

**The original documents are located in Box 28, folder “Regulatory Reform - General” of the John Marsh Files at the Gerald R. Ford Presidential Library.**

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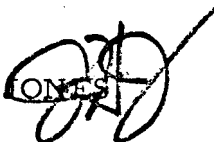
MAR 22 1975

THE WHITE HOUSE  
WASHINGTON

March 22, 1975

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: JIM LYNN

FROM: JERRY H. JONES 

SUBJECT: Reform of Surface Transportation Regulation

Your memorandum to the President of March 18 on the above subject has been reviewed and the recommendation contained in your memorandum -- submit a rail reform bill to Congress before the Easter recess, use a Presidential message to re-emphasize regulatory reform as a key Presidential initiative, commit the Administration to having motor carrier and air bills ready for submission within 30-45 days -- was approved.

Please follow-up with the appropriate action.

Thank you.

cc: Don Rumsfeld  
Phil Buchen  
Jim Cannon  
✓ Jack Marsh  
Bill Seidman



SEP 22 1975

THE WHITE HOUSE  
WASHINGTON

September 20, 1975

Jack Marsh -

For your information.  
Original to the President.

Jim Connor





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

SEP 19 1975

MEMORANDUM FOR: THE PRESIDENT  
FROM: JAMES T. LYNN  
SUBJECT: Costs of Regulation

In response to a press release issued last Friday by Congressman John Moss, a number of articles appeared in the press over the weekend critical of your April 18 statement on the costs of regulation. Further, Congressman Moss released a GAO evaluation of an OMB internal working paper which catalogued various regulatory costs. Contrary to some of this weekend's press coverage, I believe your statement is clearly supportable. This memorandum clarifies your statement and provides background on OMB's involvement in working with Congressman Moss' staff on this issue.

The Presidential Statement

The issue is the \$131 billion (or \$2,000 per family) cost figure which was mentioned in your speech to a White House Conference in Concord, New Hampshire. As you recall, you said:

"Although it is difficult to come up with an exact price tag on the cost of unnecessary and ineffective government regulation, some estimates I have seen place the combined cost to consumers of government regulation and restrictive practices in the private sector at more than the Federal government actually collects in personal income taxes each year--or something in the order of \$2,000 per family--unbelievable. Even if the real costs are only a fraction of this amount, this is an intolerable burden on our pocketbooks..."





This statement was carefully worded and did not specify an exact cost. Further, it did not attribute the estimate to the Administration.

Also, you did not suggest that \$2,000 per family was the cost of Federal regulation alone. Instead, you 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 Federal personal income taxes paid by the average family.

The estimates that support this statement encompass a number of studies by economists, academicians, Federal agencies, and public research centers which cite the costs of regulatory activities and private sector restrictive practices.

Admittedly, the quality of the studies vary considerably, as do the methodologies and assumptions underlying them. However, even the partial list of examples set forth at Attachment A suggest that the total cost of regulation and restrictive practices could be well in excess of the figure mentioned in your speech.

#### OMB Involvement

In an effort to follow-up on your concern for identifying the hidden costs of regulation, OMB pulled together a more detailed listing of studies and available estimates that document these costs. These estimates were assembled into an internal working paper for purposes of (1) determining what research had been done in the area, (2) developing an acceptable methodology for quantifying regulatory costs, and (3) beginning a discussion within the Executive Branch on the need for improving the analysis of the costs and benefits of Government activities. It should be noted that this effort was not a study of the cost of regulation and it did not contemplate an examination of regulatory benefits. Rather it was an inventory of efforts to date to examine a very complex subject.



In June, following several internal refinements of the working paper, OMB staff met with House Commerce Committee and GAO staff in connection with the Committee's announced study of regulation. At that time, various materials on regulatory reform, including a copy of our internal working paper, were confidentially provided to the Committee staff to help them get their study underway.

As indicated to the Committee staff, the inventory was being used internally within the Administration to help us evaluate the costs and benefits of regulation. Apparently, the Committee staff were more interested in criticizing our efforts to date than in trying to address the very complex problem of cost/benefit measurement. Therefore, they commissioned GAO to study the OMB working paper. The criticisms that were subsequently raised by GAO reflected our own concerns, which we had communicated to them. Unfortunately, they did not propose any positive recommendations.

Subsequently, at the request of OMB, the National Science Foundation has been developing a research program on the costs and benefits of regulation. They have met with OMB staff and will meet further with Congressional staff to discuss this project. We are hopeful that this approach will improve our understanding of this important area.

For your information I have enclosed Congressman Moss' press release at Attachment B. I hope this background is useful and I would appreciate answering any further questions.

Attachments



Examples of the Cost of Regulation  
and Restrictive Practices \*

<u>Example</u>	<u>Estimated Annual Costs</u>	<u>Source</u>
Trade Restrictions (tariffs, quotas, etc.)	\$ 15B	Brookings
Surface Transportation	10-15B	Tom Moore, Stanford
Environmental, Health and Safety Regulations	40-50B	CEQ, OSHA, etc.
Labor (minimum wage, Davis-Bacon, etc.)	10B	DOL and GAO
State and Local Regulation	14B	Tom Kauper, Justice
Monopoly Practices	80B	Dr. F. M. Scherer, FTC
Communications (Television)	8B	Roger Noll, Brookings
Fair Trade	2B	CEA



\* As the GAO report indicated, there are omissions, inconsistencies, and quality differences among the various studies. Further, a debate over the cost of monopoly practices has absorbed economists for over two decades. Even Dr. Scherer has waffled on his own figure since becoming head of the FTC's Bureau of Economics.

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 CHIEF COUNSEL



CONGRESS OF THE UNITED STATES

HOUSE OF REPRESENTATIVES

SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS  
 OF THE

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE

WASHINGTON, D.C. 20515

FOR RELEASE

FRIDAY, SEPTEMBER 12, 1975

MOSS RELEASES GAO STUDY REFUTING  
 ADMINISTRATION COSTS OF REGULATION

"Claims by the Administration that the cost of Federal regulation is \$130 billion annually or \$2,000 per year for the average American family is only one of a number of oversimplifications about regulation that we have had in recent months," said Rep. John E. Moss, Chairman of the Subcommittee on Oversight and Investigations.

Moss' comments were made in conjunction with release of a General Accounting Office study of the Office of Management and Budget's paper, "Costs of Regulation and Restrictive Practices." In that paper, OMB gave the cost of Federal government regulation and private sector restrictive practices as \$130 billion.

The GAO analysis criticizes the OMB paper on the following grounds, among others:

- The OMB paper fails to make a clear distinction between the gross costs and net cost of Government regulation. Net costs are what remains when benefits are subtracted from gross costs. The OMB approach, said the GAO study, is "akin to a corporation issuing an annual report which lists the corporate expenses in its summary statement but neglects to report corporate revenues."
- Misrepresents the conclusions contained in some of the cited sources. These publications actually contradict some of the assertions in the OMB study.
- Cites articles that appeared in the literature as long as a decade ago. Little effort is made to distinguish between those studies whose conclusions continue to be applicable and those whose estimates are no longer valid.





-- The list of supporting publications contains some very good economic studies and some very poor ones. . OMB fails to distinguish between the good studies and the poor ones whose assumptions and methodology make the reported results questionable -- if not unreliable.

"Based on GAO's analysis, the Administration's figure of \$130 billion may be overstated by as much as \$69 billion. To mislead the public with inflated figures and oversimplify the regulatory problem, as the Administration has done, serves no one," said Moss. "Any useful study of the Federal regulatory process must take account of the costs of regulation both in the aggregate and by sector, but such a study must also weigh the benefits of regulation. Costs of the failure to regulate adequately, in a timely fashion, or with sufficient focus must also be computed. Unfortunately, the Federal government has not yet systematically examined regulation in this manner, and there are no reliable estimates of the overall benefits and costs of regulation or of the costs of the failure to regulate."

Moss said that the staff of the Subcommittee on Oversight and Investigations, which he chairs, is seeking the advice of recognized economists so that the Committee, the House and the Congress will have as full and accurate a picture as possible of both the benefits and costs of regulation.



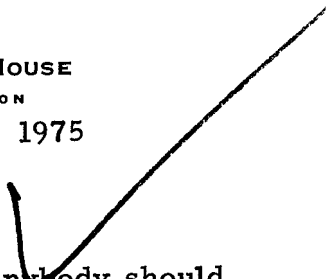
THE WHITE HOUSE  
WASHINGTON  
October 31, 1975

JACK,

Buchen didn't think anybody should do this and Rumsfeld agreed with Buchen. O'Donnell so advised the interested parties on the Hill. O'Donnell has also prepared a letter for Buchen's approval to go to the Hill on this matter.



*Russ*



THE WHITE HOUSE

WASHINGTON

October 30, 1975

MEMORANDUM FOR: JACK MARSH

FROM: RUSS ROURKE/R

Pat O'Donnell advises me that you have gotten involved in this ~~regulatory reform~~ symposium sponsored by Magnuson, Ribicoff and Moss.

The question arises as to who should represent the White House. Pat tells me this matter got buried in Rod Hill's in-box . . . the symposium is tomorrow and the sponsors have had no response from the White House. Paul Mac Avoy (CEA) who, as you know, worked with Rod on regulatory reform matters, feels that he would be the appropriate White House representative.

What do you think?

By the way, I asked Pat to touch base with Doug Bennett on this matter. Some time ago Doug had asked me my view on his representing the White House at a similar event . . . something he had already discussed with Don Rumsfeld. Pat will tie up that loose end before committing Mc Avoy.



THE WHITE HOUSE  
WASHINGTON

March 3, 1976

MEMORANDUM FOR WHITE HOUSE SENIOR STAFF

FROM:

EDWARD C. SCHMULTS

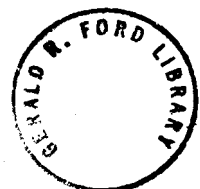
SUBJECT:

The President's Regulatory Reform Program

A package of materials on the President's regulatory reform program has been sent to approximately 250 Cabinet and Subcabinet officials including the Chairmen of the ten independent regulatory agencies. Attached is a copy of the covering memo reviewing the program to date and a copy of the table of contents for the other materials that were included.

I thought you ought to see a copy in case you get any questions from the departments.

Attachment





THE WHITE HOUSE

WASHINGTON

February 25, 1976

MEMORANDUM FOR DEPARTMENT AND AGENCY OFFICIALS

FROM: EDWARD C. SCHMULTS  
PAUL MacAVOY *pm*

SUBJECT: The President's Regulatory Reform Program

President Ford's regulatory reform program is now in its second year. The publicity surrounding the program has often raised questions by the public concerning details of the various parts of the program. In recent months these questions have been increasingly directed to department and agency officials. In order to help you answer questions on the scope, objectives, and details of the President's program, we thought it might be useful if we reviewed for you the regulatory reform efforts carried out during the last year. In addition, we are attaching background materials for your information and for your use as needed.

BEGINNING OF THE PROGRAM

The inflationary impact of many government regulations was a major concern at the Summit Conference on Inflation which was convened by President Ford at the beginning of his Administration. Economists at the Summit were nearly unanimous in their belief that government regulations impose a hidden, unnecessary cost on the economy. They urged President Ford to make a comprehensive program of regulatory reform a top priority of his Administration.

The recognition of the need for regulatory reform is not new. Presidents and policymakers since Harry Truman have attempted to reform various segments of economic regulations. (See the Historical Background.) President Ford, however, has initiated an unprecedented, wide-ranging program of both legislative and administrative actions in many sectors of the economy.



Regulatory reform in the Ford Administration is not a program of total deregulation of the economy. It is an effort to find the best combination of constructive competition and responsible government regulation. The reform of economic regulation is an effort to restore competition to areas of the economy wherever possible, and to minimize the ability of special interests to obtain preferential treatment from government at the expense of the public interest.

The reform of social regulation is an effort to achieve our social goals at minimum economic cost. Some of our environmental, health, and safety regulations have not been as effective as they were originally intended to be. There is a need to ensure that all of the social regulations are carried out equitably and fairly and in the least costly manner.

The President announced the formation of the Domestic Council Review Group for Regulatory Reform in June 1975. The DCRG is made up of agency and White House representatives who meet regularly to coordinate the wide-ranging regulatory reform efforts. Any questions you may have on the elements of the program may be directed to the Executive Directors of the DCRG, Paul Leach and Stan Morris.

#### INITIAL PROGRAM

In his October 8, 1974 address to the Congress, President Ford began his reform of government regulations by announcing a four-point program. First, he assigned the Council on Wage and Price Stability a watchdog role over inflationary costs of government actions and they continue in this role. His second proposal was for a National Commission on Regulatory Reform to examine the independent regulatory agencies. Although this proposal was not acted upon, Congress has recognized the need for such a review and several committees in the House and Senate have major studies underway. The third proposal required agencies to prepare inflation impact statements on all major proposals and this effort has been implemented. Finally, he encouraged state and local governments to review their own regulations and some interest has been expressed by state and local organizations in pursuing these issues.

THE PROGRAM TO DATE

During 1975, two legislative proposals were enacted into law. The Securities Acts Amendments of 1975, signed in June, restores competition to the securities industry and ends nearly two-hundred years of price fixing agreements among stockbrokers. On December 12, 1975, President Ford signed into law the repeal of the enabling legislation for fair trade laws so that consumers in all states could benefit from discount prices on all brand name merchandise. More recently in 1976, the President has signed into law the Railroad Revitalization and Regulatory Reform Act which provides long overdue reform of railroad rate regulation and authorizes needed financial assistance to the rail industry.

Action on other initiatives is still pending:

Financial Institutions - The revised Financial Institutions Act, resubmitted to the 94th Congress, would enable small savers to earn more competitive returns on their savings and to benefit from more diversified financial services from all lending institutions. On December 11, 1975, the Senate passed legislation similar to most of the Administration's proposals, but new tax laws for banks must be considered further in Committee before the total package is complete. The House Banking Committee is studying similar reforms. Prospects for some legislation appear fairly good in this Congress.

Transportation Regulation - A series of legislative proposals has been submitted to the Congress to eliminate arbitrary barriers to entry and to increase pricing flexibility in order to foster competition and encourage a wider range of services and prices to consumers. The Railroad Revitalization and Regulatory Reform Act has already been enacted.

Aviation Act of 1975 - The bill has been introduced in both Houses. Hearings in both the House and Senate are scheduled for early April.



Motor Carrier Reform Act - The Administration's bill has been introduced both in the House and the Senate. The Department of Transportation has received tentative commitments for hearings in the near future.

New Natural Gas - To help assure adequate supplies of natural gas for both industry and residential customers, a proposal for deregulation of new natural gas was included in the State of the Union Address in 1975. Bills have been passed by both the House and Senate and are now under consideration by the Conference Committee.

Simplification and Modernization of Regulatory Activities - In addition to these highly publicized elements of the program, the Administration has proposed legislation to eliminate and simplify anachronistic and unnecessary regulatory procedures and paperwork in some of the oldest Federal agencies: Simplification of Coast Guard regulations and procedures will result in significant cost savings; patent legislation will reform patent procedures; proposed modernization of the customs laws will reduce unnecessary paperwork and ease restrictions governing goods brought into the United States.

Forms Reduction - The Commission on Federal Paperwork has been created and its members appointed. Its report is due on October 3, 1977. In the interim, OMB is preparing guidelines to reduce the number and the burden of Federal forms.

Meeting with the Commissioners - On July 10, 1975, President Ford met with the commissioners of the ten independent regulatory commissions. The President asked these agencies to concentrate on four areas of concern: better representation of consumer interests; elimination of outdated regulations; reduction of regulatory delays; and better analysis of economic costs and benefits of agency actions. A progress report from each agency has been received and reviewed by the President.

## FUTURE EFFORTS

In the second year of the program, future initiatives are being developed in addition to completing current efforts underway. For example, possible future action could include improving health and safety regulations, reforming executive branch regulations, and streamlining administrative procedures. Initiatives are being discussed in the context of a systematic review of the role of government and the private sector in the American economy.

As we review the role of the Federal Government and the impact of government intervention in the marketplace, we welcome any suggestions you might have as to possible future initiatives. We hope that this brief review and the attached documents are helpful. We would be happy to provide you with more information on any part of the program including examples and anecdotes on the ways in which regulations have affected both consumers and industries. We have included in the attached materials examples of speeches given by Administration officials on various aspects of regulatory reform. We would be glad to answer any questions you may have about the specific actions.

In the near future, we will be scheduling a briefing for department and agency officials on the regulatory reform program. We look forward to talking with you at the briefing.

## Attachments



THE WHITE HOUSE  
WASHINGTON

February 2, 1976

Meeting with Members of the  
Domestic Council Review Group  
on Regulatory Reform

Wednesday, February 4, 1976

2:00 P.M. (45 minutes)

The Oval Office

From: Edward Schmults



I. PURPOSE

To discuss the current status of the Domestic Council Review Group Program and to explore future directions.

II. BACKGROUND, PARTICIPANTS, PRESS PLAN

- A. Background: You agreed to meet with members of the Domestic Council Review Group to give your views and guidance on the future course of the regulatory reform program.
- B. Participants: Jim Cannon, Ed Schmults, Paul MacAvoy, Paul Leach, Stan Morris, Jonathan Rose, Lynn May.
- C. Press Plan: David Hume Kennerly photograph only. Meeting will not be announced.

III. TALKING POINTS

See attachment.



THE WHITE HOUSE

WASHINGTON

February 2, 1976

MEMORANDUM FOR THE PRESIDENT

THROUGH:

JAMES CANNON *J.C.*

FROM:

EDWARD SCHMILTS *ES*

PAUL MacAVOY *P. MacAvoy*

SUBJECT:

Regulatory Reform - Problems,  
Perspectives and Opportunities

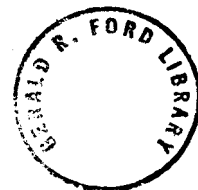
In response to our December 24, 1975 memorandum (Tab A), you agreed to meet with several members of the Domestic Council Review Group who believe the program is now at a threshold and that there are several alternative directions which we might take.

The regulatory reform program, as it now exists, is the result of a number of events and circumstances: The 1974 Economic Summit, Congressional proposals, our search for ways to curb inflation and the increased public attention generated by your earlier speeches on excess government intervention.

The job of implementing reform initiatives outlined in your October 8, 1974, speech brought together a number of people in the Executive Office and the Departments concerned with the regulated industries. Over the last year, the effort has become organized as the Domestic Council Review Group on Regulatory Reform ("DCRG"), consisting of White House and Department executives who devote a portion of their time to regulatory reform issues.

Progress to Date

Since reform efforts began, two legislative proposals have been passed by Congress and signed into law. The Securities Acts Amendments restored competition in securities market brokerage fees. The repeal of fair trade laws removed significant state restrictions on retail discount pricing.



Far-reaching proposals have been made for reform of railroad, airline and motor carrier regulation. Phased deregulation of natural gas prices has been proposed as well. Each of these proposals is expected to be the subject of vigorous debate in this Congress. The Financial Institutions Act was submitted and has been acted upon by the Senate. However, new tax laws remain to be considered in the Senate and House approval has to be obtained before the total package is completed.

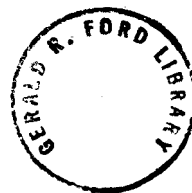
We are now at a critical point in the program. Sources of difficulty are as follows:

- Consumer groups have only been lukewarm supporters of the program to date.
- The business community has only begun to assist in the systematic analysis and presentation of well-documented cases of excessive and costly regulation.
- Both the unions and the corporations in the regulated industries have begun well-financed campaigns against reform proposals in transportation and communications.
- More factual evidence is needed to support a credible argument against overzealous and unnecessarily costly health, environmental or safety standards.

Additional support must be forthcoming from business and consumer groups if substantial progress is to be made in passing even the legislation previously proposed. More support is necessary from newspapers, public opinion leaders and university thinkers, as well. This support can probably be obtained if special efforts are targeted on each of these groups. Also, we must better educate those who have not been party to the debate and devise a strategy to overcome existing and anticipated opposition.

#### Next Steps

1. We must secure enactment of legislative proposals already before the Congress which will increase competition in regulated industries such as banking, transportation and natural gas. This will take a concerted effort on the part of the responsible agencies and Executive office organizations.





Continuous Presidential reinforcement of the importance of these efforts will be needed. A special message to Congress on regulatory reform could provide substantial assistance.

2. We must expand the scope of the present program. Action is already underway to examine new areas of economic regulation such as the communications, insurance, and maritime industries and Robinson-Patman and develop appropriate recommendations for reform. Reform actions will take the form of specific legislative recommendations or Administration reports.

A noticeable gap in the present program exists in the areas of safety, environmental and health regulation. We must determine whether or not our social goals might be achieved through more efficient, less costly means.

Consideration should be given to expanding the organization of the regulatory reform group in order to get more work done. Should a Cabinet officer be named as the official head of the effort? How do we assure fair, more complete and more numerous hearings of the reform issues within the Administration? What organizational arrangement will best accommodate any new initiatives or new direction in the effort?

3. We must work to mobilize public support for the program. Cabinet members and other top level policy officials should be more actively involved in giving speeches and testimony in support of the program. It is important now to demonstrate that our efforts do not stop with simply reducing the size of government, but that you have a positive program to promote economic growth by restricting government to its proper role in the economy.

To that end, we are preparing a "white paper" which summarizes the philosophical assumptions underlying the reform effort and sets forth a clear statement of our long-term goals, such as: encouraging individual choice and initiative and reducing government intervention in the private sector; assuring efficient use of scarce economic resources and achievement of our social goals at minimum cost; directing government expenditures to the broadest possible public benefit; assuring efficient and equitable enforcement of government policies; and minimizing the ability of special interest groups to prevail against the public interest.



Such a paper would be used as the basis for informal discussions with several thoughtful leaders -- businessmen, journalists and academics -- to get their views on the direction of the program and how best to achieve and articulate our goals. We might also want to plan for a major Presidential address or several newspaper or magazine articles to explain our philosophy and generate a broader public understanding of the reform effort. Additional meetings should be scheduled with Congressional members and staff and the independent regulatory commissioners to demonstrate our continuing interest and obtain their thoughts on how best to achieve reform.

### Future Directions

The DCRG is currently considering a two-phase plan to overcome opposition from the special interests and maintain our momentum. The first element is a short-term mobilization of individual agency reviews to improve the present regulatory process. The second phase would call for a broader, more fundamental review of government's role in the economy.

These efforts are intended to begin to shift the burden of proof away from those who advocate reform toward those who stubbornly resist any change in the status quo. The building of a broader constituency to support reform is essential if we are to counterbalance increasingly vocal opposition from the special interests.

Phase I. A fulltime, sustained effort would be undertaken to achieve administrative reform in each agency. This effort would be aimed at eliminating archaic and obsolete regulations, reducing regulatory lags, rewriting in understandable English all regulations and attempting to reconcile conflicting regulatory overlaps. The primary focus would not be on legislation and it would not greatly alter the degree and scope of regulation. However, it should generate broad public and Congressional support. Such an effort is what most people mean by getting government "off the backs" of the people.

Each agency head would designate a senior agency official and necessary fulltime staff to work with concerned public interest groups, e. g., committees of bar associations, labor organizations, consumer groups and others to revitalize the agency's regulation process. Some funding for outside assistance must be found. The key to such effort would be sustained Presidential interest and follow-up.



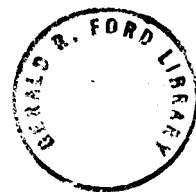
Phase II. The Administration would propose or support legislation calling for an Executive-Congressional phased review of key regulatory areas such as energy, communications, transportation, health, environment, and banking within a specified time table. The Executive branch would provide legislative proposals for reform and the Congress would be required to enact reform legislation.

The need for a longer-term examination of government's role in the economy was articulated most recently in the introduction of legislation sponsored by Senators Percy and Byrd. Whether or not such legislation is ultimately enacted, the development of a long-term agenda would have a number of benefits: It would provide a clear indication that we intend to examine all areas of government activity which have major economic effects. This would encourage the intellectual community to devote attention on upcoming issues and develop concrete data on alternative reform proposals. Announcing such an agenda now would also provide an organizing perspective to the efforts already underway in individual Department reviews and assure that the necessary data becomes available for the longer-term study. Such an approach would be oriented to results and less apt to be viewed as just another study effort.

#### Summary

If this plan appears reasonable, we will begin to explore more fully the means by which it could be implemented and outline the substantive elements of an agenda. Our forthcoming meeting is not intended to reach decisions on the specifics of the program, but rather to obtain a better sense of your priorities and an indication of the approaches and areas you feel should be more fully explored.

Attachment (Tab A)



THE WHITE HOUSE  
WASHINGTON

December 24, 1975

MEMORANDUM FOR THE PRESIDENT

THROUGH: JIM CANNON

FROM: EDWARD SCHULTS  
PAUL MacAVOY

SUBJECT: Current Regulatory Reform Efforts and Future  
Initiatives of the Domestic Council Review Group

The Domestic Council Review Group on regulatory reform would like to meet with you to discuss our current progress. We need your personal views and guidance on our future efforts and would like to establish a better sense of your priorities in order to direct our limited resources to those areas that you want to pursue in the second year of regulatory reform. To continue the group's enthusiasm, we would suggest inviting a few members of the DCRG to participate in the meeting.

INITIAL PROGRAM

In your October 8, 1974 address to the Congress, you began the reform of government regulations by announcing a four-point program. First, you assigned the Council on Wage and Price Stability a watchdog role over inflationary costs of government actions and they continue in this role. Your second proposal was for a National Commission on Regulatory Reform to examine the independent regulatory agencies. Although this proposal was not acted upon, Congress has recognized the need for such a review and several committees in the House and Senate have major studies underway. The third proposal required agencies to prepare inflation impact statements on all major proposals and this effort has been implemented. Finally you encouraged State and local governments to review their own regulations and some interest has been expressed by State and local organizations in pursuing these issues.

CURRENT INITIATIVES

Since our initial efforts, two legislative proposals have been



passed by Congress. The Securities Acts Amendments that you signed in June restored competition in brokerage fees in the securities markets after nearly two hundred years of fixed fees. In addition, the repeal of the fair trade laws signed last week removed significant restrictions on offering discount prices to consumers.

Action on other initiatives is still pending:

Financial Institutions - A revised Financial Institutions Act was submitted to the 94th Congress. On December 11, 1975 the Senate passed legislation similar to most of the Administration's proposals, but new tax laws for banks must be considered further in Committee before the total package is complete. The House Banking Committee is studying similar reforms. Prospects for some legislation appear fairly good in this Congress.

Railroad Revitalization Act - The final Senate version of the rail bill contains unacceptable financing provisions; however, it achieves most of the regulatory reform objectives of the Administration's bill. While the House version is more to our liking, the conference bill may still be a candidate for veto.

Aviation Act of 1975 - The bill has been introduced in both Houses. Hearings in the Senate and the House are expected early in the next session.

Motor Carrier Reform Act - The bill has been introduced in the House. Pending introduction of the bill in the Senate, the Department of Transportation has received a tentative commitment for Senate hearings in March or April next year.

New Natural Gas - The Senate has passed a measure dealing with expected shortages which included long-term deregulation of new natural gas. The House is also expected to include deregulation provisions in its bill. Prospects for passage are encouraging.

Forms Reduction - The Commission on Federal Paperwork has been created and its members appointed. Its report is due on October 3, 1977. In the interim, OMB has prepared draft guidelines to reduce the number and the burden of Federal forms.



Simplification and Modernization of Regulatory Activities - In addition to these highly publicized elements of the program, the Administration has proposed legislation to eliminate and simplify anachronistic and unnecessary regulatory procedures and paperwork in some of the oldest Federal agencies: Patent reform legislation will improve and simplify procedures in the patent system and accelerate disclosures of technological advancements; simplification of detailed Coast Guard regulations and procedures established nearly 200 years ago will result in a savings of \$1 million; proposed modernization of the customs laws will reduce unnecessary paperwork and ease restrictions governing goods brought into the United States.

#### POSSIBLE FUTURE INITIATIVES

Health and Safety - Alternative approaches to achieving environmental, health and safety goals are currently under discussion. The range of possibilities include broadening exemptions for small business, improving cost-benefit analysis, and using taxes and charges as incentives as opposed to detailed agency specifications and enforcement of standards to achieve our health and safety goals.

Dependent Agencies - The regulatory activities of six Executive branch departments and agencies are currently under review. The agencies will be recommending both administrative and legislative reforms in the next month.

Administrative Procedure - The independent commissions will be reporting by Dec. 31, 1975 on their efforts to achieve improved administrative procedures and to give greater weight to the importance of competition in their decisions. DCRG will analyze their responses and will make recommendations on possible future actions including the possibility of a follow-up meeting with the commissioners.

Substantive Review of Regulation - More analyses of the costs and benefits of existing regulation could provide the basis for substantive changes in areas where legislation has not yet been proposed. DCRG will consider the desirability of submitting a comprehensive legislative proposal requiring a "zero-based" review of major regulatory agencies, both the independents and those in the Executive branch. The end result of such a review could be the elimination of regulatory overlap and duplication or the abolition of some regulatory agencies. Similar legislation is currently under consideration by the Congress.



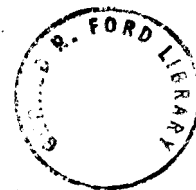
Cable Communications - Federal Communications Commission regulations governing cable television have restricted the growth of the cable industry. DCRG has considered a number of options for reform. A status report on this matter has already been forwarded to you.

Robinson-Patman - This legislation raises consumer prices by making it difficult to offer discount prices on particular sales at the wholesale level. The DCRG has held public hearings on possible modification or repeal of the Act. A decision memorandum will be prepared for your review.

Insurance - Currently the McCarran-Ferguson Act allows States to give antitrust exemptions to insurance rate bureaus. Meetings have been held with industry groups, State regulators, and consumer groups to discuss the desirability and effects of restoring competition to insurance rate setting. Next steps in this area include analyzing the benefits of competition and weighing the effect Federal action might have on the State prerogatives with respect to insurance regulation.

Maritime - The maritime laws currently sanction rate setting by shipping conferences. A study of this issue is underway and an interim report to the DCRG is due in the next week.

In addition to the above initiatives, we are concerned with improving public understanding of the issue of regulatory reform. We are planning to meet with a number of leading business leaders, journalists and others who have given thought to the appropriate relationship between government and business. We would hope that such meetings would help us in formulating and explaining your program thereby increasing public support. We would like to meet with you soon after the first of the year and preliminary to scheduling these outside discussions.



THE WHITE HOUSE  
WASHINGTON

Jack —

Strongly support  
threat of Schmidt's  
move — unless  
the TI moves in this  
direction, and quickly,  
we will have lost  
the initiative to the  
Congress —



Rum  
↑



APR 6 1976

THE WHITE HOUSE  
WASHINGTON

*Comments!*  
*ADAP*

April 5, 1976

MEMORANDUM FOR:

PHIL BUCHEN  
JACK MARSH ✓  
BOB HARTMANN  
BILL BAROODY  
ROG MORTON  
DICK CHENEY  
MAX FRIEDERSDORF

FROM:

ED SCHMULTS

SUBJECT:

Next Steps for the President's  
Regulatory Reform Program

Since the February 4 meeting with the President, the Domestic Council Review Group has been working to develop further plans for the President's regulatory reform program.

I would be very interested to get your views on the attached paper which I have asked Bill Seidman to table soon for the EPB's consideration.

Attachment



*called*  
*4/8-*  
*9:45 am*

*add csi*

*Ed c*

*[Handwritten signature/initials]*

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR: WILLIAM SEIDMAN

FROM: EDWARD C. SCHMULTS

SUBJECT: Next Steps for the President's  
Regulatory Reform Program

Since the February 4 meeting with the President, the Domestic Council Review Group (DCRG) has been working on longer term plans for the President's regulatory reform program.

Over the last few weeks, we have had a number of meetings with interested people (inside and outside the Administration) to discuss the general concept of a comprehensive regulatory reform program. We have also been keeping track of an increasing number of bills in Congress which would require major evaluations and possible changes in regulatory programs. I know that Jim Lynn is testifying soon on Senator Muskie's bill (S. 2925), which would call for a four year life cycle for most Federal programs, and that hearings on the Percy-Byrd regulatory bill (S. 2812) have been scheduled for the middle of May.

I think it is important for the Administration to crystalize its longer term regulatory program in order to present a clear sense of direction to the Congress and those most interested in the President's thinking on this issue.

I hope this paper can be put on the EPB agenda as soon as possible in order to get the general views of its members and to help give us direction for laying out more specific plans. I have sent copies of this paper to other members of the Senior Staff and asked them for their thoughts and recommendations as well.

Attachment



Long Term Direction of the  
President's Regulatory Reform Program

I. Issue

On several occasions over the last few months, members of the Senior Staff have met with the President to seek his guidance on the future directions for his program of regulatory reform. The President has given a number of specific directions for short-term activities he wants achieved. One example is the creation of task forces to concentrate on achieving administrative improvements in agency regulations. The Administration is presently working to accomplish these goals and to gain passage in Congress of a number of major regulatory reform bills.

In addition, the President has asked for specific plans on how to insure the long term success for the regulatory reform initiatives which he began 18 months ago. The issue to be resolved is what should the Administration's longer-term regulatory strategy be and what Presidential decisions are needed to begin implementation of that strategy.

II. Background and Problem

The present regulatory reform effort has grown out of the President's strong desire to:

- Reduce government's interference in the marketplace and its infringement on individual choice and initiatives;
- Minimize the direct and indirect costs which Federal programs levy on the economy and the American taxpayer;
- Eliminate the ability of special interests to gain advantage over the general public interest through the exploitation of Federal laws and regulations.

Attempting to put these principles into effect, we feel that there are not enough remaining targets of opportunity around which to quickly form a consensus for a second phase of the President's program. The issues raised in our initial look at several new areas clearly illustrate that there are a number of difficult theoretical and practical problems associated with achieving desirable reforms in these areas. The relative newness of many health and safety regulations, and the sensitive political nerves attached to them, leave us without a firm base of information or an organized constituency around which we can quickly develop defensible reforms in this area. And we have only begun to touch on the complexities of outright subsidies through our financial institutions, rail reform, and aviation acts.



Congressional interest in the subject of regulatory reform has grown substantially. There have been more than fifteen pieces of major legislation introduced over the past few months. For example, Sen. Proxmire's bill (S. 2234) would abolish a number of major regulatory agencies; Rep. Udall's bill (H.R. 8676) would establish a private/public sector Competition Review Commission; Senator Muskie's proposal (S. 2925) would require a zero base review of all government programs every four years; and the Percy/Byrd bill (S. 2812) would require the President to review a number of agencies and submit to Congress over five years a series of annual plans for regulatory reform.

We have now reached the point at which some fundamental decisions about the long run directions of the regulatory reform effort must be made. We are at an important threshold in shaping the future course of government's role in the economy. We can not hope to succeed simply by following an incremental, piecemeal approach in this area. The President's success in achieving his budgetary, foreign affairs, or national defense programs has depended upon a clear articulation of his policies in each of these areas. Comprehensive plans have helped him explain his positions to the American people and have given the President a framework within which to make legislative and administrative decisions. A similar framework is needed if the regulatory reform program is going to succeed over time.

### III. Objectives for a Longer Term Program

In order to meet the President's demands, the Administration must develop a regulatory program which will accomplish the following objectives:

1. To place the President in the lead toward achieving tangible, fundamental administrative and legislative changes in the present regulatory system. These changes would modify or eliminate laws and regulations which do not yield benefits commensurate with their costs to the economy and would provide better ways of achieving economic and social objectives at lower costs.
2. To educate the public, the business community, Congress and the Executive Branch on the costs of government intervention in the economy and the need for reform.
3. To rationalize the current conflicts between and within regulatory activities.



4. To reduce the degree of governmental intervention in the economy and the paperwork burden imposed on individuals and businesses.
5. To provide better methods for dealing with adjustment and transition problems that may accompany regulatory change.

The present Administration efforts have not been sufficient to achieve these goals. Improvements are needed.

Although we are now working on a number of different tactical steps designed to achieve these goals, we need a mechanism which will keep the press, the public, and the Congress aware of and interested in our efforts. The current structure of the regulatory process and Congressional oversight of that process are not well suited to making judgments on the effectiveness of the regulatory system. Various economic, environmental and social goals are often in conflict and there are important conflicts within these goals. Yet there has not been a coherent assessment of how these conflicts can be resolved, nor is there any adequate way to insure that the Executive and Congress address the problems in a more reasoned atmosphere. The recent clamor over banking regulation is a clear example of the need to counter emotional public demands with carefully documented proposals for constructive and longer lasting reforms.

#### IV. Recommendations and Discussion

In order to maximize the effect of present regulatory reforms and to force the agencies and Congress to persist in examining a wide range of Federal interventions, we recommend that the President announce a major new program designed to produce a comprehensive calendar of regulatory reforms over the next several years.

This agenda would be triggered by legislation introduced by the President calling on the Executive to submit yearly plans for regulatory improvements to the Congress. It would attempt to guarantee Congressional review through the inclusion of a forcing mechanism which would give Congress the option of adopting the President's plan or substituting one of its own. In either case, important regulatory and other Federal interventions (tax preferences, cash subsidies, etc.) would be examined by the President and the Congress over a definite time schedule.





If comprehensive legislation is enacted, it would help assure that a more informed public debate would take place. Yearly Presidential plans would be based on the results of careful scrutiny and factual analysis of the impacts of Federal actions. A series of comprehensive proposals for legislative and administrative reforms would help to identify regulatory overlaps, inconsistencies, and contradictions in much the same way the yearly budget analysis and debate helps to focus attention on important program decisions as well as overall fiscal policy.

A legislated timetable for consideration of federal interventions would also provide a disciplined mechanism for soliciting public opinion on the costs and benefits of existing programs. At the present time, it is difficult for the Administration to address a specific complex issue such as toxic substances legislation without a framework of information within which to measure the cumulative effects of these bills. An agreement between Congress and the Executive to review and act on major regulatory issues would help to provide such a framework. It would also be a positive and constructive response to a growing Congressional sentiment for more centralized economic planning.

On the other hand, a prescribed calendar for potential reforms could be used by some opponents as an excuse to delay action on legislation already introduced. It could also give affected industries or other special constituencies sufficient advance notice for them to organize against any Executive recommendations which they opposed. The President would have to make it abundantly clear that a disciplined agenda for action should not be used by Congress to procrastinate. And a forcing mechanism requiring Congress to take some action on the President's program would at least insure that the Administration would have a forum within which to argue its case and rebut the opposition of organized special interests.

## V. Conclusion

There are strong indications that Congress may attempt to usurp the control over regulatory reform by enacting one or more bills which would call for comprehensive evaluations of Federal programs or agencies. We recommend that the President not relinquish his lead on this important issue, and that we continue to prepare a longer term program which could be announced within the next six weeks.



The core of that program would be legislation, which the President would submit, laying out a reasoned timetable for future regulatory reforms. Upon enactment of such a bill, yearly plans would need to be developed by the Executive and specific legislation submitted to Congress each Spring in time to comply with the new requirements of the Budget Reform Act.

Such a "blueprint bill" would have to contain provisions giving the President and Congress flexibility to adjust the schedule of reform proposals if future developments warranted. It would also need to contain an appropriate forcing mechanism which would guarantee that the Congress would have to take some action on the President's proposals.

We believe that such a bill would be responsive to the President's desire to see the regulatory reform program continue and would provide an excellent vehicle with which to respond to a rising tide of Congressional interest in this issue. If it is agreed, we will present major options for the organization and management of such an action plan and report back in ten days with a decision paper.



THE WHITE HOUSE  
WASHINGTON

P/S hat

to Ed S.  
done 4/20  
de





APR 19 1976

THE WHITE HOUSE

WASHINGTON

April 16, 1976

MEMORANDUM FOR: JACK MARSH

THRU: MAX FRIEDERSDORF *M.G.*

FROM: WILLIAM KENDALL *WK*

SUBJECT: Regulatory Reform *"*

In response to your memo of this date, I recommend that the following Senators be notified of any Administration initiatives on regulatory reform:

Pastore	Pearson
Hartke	Fannin
Moss	Percy
Kennedy	Stafford
Ribicoff	Ford
Hruska	Javits
	R. Byrd



April 16, 1976

MEMORANDUM FOR: BILL KENDALL  
CHARLIE LEPPERT

FROM: JACK MARSH

In a meeting yesterday with Ed Schmults, he advised us that the President is likely to make a speech on regulatory reform to a Chamber of Congress event next week. In this speech, he will announce his plans for proposed legislation on this subject which will be introduced after the Congress returns.

Ed believes, and I agree, that it would be helpful to have some pre-notices of key Members of Congress who have demonstrated an interest in this matter or who served in key Committee assignments.

Would you pull together such a list who you feel should be pre-noticed on the contents of the President's speech shortly before he delivers it.

Many thanks.

cc: Max Friedersdorf

JOM/dl



APR 19 1976

THE WHITE HOUSE  
WASHINGTON

April 19, 1976

MEMORANDUM FOR: JACK MARSH  
THROUGH: MAX FRIEDERSDORF *M.B.*  
FROM: CHARLES LEPPERT, JR. *CLJ.*  
SUBJECT: Regulatory Reform

In response to your memorandum concerning pre-notification to Members of Congress of a possible Presidential speech next week to a Chamber of Commerce event, I suggest the following Members of the House of Representatives be given advance notice:

Members Invited to the White House Meeting on Regulatory Reform, June, 1975:

Rep. John Moss (D-Calif.)  
Rep. Paul Rogers (D-Fla.)  
Rep. Robert Leggett (D-Calif.)  
Rep. Jim Wright (D-Tex.)  
Rep. James Howard (D-N.J.)  
Rep. Jim Jones (D-Okla.)  
Rep. Sam Devine (R-Ohio)  
Rep. John Anderson (R-Ill.)  
Rep. Frank Horton (R-N.Y.)  
Rep. Bill Archer (R-Tex.)  
Rep. Charles Thone (R-Neb.)  
Rep. Al Cederberg (R-Mich.)

Other Members To Be Given Pre-Notification

Rep. Thomas Foley (D-Wash.)  
Rep. William Wampler (R-Va.)  
Rep. George Mahon (D-Tex.)  
Rep. Henry Reuss (D-Wisc.)  
Rep. Albert Johnson (R-Penna.)  
Rep. Brock Adams (D-Wash.)



Other Members To Be Given Pre-Notification (continued)

Rep. Carl Perkins (D-Ky.)  
Rep. Al Quie (R-Minn.)  
Rep. Jack Brooks (D-Tex.)  
Rep. Harley Staggers (D-W. Va.)  
Rep. Lionel Van Deerlin (D-Calif.)  
Rep. John McCollister (R-Neb.)  
Rep. James Collins (R-Tex.)  
Rep. Robert Jones (D-Ala.)  
Rep. William Harsha (R-Ohio)  
Rep. Joe L. Evins (D-Tenn.)  
Rep. Silvo Conte (R-Mass.)  
Rep. Richard Bolling (D-Missouri)  
Rep. David Satterfield (D-Va.)  
Rep. Joe Waggoner (D-La.)



cc: Tom Loeffler  
Pat Rowland

THE WHITE HOUSE  
WASHINGTON

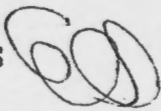
JUL 30 1976

July 30, 1976

MEMORANDUM FOR:

PHIL BUCHEN  
JIM CANNON  
DICK CHENEY  
DAVE GERGEN  
BOB HARTMANN  
JACK MARSH ✓  
BILL SEIDMAN

FROM:

ED SCHMULTS 

SUBJECT:

Regulatory Reform

Attached is a column that I have sent to the National Association of Manufacturers for inclusion in a special regulation issue of NAM reports. The column outlines the Administration's approach to regulatory reform. Attached also are two recent one-page articles from the National Journal on airline reform and "Busing-Big Government Link" which may be of interest.



Some items in this folder were not digitized because it contains copyrighted materials. Please contact the Gerald R. Ford Presidential Library for access to these materials.

## The Administration's Approach to Regulatory Reform

The Ford Administration is firmly committed to achieving fundamental reform of our nation's regulatory system which, over the years, has become sluggish, self-serving, and stereotyped.

Almost two years ago, President Ford announced his intention to eliminate regulatory inefficiency as a part of the effort to halt inflation. His goal was not de-regulation but rather the development of a more enlightened, streamlined regulatory system which better serves the economic and social needs of modern society.

Since that time, the American people have become increasingly aware of the unnecessary costs and inequities produced by the present system and as a result, some significant progress has been made towards reform.

For example, in the past 8 months, we have reduced the number of Federal forms by more than 12.5% and we are now working to reduce the burden which Federal paperwork requirements places upon the American public. We have successfully encouraged the major independent regulatory agencies to improve their regulatory practices. In the past year they have made notable progress in reducing costly regulatory delay, improving economic analysis and placing greater reliance on market competition as a regulatory tool. One agency has even asked Congress to legislatively reduce its regulatory authority so that natural competitive forces are allowed to operate.

Throughout the Executive Branch, the Administration has worked hard to make decision-makers more aware of the consequences of their actions. Agencies are required to analyze the economic impact of their regulatory actions before they are put into effect. And actions are being taken to increase public participation in regulatory proceedings. In addition, the President has established several short-term task forces to re-write and simplify existing regulations and streamline regulatory procedures in the Occupational Safety and Health Administration, the Federal Energy Administration and the Commerce Department's Export Administration. These task forces have been directed by the President to make it easier for businessmen and consumers to deal with government requirements.





On the legislative front, we have also made some progress. Federal laws sanctioning State fair trade laws have been repealed. Fixed rates for securities brokerage commissions have been abolished. Federal regulation of railroad rates has been reduced, and civil and criminal penalties for antitrust violations have been increased. In addition, the Administration is continuing to press for congressional action on proposals to reform airline, motor carrier, banking and natural gas regulations.

But progress does not come easily. While recognition of regulatory problems is bipartisan and widespread, agreement on specific issues and solutions is less clear. At every step, specific reform attempts are met with sharp and vocal opposition from a variety of interests seeking to preserve the status quo. In some cases, even asking the question "Is there a better way" evokes sharp protests and further progress toward meaningful reform is forestalled.

The real question facing both the Administration and Congress is not the need for reform but whether or not current public indignation and concern over government inefficiency can be translated into productive and lasting reform. Too often in the past, we have been content with organizational or procedural solutions to complex economic or social problems.

But the Administration believes the American people can no longer afford to accept rhetoric as a substitute for results. Therefore, President Ford has proposed to Congress the Agenda for Government Reform Act which would guarantee the systematic re-examination and reform of Federal regulatory activities within the next four years. This legislation requires Congress and the President to agree to undertake a fundamental reassessment of the combined effects of all government regulations on individual sectors of the economy. And it requires them to adhere to a disciplined timetable to assure annual results.

We believe this plan will produce several desirable results. First, it will enable Congress and the Administration to focus on the real-world consequences of their decisions. It will foster increased public understanding of the costs and inefficiencies of regulation and help to build an active public constituency for change. Consumers, businessmen, workers, and academics will have a better idea of what Government is trying to do and be able to plan and participate accordingly. Finally, this legislation will help assure concrete results.

This Administration is serious about reform. The present system demands fundamental change. The American people deserve no less.







# Up, Up and Away with Airline Reform

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Legislation to curtail Civil Aeronautics Board (CAB) regulation of domestic airline service is progressing so smoothly in Congress that many persons familiar with the proposal expect that a bill will become law in 1977. That this is the case says much about how Congress and the executive branch are likely to deal in the next few years with other regulatory reform legislation—with the specific issue and the identity of the officeholders making little difference.

Here is what has taken place in the past year and a half:

posals he said he would submit in the Senate within a few weeks to “revitalize the airline industry with new competition, with more freedom to set fares and with procedures to force the CAB to make decisions in a timely and responsible fashion.”

Assuming his probable reelection in November, Cannon plans to begin hearings next January and to report a bill to the Senate later in the year. It is conceivable, said a Senate insider, that events such as increasing pressure from his col-

# The Busing-Big Government Link



Sen. Hubert H. Humphrey of Minnesota, a liberal Democrat whose New Deal credentials remain intact, several months ago asserted at a breakfast meeting with Washington reporters that any presidential candidate who runs against Washington and against big government is practicing "a disguised new form of racism." At the time, Humphrey's charge seemed farfetched, inasmuch as the criticism of big government focused on government regulation of business that had no apparent relationship to race or racism.

Whereupon, President Ford accommodated Humphrey by declaring that the White House campaign to minimize busing of black and white school children is indeed part and parcel of the White House campaign to "roll back the wave of big government in America." Ford, in a recent speech in Indian

president of the Chamber of Commerce of the United States, condemns "government spending" and "redistribution of wealth," asserting that "for 40 years we have turned increasingly away from our inner resources and toward the central government for the solution to all problems."

Humphrey charges that the assault on big government is an attack on "the poor, on blacks, on minorities, on the cities." George Meany, president of the AFL-CIO, asserts that "the leaders of this anti-government campaign seek to turn the clock back—to tear apart the institutions society has created to protect its citizens and replace them with the ethics of the marketplace."

**More than rhetoric:** But the fight is considerably more than a confrontation just of rhetoric. Public opinion polls confirm

THE WHITE HOUSE

WASHINGTON

September 14, 1976

MEMORANDUM FOR:

ED SCHMULTS

THRU:

JACK MARSH  
MAX FRIEDERSDORF

FROM:

CHARLES LEPPERT, JR. *CLJ*

SUBJECT:

Regulatory Reform

Attached for your information is a copy of the Congressional Budget Office staff paper on "The Number of Federal Employees Engaged In Regulatory Activities", prepared at the request of Rep. John Moss. Also attached is the press release issued by Moss.



THE WHITE HOUSE  
WASHINGTON

Keep  
Basic  
memo



Date: October 29, 1976

Time:

OCT 29 1976

FOR ACTION:

cc (for information):

Douglas Bennett                      Jim Lynn  
 Jim Cannon                              ~~Jack Marsh~~  
 Allan Greenspan                      Brent Scowcroft  
 Bob Hartman                            Bill Seidman  
 FROM THE STAFF SECRETARY

DUE: Date: Wednesday, November 3, 1976 Time: 10:00 A.M.

SUBJECT: Edward C. Schmults memo, 10/28/76 re Summary of Progress Reports from Independent Regulatory Commissions.

ACTION REQUESTED:

- For Necessary Action
- For Your Recommendations
- Prepare Agenda and Brief
- Draft Reply
- For Your Comments
- Draft Remarks

REMARKS:

*Agree*  
*Jm*  
*Trudy* ✓  
*10/30* 1106




PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Jim Connor  
For the President

THE WHITE HOUSE  
WASHINGTON

October 28, 1976

MEMORANDUM FOR: THE PRESIDENT  
FROM: EDWARD C. SCHMULTS   
SUBJECT: Summary of Progress Reports from  
Independent Regulatory Commissions

Issue

What should be the Administration's next steps in dealing with the ten independent regulatory commissions?

Background

As you recall, on April 8, 1976 you met with the Chairmen of the ten independent commissions to discuss the steps which each agency was taking toward your regulatory reform goals. At the conclusion of that session you asked each of the commissions to prepare a second progress report by September 15, which would concentrate particularly on their accomplishments and identify specific savings to consumers and taxpayers.

We have reviewed the reports of these ten agencies and have prepared brief highlights for each agency, indicating what appear to be their major successes and pointing out the largest persisting problems. (See attachment at Tab A.) The full reports are included at Tab B.

Discussion

The agencies are concentrating primarily on reducing procedural delays and have achieved some progress in eliminating unnecessary paperwork. However, few have reported any major gains in reducing federal regulation and relying more on competition and less on direct federal controls. For example, although the ICC is trying to reduce its backlog of cases, the Commission has opposed most of your fundamental reform proposals. Likewise, the FPC is concentrating on eliminating costly time delays, but it has not proposed any major changes in the legislation which requires the large volume of cases.



In addition, I understand that these agencies have requested major resource increases for the coming year. I believe that much of your commitment to reducing unnecessary government involvement will be measured against changes in the size of the federal bureaucracy, and that concentrated efforts must be made to accelerate reform efforts in regulatory agencies without adding more people. I know that Jim Lynn and his people are looking carefully at all regulatory agencies in light of your concerns, and at some point it may make sense for us to discuss with him his recommendations for the FY '78 budget. It is my view that this budget is an important opportunity for you to emphasize your overall regulatory policies and your commitment to insuring that federal regulations are used only when other options are clearly inadequate.

### Recommendation

In the interim, I recommend that you acknowledge the reports from the ten independent commissions without committing these agencies at this time to additional meetings or reports. A draft for your approval is included in this book at Tab C.

Agree \_\_\_\_\_

Disagree \_\_\_\_\_

See Me \_\_\_\_\_

Attachments



Summary of Reports from  
Independent Regulatory Commissions

1. Interstate Commerce Commission

The Railroad Revitalization Act which you proposed (and an amended version of which was signed into law) calls for increased pricing flexibility in the industry and new market opportunities for carriers. Although the ICC indicates some procedural improvements, the Commission's report does not evidence an understanding that fundamental reform may mean less regulation, or new forms of regulation. While the Commission has proposed that some of the procedural improvements enacted in the Rail Bill be extended to other modes, the Chairman has opposed most of the provisions in your program of reforms for the industries under ICC jurisdiction.

2. Civil Aeronautics Board

Chairman Robson has exhibited strong leadership in proposing ways to reduce the CAB's control over domestic airlines. He has supported an air bill similar to yours, has succeeded in getting the Board to substantially liberalize its rules governing charter airlines, and has been sensitive to the need for alternatives to the current system of government subsidies to rural air carriers. The Board's report however, does not clearly identify a desirable timetable for changes. The Board also rejected some innovative ideas that would have helped expedite internal procedures and we continue to believe that the CAB can, with more effort, accomplish significant paperwork reductions.

3. Federal Maritime Commission

This agency has been involved in a jurisdictional struggle with the ICC over regulation of containerized shipping for more than a dozen years. Little progress has been achieved in working out a sensible system which will promote, rather than restrict, this important technological development which could lead to major savings for shippers. The FMC continues to believe that the way to carry out its mandate is to preserve stability in the merchant shipping industry, at the expense of greater price competition. The Commission does recognize the need for major internal improvements but does not appear to share your view that regulatory reform should include opportunities for a reduced federal role.





#### 4. Federal Power Commission

The Power Commission is faced with a problem of major administrative delays, a point which Chairman Dunham recognizes as a priority for needed improvements. Although his report discusses a number of hoped for remedies, the essential problem still remains--namely that the government established price of natural gas differs significantly from a more realistic market determined price. In large part, the Commission's paperwork problems stem from a flood of applications from those regulated industries seeking to operate profitably in a market which has been artificially controlled. The Commission has adopted a new nationwide ceiling rate for interstate gas sales which is designed to compensate for this problem, but legislative relief remains the only real long term answer. Congressional opposition to de-regulation is still well organized and effective.

#### 5. Nuclear Regulatory Commission

The Commission appears acutely aware of the extreme cost of delays in approving license applications for nuclear generating stations. The Commission is using value-impact analyses extensively to weigh the merits of proposed regulations and has reached your initial goal of a 10 percent reduction in paperwork. It is also trying to implement performance standards for physical security safeguards. There is a very complex tangle of federal, State, and local laws and regulations which govern these projects, but the Chairman has devoted substantial effort to rationalizing this maze. Results will be a long time coming, though, and actual progress to date has been only minimal.

#### 6. Federal Trade Commission

The Commission has put a lot of effort into reducing delays and has achieved some impressive results. It still requires a substantial volume of information from American businesses, much of which is time consuming and expensive to furnish, and the need for which is still quite controversial. The FTC has identified a number of State practices (e.g., restrictions on advertising prices for eyeglasses and prescription drugs) which it believes are anti-competitive. There is a great need for the Commission to cooperate more with other federal and State agencies in defining its appropriate consumer protection responsibilities, but the Commission's report does not identify any ways in which greater reliance can be placed on self-regulation within industries.



## 7. Securities and Exchange Commission

The Chairman's report is most responsive to your desire to see reduced paperwork burdens. The Commission appears to be working to strengthen the securities industry's self-regulatory bodies and to promote more competition between participants in the capital markets. However, the SEC continues to expand its staff and operations, at obvious increased costs to the taxpayer. It is also important to note that some of its disclosure proposals and requested additional authorities have not been supported by well analyzed and clearly articulated documentation. Several controversial proposals, particularly in the area of accounting practices and reporting requirements, have been withdrawn or modified due to pressure from regulated companies. Objective analyses of these proposals beforehand could have helped weigh their costs and benefits.

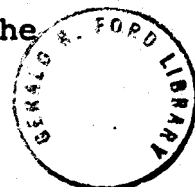
## 8. Federal Communications Commission

The FCC has taken several steps to introduce competition within the telecommunications industry, however, it believes that these changes will require a larger number of personnel and more vigilant enforcement of existing laws. The Chairman is keenly aware of your concerns for reductions in paperwork and administrative backlog, but we continue to believe that the cable television industry, broadcasting, and a number of specialized communications areas (e.g., citizens band radio) could benefit from less, rather than more, federal intervention.

Like many agencies, the FCC is requesting large increases in personnel for purposes of enforcing existing statutes, but it has not identified in its report areas where legislative reforms could accelerate reliance on a different mix of public-private enforcement techniques.

## 9. Commodity Futures Trading Commission

The CFTC report is largely prospective, but the Chairman appears to be conscious of your desire to see self-regulation used wherever possible. Although it has not yet become an issue, paperwork requirements laid on by this agency represent perhaps the most significant potential problem. The CFTC report indicates that the Chairman hopes to eliminate some 350,000 individual



trader reports every year, but no timetable is cited. Despite the Chairman's stated belief that all federal regulators should be forced to justify themselves every ten years, the CFTC is requesting substantial budget increases and has indicated that previously unregulated areas of the industry require new federal vigilance.

10. Consumer Product Safety Commission

The Commission's report does not identify specific intentions or results in paperwork reduction, or savings to consumers or taxpayers. There is a major question as to how long such a federal agency should exist, particularly in view of the fact that many State and local governments have established their own programs, and your directives to Executive branch agencies have helped to sensitize them to the need for more concern over consumer representation and safety. Individual product liability standards and private damage suits could have substantially more impact on manufacturers' products than any federal standards, but the Commission's report does not indicate what options to the current system of federal preemptive safety standards are being analyzed.



THE WHITE HOUSE  
WASHINGTON

DRAFT

Dear Mr. Chairman:

Thank you for your recent progress report on steps being taken to improve your commission's regulatory programs.

I was pleased to see that you and the other Chairmen have succeeded in focusing your commissions on the problems of procedural delay. I am hopeful that these first results will be just a beginning toward eliminating unnecessary paperwork and streamlining the agency's operations. I am encouraged by your interest in applying more rigorous economic analysis to existing and proposed regulations, in an effort to determine whether the benefits of federal controls clearly outweigh their costs.

However, I ask that you develop and implement imaginative and effective alternatives to existing federal regulations. Procedural improvements, while very important, should be augmented with changes which place a greater reliance on the private sector or state and local governments to solve important problems.

Your report raises a number of important issues and problems, and I hope that you will devote increasing efforts to finding ways to accomplish a better regulatory program with a minimum of federal resources. I look forward to continuing our discussions and wish you great success in your current program of reforms.

Sincerely,

Gerald R. Ford

Copies to Chairmen of:

ICC	FTC
CAB	SEC
FMC	FCC
FPC	CFTC
NRC	CPSC

