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THE WHITE HOUSE

REMARKS OF THE PRESIDENT  
AT THE  
WHITE HOUSE CONFERENCE  
ON DOMESTIC AND ECONOMIC AFFAIRS

HIGHWAY HOTEL

4:37 P.M. EDT

Governor Thomson, Mayor McLain, Mr. Clements, distinguished guests, ladies and gentlemen:

Let me express my very great appreciation to Governor Thomson, to the people of New Hampshire, particularly the members of the State Legislature, for the warm welcome that I have received here in this great State, and may I say to Governor Longley and to Governor Salmon, I am deeply grateful that they were able to come and to participate, to some extent, and I am grateful for the people of both Maine and Vermont who have come and participated in this area.

We believe that direct communication between the working people at the highest level in the Federal Government have an obligation -- the Cabinet and others -- to meet face to face the people in the many States of our great Union.

It is my recollection, Bill Baroody, this is the sixth that we have had, and it is important for us to learn from you and, hopefully, we can communicate and work with you.

So, I thank you and I welcome you, and I hope that you feel that this meeting here, with its broad participation, labor, management, professional people and others, has been worthwhile.

It goes without saying that I am delighted to be in New Hampshire. I have been here a good many times, going back to the late thirties. New Hampshire, in my opinion, is a State of infinite riches, a State that has more than its share of beauty, a State that has more than its share of Yankee know-how, a State that has more than its share of American history, and a State that has less than its share of United States Senators.  
(Laughter)

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If I might, I would like to add a footnote. New Hampshire, in my humble judgment, deserves its full Constitutional representation in the United States Senate now.

As I said a moment ago, I am pleased to participate in this White House Conference on Domestic and Economic Affairs. As I said, this is a two-way street. These conferences help us in Washington, so that we can keep in touch with your views, and at the same time it gives to us the opportunity to tell you about our programs.

The fact that this is a cross-section group I think is fundamentally and absolutely essential.

Every Administration -- at least in my 20-some years in Washington -- faces an agenda of very pressing issues, calling in each instance for immediate action.

In 1975 these issues are, number one, America's role in the world; number two, the re-establishment of our economic health; and number three, the creation of a new and long-range policy on energy.

It is my understanding that Frank Zarb, who is head of the Federal Energy Administration, and who is the Executive Director of the Energy Council, has talked to you about the need and the programs and the status of our energy program.

I can only emphasize this: Every day, unless we do something to develop alternative sources of energy in the United States, our great country becomes more and more and more vulnerable to outside sources; in this case, and in this day and age, foreign nations who have a literal stranglehold on a very important source of energy.

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So, I hope and trust that you can help us get the Congress to act, not on 535 energy programs -- one for each Senator and one for each Member of the House -- but one energy program. And with your help, that can be done.

The re-establishment of our economic health: We have gone through a very tough time. I am sure members of my top staff have told you how we are doing and what the prospects are. I am convinced that the analysis given to me -- and I presume given to you -- is an accurate one, and that sometime early in the third-quarter of this calendar year we are going to see some very significant signs of an upturn in the American role.

I would be remiss if I didn't make a comment or two. We have suffered in the last month two very unfortunate developments. One, we were not able to achieve an important step in the path, or progress, for peace in the Middle East. And, of course, the tragedy in Indochina is a serious one.

But let me say directly to each and every one of you: That the United States is going to keep its commitments to its friends. The United States is telling its potential, or real, adversaries that they must not seek to take advantage.

In order to help our friends and to meet any challenges from our foes, the United States is going to be strong in the field of national security. Certainly, the problems that I have mentioned require our best thinking -- and that includes ours as well as yours -- in the most decisive action.

But America has other problems that also deserve attention. One of these is the need to consider the relationship of Government on the one hand, and business on the other. Federal regulations have entangled -- and I mean really entangled -- far too many aspects of our economic system.

The area of Government regulation has been neglected far, far too long. We must reassess, as I see it, the archaic, and oftentimes very rigid, regulations which hamper the economy of the United States and directly affect the American consumer.

In far too many cases, Government regulation has become counterproductive and remote -- much too remote -- from the needs and interests of businesses as well as consumers.

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

Today -- and let me illustrate -- more than 100,000 people are employed by the Federal Government for the sole and the exclusive responsibility of writing, reviewing and enforcing some type of regulation.

Just to list -- and this is just the list -- all of the rules and regulations established last year required 45,000 pages of very small print in the Federal Register.

It is obvious this bureaucracy is expensive to maintain and even more costly in its impact. But the administrative costs are not nearly as significant as the price tags for the inefficiency too often produced by the regulation.

The time has absolutely come, in my judgment, for serious re-evaluation of the regulatory system. Reform -- and I underline it -- must be based on less dependence on Government and more reliance on the citizen as producer and as consumer.

This Administration has several initiatives underway, and more are planned, to move the Government toward deregulation. Last fall, for instance, we sent the Congress legislation to create a bipartisan National Commission on Regulatory Reform.

The proposal specified a one-year lifespan and a mandate for action. Today, unfortunately, there has been no Congressional action.

But the obvious need for reform in this important area convinces me that Congress must, and I think eventually will, respond.

During the past few months, we have studied the problem of excessive Government regulations and how they stifle productivity, eliminate competition, increase consumer costs and contribute to inflation. We have concluded that there is action that can and must be taken to alleviate these problems.

Let me give you an illustration. Shortly after taking office in August of last year, the Administration began requiring what we call inflation impact statements, which are aimed at measuring what Government rules and regulations actually cost the consumer, cost the economy.

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These statements were the first attempt to see how Government actions contribute to inflation. What we are finding out is not just the administrative costs of these actions, but also the cost to consumers.

The responsibility of Government in contributing to inflation is of great concern to me, and to all of my associates. This prompted our call for a reduction of some 40,000 Federal employees by June 30 of this year and a 10 percent cutback in White House personnel. And we are going to make both of them.

I can assure you that belt-tightening for this Administration begins at home.

The downturn in the rate of inflation is encouraging. When I took office, inflation was climbing unbelievably -- a double-digit situation at an annual rate of 12.2 percent. Today, that rate has slowed down to 7.4 percent. It is still too high and, of course, we will maintain our best efforts, I can assure you, to bring it down even further.

I should say, parenthetically, I am determined to veto legislation that is too expensive in terms of the budget deficit and legislation that will cost business and consumers too much. That is a pledge, and a promise to you and to the American people.

As we look back over history, we find that regulations sprang up in response to certain economic conditions and have been perpetuated by too little attention to their effectiveness.

An outdated view of business as the oppressor, which must be controlled by Government, has also contributed to the failure to tackle reform.

The relationship between Government and business is a relationship between Government and the consumer, and this must be, as I see it, the spirit behind re-evaluation and reform.

The producers and the customers in our system are not enemies. I repeat, the producers and customers in our system are not enemies, but actually partners.

Cooperation is needed to help promote reform of the regulatory system. Producers who strive to achieve a reputation by fair dealing are also aware that good will with the public is the most valuable asset a company can have.

Business and consumers must unite for the common good to help unsnarl these restrictions and regulations that encumber our economy.

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One unfortunate byproduct of regulation is the stifling of competition. Reduced competition hurts the consumer, or customer, and ultimately the entire free enterprise system.

Competition -- I think it is good in politics, I think it is good in athletics, and I think competition is the key to productivity and innovation. Even the businesses that enjoy a protective status under regulation are adversely affected.

Although it is difficult to come up with an exact price tag on the cost of unnecessary and ineffective Government regulation, some estimates that I have seen place the combined cost to consumers of Government regulation and restrictive practices in the private sector at more than the Federal Government actually collects in personal income taxes each year -- or something in the order of \$2,000 per family -- unbelievable.

Even if the real costs are only a fraction of this amount, this is an intolerable burden on our pocket-books. Transportation is an example of an industry where consumers are actually at the mercy of outdated regulation. As a result, the industry has been hampered and harmed.

I spent a couple of hours yesterday with people who were trying to find an answer to the financial difficulties of the Rock Island Railroad. Better than 12 years ago, two railroads in the far West wanted to merge with the Rock Island.

And after 12 long years, they finally got a decision from the ICC. In the meantime, the Rock Island has gone broke.

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That is a simple example, but now we are trying to find an answer. Of course, you in New England are familiar with some of the problems in this area here.

The Interstate Commerce Commission actually was established in 1887 and had a good purpose to protect the public from the monopoly of the railroads. It produced massive construction (constriction) of rail transportation.

We know the country does have a basically ample railroad system, but the problem is now to make it work for the benefit of the users and keep it healthy so we don't have to move into the nationalization of this important asset in our economic life.

The defects of airline regulation by the Civil Aeronautics Board can be seen very specifically in California and in Texas. Let me cite this example. The CAB-regulated carriers -- it does regulate carriers that compete with intrastate carriers, which are not regulated by the CAB.

The facts are that the fares of nonregulated intrastate carriers are as much as 40 percent lower than those controlled by the CAB. Something must be wrong.

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

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

Stimulation of competition is the goal of another legislative proposal. The Financial Institutions Act -- which I have already sent to the Congress -- proposes, for example, the removal of some outdated constraints on services and rates which banks and savings institutions offer to consumers.

As many of you know, present regulations make it easier to obtain higher interest rates for the large depositor and the small depositor. Banks, in our judgment, should be allowed to compete for the small investor's dollar. This legislation would facilitate that.

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If approved by the Congress, this act would open up new sources of deposits and increase the lending power of financial institutions.

The increased financial flexibility will obviously provide an economic boost and give the average consumer a better opportunity to earn good interest from his savings.

Marketplace competition would definitely be improved by increasing consumer information. The better informed the purchaser, the more competitive producers must become.

All of the initiatives toward regulation should be accompanied by vigorous enforcements of antitrust laws. Vigorous antitrust action must be part of the effort to promote competition.

A number of industries were made exempt from these controls, others were not. Like many Government interventions in the market system, the exemptions were enacted in response to various economic difficulties, real or imagined, with little or no thought to the longrun impact or effect.

The time has come, as we see it, to reconsider these exemptions and to discontinue those that cannot be fully justified.

Re-evaluation of another counterproductive pattern -- so-called fair trade laws is underway in many State legislatures. New Hampshire is one of the States where these outdated laws have been repealed. These State laws are sanctioned by Federal statutes, and they permit manufacturers to dictate the prices at which retailers must sell their goods.

Those of you who live in Maine and Massachusetts understand well what these laws cost you as consumers. Altogether, fair trade laws cost Americans an estimated \$2 billion in higher prices each year.

The State legislative repeal movement, which is underway, is encouraging, but the Congress should act to remove the Federal laws that allow States to honor those practices.

Senator Edward Brooke of Massachusetts has proposed such legislation, which we support.

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In coming weeks, the Administration will propose legislation to permit legitimate discount pricing. To the maximum extent of law, a manufacturer should be allowed to pass on to retailers the cost benefits of producing and shipping large orders for volume buyers.

Like fair trade laws, restrictions on discounts act to keep consumer prices higher than necessary.

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

I urge -- and very strongly recommend -- reform of State and local regulations in these or other areas. The need to clear the cobwebs from our Government regulations applies to all forms of Government controls.

Reforms of our present regulatory structure depend upon a revision of our attitudes. New perceptions are already here. Many of them, as I see it, are triggered by consumer advocates. Some arise from our current economic problems.

In unraveling nearly a century -- it is hard to believe, but nearly a century -- of regulations, we, of course, must be positive, we must be certain that the public interest prevails.

I must say, however, that nothing resists change more stubbornly than a comfortably entrenched bureaucracy intent upon its own self-preservation.

The history of this Nation -- indeed, its founding, which we are about to celebrate -- is a continuing chronicle of change. America, we know from reading almost 200 years of history, has a very unique capability to reform itself.

Actually, this is our great strength. The need to reform the relationship between Government and business is not as dramatic as some of the reforms we have made in the past, but it is vital to our economic recovery and long-range economic stability.

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

I thank you very much.

END (AT 5:04 P.M. EDT)