

Federal rules: Bane of free enterprise

By Nelson A. Rockefeller

Perhaps the least understood institution in America today is the one most responsible for this country's unsurpassed strength and growth — our free-enterprise economy. This creative, dynamic, risk-taking system has produced the highest standard of living the civilized world has ever known.

Today, as this country fights its way out of recession, it is highly appropriate to remind ourselves of what makes this free economic system work so that we can release its fullest potential in pursuit of economic recovery.

The key to the success of free enterprise is that it encourages innovation — new ideas to meet new situations, new needs and new demands. No other system has the flexibility or offers greater incentives for industry to innovate than ours.

But innovation requires risk-taking and reasonable odds that risk capital can be recovered. Innovation requires a relatively stable framework of government business policy so that those taking the entrepreneurial gamble know that the rules of the game will not be constantly changed on them.

The company risking millions on a better product or a new product or service that can improve life and create more jobs must be able to plan ahead with some assurance.

People in politics tend to think in two-year, four-year or six-year cycles, depending on the office they hold or seek.

But industry cannot operate in such a framework. Business planning must run in different, usually longer cycles, up to 10 years, even longer.

Yet, government today is massively involved in the regulation of business in a way that, too often, reflects short-term political pressure and expediency rather than long-run, long-range economic realities and needs.

Furthermore, federal regulation has become so vast, so complex that literally thousands of officials are now engaged in administering an ever changing body of rules that perplex businessmen and depress their desire to innovate.

It used to take about two years to develop a new medical drug. Today, under present government regulation, it takes five to eight years.

Another example:

Our nation cannot grow without an increase in energy. While I was governor of New York, it took about four years to build a particular pump storage power plant.

But, as government regulations increased, the time estimated to construct a similar power facility grew to over 11 years.

Some prices are held artificially high because of so-called "fair trade laws." Some trucks operating interstate have to return empty because of federal regulation — this requirement raises shipping costs.

It costs more to fly between Washington and Boston than it does to fly the same distance within California because of federal regulation over interstate plane fares.

Investment in research and development, the seed capital of new ideas, has also declined sharply in the United States. We are now proportionately behind other countries doing major research and development.

In part, this serious decline grows out of an excess of government regulation and the costs associated with meeting these regulations, all of which discourage innovation.

Being less able or less motivated to innovate means that American business is less able to meet competition from abroad and, thus, less able to develop new products that can raise American living standards and create much-needed new jobs. In short, the economy is less able to grow.

Of course, there is a whole school of socio-economic thought that favors this no-growth condition.

This is the viewpoint that continued economic growth threatens the environment and maintenance of a high-quality life in America.

But I am convinced that, with intelligence, judgment and balance, economic growth can be achieved — and not at the expense of the environment. Nor does economic growth have to result in a reduced quality of life.

The no-growth outlook suggests the fellow who says:

"Pull up the ladder, mates, I'm on board."

But this is the land of opportunity. We believe everyone deserves the chance to better his or her lot. And for those who still



Nelson A. Rockefeller is vice president of the United States.

have a long way to go in improving the quality of their lives, the only route is through continued economic growth.

The Ford administration is pursuing two objectives in this area of government regulation over industry to stimulate economic growth:

Preservation of regulations essential to public safety and economic fairness, and elimination of regulations that do little more than keep a foot on the neck of private enterprise.

For this regulatory reform effort to succeed, the public and government officials must understand the nature and the unique values of our free-enterprise economy.

Only then can we enact reforms eliminating regulations intended to protect the public, but which in fact only drive up costs, restrict services or favor one industry over another.

When people understand that a framework of freedom is necessary to make our economy work best and to provide maximum employment, then we can achieve long-term reforms going beyond the next election.

Then we can remove unnecessary governmental shackles from our free-enterprise economy so that it can do the job it was intended to do, which is to give us the strength to meet our people's needs at home and to meet America's responsibilities in the world.