Viewpoint

Seizing the Opportunity

Gerald R. Ford

I AM DEEPLY HONORED to join all of you here today for this Conference on Regulation and Regulatory Reform. Many of us in this room have been tilting at the regulatory windmill for a number of years—some in universities, some in government agencies, still others in the political arena—but I trust all of us have shared the same goal: to make government regulation as fair, efficient, and as predictable as possible.

I realized once again just how pervasive regulation is when I read a recent story in the *Wall Street Journal.* You will recall the young man who climbed up the World Trade Center and instantly became a national hero. From coast to coast, people hailed the "human fly." As he was planning his adventure, two young Frenchmen were laying plans for a different stunt—walking across the gorge near Niagara Falls on a high wire.

But life is not as simple as it once was. You don't just get in a barrel and go over the falls, nor do you string up a high wire and waltz across. If you follow the rules, the first thing you do is pay a visit to your friendly civil servant, and that's where our young Frenchmen took a mighty tumble.

First, the U.S. and Canadian Park Commissions said the Frenchmen would have to draw up elaborate safety plans, secure a $10 million liability insurance policy and install a $60,000 fence so that none of the spectators would fall into the gorge. Then the Frenchmen had to gain permission from the U.S. Army Corps of Engineers, which controls activities over the river. The New York State Power Authority also had to give permission because it controls the riverbed. Because the stunt was to be on state-owned property, an environment impact statement was needed. The wire had to conform with state architect's specifications. The wire also had to conform with construction standards of the U.S. Department of Transportation. The U.S. Coast Guard had to be consulted. The International Joint Commission and the Niagara Falls Bridge Commission had to get into the act. And there was even some question whether the young men would have to obtain prior clearances from immigration officials on both sides of the border.

You can imagine what happened: the young Frenchmen gave up and went home.

To be sure, the Niagara Falls incident may not be of great consequence, but it *does* illustrate a broader problem in our society that has become painfully obvious. That problem is repeated time and time again in ways that *are* consequential and *do* adversely affect the basic economic and social well-being of this nation:

- the loss in potential economic growth, which some economists like Paul MacAvoy and Dale Jorgensen now think may reach as high as one to two percentage points a year of our gross national product;
- the loss in man-hours that are required to fill out federal forms, at a cost which the Commission on Federal Paperwork recently estimated may exceed $100 million a year;
- the loss of executive leadership in our major enterprises, where some company presidents now estimate they spend 40 percent of their time trying to comply with government dictates;
- and of greatest importance, the loss in personal and economic freedom as our people are enchained by governmental bureaucracy.

What I would like to discuss is a strategy for attacking the problem of regulation—how the executive branch and the Congress can best go about improving the system. In short, I would like to talk briefly about the politics of regulatory reform.

Gerald R. Ford, the thirty-eighth President of the United States, is the distinguished fellow of the American Enterprise Institute. These remarks are excerpted from a luncheon address delivered before AEI's Conference on Regulation and Regulatory Reform, Washington, D.C., December 19, 1977.

By now, we have a fair amount of experience behind us, and it is clear that the various reform initiatives—some of them undertaken in my own administration—have yielded insufficient progress. Ironically, the most difficult areas to change are those where change is most needed. The reason is that those areas tend to be where certain small groups would be most adversely affected by the reforms and thus lobby very effectively against change. As one veteran put it, "The worse the results, the less likely the reform, because the more likely that someone will lose a great deal."

At the same time, we have also seen that efforts to improve—not to deregulate, just to improve—regulation in the safety, health, and environmental areas have not been terribly successful. The approach now taken is what Charles Schultze, the current chairman of the Council of Economic Advisers, calls "command and control"—in other words, regulations that direct companies to install specified equipment and to follow procedures defined by the government. While these bring some benefits, they increase costs unduly since often they only have an indirect relationship to the ultimate objective: cleaning up the environment and making our lives safer and more healthy.

But lack of major substantive breakthroughs to better regulatory performance in recent years does not mean that all of our reform efforts have been in vain. As I see it, we have made very encouraging progress in at least one area, and that is in raising public consciousness about the seriousness of the regulatory problem. Five years ago, regulations might be castigated in a corporate board room or a Chamber of Commerce luncheon, but they were rarely discussed in the popular press and relatively few politicians paid them much attention. Today, by contrast, the press is highly sensitive to the latest regulatory snafu, our major news weeklies run frequent stories, and the subject is highlighted in many political speeches. In one sense, then, we have made striking progress. What we need now is a successful strategy for achieving regulatory reform.

Based upon my own experiences, I would venture that the success of reform efforts depends upon four essential elements.

First, it is imperative that the administration in power organize a cadre or task force of high-level appointees, including at least one major presidential appointee, to tackle the issue on a systematic, continuing basis. The coordinator need not be a member of the White House staff, but certainly he or she must have relatively easy access to the President and be able to speak on his or her behalf. Equally important is the need to have each and every agency fully behind the reform effort. Having the White House say one thing and the relevant agencies say another will surely doom any reform effort, no matter how high the priority. In my own administration, as you may know, I created the Domestic Council Regulatory Review Group and that team spearheaded most of my administration's efforts in the area. I also insisted on and obtained the support of my cabinet officers and other officials in the agencies. Part of the research effort that evolved is contained in the series of eight volumes on regulatory reform recently published under the auspices of the American Enterprise Institute.

Yet, I should tell you that even though I was greatly pleased with the work of the review group, had I remained in the presidency, I would have changed it somewhat. I would have given it a permanent staff to work full time on reform projects and put at its head someone with high national visibility. In that way, we would not only build upon the momentum of the previous two years but ensure that congressional as well as public attention were continually focused on the reform issue.

Second, if reforms are to be achieved, it is essential that the President take a strong, consistent public stance on the matter. As you know, no President can rally the country on more than a handful of issues at a time. If regulatory reform is not among them, you can give up on any hopes of substantial reform. Let me emphasize as well how urgent it is for the President to pursue this issue within a consistent, coherent framework: once the White House begins dealing with it haphazardly—trying to reduce regulations in some areas but dramatically increasing them in others—that immediately sends a signal to the bureaucracy and to the Congress that the administration is more interested in rhetorical flourishes than concrete progress. That signal, I assure you, is the kiss of death for serious reform.

Third, it is clear from recent history that successful reform heavily depends upon mobilizing citizens' groups, public interest organizations, and others into a viable coalition. It need not be a conservative lobby or a liberal one; indeed, it is far better to put together a floating, one-issue coalition—drawing upon the Ralph Naders as well as the Bill Proxmires and the Milton Friedmans of the world. An example of this is the Ad Hoc Committee on Airline Regulatory Reform. There are a growing number of responsible members of Congress who are committed to the idea of reform—leaders such as Abe Ribicoff, Chuck Percy, Robert Byrd, John Danforth, Harrison Schmitt, Phil Crane, Barbara Jordan, Millicent Fenwick, and Glenn Anderson—so that if the administration is deft, it might well be able to convert a majority of the Congress into an ally on this issue.

Finally, as I discovered, the success of a reform initiative greatly depends upon the method of attack. As you may know, we proposed a number of legislative changes to reform individual agencies or programs. But as each one came onto the congressional calendar, the opponents would mass their forces, and, because the questions tended to be obscure or arcane, it was difficult for us to rally the public in favor of individual bills. Many of our basic ideas—notably, those concerned with natural gas, banking, and the airlines—could never pick up enough steam to roll through Congress and they are stuck there even now.

Based upon that experience, I have concluded that a better approach would be to present Congress with a "package" of regulatory reform measures which would then be addressed as a unit. This is what prompted me to propose my agenda for government reform bill to the ninety-fourth Congress. The same basic idea is contained in the Ribicoff-Percy-Byrd bill now under active consideration. As you probably know, these proposals would require that each year the President submit a comprehensive reform bill for at least one segment of American industry — transportation, for instance, or financial institutions. Congressional committees would then have, say, ten months to consider it, and if by that time no action had been taken, the President's bill would become the first item of business on the chamber floor. I am oversimplifying the process, but those are its basic elements. The main advantages are that a President could more easily mobilize the public behind the passage of such a bill, and it would be more difficult for vested interests to block action on it.

In conclusion, I would be less than candid if I did not report my feeling of frustration that regulatory reform has not been proceeding at a faster pace in 1977. I do not mean to be unfair—recently there have been some notable improvements, especially in the way that regulations are being simplified and in the greater forethought being given to new regulations—but I would also issue this warning: A year ago in Washington the climate was rapidly changing in favor of greater regulatory reform. We were on the threshold of several major breakthroughs. But today—only one year later—that marvelous opportunity may be slipping away from us. Its disappearance would be a grievous loss for the country.

I recall a phrase from a book that Walter Lippmann wrote some forty years ago. Lippmann was sick at heart because, as he said, America was beginning to suffer from "the sickness of an overgoverned society." Men had abandoned, he believed, the tested wisdom of ages past that excessive government eventually becomes oppressive, reactionary, and corrupt. Yet, Lippmann then added this note. The fact that men had given up on the old and true philosophy does not mean that it is dead. "On the contrary, it may be that the [collectivists] have taught a heresy and doomed this generation to reaction. So men may have to pass through a terrible ordeal before they find again the central truths they have forgotten."

Today, we can fully appreciate the wisdom of those remarks. We have indeed begun to experience some terrible ordeals in our economy, and one of the fundamental causes, in my view, has been the excesses of government—the unwillingness of government to live within its means year in and year out, the repeated interventions by government into the private economy, and the unparalleled extension of governmental power over the marketplace through regulation. It is to be hoped that the ordeals may soon be over, that our economy will return to a path of sustained, healthy growth, and that we will rediscover the truths of an earlier age. That day will come, as Lippmann said, only if all of us challenge and resist the ideas of the new collectivism. It is that challenge, I believe, that should lie at the heart of our dialogue on regulatory reform. ■