achieving fundamental reform of our nation's regulatory system which, over the years, has become sluggish, self-serving, and stereotyped.

Almost two years ago, President Ford announced his intention to eliminate regulatory inefficiency as a part of the effort to halt inflation. His goal was not de-regulation but rather the development of a more enlightened, streamlined regulatory system which better serves the economic and social needs of modern society.

Since that time, the American people have become increasingly aware of the unnecessary costs and inequities produced by the present system and as a result, some significant progress has been made towards reform.

For example, in the past 8 months, we have reduced the number of Federal forms by more than 12.5% and we are now working to reduce the burden which Federal paperwork requirements places upon the American public. We have successfully encouraged the major independent regulatory agencies to improve their regulatory practices. In the past year they have made notable progress in reducing costly regulatory delay, improving economic analysis and placing greater reliance on market competition as a regulatory tool. One agency has even asked Congress to legislatively reduce its regulatory authority so that natural competitive forces are allowed to operate.

Throughout the Executive Branch, the Administration has worked hard to make decision-makers more aware of the consequences of their actions. Agencies are required to analyze the economic impact of their regulatory actions before they are put into effect. And actions are being taken to increase public participation in regulatory proceedings. In addition, the President has established several short-term task forces to re-write and simplify existing regulations and streamline regulatory procedures in the Occupational Safety and Health Administration, the Federal Energy Administration and the Commerce Department's Export Administration. These task forces have been directed by the President to make it easier for businessmen and consumers to deal with government requirements.

On the legislative front, we have also made some progress. Federal laws sanctioning State fair trade laws have been repealed. Fixed rates for securities brokerage commissions have been abolished. Federal regulation of railroad rates has been reduced, and civil and criminal penalties for antitrust violations have been increased. In addition, the Administration is continuing to press for congressional action on proposals to reform airline, motor carrier, banking and natural gas regulations.

But progress does not come easily. While recognition of regulatory problems is bipartisan and widespread, agreement on specific issues and solutions is less clear. At every step, specific reform attempts are met with sharp and vocal opposition from a variety of interests seeking to preserve the status quo. In some cases, even asking the question "Is there a better way" evokes sharp protests and further progress toward meaningful reform is forestalled.

The real question facing both the Administration and Congress is not the need for reform but whether or not current public indignation and concern over government inefficiency can be translated into productive and lasting reform. Too often in the past, we have been content with organizational or procedural solutions to complex economic or social problems.

But the Administration believes the American people can no longer afford to accept rhetoric as a substitute for results. Therefore, President Ford has proposed to Congress the Agenda for Government Reform Act which would guarantee the systematic re-examination and reform of Federal regulatory activities within the next four years. This legislation requires Congress and the President to agree to undertake a fundamental reassessment of the combined effects of all government regulations on individual sectors of the economy. And it requires them to adhere to a disciplined timetable to assure annual results.

We believe this plan will produce several desirable results. First, it will enable Congress and the Administration to focus on the real-world consequences of their decisions. It will foster increased public understanding of the costs and inefficiencies of regulation and help to build an active public constituency for change. Consumers, businessmen, workers, and academics will have a better idea of what Government is trying to do and be able to plan and participate accordingly. Finally, this legislation will help assure concrete results.

This Administration is serious about reform. The present system demands fundamental change. The American people deserve no less.

Some items in this folder were not digitized because it contains copyrighted materials. Please contact the Gerald R. Ford Presidential Library for access to these materials.

Up, Up and Away with Airline Reform

Legislation to curtail Civil Aeronautics Board (CAB) regulation of domestic airline service is progressing so smoothly in Congress that many persons familiar with the proposal expect that a bill will become law in 1977. That this is the case says

positional he said he would submit in the Senate within a few weeks to "revitalize the airline industry with new competition, with more freedom to set fares and with procedures to force the CAB to make decisions in a timely and responsible

The Busing-Big Government Link

Sen. Hubert H. Humphrey of Minnesota, a liberal Democrat whose New Deal credentials remain intact, several months ago asserted at a breakfast meeting with Washington

president of the Chamber of Commerce of the United States, condemns "government spending" and "redistribution of wealth," asserting that "for 40 years we have turned increas-

from intrusive, overbearing government." Richard L. Leshner, becomes clearer. □