

Remarks of Senator Robert Morgan
May 4, 1978 - Hardee's Meeting
New Orleans, LA

INTRODUCTION:

I am happy to be with you today to share some of my thoughts
on the proper and desirable relationship of business to government,
and of business people to politics and politicians.

I would like to examine the relationship of the public and
private sectors and some legislative issues which have recently
come before Congress.

I believe the proper and desirable relationship between
business and government is one that is healthy and balanced/
a sound middle ground between coziness/and/ confrontation.

We have had both over our history -- from the trust-busting
of Teddy Roosevelt to the recent Army of Nadar's Raiders -- and
from the days when it was proclaimed that "what was good for

General Motors was good for the country" -- to the phenomenon of the "revolving door" a high-level shuttle by some individual from influential positions in the government to high-paying jobs in the very industries that they regulated in their public capacities.

None of these extremes produces the healthy relationship for which we should strive.

I believe a certain amount of creative tension can produce reasonable and workable solutions to problems -- solutions which combine sensitivity to the concerns of business with an appreciation of the needs of the nation as a whole. Business must not dominate government -- but neither should it be subservient to it. As with the balance our Founding Fathers attempted to strike in

structuring a government of three separate branches, I believe the American free enterprise system has helped to safeguard our basic liberties, and has helped build and maintain our American way of life.

GOVERNMENT OVER-REGULATIONS:

The framers of our Constitution feared centralization of authority in Washington. They divided governmental power, and arranged to separate the centers of political and economic power by creating a new capital in Washington away from the financial and economic center of New York, where George Washington became the first President of the United States.

But just as that great financial center must now send its Mayor down to Washington to ask the help of members of Congress,

so must business people throughout the country now provide Washington with reams of information and continually turn to Washington for guidelines and seemingly endless rules and regulations.

Unfortunately, the byword for business is no longer "PRODUCE" but "COMPLY".

Thus, I think it's clear the pendulum has now swung too far in the direction of governmental regulation. Over-regulation has begun to eat away at the competitive spirit. In the Banking Committee on which I serve in the Senate, we are constantly producing legislation which increases the paperwork burden of banks, increases costs of operation, and takes the valuable time of executives away from more profitable and productive endeavors.

I am very alarmed to hear civic minded bankers in my own State and from around the country tell me that the cost of compliance with the myriad of governmental regulations has already become a disincentive to many banks' involvement in a range of activities which would benefit the business section and our communities.

We have reached the point that some thoughtful observers have called our regulatory agencies a "4th branch of government." That may still be something of an exaggeration, but things are serious.

Charles Schultze, Chairman of the President's Council of Economic Advisors, notes that as late as the mid-1950's, "there were only four areas in which the federal government had a major regulatory responsibility: antitrust, financial institutions

transportation and communications. In 1976, there were 27

Federal agencies engaged in regulating some aspect of private business."

I believe that business must publicize the hidden costs of this regulation to the public, and you must target specific burdensome laws and regulations which increase costs with little real benefit to the public.

REAL ESTATE SETTLEMENT PROCEDURES ACT

Since 1972, some 25 new federal regulatory agencies have been created, and the employees of both, the Executive Branch and the Congress, have grown by leaps and bounds. Government has grown so complex that Members of Congress and the Executive Branch policymakers both find it difficult to get an adequate

handle on policy.

One of the CZARS of Russia -- possibly a perfect example of an absolute ruler -- once said, "I do not rule Russia; ten thousand clerks do!"

Well, I think a lot of people in Washington could sympathize with his frustration. We have gone a long way toward becoming a government by staff and by bureaucrats - who are so far removed from the voters

In the Congress, last year, some 20,000 bills were introduced. Yet our methods of doing business remained akin to the 19th century. We in the Congress could learn a good deal from sound business management.

That is part of the reason why, I believe it is important

for business people to involve themselves in politics and government. Politics is the process by which a democracy sets priorities and makes decisions. To ignore politics or remain indifferent to it, is a luxury that the business community can no longer afford. Politics is indeed the lifeblood of democracy. If politics appears unattractive to businessmen and civic-minded people, then democracy suffers.

Yet business participation in politics has to date been uneven.

BUSINESS PARTICIPATION:

To be sure, the participation of such prestigious groups as the Business Roundtable has made an important contribution to the public policy process. Various national trade associations

and major corporations make their views known effectively and thus contribute significantly to the legislative process, by what David Rockefeller of Chase Manhattan has called, "the free trade in ideas." I believe that a number of major corporations accept his view that "the obligation to speak out and to attempt to educate and persuade the people and their elected representatives is a 'first-rate responsibility' of all public-spirited individuals and organizations."

But I am more concerned about grass-roots involvement. It strikes me in my service on the Banking Committee that we frequently legislate with a wholly inadequate appreciation of the practical effects of our actions on the business community. I believe we need more meaningful participation in the formulation

of legislation from those who are involved on a day-to-day practical basis. Let me illustrate by looking at two issues which have recently come before the Congress.

THE MINIMUM WAGE:

This past October, the Congress passed the largest increase in the minimum wage ever. I cast my vote against the minimum wage bill, because the new bill will increase the wage rate by \$1.05 an hour in just three years.

Personally, I wanted to see a youth differential in the minimum wage bill. This would have allowed employers to hire workers under 18 at 85% of the minimum wage. The student differential under the existing minimum wage, we were told during the course of the Senate debate, had created nearly 500,000

jobs at little cost to the government. On the other hand, under a recent jobs bill, we had been able to create only 350,000 jobs at a cost of \$1.3 billion. My confidence in the private sector and my disillusionment with public service jobs made the youth differential a critical provision in my mind.

Throughout discussion of this bill, only a few restaurant people contacted me about the bill and some about the alteration of the tip credit and I received a few letters about the youth differential from franchise operations such as Hardee's.

On the whole, business was ineffective - why - McDonalds, etc. - as there is really little I can do.

Every wage increase affects you. Your workers, who may receive more than the minimum wage, must purchase goods and

services from business whose costs and prices have increased because of the upward change in the minimum wage. Inflation will inevitably be fueled by the wage rate increase.

Now I'm not saying that business should have mounted a high pressure campaign of opposition. But I do feel that an occasional letter of concern, sent to a Representative or Senator, would be very useful. Earlier involvement!

LABOR LAW REFORM: ANOTHER EXAMPLE:

Let me contrast the minimum wage bill with the Labor Law Reform bill with which I am sure you are all familiar. This bill seeks to accelerate the time for union elections and grant unions the right to come onto your premises at your expense to speak to your workers. It would also create several new penalties

for violating the law. The bill has generated more mail from my home state of North Carolina than even the controversial Panama Canal treaties. Unfortunately, much of the mail was emotional and at times even threatening.

First, let me bring you up to date on the status of labor law reform. It now appears that the bill will be brought up by the Senate leadership by May 15. The vote count in the Senate is still uncertain but I am asure that it will not be as one-sided as the House vote this past fall which resulted in 257 votes for the bill and only 163 votes against.

I began to study the bill immediately after House passage. It had the President's endorsement, which implied a genuine need for reform of our present laws. I decided, however, that I could

not support the bill, and since I didn't foresee any changes forthcoming from the Labor Subcommittee that would make the bill more palatable, I stated my opposition publicly. Nevertheless, I have prepared a number of amendments to the law should the anticipated filibuster fail to defeat the bill.

What has been the business reaction? Well, the Chamber of Commerce and the National Association of Manufacturers, and the Right to Work Committee and other Washington-based groups sounded the alarm, as they should have, and hundreds of business people came to Washington. Many of these citizens were coming for the first time. They were sincere and felt their interests threatened.

I am pleased to note that Richard Sherman of Hardee's also came to see me. He had acquainted himself with the specifics of

the bill and he knew my record on legislation and even how I had voted on the minimum wage just a few months before. We had a relaxed discussion of the issue and I believe that he conveyed in his easy-going style, the concern of your industry and the great importance this bill has for you.

I understand that most businessmen want to conduct their business in a free market, to compete and to succeed or fail by their own efforts. The reality, however, is that we have a large government in Washington which can no longer be ignored, and even small independent businessmen must take part and become involved. That involvement must be an ongoing interest, not just an alarmist response to one or two items.

ONE-ISSUE GROUPS:

Let me share one other concern with you. I fear that we may be witnessing a breakdown in the influence of the major political parties as vehicles for building a national consensus and for putting together a national program. This is because we are witnessing the rise of one-issue groups, groups to whom one special concern is of overriding importance.

Congress is especially vulnerable to well-organized lobbying groups. Often their influence is felt out of proportion to their real numbers in our society.

Yet at the same time, broad national concerns have no organized constituency. Any number of groups want programs which will cause our national budget deficit to soar, but where is the constituency

for a balanced budget? That, like the weather, is something everybody talks about, but nobody seems to do very much about.

I believe business can do something about this and about other items on our national agenda. I believe business has a tremendous opportunity to help focus national attention on some of the critical issues which confront us. Let me speak of some of those issues briefly.

CIVIL SERVICE REFORM:

In the Executive Branch, the unelected employees of regulatory agencies and the Office of Management and Budget often wield more real power than elected officials. A change of administration means only a comparatively few changes in personnel through the government.

Imagine attempting to run a business without being able to fire anyone! That is basically where we are in government. Reasonable and responsible Civil Service Reform is necessary if we are to have any hope of bringing government under rational control again. And I believe the business community can help tremendously in that endeavor.

President Carter's Civil Service reform proposal is one of, if not the most important, bill the Administration has brought before the Congress this year. The initial reception in the Senate has been most favorable, but this does not mean the bill will pass. There have been seven major Civil Service reform proposals in the last thirty years, and not one has passed the Congress.

One reason no such proposal has passed is the absence of an active constituency working for reform.

I am not sure I favor every single provision in this long and complex bill and I do not expect any of you to support every aspect either. Of particular concern to me are those provisions dealing with labor-management relations within the federal government. However, it is so important that an effective Civil Service reform bill be passed, that we must concentrate on the areas where there is agreement, and encourage positive action on this bill.

INFLATION AND THE BALANCED BUDGET:

Finally, I believe business can help build a constituency for responsible federal spending.

I believe we will never again achieve stable and sustainable growth without inflation until we bring federal spending under control. We are addicted to massive injections of government

spending as a quick-fix to our economic problems.

Let me just try to put the size of the federal deficit into some perspective.

If you had started when Christ was born, and had spent 80 thousand dollars every single day since, you still would not have spent 60 billion dollars -- the amount we are going to go in the hole this year and the next.

This year alone, interest on the national debt will be about \$40 billion. That means that out of every tax dollar you have just paid this year, you made an eight percent interest payment.

It ought to be obvious that we cannot continue forever to sustain this kind of deficit spending. No matter how you cut it, we are spending seriously beyond our means.

I have concluded that binding legislation is now necessary.

I think its time Congress be forced to raise taxes to cover every expenditure, except in time of war or severe national emergency.

I was proud to be able to tell my colleagues in Washington, as I did this past December, that the people of North Carolina have seen fit to take the initiative and enact into our State Constitution an amendment to require that the budget of the State be kept in balance and that expenditures do not exceed receipts.

What North Carolina has written into its Constitution is a practice long forgotten in Washington. I believe it is time we jogged the national memory. Taxes must be adequate to cover expenditures. It is as simple as that.

Someone once said, if Patrick Henry thought taxation without

representation was bad, he should see how bad it is with representation.

It is probably hopeless to think that politicians will make the difficult decisions that are necessary for long-term economic health until the American people demand it.

Government officials have attempted to be all things to all people, and in the process have lost their credibility. As someone has said, it is difficult to look up to someone who always has his ear to the ground.

Clearly, the Congress is uniquely vulnerable to pressures and influences of special interests, indeed, of any group that can organize and mount a lobbying effort. Everybody wants to cut spending, but always in someone else's area. I hope business can help in this important task.