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ECONOMIC FREEDOM IN BICENTENNIAL AMERICA  
ADDRESS BY VICE PRESIDENT NELSON A. ROCKEFELLER BEFORE THE  
EXECUTIVES' CLUB OF CHICAGO  
CHICAGO, ILLINOIS

(Sixth of a Series)

March 17, 1976

SUMMARY

"The American Declaration of Independence, and the American Constitution that followed 13 years later, were not only historic milestones of a political revolution, they signified a major economic revolution as well... (that)... opened the vast heart of this Nation to settlement and development by free men and women seeking individual opportunity for a better life...

"A realistic examination of the history of the American enterprise system reveals that it was by no means a totally private enterprise endeavor. Government has always played not only a significant but a crucial part in American economic life. (Examples include agriculture, the railroads, the automobile and aviation industries). But the basic concept is to encourage the individual and private or voluntary enterprise -- within a framework of law that sets the basic rules and seeks to protect the public interest.

"How do we stand today?... There are growing and legitimate claims that a dominant central government in Washington is already placing impediments and nonproductive restraints upon individual activity, voluntary association and economic enterprise... And so we must ask ourselves: Is there a threat to human liberties today because economic freedoms are being restricted, initiative discouraged and individual creativity thwarted?...

"Human liberties are not possible under the Statism that now exists in most of today's world. The risk here in America, however, is not so much that we will take up the worship of the false gods of totalitarian ideologies. It is more that we may drift into Statism as a reaction to corruption, and by government's progressively legislating such overwhelming and detailed responsibilities for the ordering of society that liberty will be surrendered in the process."

Vice President Rockefeller made the following recommendations:

1. "That government encourage labor and management to develop specific productivity programs in industry, encourage upgrading of skills, and facilitate adoption by labor and management of new and improved work rules and industrial processes."

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2. "A conscious national commitment to retaining our leadership in science and technology through education, training and a greater capital investment, public and private."
3. "That our tax policy be re-evaluated and that new legislation be enacted to lessen the impact of those provisions which deter capital formation and to provide new incentives for capital formation and an accelerated rate of investment."
4. "That government and industry give top priority to plant modernization in their tax and investment policies."
5. "Enactment at this session of Congress of the Energy Independence Authority to get our economy rolling again, by stimulating the investment needed to assure that this country will have an adequate and dependable supply of energy."
6. "That the federal government act to stimulate and protect the investment of a substantial portion of public and private pension funds in housing."
7. "That the executive and legislative branches of government:
  - (a) Establish clear objectives and criteria for regulation;
  - (b) Examine the present regulatory process; and,
  - (c) Determine the effects of regulation, intended and unintended."
8. "We change where necessary existing laws, rules and procedures to assure that they are promoting, not hindering, the attainment of our overall national objectives."

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FOLLOWING IS FULL TEXT OF SPEECH

This year we celebrate the Bicentennial of the Declaration of Independence. Two hundred years ago, brave men signed a landmark manifesto not only for civil liberty but also for economic freedom. Important as it is to commemorate the Declaration of Independence as a landmark for civil rights, it is equally important to recognize it as a charter for economic freedom and opportunity.

The Founding Fathers recognized that individual liberty required economic freedom; that these two were wholly inter-related, and that one could not exist truly without the other. They knew that human dignity is destroyed not alone by suppression of civil rights but also by economic bondage.

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They learned this basic truth through long and bitter experience. They endured the hardships wrought by efforts of the British Crown to monopolize and control the trade of the American colonies. They suffered under Crown-imposed taxes that not only were unfair but hurt the economic growth of the colonies. And they lived through the frustrations and carried the burdens created by a central bureaucracy in London, a bureaucracy that laid down rules and regulations which stymied colonial growth and frequently bore little, if any, relevance to the American scene.

Our forefathers struggled against a system that sought to constrain their industry and commerce to a design set in London for the benefit of the British. They fought efforts to subject the vast American domain and its people to plans that subordinated America's growth and American aspirations to the service of an oligarchy in far-off England.

#### I.

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

This economic revolution opened the vast heart of this Nation to settlement and development by free men and women seeking individual opportunity for a better life. At that time, the Founding Fathers had only a belief, a fervent faith, that free men in a free economy could revolutionize the condition of ordinary men in this new world. They had only conviction and hope, but we know now that they were right.

Two hundred years of human liberty and economic freedom produced an American enterprise and social system that has given ordinary individuals the widest possible opportunity under which their drive and productivity have achieved the highest standard of living in the history of man.

In these accomplishments, the United States developed a pragmatic balance between personal freedom and the common good. It also achieved a productive balance between autonomy in enterprise and governmental direction and restraints in economic activity. These relationships between government and the public have been dynamic -- not static -- a continuing evolution politically and economically.

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

This interplay of government action and private initiative has been a key to our phenomenal national growth. A few examples will illustrate the significance:

#### A. Agriculture

The extraordinary agricultural production of America's farm families was made possible and stimulated by: (1) Federal land grants for homesteads; (2) Government construction of roads and canals; (3) The Federal land-grant college system; (4) Federal agricultural extension and other services; (5) Federal farm credit and rural electrification programs; and (6) Federal and state agricultural research programs.

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### B. The Railroads

The transcontinental railroad system which opened up this nation was made possible by federal grants of land and rights-of-way to the railroads.

### C. The Automobile Industry

The automobile industry -- so important to our economy -- owes its existence not only to American industrial ingenuity and private capital investment, but also to the billions of dollars invested by governments at all levels in our national highway system.

### D. The Aviation Industry

The world-wide preeminence of the United States aviation industry grew largely out of: (1) Government research and development of military aircraft; and (2) Federal government financial contributions to airports, airline operations, weather systems and maintenance of the airways themselves.

These and other public spurs to economic activity were paralleled by government actions to protect the public interest: anti-trust and business conduct laws; regulatory measures for safety, health, environment and the like.

But the basic concept is to encourage the individual and private or voluntary enterprise -- within a framework of law that sets the basic rules and seeks to protect the public interest.

## III.

How do we stand today? Are the basic concepts set forth by the Declaration of Independence as sound today as they were 200 years ago?

Despite the extraordinarily constructive and essential role played by the Federal government throughout our history, despite the tremendous dedication of loyal civil servants who have made government work, and, despite the continuing need for federal leadership and creative initiative, there are growing and legitimate claims that a dominant central government in Washington is already placing impediments and nonproductive restraints upon individual activity, voluntary association and economic enterprise.

There are those who see a danger that this central government and its bureaucracy: Remote from the great productive regions of industry and commerce, remote from the farms, factories, mines and markets, remote from communities and their governments, is enacting laws and laying down edicts that unnecessarily stifle growth and bear little relevance to the actual scene.

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

Here in our own land, we do run the risk of falling into the trap of thinking that human liberties and economic freedoms can exist one without the other. They never have. They never will.

Throughout the world, the thrust for individual liberty has been challenged and blunted by doctrinaire assertions that economic security must be the prime object of society. It is held by some that only centrally-adopted and centrally-directed planning and programming, and implementation by an all-powerful government, can achieve economic security.

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Suppression of human rights and civil liberties, to guarantee obedience to the dictates of an all-powerful state, is now the rule over much of the globe, and the rationale is economic necessity or security. Human liberties are not possible under the Statism that now exists in most of today's world.

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

#### IV

This Bicentennial is an appropriate time to pause, to appraise, and to determine what we should do about the regulation of individual lives, of business, of labor, and of voluntary association.

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

To comply with this ever-changing complex of laws, rules, regulations and orders has already become an ever-growing burden. It perplexes and inhibits individuals. It stymies small business. It stifles initiative and compounds the costs of large and small enterprises alike.

Even determining the proper legal mode of conduct is becoming so complex as to be unintelligible. More and more, the citizen, or his lawyer, or both, must go to the bureaucracy for the answers, and hope that the answers are not contradictory when more than one agency or one level of government is involved.

We run the danger of reaching that stage, at which too many other nations have already arrived, where one must go to the offices of the particular ministries to find out what the law is and how it is being interpreted, and to do this periodically to be sure that the interpretations are still the same!

The genius of the American system lay in the fact that government established a broad framework of policy and law within which individuals, groups and enterprises could operate with great flexibility.

The system also provided a reasonable continuity of policy: That gave certainty as to the risks of investment, that sparked initiative and spurred competition, that provided reward for success and penalties for failure, that encouraged efficiency and economy, and gave assurance against confiscation of the product of one's labor.

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It is time to reemphasize this essential concept -- to foster a climate within which enterprise, individual and voluntary group endeavors are stimulated for the productive benefit of all Americans. This does not mean a retreat into the past, a scrapping of social progress, nor abandonment of goals of equity, fairness and progress.

It means the development of a framework of law and enlightened regulation geared to today's needs and tomorrow's challenges, that will call into play the energies of the American enterprise system, the dynamism of our industry, the creativity of our labor, the ingenuity of our science and technology.

The most fundamental challenge is revitalizing and strengthening the American economy to meet our needs at home and our responsibilities abroad. The key to this is increased productivity of the American enterprise system, and this depends on a sound working relationship between government and the private and voluntary sectors of our society.

The increase in U. S. industrial productivity has lagged behind every western nation except Great Britain. Alone among the western industrial powers, the United States has no general policy of supporting basic technology for civilian industrial development.

The National Center for Productivity and Quality of Working Life -- an organization that represents leadership in government, the trade unions and business -- in its recent report called for increased productivity through action in four areas:

- I. Morale of workers and relations with management.
- II. Accelerated development in science and technology.
- III. Increasing capital formation and investment.
- IV. Simplification of government regulations.

Following are my recommendations in each of these categories:

I. Morale of Workers and Relations with Management

The freedom, mobility and responsibility of the American worker contribute in a major way to our productive society. Free collective bargaining within the framework of law and policy is a significant factor in both our economic stability and productivity. This may be seen with particular clarity when our society is compared with others.

In this connection, I recommend that government encourage labor and management to develop specific productivity programs in industry, encourage upgrading of skills, and facilitate adoption by labor and management of new and improved work rules and industrial processes.

II. Accelerated Development in Science and Technology

American strength in the world and America's own productivity and standard of living depend vitally on our leadership in science and technology. The economic and military pre-eminence of the United States at the end of World War II is a thing of the past. A major area in which we can, however, maintain pre-eminence is in the field of science and technology.

I recommend a conscious national commitment to retaining our leadership in science and technology through education, training and a greater capital investment, public and private.

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Our economic growth, our expanding job opportunities, our national security, our very national survival depend upon it.

### III. Increasing Capital Formation and Investment

The percentage of the Gross National Product devoted to capital formation and industrial investment in the United States has been steadily declining: The reasons for this are complicated but the time is overdue for action necessary to reverse this trend.

#### A. Capital Formation

I recommend that our tax policy be re-evaluated and that new legislation be enacted to lessen the impact of those provisions which deter capital formation and to provide new incentives for capital formation and an accelerated rate of investment.

For example, double taxation of corporate dividends should be eliminated.

#### B. Areas for Capital Investment

There are three major areas of our economy in which it is essential that capital investment be increased: (1) Modernization of Industrial Plants and Equipment; (2) Development of Energy Independence; and, (3) Revitalization of the Housing Industry.

##### 1. Modernization of Industrial Plants and Equipment

The productivity of American business and labor is directly related to the efficiency of plant and equipment. With modern plants and systems, American products can gain a competitive advantage which is essential for the health of our economy.

I recommend that government and industry give top priority to plant modernization in their tax and investment policies.

##### 2. Development of Energy Independence

America's strength and national security depend upon its ability to count on a reliable and adequate supply of energy. But today we are devastatingly vulnerable to another oil boycott -- and it gets worse every day.

To overcome dependence on the OPEC countries and to meet the President's goal of energy independence by 1985, government must play a positive role: In helping to mobilize the private capital and initiative needed to get us off dead center in achieving energy independence.

To help accomplish this, President Ford has urged the Congress to create an Energy Independence Authority. The Authority would assist, not supplant, private financing in this critical area -- where some \$600 to \$800 billion of capital will be needed by 1985 if our energy needs are to be met.

As I pointed out earlier, government has played a crucial role in promoting various areas of our economy throughout our history -- as in agriculture and transportation.

I recommend enactment at this session of Congress of the Energy Independence Authority to get our economy rolling again, by stimulating the investment needed to assure that this country will have an adequate and dependable supply of energy.

##### 3. Revitalization of the Housing Industry

Housing is another area that desperately needs large amounts of additional capital. We must look to private capital to be the major source of financing for housing construction. We have learned the hard way that government cannot do the job directly. Its role should be one of facilitating private activity.

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In many countries, accumulated pension funds are a major source of capital for housing.

I recommend that the federal government act to stimulate and protect the investment of a substantial portion of public and private pension funds in housing.

This could well form the basis for a major new private effort in housing construction.

#### IV. Simplification of Government Regulations

Government regulations should not only achieve national social goals but should also promote rather than hinder productivity.

I recommend that:

1. The executive and legislative branches of government:  
(a) Establish clear objectives and criteria for regulation; (b) Examine the present regulatory process; and, (c) Determine the effects of regulation, both intended and unintended.

2. We change where necessary existing laws, rules and procedures to assure that they are promoting, not hindering, the attainment of our overall national objectives.

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

In all of these areas -- productivity of labor; science and technology; capital formation, and government regulation, the question is not, and should not be, whether government should play a role. The question is how government should be creatively involved in promoting the freedom, wellbeing and opportunity of American citizens as individuals as well as assuring national security.

Much of the present democratic world is embarked on a course toward government-centralized controls over the economy, with all of the hazard to personal liberty and individual freedom that such a direction may entail.

In the Declaration of Independence, the Founding Fathers proclaimed the revolutionary truth that human liberty and economic freedoms are inseparable. They saw that expanding economic opportunity in a boundless America would not only provide better living but would be a principal guarantee of human freedom. They saw an America that would not mandate the life style of its people, but encourage them to develop their own. They saw an America that looked to dynamic economic growth for the future wellbeing of all. At this Bicentennial, let us rediscover this America.

We have all been through a difficult period -- especially in terms of the political turmoil within the United States. But I am optimistic about the future.

With the creativity and imagination of our free people, their scientific and technological abilities, the managerial skills of the great American enterprise system, and the abundant resources within our borders, we can develop the needed new sources of energy, the needed raw materials or substitutes. And the same is true for food.

As time goes by, the opportunities are limited, for cooperation to help other Nations achieve comparable goals, in a world that grows smaller and more interdependent all the time.

This can well prove to be the most exciting moment, with the greatest opportunities, in the history of civilized man. Confident of our heritage, with faith in the future, let us rise to this great occasion.