The original documents are located in Box 28, folder "Regulatory Reform (2)" of the James M. Cannon Files at the Gerald R. Ford Presidential Library.

[May 1975]

SYNOPSIS OF ADMINISTRATION'S REGULATORY REFORM EFFORTS

File

I. Administrative Actions

1. Council on Wage and Price Stability. CWPS was created by Congress at the President's request in August 1974 to act as a watchdog over private sector wage and price actions and to analyze the inflationary effects of existing regulations promulgated by all elements of the Executive Branch except the independent commissions. CWPS is due to lapse August, 1975, but Congress is currently debating whether a reauthorized agency should be given subpoena or other quasi-control powers. The Administration has objected to the Senate's adoption of language permitting CWPS to subpoena individual product-line data from businesses.

2. Inflation Impact Analysis. The President issued an Executive Order in November, 1974, calling on all Executive Branch agencies to conduct inflation impact statements on their proposals for major legislation and regulations. Many of the independent commissions indicated their on-going concern for the impact of their decisions but all declined to comply specifically with the order. Other agencies have submitted draft criteria for compliance, OMB returned comments on these, and final criteria are expected to be in place by the end of June.

3. State and Local Regulations. In December the President wrote to all the Governors, as well as key Mayors and State Legislators urging them to review their own systems of regulations. Similar letters were later sent to selected county officials. Staff from the Domestic Council and OMB have met with representatives from State and local governments and concerned Federal agencies to help lay out a possible work agenda for a State/local task force. A resolution to this effect is under consideration at the National Governors Conference.

4. Review of Antitrust Exemptions. Representatives from the Justice Department and the EXOP formed an administration task force in February to review a list of statutory anti-ratemaking conferences, insurance rate bureaus, etc. Specific legislative proposals for reform or repeal of some immunities are expected later this year.

5. Increase in Resources and Authorities for Antitrust Enforcement. The Administration has approved substantial increases in budget dollars and manpower ceilings for the Antitrust Division and Federal Trade Commission

over the last two years. It is presently testifying with some reservations on several proposals on the Hill which would greatly multiply these agencies' resources and have major impact on civil processes and enforcement procedures. Senator Phillip Hart has gained some bi-partisan Senate support, but House action is uncertain at this time.

6. Improvement in Consumer Representation. In April, the President directed Virginia Knauer to work with Cabinet Departments and other agencies to assess their present methods for soliciting and incorporating consumer views into their procedures for developing legislation and regulations, thereby increasing their sensitivity to cost/quality effects on consumer goods and services. At the same time, he wrote to the Congress opposing enactment of an Agency for Consumer Advocacy on the grounds that reforms within existing agencies were more urgent than the creation of additional agencies. The Senate has passed a revised ACA bill and House passage is almost certain before the end of the year.

7. Meeting with Congress and Independent Regulatory Commissioners. On April 27, the President announced his desire to meet with the major Independent Regulatory Commissioners and key Congressional members to discuss ways in which the Congress, the President, and the Commissions could jointly work to resolve important regulatory issues affecting the long-term health of the economy. The Administration has held preliminary meetings with the Congressional leadership, and necessary staff work is proceeding. No date(s) have been set for either separate or joint sessions.

II. Legislative Proposals

1. Regulatory Reform Commission. In January the Administration resubmitted legislation calling for the creation of a joint executive/legislative/private sector National Commission on Regulatory Reform. A similar proposal received no action in the 93rd Congress after hearings in the Senate Government Operations and Commerce Committees. Variations on the Administration's proposal have been submitted in the House, but no action is anticipated in the Senate if Congressional funding is provided for a joint Government Operations/Commerce Committee study.

2. Transportation Reform: Railroads. The Railroad Revitalization Act was submitted May 19; the White House is currently trying to line up sponsors for the bill. The legislation seeks to (a) permit railroads to adjust their rates up or down within a "zone of reasonableness" without ICC approval; (b) clarify the Commission's authority to disapprove rates

or abandonment proposals: (c) prohibit rate bureaus from certain anti-competitive practices; and (d) provide $2 billion in Federal loan guarantees for upgrading track and equipment, contingent on the industry undertaking specific restructuring actions. Congressional reception is uncertain at this time.

3. Transportation Reform: Trucking. An Administration task force is in the final stages of drafting legislation to make major changes in the regulation of the trucking industry. The chief provisions are (a) pricing flexibility analagous to those proposed in the rail bill; (b) liberalized entry provisions for certificate applicants; (c) modification of route and commodity restrictions; (d) elimination of certain antitrust immunities currently enjoyed by rate bureaus. Submission to Congress is expected by the end of June.

4. Transportation Reform: Airlines. A third task force is working to draft airline regulatory reforms. It will seek to increase pricing and route flexibility, provide for easier entry to and exit from certain markets, and eliminate the CAB's authority to approve certain anti-competitive practices such as joint agreements to limit or eliminate service. Submission to Congress is expected later this summer.

5. Financial Institutions. After changing certain provisions on the effective dates and the new mortgage interest tax credit, in March the Administration resubmitted the Financial Institutions Act which had received only Senate hearings in the 93rd Congress. The legislation is intended to remove restrictions on the interest rates and services banks and S &L's can offer in order to provide more competitive returns to small savers and more diversified services to all customers. Hearings were conducted by the Senate Banking Committee in May, but any action in the House this year is unlikely due to a recently announced Staff Study to be conducted by the House Banking Committee.

6. Securities. The President signed the Securities Act Amendments of 1975 on June 4. The law requires the SEC to move promptly to establish a national market system thereby increasing price and volume information to prospective buyers and sellers and promoting more competition between brokers. The law also clarifies the SEC's authority to eliminate fixed commission rates on securities transactions, a step which was completed by an earlier administrative action. It is expected the law will have substantial effects on the quality and price of brokerage services offered to all investors.

7. Energy. In February, the Administration submitted legislation seeking to deregulate the FPC's authority to control the price of new natural gas. The bill also seeks to mandate that State Public Utility Commissions follow the FPC's lead by allowing proposed rate changes to take effect within five months if administrative actions have not been completed. Electric utilities would also be permitted to include construction in progress in their asset rate base. Rates calculated from either provision would be subject to reversal. The Senate Government Operations Committee held hearings on this part of the Administration's energy program, but no further action is expected in the full Senate or House. At Secretary Dunlop's request, the Administration is currently reviewing the possibility of re-questing an increased investment tax credit for utilities.

8. Fair Trade Laws. Legislation to repeal the Federal Fair Trade enabling laws (Miller-Tydings and McGuire Acts) was introduced in January by Senator Brooke and Representative McClory. The present laws permit States to legalize price protections which prevent retailers from selling merchandise below the manufacturers suggested retail price. Hearings have been held in the House and Senate, and favorable action in both bodies is expected later this summer. Simultaneously, several State legislatures are considering repeal or reform of their laws. New York recently abolished its statutes.

9. Robinson-Patman Act. An Administration Task Force is in the final stages of drafting recommendations to the President concerning reform or repeal of the Robinson-Patman Act. The Act presently forbids price discrimination between buyers by a seller, unless conclusive proof of different costs can be presented. The general nature of the statute and its interpretation by business firms and the government have tended to discourage legitimate price competition, thereby adding unnecessarily to many consumer prices. Final proposals to the President are due within one month.

10. Cable Television. Over a year ago, the Office of Telecommunications Policy proposed some revisions to FCC's authority to regulate cable TV, but the legislation is opposed by FCC for going too far without adequate study data, and by the Justice Department for not recommending greater deregulation of the cable industry. If major Justice-OTP differences could be arbitrated, legislation could be introduced within six weeks.

[May 1975]

P - Hold for Regulatory

SENATE

MAJORITY LEADER - Mike Mansfield
MINORITY LEADER - Hugh Scott

OVERSIGHT COMMITTEES

Agriculture & Forestry - CFTC

Herman E. Talmadge (Ga.)
Robert Dole (Kan.)

* Agriculture Production, Marketing, & Stabilization of Price
  Walter Huddleston (Ky.)
  Milton R. Young (N. D.)

Banking, Housing and Urban Affairs - SEC

William Proxmire (Wisc.)
John G. Tower (Tex.)

* Financial Institutions
  Thomas McIntyre (N. H.)
  John G. Tower (Tex.)

Commerce

Warren G. Magnuson (Wash.)
James B. Pearson (Kan.)

* Aviation - CAB
  Howard W. Cannon (Nev.)
  James B. Pearson (Kans.)
* Communications - FCC
  John O. Pastore (R. I.)
  Robert P. Griffin (Mich.)
* Consumer - CPSC
  Frank E. Moss (Utah)
  James L. Buckley (N. Y.)
* Merchant Marine - FMC
  Russell B. Long (La.)
  J. Glenn Beall Jr. (Md.)

* Surface Transportation - ICC
Vance Hartke (Ind.)
Lowell P. Weicker, Jr. (Conn.)
* Oil & Gas Production & Distribution
Adlai E. Stevenson (Ill.)
Ted Stevens (Alaska)

Government Operations

Abraham A. Ribicoff (Conn.)
Charles H. Percy (Ill.)

Interior & Insular Affairs - FPC

Henry M. Jackson (Wash.)
Paul J. Fannin (Ariz.)

* Minerals, Materials, & Fuels
Lee Metcalf (Mont.)
Paul J. Fannin (Ariz.)

Judiciary - FTC

James O. Eastland (Miss.)
Roman L. Hruska (Neb.)

* Admin. Practices & Procurement
Ed M. Kennedy (N.Y.)
Strom Thurmond (S.C.)
* Antitrust & Monopoly
Phillip A. Hart (Mich.)
Roman L. Hruska (Neb.)

Appropriations Committee

John L. McClellan (Ark.)
Milton R. Young (N.D.)

* HUD--Independent Agencies (CPSC)
William Proxmire (Wisc.)
Charles McC. Mathias (Md.)

HOUSE OF REPRESENTATIVES

SPEAKER OF THE HOUSE - Carl Albert
MINORITY LEADER - John Rhoads

OVERSIGHT COMMITTEES

Agriculture - CFTC

Thomas S. Foley (Wash.)
William C. Wampler (Va.)

* Conservation and Credit
Bob Bergland (Minn.)
Edward R. Madigan (Ill.)

Banking, Currency, and Housing - SEC

Henry S. Reuss (Wis.)
Albert W. Johnson (Pa.)

* Financial Institutions Supervision, Reg. & Ins.
Fernand J. St. Germain (R.I.)
John H. Rousselot (Calif.)

Government Operations

Jack Brooks (Tex.)
Frank Horton (N.Y.)

Interior and Insular Affairs - FPC

James A. Haley (Fla.)
Joe Skubitz (Kans.)

Merchant Marine & Fisheries - FMC

Leonor Sullivan (Mo.)
Philip E. Ruppe (Mich.)

* Merchant Marine
Thomas M. Downing (Va.)
Paul N. McClosky Jr. (Calif.)

Interstate and Foreign Commerce

Harley O. Staggers
Samuel L. Devine

* Communications - FCC
  Torbet H. Macdonald (Mass.)
  Louis Frey Jr. (Fla.)
* Oversight & Investigations
  John E. Moss (Calif.)
  James M. Collins (Tex.)
* Energy & Power - FPC
  John D. Dingell (Mich.)
  Clarence J. Brown (Ohio)
* Consumer Protection & Finance - CPSC & FTC
  Leonil Van Deerlin (Calif.)
  John Y. McCollister (Neb.)
* Transportation & Commerce - ICC
  Fred B. Rooney (Pa.)
  Joe Skubitz (Kans.)

Judiciary - FTC

Peter W. Rodino (N.J.)
Edward Hutchinson (Mich.)

* Admin. Law & Gov't. Relations
  Walter Flowers (Ala.)
  Carlos J. Moorhead (Calif.)
* Monopolies & Commercial Law
  Peter Rodino
  Ed Hutchinson

Public Works and Transportation

Robert E. Jones (Ala.)
William H. Harsha (Ohio)

* Aviation - CAB
  Glenn M. Anderson (Calif.)
  Gene Snyder (Ky.)
* Surface Transportation
  James J. Howard (N.J.)
  Bud Shuster (Pa.)

Joint Committee on Atomic Energy (NRC)

John O. Pastore (R.I.)
Melvin Price (Ill.)

Appropriations Committee

George H. Mahon (Tex.)
Elford A. Cederberg (Mich.)

* HUD - Independent Agencies (CPSC)
Edward P. Boland (Mass.)
Burt L. Talcott (Calif.)

House Republican Task Force on Antitrust and Regulatory Reform

Chairman: H. John Heinz, III

Independent Regulatory Commissions
Membership

Civil Aeronautics Board

John Robson, Chairman
G. Joseph Minetti
Lee R. West
Robert D. Timm
Richard J. O'Melia — Thomas J. Heye, General Counsel

Commodity Futures Trading Commission

William T. Bagley, Chairman
John Vernon Rainbolt II
Read Patten Dunn, Jr.
Gary Leonard Seevers — Howard Schneider, General Counsel (Acting)
Vacancy

Consumer Product Safety Commission

Richard O. Simpson, Chairman
Barbara H. Franklin
Lawrence M. Kushner
Constance E. Newman
R. David Pittle — Michael Brown, General Counsel

Federal Communications Commission

Richard E. Wiley, Chairman
Robert E. Lee
Benjamin L. Hooks
Charlotte T. Reid
Glen O. Robinson
Abbott Washburn
James H. Quello — Ashton Hardy, General Counsel

Federal Maritime Commission

Helen Deligh Bentley, Chairman
James V. Day
Ashton C. Barrett
George H. Hearn
Clarence Morse — James J. Pimper, General Counsel

Federal Power Commission

John N. Nassikas, Chairman
William L. Springer
Don S. Smith
(2 Vacancies) — Drexel D. Journey, General Counsel

Federal Trade Commission

Lewis A. Engman, Chairman
Paul Rand Dixon
Mayo J. Thompson
M. Elizabeth Hanford
Stephen A. Nye — Robert J. Lewis, General Counsel

Interstate Commerce Commission

George M. Stafford, Chairman
Alfred T. MacFarland
Kenneth H. Tuggle
Rupert L. Murphy
Virginia Mae Brown
Willard Deason
Dale W. Hardin
Robert C. Gresham
Robert J. Corber
A. Daniel O'Neal
Charles L. Clapp — Fritz R. Kahn, General Counsel

Nuclear Regulatory Commission

William A. Anders, Chairman
Victor Gilinski
Richard T. Kennedy
Edward A. Mason
Marcus A. Rowden — Peter Strauss, General Counsel

Securities and Exchange Commission

Ray Garrett, Jr., Chairman
Philip A. Loomis, Jr.
John R. Evans
A. A. Sommer, Jr.
Irving M. Pollack — Lawrence E. Nerheim, General Counsel

AGENDA

Meeting with Independent Regulatory Agencies

1. Hills/Cannon
   (Introduce President) .... Brief

2. Presidential Key Note Address
   (Note: Outline of Presidential talking
   points attached, final remarks to be
   supplied) .... 10-15 mins.

   -- Purpose of the session.
   -- Role and Importance of the Regulatory Agencies.
   -- Nature of Joint Congressional/Executive Branch Oversight.
   -- Specific problems and considerations:
      - Need to evaluate the economic impact of proposed regulations.
      - Need to ensure that consumers and other interest groups receive a fair hearing.
      - Need to act expeditiously when appropriate.
      - Need to keep the public better informed of regulatory activities and their consequences.
   -- Brief summary of Presidential regulatory reform program including legislative and administrative actions.

3. Congressional Remarks .... 20-30 mins.

4. Remarks by Selected Commission
   Chairmen .... 20 mins.

   For Example:
   - Engman (FTC) - Role of Competition
   - Garrett (SEC) - Regulatory Modernization
   - Wiley (FCC) - Administrative Improvements

5. Discussion among Chairmen, Congressional Spokesmen, and Executive Branch Representatives .... 1 hour

6. Summary and Closing Remarks .... Brief

Suggested Talking Points for the President's

Meeting with the Independent Regulatory Commissions

I: Introduction--Why I have asked for this meeting.

- There is a growing concern expressed by many Americans that government regulations have not changed as quickly as they should, in light of major changes in the structure and functioning of our economy.

- The most persistent concern arises from the belief that many regulations now cost the country as a whole more than they return in benefits and that the general public interest therefore becomes secondary to a particular special interest.

- In assembling this meeting of Independent Agency members and Congressional leaders, I do not mean to suggest that the problem resides exclusively in these agencies. Regulations that impose costs on consumers can be found in Cabinet Departments and in an intricate, sometimes invisible web of laws, ordinances, and regulations at the State and local levels.

- I feel that you and your Commissions--with unique powers and responsibilities--can play a major role in documenting and correcting any such imbalances.

- Because I place a high premium on the openness of government, I want to review with you the steps I am taking. And I will ask for your help and the Congress' in identifying ways the Commissions may be most helpful in our collective efforts to restore the health and vitality of the American economy. As we look for short-term solutions, we must also chart a course that permanently relieves the economy of unnecessary impediments in the long term.

II. Why the Independent Commissions are Important.

- Congress and the Presidency have given you extraordinary grants of authority. You function partially like the Executive, Legislative, and Judicial Branches of government. With unusual powers and responsibilities, you should function as models of good and open government.

- You should make every effort to pinpoint those areas in which economic realities today have overtaken circumstances which caused the government to create special remedies. You should be the leaders in identifying areas where regulations are now obsolete and areas where we need to focus more attention.

- You should constantly strive to improve your abilities to identify all the costs of regulations in order to put before the American people the most well documented description of the potential costs and benefits of proposals. You should make sure that the quality of your economic analysis matches the same standards of legal professionalism which you strive to maintain. This involves a more open discussion of both (a) the economic costs of less competition than might otherwise exist absent some regulations and (b) the costs to society to comply with mandates which seek worthwhile goals.

- You should do everything you can to make sure that backlogs in regulatory proceedings don't help destroy the public's belief in an equitable regulatory system. For example, many companies cannot make important capital investments, which generate employment and advancement opportunities for thousands of Americans, without your cooperation. You should strive to give these applications a professional, but speedy, review.

- You have a special realtionship to Congress and the Executive. You should be aggressive in offering new ideas which legislatively and/or administratively will help both of us do a better job to obtain necessary changes in your authorizing statutes, to facilitate the necessary judicial review of your decisions, etc.

III. What My Administration is Doing.

- I have a firm belief that the "hidden" costs that government imposes on private citizens should be uncovered. Everyone has a right to know what legislation and regulations are costing them, both in tax dollars and in higher prices. To help achieve this objective:

  (a) I have ordered all Departments and Agencies to analyze their major proposals with an Inflation Impact Statement. I am pleased the House has changed its rules to require similar analyses, and I note the Senate has several pieces of legislation under review which would accomplish similar objectives. While there are differing legal views on whether your agencies are covered, I hope that you will adopt similar procedures. The most important objective is that all of us better understand the short and long-range economic consequences of our actions, and that you do your part to better fulfill your responsibilities to Congress and the American people.

(b) I have asked all Departments and Agencies to re-examine their present procedures for assuring better consumer representation in their decisionmaking processes. I urge each of you to make additional efforts to include the general public (as well as the industries you regulate) in your hearings and other proceedings.

- Also, I would hope that you would make additional efforts to make understandable the nature of your actions so that the consumer can be an active informed participant in your deliberations.

- I also feel that government should only intrude in the free market when private concerns have proven their unwillingness to respond to legitimate public concerns or when inherent monopoly structures prevent a freely competitive market system from operating. Government should be attempting to foster rather than curtail competition, to give maximum freedom to private enterprise, consistent, of course, with our belief that government also has a continuing responsibility to pursue and prosecute those who are guilty of predatory pricing tactics, those who are guilty of fraud or deceit, and those who willfully neglect acceptable standards of health and safety conduct.

- Agencies engaged in regulatory activities can expect that the Attorney General, through the Antitrust Division, will continue to appear and participate in agency proceedings to represent the interests of competition and thus, the interests of consumers in lower prices.

- Because of my strong conviction that the consumer is far more able to signal his wants and needs to business, (than the government is able to dictate what those needs should be) I have proposed, and will continue to sponsor legislation to relax or eliminate the Federal Government's control over areas where I believe the marketplace can do a better job.

- For example, the legislation I will be proposing would involve the government less in the setting of prices and would permit greater innovation by making it easier for new businesses to compete with existing firms and to remove barriers from existing firms to develop new services.

- We have or will be proposing legislation in such areas as energy, transportation, financial and securities institutions, and communications. I have asked the Congress for its cooperation in giving these bills an early hearing, and I ask for your support in achieving needed reforms.

- My legislative program seeks to reinforce and strengthen those areas in which government intervention must continue to do a better job; e.g., to detect and penalize those guilty of antitrust violations--but it also calls for government regulators to allow the forces of competition to work as well. But no government agency can take the place of entrepreneurial spirit which helps insure that innovative and cost-saving ideas are continually offered to the public.

IV. Conclusion.

- This meeting is only the beginning. I want to start a dialogue today, and I want it to continue in the open, where Congress and the public can participate to the fullest extent.

- I want to encourage new ideas from everyone here. We have a big job ahead of us--that is to reach an agreement on a more clearly articulated set of roles and responsibilities for government regulation--whether it is spelled out in detailed statutes or administered with a broad grant of authority to Commissions or other offices of the Executive Branch.

- We need a more open and candid discussion between Congress and the Executive on what constitute acceptable criteria for qualifications to serve as a regulatory commissioner or other Executive official with regulatory responsibilities. We need to examine our overlapping jurisdictions and decide on what groundrules we all interact, whether it involves budgetary decisions, legislative proposals, administrative changes, etc.

To these ends, I ask each Commission Chairman here, as an individual American, and not just as the holder of a certain official position, to send to me and the Congress within the next three weeks, your personal views on those areas of government regulatory practices which you feel are most deserving of attention and reform. I hope that this meeting will begin a program of action and a new spirit of cooperation.

Regulation 4-4 I

May 12, 1975

Dear Bill:

Peter Wallison has passed along to me the information on the operating results of trunk line air carriers which you furnished to him during your recent trip to Cambridge.

I am concerned that the figures presented in the memorandum reflect more than the impact of the current recession.

In my view, we must take a hard and detailed look at air transportation regulation if we are to preserve the industry's present multi-company form, and I would be delighted to talk to you about this at any time.

Sincerely,

The Honorable William T. Coleman
Secretary of Transportation
Washington, D. C.

NAR/PJW/kb

bc: Jim Cannon
Dick Dunham

THE WHITE HOUSE

WASHINGTON

Date May 16, 1975

TO: Jim ~~Cavanaugh~~ Jim Cannon

FROM: LYNN MAY

Comment: F.Y.I.

Attached is an interesting article on Regulatory Reform.

Regulatory Focus by Louis M. Kohlmeier

The Politics of Deregulation

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NATION
JOURNA
REPORT!

President Ford is coming on so strong for deregulation that some of his White House aides are beginning to wonder aloud whether Ford is indeed not going to run for election next year.

Presidents John F. Kennedy, Lyndon B. Johnson and Richard M. Nixon all supported deregulation. When they took the weight and measure of the political opposition however, they retreated instead of fighting for what looked like a hopeless cause.

The opposition of regulators, regulated industries and unions again is mustering. But Ford is coming on ever stronger, not only for a rollback of regulatory statutes but also for repeal of laws granting antitrust

ing "our great transportation system" and defending its regulation. The American Trucking Associations Inc. is distributing the ICC's defense and has published its own white paper, titled *Regulation or Disaster*. The truckers' white paper asserts that, "Under regulation, America's surface transportation system has developed into the finest in the world."

The Teamsters Union, representing trucking employees, has written Ford that the union is "unalterably opposed" to deregulation. The Association of American Railroads says it is for "meaningful reform and is not for deregulating anything." The Air Transport Association of America is warning that the airlines "must not

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Jim Cannon

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

File - Regulation

MAY 20 1975

MEMORANDUM FOR: ECONOMIC POLICY BOARD EXECUTIVE COMMITTEE

FROM: WALTER D. SCOTT Wally

SUBJECT: Cost of Regulation

The Sunday May 18 financial section of the Washington Post carried an article on the cost of regulation (see attachment) which is inaccurate and reflects rather poorly on White House and Presidential credibility. This memorandum is designed to provide background on the issue.

The article focuses on the $2,000 cost per family figure which was mentioned in the President's speech to a White House Conference in Concord, New Hampshire. Specifically, the President said:

> "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 on the order of $2,000 per family--unbelievable.
>
> "Even if the real costs are only a fraction of this amount, it is an intolerable burden on our pocketbooks."

This statement was carefully worded so that the President would not specify an exact cost and would not attribute the estimate to an Administration source.

The Post article is inaccurate in that the President did not suggest that $2,000 was the cost of Federal regulation alone. Instead he called attention to estimates that put the combined costs of Government regulation (including State and local) and restrictive monopoly practices in the private sector at more than the personal income taxes paid by the average family.

The estimates to which he referred include a number of studies by economists, academicians, Federal agencies, and public research centers which cite the costs of various types of regulatory activities. Admittedly, the degree to which each source would stand behind his figures or the extent of study implicit in the findings undoubtedly varies. However, these estimates, on the merits, clearly support the President's statement. Some examples follow:

Regulation or Practice	Estimated Annual Cost	Source
Quantitative Trade Restrictions (tariffs, quotas, etc.)	$ 15B	Brookings
Surface Transportation	10-15B	Tom Moore, Stanford
Environmental, Health, and Safety Regulation	50B+	CEQ and OSHA
Labor (minimum wage, Davis-Bacon, etc.)	10B	DOL and GAO
State and Local Regulation	14B	Tom Kauper, DOJ
Monopoly Practices	80B	Dr. F. M. Scherer, FTC
Communications (Television)	8B	Roger Noll, Brookings
Fair Trade	2B	CEA
Maritime Restrictions	5-8B	OMB and Maritime Research Board

Hence, there is evidence which suggests that the total cost of regulation and restrictive practices could be in excess of the $131 billion collected by the Federal Government in 1973 personal income taxes. A paper which details the cost estimates on various types of regulatory activity is attached.

An independent study of costs would be useful to provide a stronger basis for future estimates. This view is shared by various staff members of the Justice Department, CEA, and CWPS, and we are beginning discussions with the National Science Foundation regarding taking on such a study.

Attachments

cc:
James T. Lynn
Paul H. O'Neill

The Washington Post
Sunday, May 18, 1975

White House Can't Support Cost Claim

White House officials last week said they have no evidence to back up President Ford's assertion on April 18 that the combined cost to consumers of federal regulation is $2,000 per family each year.

In a speech at Concord, N.H., Mr. Ford said that, even if the real costs were only a fraction of the $2,000, the total amount is an "intolerable burden on our pocketbooks."

His statement sent a number of people to their pocket calculators. Based on the 1970 census, showing some 51 million American families, these calculators added up Mr. Ford's regulation cost to more than $100 billion a year—far higher than earlier guesses by economists.

If the more than 11 million households headed by a single person were included, the cost would reach $125 billion a year—slightly less than a tenth of the gross national product.

Many who questioned the statistics called Mr. Ford's Council of Economic Advisers, which disclaimed responsibility for the $2,000 figure.

Government economists said, in addition, that the presidential statement had been used to "make a point," and that the dollar amount cannot be documented.

At the same time, the government officials said, if it were possible to compute the cost of federal regulation, the dollar amount would be "very large." They also emphasized that Mr. Ford's $2,000 a year per family represented all types of federal regulation (such as fair trade laws) and not just transportation, as some presidential critics had assumed.

Costs of Regulation and Restrictive Practices

Many government officials believe that government regulation and restrictive practices may be more important from a consumer standpoint than the impact on consumers of restrictive practices in the private sector.

--Studies made over the last decade suggest that the excess cost to consumers of government regulation is certainly on the order of magnitude of the cost some experts have attributed to private sector restrictive practices.

(The private sector practices may cost $80 billion or more annually by some estimates, according to Justice Department's antitrust chief, Thomas Kauper--which doesn't include union restrictive practices.)

--The cost of government regulation fall into three categories:

1. Economic Regulation

The added cost to consumers may amount to as much as $60-75 billion annually, according to some studies--about 4 to 5 percent of the GNP.

Much of the cost can be

attributed to Federal regulation and restrictive practices. According to Justice's Tom Kauper, however, the cost of State and local regulation could very nearly equal, or even exceed, the cost of federal regulation.

2. Environmental, Health, and Safety Regulation

• Total costs easily exceed $50 billion and may soon be approaching $100 billion annually. The price tag in the environmental area alone is estimated at $50-60 billion annually by the end of the decade. The President's 1975 Economic Report refers to studies that are beginning to show that these costs exceed benefits in many cases--by a ratio of 2 to 1 in the case of auto emissions standards (e.g., total costs of $11 billion exceed annual benefits by $6 billion according to a recent report sponsored by the National Academy of Sciences).

The excess cost to consumers of regulation in the environmental area, as well as health and safety and product standards, may well range in the tens of billions annually.

3. Direct Costs of Regulation

We must also count costs to the government and the private sector of administering and complying with all these regulations. These include costs to the taxpayer (over $2 billion annually in Federal budget costs alone), and to businesses--

> 130 million man hours spent filling out forms each year costs over $1 billion. These do not reflect other important compliance costs and costs of administering State and local regulation which may put the direct costs at over $5 billion annually--by <u>conservative</u> estimates.

Taken together, these studies suggest that the cost of regulation and private sector restrictive practices exceeds the personal income taxes (certainly the Federal portion, and perhaps the State and local portion as well) that are paid by each American family annually. (See Table.)

Cost of Regulation and Restrictive Practices
Public and Private

Category	Estimate of Cost Gross	Net	Date	Source	Comment
I. Economic Regulation					
A. Trade Restrictions					
1. Foreign (Tariff and non-tariff barriers, international agreements, "buy-American requirements, etc.)		$15B	1975 (est.)	Magee, "The Welfare Effects of Restrictions on U.S. Trade", 3 Brookings Papers on Economic Activity (1972).	Removal of many trade restrictions (e.g., agriculture) has already reduced cost to some degree and trade reform legislation will reduce costs further.
2. Domestic					
Fair trade laws		2	1969	CEA	
Robinson-Patman Act					No estimates available, but impact is almost certainly greater than fair trade laws, at least $2 billion. Very difficult, however, to estimate according to the Justice Dept.

Category	Estimate of Cost: Gross	Estimate of Cost: Net	Date	Source	Comment
B. Regulated Industries					
1. Transportation					
Surface (domestic)		$4-9B	1969	Thomas Moore, Freight Transportation Regulation	A Business Week article quotes Moore as putting the present cost as high as $15 billion annually.
Air (domestic)		$2-4B	1965	Levine, Yale Law Journal (1965)	Estimate may be somewhat high, according to CEA.
Maritime					
• Rate structures		$2-3.5B	1971	Maritime Transportation Research Bd. (1971); "Federal Policies Affecting Inflation" (OMB, attached), 1971	
• Cargo-preference (Jones Act)		$2.5-5B	1971		
International air		No ests.			
2. Communications					
Television		$8B	1973	McGowan, Noll and Peck, Economic Aspects of Television Regulation (1973).	Includes television broadcasting restrictions only.
3. Energy (natural gas, electricity, nuclear)		No ests.			

	Estimate of Cost				
Category	Gross	Net	Date	Source	Comment
4. Financial Institutions					
• Banking, Savings and Loans		No ests.			
• Secondary securities markets		No ests.			
5. Agriculture					
• Marketing orders (Total value subject to those orders in 2.5B annually)					Recent legislation removed many of the restrictions on production in this area, but some problem areas remain (e.g., marketing orders)
6. Labor					
Minimum wage	$7-9B		1974	Labor Department's est. of impact of 1973 amendments alone was $3-4B.	
Davis Bacon	$1B		1971	General Accounting Office study of Davis-Bacon, cited in 1971 OMB study.	

	Estimate of Cost				
Category	Gross	Net	Date	Source	Comment
C. State and Local Regulation, including					
1. Insurance					
2. Banking					
3. Transportation					
4. Professional and occupational licensure					
5. Price Fixing (e.g., milk pricing, real estate settlement fees)					
6. Building Codes and Zoning Requirements		$2-4B	1969	Report of the National Commission Urban Problems.	Costs would likely be substantially greater now; estimate did not take account of restrictive zoning practices.

II. Environmental, Health and Safety, Quality Standards

Category	Estimate of Cost: Gross	Net	Date	Source
1. Environmental	$50-60B		Est. 1972-81	Annual Reports of Council on Environmental Quality (1972, 1973) referred to in Knease and Shultze *Public Policy and Pollution*.
Ex., Clean Air-Auto Emissions	$11B	$6B	1974	National Report to Academy of Sciences and Engineering referred to in 1975 Economic Report, p. 158
2. Safety				
Automobile	$.5B		1974	Auto industry testimony on cumulative impact of safety regulation
Occupational Health and Safety	$3.5B		1974	McGraw Hill survey.
3. Quality Standards	No ests.			
Ex., Food & Drug		$3-.4B	1970	S. Peltzman, *Evaluation of 1962 Food and Drug Amendments* JLE, 1973.

III. Direct Costs of Regulation

Category	Estimate of Cost	Date	Source
1. Public Sector			
Federal	$2B	1975 (est.)	
State and Local	No est.		
2. Private Sector			
Paper work	Greater than $1 billion	1974 (est.)	Bob Marik's OMB study (about 130 million man hours per year). Some estimates have gone as high as $20 billion. Nation's Business quotes 1965 House Small Business Commission hearings, but we can't verify.
Other (Washington lawyers, etc.)	No est.		
	Probably at least 4-5 billion		

IV. Private Sector Restrictive Practices

	A. Monopolistic price distortions (unregulated industries)	1.0% of GNP
		+
	Cost inefficieny in monopolistic or oligopolistic industries	2.6% of GNP
		Includes
	Deficient cost control by defense and aerospace contractors	(0.5% of GNP)
Scale Economies		+
Scale Economies	Excess production capacity signaled into existence by monopolistic profits	0.6% of GNP
Scale Economies		+
Scale Economies	Cost of firms operating at too small a scale to realize economies of mass production	0.3% of GNP
		+
	Trans. wastes from delivered or basing (crosshauling, etc.) point pricing systems	0.2% of GNP
		+
	Waste attributable to product differentiation advertising providing no relevant information or pure sales promotion	1.0% of GNP
	Total	5.7% of GNP or close to $80 billion

Source:

F. M. Scherer, Industrial Market Structure and Economic Perference (1970), p. 408.

Note, that in an October 1974 issue of Barron's, Scherer admitted that he threw "scholarly caution to the winds" in arriving at the figures.

B. Labor

Estimated excess of wage rates over competitive levels is about 10% - 15%. See A. Rees, "Effects of Unions on Resource Allocation", Journal of Law and Economics, 1963.

Currently, this would amount to about $20 billion annually.

Source: for current data: AFL-CIO

Reg. File

THE WHITE HOUSE

WASHINGTON

May 22, 1975

MEMORANDUM FOR: JIM CANNON

THROUGH: DICK DUNHAM

FROM: PAUL LEACH

SUBJECT: Proposal for Domestic Council Review Group on Government Regulation

Everyone seems to agree that there should be "regulatory reform", with the President the leading advocate.

What should the Domestic Council do? There appear to be several options for study and reform:

1. A "comprehensive" effort for all regulation.

2. Economic regulation, i.e., price and market entry/exit regulation, for all regulated industries.

3. Economic regulation by one agency of one industry e.g., CAB regulation of airlines.

4. Regulation to maintain "fair" competition, i.e., antitrust regulation.

5. All "social" regulation which imposes standards and requirements, e.g., OSHA, FDA, EPA.

6. Social regulation by one agency.

7. All types of regulation, but concentrating on the impact of regulation on one broad economic sector, such as small business or energy-related firms.

The Domestic Council can do one or more of these options. Given the limited time and resources, I would recommend against the "comprehensive" option 1. Wouldn't this be biting off much more than we could chew?

We should tackle an area or areas where there is a reasonable prospect for success. In addition to the Environmental Regulation Review we are about to undertake (an option 6 approach) and the surface transportation reform efforts (option 3), I would recommend one or more of three alternatives:

1. Tackle CAB regulation of the airlines. Virtually all economists agree that this is not rational. Also, the industry and economics are relatively simple. There are only a few firms (not one in every Congressional District) and the consumers of air travel might well be mobilized. The new Chairman, John Robson, might be amenable to a cooperative effort.

2. Concentrate on regulation of energy-related companies. If energy is our first national priority, why not use the crisis as a lever to reform regulation. However this might be sufficiently covered by the Energy Resources Finance Corporation proposal.

3. Concentrate on regulation and its effect on small business. The effects of red tape are felt hardest by smaller firms who cannot afford "Wall Street" law firms and the other often staggering costs of regulation. Again this could be a lever for broader reform couched in the politically more tolerable rhetoric of aid to beleagered entrepreneurs - a traditionally Republican constituency.

Copies to -
1) Dick Dunham
2) Paul Leach

THE WHITE HOUSE

WASHINGTON

May 27, 1975

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: JIM CANNON
ROD HILLS

FROM: JERRY H. JONES

SUBJECT: Meetings with Independent Regulatory Commissions and a Group of Key Members of Congress

Your memorandum to the President of May 26 on the above subject has been reviewed and the recommendation as outlined in the memo was approved.

Please follow-up with the appropriate action.

Thank you.

cc: Don Rumsfeld

DECISION

THE WHITE HOUSE

WASHINGTON

May 26, 1975

MEMORANDUM FOR THE PRESIDENT

FROM: JIM CANNON
ROD HILLS

SUBJECT: Meetings with Independent Regulatory Commissions and a Group of Key Members of Congress

The purpose of this memorandum is to bring you up-to-date on the status of the meeting with Independent Regulatory Commissions and key members of Congress which you proposed in the April 28th Chamber of Commerce Speech and to obtain your decision on a recommended three stage set of meetings.

Recently, we met with a group of Congressional staff people who are interested in regulatory reform and have talked with John Marsh and Max Friedersdorf.

It is our recommendation, based in part on these conversations, that the proposed meetings occur in three steps:

1. After your return from Europe, a meeting would be arranged with the Leadership of Congress. At that meeting - which will avoid the specifics of regulatory reform - you would reiterate your concerns over regulation and ask for the cooperation of the Leaders. Specifically, you would ask the Leadership to choose ten members from each house to meet with you (and other Administration officials) in mid-June.

2. At the second meeting, the twenty key Congressional leaders would meet with you and various Administration officials for two hours, or more. At this meeting, you would emphasize the need for cooperation and the seriousness of the regulatory crisis. Also, you would discuss the major Administration initiatives and try to highlight the areas where agreement seems possible. It would be hoped that protracted discussion of areas of disagreement could be avoided. The

give-and-take discussion would have as its objective establishment of general agreement on which are the reform areas where the needs for change are most serious and the possibility for action is highest.

3. Finally, you would have a meeting ten days or two weeks later with the Independent Regulatory Commissioners. At this time you would ask for their cooperation voluntarily to evaluate and consider the economic impact of proposed regulations, to make improvements in consumer services and to assure fair and expenditious hearings on regulatory matters. After you had opened the discussion, other pre-selected Administration officials and Regulatory Commissioners would address relevant issues of regulatory reform. This would be followed by an open discussion between the participants and a frank exchange of views.

If this three step proposal meets with your approval, we will arrange for a meeting with the Congressional Leadership. In addition, where appropriate we will coordinate the specific format of each meeting with relevant Congressional members and staff and a small working group of Administration people. Prior to the meetings, you will be provided with the necessary briefing papers on the Commissions.

Decision

Approve ____________

Disapprove ____________

See me ____________

OFFICE OF THE VICE PRESIDENT

WASHINGTON, D.C.

Wed.

Pat McKee

per our

conv. last

night.

Dick C.

[July 1975]

MEMORANDUM FOR THE VICE PRESIDENT

SUBJECT: Energy Resources Finance Corporation

FROM: Frank G. Zarb
Rogers C.B. Morton

As we discussed last week, the concept of an Energy Resources Finance Corporation is an appealing way to provide a major Presidential initiative to increase domestic supply and stimulate alternative sources of energy. We agree with your assessment that the President needs a dramatic initiative in this area.

While the concept of such a corporation is attractive, its scope, authorities, and organization raise many important energy policy questions. In particular, the extent of energy investments covered by the ERFC is crucial to the final decision on the approach. For example, should we provide financing for refineries or gasoline stations when oil industry cash flows are more than adequate to cover all expected capital needs. We also have the question of how the ERFC proposal is related to the utility tax incentive program that has been endorsed by the President.

As you are aware, the interagency task force on the synthetic fuel commercialization program is about to deliver its findings and recommendations to the Energy Resources Council. The synthetic fuels report is expected on July 15, and will contain a number of financial incentives to spur coal gasification, coal liquefaction, oil shale, and other fuels. Certainly the ERFC proposal should build on this assessment and as a minimum be structured to provide the recommended incentives.

Since it is important that the synthetic fuels program and the ERFC be coordinated, we propose the following schedule of events:

July 15 - presentation of synthetic fuels commercialization program findings to the ERC.

July 30 - draft Presidential decision memorandum integrating synthetic fuels program and the ERFC presented to ERC.

Aug. 15 - final decision memorandum delivered to the President.

Sept. 1 - Presidential statement on new initiative (prior to Congress' return from their August recess).

It is unlikely that any initiative need be taken prior to the August Congressional recess and the schedule we have proposed will allow careful analysis and review of the alternatives. The decision memorandum will lay out the rationale for choosing whether the ERFC should cover all energy investments, just synthetic fuels, or some middle ground. It will also discuss the appropriate financing instructions, levels of government involvement and the organizational structure of the corporation.

The Federal Energy Administration will prepare the first draft of the revised Presidential decision memorandum, incorporating the synthetic fuels program recommendations. FEA and Commerce will work closely with the Domestic Council in the preparation of this document, and in the review process with the other agencies.

We look forward to a close and successful working relationship on this important question.