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Office of the Vice President
(Chicago, Illinois)

REMARKS OF THE VICE PRESIDENT
AT THE
EXECUTIVES' CLUB OF CHICAGO
CHICAGO, ILLINOIS

(AT 12:55 P.M., CST)

Thank you very much, Bob, and executives all. I have to be perfectly frank and say my next appointment is to join Mayor Daley at the St. Patrick's Day Parade.

(Laughter.)

I have to say though that it is a very important one. Which reminds me, coming over here from the hotel, I had the pleasure of meeting Mr. Thompson, your Republican gubernatorial candidate, designated in last night's election. We had our picture taken together.

As we came out of the suite and walked down the hall there was a group of friendly people gathered by the elevator. Being a politician and having long-standing instincts, I went over and I said, "Meet your next Governor."

Whereupon, there was sort of a pause in the group. That was a tough way to start. Then the Governor said, "Don't worry" -- the Governor Designate said, "Don't worry, that is just Mrs. Howlett."

(Laughter.)

So, I put my foot right into it when I started. It was Mrs. Howlett and her family. So, she was very friendly about it. We all had a nice visit.

(Laughter.)

It just shows, don't be too enthusiastic.

But I am delighted for the privilege of being here, the honor of this occasion. I would like to take the opportunity to try to analyze a few of the problems which we face in this great and wondrous nation. This year we are celebrating 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. I think that is something that a lot of people have forgotten, that last part.

Important as it is to commemorate the Declaration of Independence as a landmark for civil rights, it is equally important to recognize this declaration as a charter for economic freedom and opportunity. The founding fathers recognized that individual liberty required economic freedom. These two were wholly interrelated and that one could not exist truly without the other. They knew that human dignity is destroyed not alone by suppression of civil liberties and

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civil rights, but also by economic bondage. They learned this basic truth through long and bitter experience. They endured the hardship brought 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. 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. 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 on this country, that set loose the forces that ended indentured labor services and ultimately ended human slavery.

This economic revolution opened a vast part of this country to settlement and development by free men and women seeking individual opportunity for a better life.

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

Focusing on the economic scene, a realistic examination of the history of American enterprise systems reveals that it is 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 governmental action and private initiative has been the key to our phenomenal national growth. A few examples will illustrate the significance.

Extraordinary agricultural production of American farm families were made possible and stimulated by federal land grants for homesteads, government construction of roads and canals, the federal land grant college system, the federal agricultural extension and other services, federal farm credit and rural electrification programs, and federal and state agricultural research programs.

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

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 government at all levels in our national highway system.

The worldwide preeminence of the United States aviation industry grew largely out of government research and development in military aircraft and Federal Government financial contributions to airports, airline operations, weather systems and maintenance of airways themselves.

These and other public spurs to economic activity were paralleled by government action to protect the public interest, antitrust and business conduct laws, regulatory measures for safety, health and 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 rule and seeks to protect the public interest.

Despite the extraordinarily constructive and essential role the Federal Government has played throughout our history 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 warn that designs set in Washington are stifling individual and corporate initiative, thereby, constraining growth, productivity and the necessary increase in job opportunities. So, we must ask ourselves, is there a threat to human liberties today because economic freedoms are being restrained and restricted, initiative discouraged and individual creativity thwarted?

I am afraid that here in our own land we do run the risk of falling into the trap of thinking that human liberties and economic freedom can exist, one without the other. They never have and they never will.

(Applause.)

Throughout the world, the thrust of individual liberty has been challenged and blunted by doctrinaire assertions that economic security must be the prime objective of society. 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 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.

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 associations.

It was clear in the hearings on Domestic Policy that I held on behalf of President Ford around the country last fall, 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 proliferating governmental bureaucracy under myriads of statutes, administrative rules and regulations, resulting in a maze of red tape.

(Applause.)

To comply with this ever-changing complex of laws, rules, regulations and orders, has already been 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.

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 enterprise 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, that gave assurance against confiscation of the product of one's labor.

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

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

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. That is something a lot of Americans don't recognize.

Alone among the western industrial powers, the United States has no general policy of supporting or encouraging basic technology for civilian industrial development. The National Center for Productivity and Quality of Working Life -- an organization that represents leadership in government, trade unions and business -- in its recent report called for increased productivity through action in four areas.

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First, the morale of workers and relations with management. Second, accelerated development in science and technology. Third, increased rate of capital formation and investment. Fourth, simplification of governmental regulations.

The following are my recommendations in each of these categories. First, morale of workers in relationship to 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 has been 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, to encourage upgrading of skills and to facilitate adoption by labor and management of new and improved work rules and industrial processes.

Second, accelerated development of science and technology. American strength in the world, and America's own productivity and standard of living depends upon the vitality of our continued leadership in science and technology.

Economic and military preeminence of the United States at the end of World War II is a thing of the past. We don't like to face that sometimes, but that is a fact. However, a major area in which we can maintain preeminence is in the field of science and technology.

I recommend, therefore, a conscious national commitment to retaining our leadership in science and technology, through education, training and a greater capital investment, public and private. Our economic growth, our expanding job opportunities, our national security, in fact, our very survival as a nation depends on this.

Third, increased rate of capital formation and investment. The percentage of our gross national product devoted to capital formation and industrial investment in the United States has been declining steadily.

The reasons for this are complicated, but the time is overdue for action to reverse this trend.

Therefore, I recommend that our tax policy be reevaluated, 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 for an accelerated rate of investment.

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

(Applause.)

There are three major areas of our economy in which it is essential that capital investment be increased: modernization of industrial plants and equipment, development of energy independence and the revitalization of the housing

industry. The productivity of the 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 that is essential for the health of our economy.

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

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

If we are to overcome dependence on OPEC countries and meet the President's goal of energy independence by 1985, government must play a positive role.

This year we will be spending \$30 billion in foreign exchange to import 40 percent of our oil. That is up from 1970, when it was 27 percent. It is going up every day.

Yet, our very way of life, every industry, agriculture, everybody depends on energy, our whole system. Therefore, a boycott would totally destroy this country as far as economic and social stability is concerned, and as far as our national security is concerned.

It is only thanks to the farmers, who are now exporting some \$22 billion a year, and the export of military equipment which is criticized by some, for about \$10 billion a year, that we can afford to pay for the import of oil.

If we didn't have those two, we would have the greatest foreign exchange deficit this country has ever known. And we would be in a situation comparable to some other countries, whom I won't mention.

(Laughter.)

If we are to overcome dependence on the OPEC countries and meet the President's goal of energy independence by 1985, government must play a positive role, as I said, in helping to mobilize private capital and the initiative needed to get off dead center in achieving energy independence.

The extraordinary thing is we have the natural resources, the technology to become independent. We have the same strength and vitality in terms of natural resources, in terms of raw material and in agriculture. No country in the world has the advantages which we have.

Yet, few countries have lacked as much conscious policy in achieving them as we have in recent years. In fact, the head of the Navajo Nation, when we were having a hearing in Colorado, spoke. He said, "Had you responded to Pearl Harbor in the same manner we have to the energy crisis, we would all be speaking Japanese in the United States right now."

(Laughter.)

To accomplish this, President Ford has urged the Congress to create an Energy Independence Authority. The purpose of the Authority would be to assist, not supplement, private financing in this critical area, where some \$600-800 billion of capital will be needed between now and 1985, if we are to achieve energy independence.

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

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

There is one other question there. That is, not only to the supply of energy, but the concept of the freedom of the seas which I would just like to say, we Americans take for granted. Yet, under the realities of the world military powers that reality is no longer one we can take for granted.

So, it might not only be that our supply is cut off by the producers in other countries, but it could be cut off in terms of those who have the capacity to sink the ships on their way to the United States, or Japan or Europe.

The stability in the Middle East is not such that we can relax even as to the possibilities of another tragic outbreak there. So, we are totally vulnerable, ladies and gentlemen.

Yet, we all take this in the most complacent manner. I have to say that at a meeting of Western Governors, none other than Governor Exon asked me whether there really was an energy crisis.

He said, "How can there be an energy crisis when there is plenty of gas in the pumps?" I said, "You got it right there. There is plenty of gas in the pumps because we are importing it." It hasn't hit us yet, but it is there. We can't afford to have it happen.

Turning to housing, that 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.

(Applause.)

Its role should be one of facilitating private capital, not supplanting it. 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 substantial portions of public and private pension funds in housing. This could well form the basis for a major new private effort in housing construction.

I don't have to mention to this sophisticated

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audience that there is about \$9 billion a year in savings going into pensions annually and there is \$200 or \$300 billion already invested. One wonders why a lot of that money should be going into the stock market instead of going into a more stable area with the proper governmental protection.

Finally, turning to the all important subject of the simplification of government regulations. Government regulations should not only achieve national social goals, but should also promote rather than hinder productivity.

Therefore, I recommend that the executive and legislative branches of government, together with representatives of business, labor and the public establish clear objectives and criteria for regulation.

A lot of our regulations were established in the 19th Century. They are totally unrelated to the realities of today. They need to be reexamined so that we have a clear concept of where we are going. Then we need to examine the present regulatory process and determine the effects of regulations, both intended and unintended.

As I mentioned last night, I was Chairman of the commission created by the Congress on the reexamination of the impact of the Water Quality legislation of 1972. We have been in operation for three years. Our report will be out in a week or so.

In connection with the hearings and the studies that were made, there were five Senators, five Congressmen, five people from the outside. In connection with the studies we made, we studied industry by industry, the impact of these regulations.

Taking one as an example, that is the electroplating industry. If the '77 standards are applied and the '83 standards, out of the 90,000 electroplating industries in this country, 35,000 small industries will be bankrupt by the application of these laws.

This was not the intent of government. It was not the intent to knock out the small business, which is the seed corn of the vitality of our society. But this was a by-product that was not understood.

We must reexamine the purpose and the implications of what we are doing, that government 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 new proposal or proposed change in the laws and regulations should be made in the light of broad objectives, instead of the piecemeal ever-changing process of the past, which has hindered productivity and progress and growth and the increase of growth in employment.

In all these areas, productivity of labor, science, technology, capital formation, 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, well-being.

and opportunity of American citizens as individuals as well as assuring the economic growth and national security of our nation.

In the Declaration of Independence, the founding fathers proclaimed the revolutionary truth that human liberty and economic freedom 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 lifestyle of its people, but would encourage them to develop their own.

They saw an America that looked to dynamic economic growth for the future well-being of all. In this Bicentennial, let us rediscover this America. We have all been through a difficult period, especially in terms of the political turmoil in our own country.

But I am optimistic about the future. With the creativity and imagination of our free people, with scientific and technological ability, managerial skills of the great American enterprise system, the abundant resources within our borders, we can develop the needed new resources of energy, the needed raw materials or substitutes, and in the same form, the food that is required.

The opportunities ahead of us are unlimited. This could well prove to be the most exciting moment with the greatest opportunities in the history of civilized man. With confidence in our heritage, with faith in the future and in ourselves, let us rise to this great occasion.

Thank you very much.

(Applause.)

END

(AT 1:25 P.M., CST)