

# U. S. Department of Transportation news:



Office of Public Affairs  
Washington, D.C. 20590

REMARKS PREPARED FOR SECRETARY OF TRANSPORTATION NEIL GOLDSCHMIDT  
AT THE ECONOMIC CLUB OF DETROIT, JANUARY 15, 1980

Two months ago, I came to Detroit for the first time as Secretary of Transportation. I said then that my purpose was to learn, my intention to begin a new relationship between the federal government and the automobile industry.

In the short sixty days that have passed since that first visit, events at home and abroad have only served to heighten the concern we share for the future of our country -- and to underline the importance of a national public-private partnership.

If we have crossed warily into a new decade, we have moved irrevocably into a new era -- an era of difficult choices and finite resources, human, natural, financial -- with energy the single most compelling instrument of policy, both foreign and domestic.

Today our nation faces its greatest challenge in forty years. Abroad, Soviet aggression in Afghanistan and chaotic zealotry in Iran threaten to upset the fragile balance of world peace. At home, our over-dependence on oil from that very same part of the world has triggered a major re-ordering of our economy.

The connections between these events are inescapable. They sound a clear alarm.

A new energy reality has unleashed disturbing political and economic forces throughout the nations of the world. Our current economic problems -- exemplified by the automobile industry's painful transition -- only serve to make the decade ahead as one of international competition unlike anything we have witnessed before: Those nations with the intelligence and courage and will to adapt to new world realities will emerge from this competition strong and whole.

That is the test that faces us.

We are challenged to manage the change that is before us in a positive course. Guided by our long-standing, long-range national interests, America will not only endure change, but profit by it.

The American response to the challenge of a world economic order will be fashioned here at home, in the factories and on the docks, in the laboratories and in the fields of this country.

To keep the promise of America for our people and for the world we must arm ourselves with a re-tooled economy of production.

Our national purpose demands of us the swift and efficient development of an economy for the 80's: an economy that is less wasteful, more competitive, more productive; and economy that is hungry for exports, on the attack in the marketplace of the world.

Our national purpose requires an industrial policy for the United States -- a policy to guide both government and industry in the re-tooling of America.

It is the description of that work before us which brings me back to Detroit. For the transition of our nation's economy has already begun here, and its impacts are rippling across the country.

We are paying a painful price for years of energy waste and artificial pricing. Each day, we are confronted by black print headlines about red ink balance sheets -- a staggering and depressing toll of hundreds of thousands of skilled workers laid off; huge plants silenced; a record number of dealerships closed; a broad network of suppliers cut off.

What is even more distressing about this picture is its repetition. In industry after industry, America's pre-eminence is being challenged. Steel, machine tools, electronics, rubber, plastics--the components of autos, but more than that, the base of industry and the base of our economy. It is all under assault.

We have no choice but to respond.

Indeed, we are already responding.

President Carter has advanced a program to guide us in our struggle with the twin issues of energy and economy and their economic underpinnings:

\*An energy program with both production and conservation goals supported by the Windfall Profits Tax.



\*A steel loan trigger program that has supported the industry in the face of fierce international competition.

\*Recently announced incentives for innovation to spur American creativity.

\*The reorganization of international trade responsibilities for greater visibility and impact.

And I would include on a partial list both rail and truck regulatory reform as examples of President Carter's commitment to competition in the marketplace.

But now, I think we all would agree, a thoughtful, orderly analysis is required to merge the best efforts of industry, labor and government.

This recognition, I believe, underlies the study of the automobile industry mandated by Congress in the recent Chrysler legislation. Under the terms of that law, as Secretary of Transportation I will lead a six month study of Chrysler's long-term viability and an annual analysis of the overall state of the auto industry.

Yesterday, after several weeks of discussion with the White House, reflecting the President's growing interest and concern, I was chartered to lead an even more broadly conceived effort in the next nine months. This Administration study will examine the auto industry and the broad industrial network which touches and is touched by that industry. Our task is to describe choices to assure the future health of those industries and the means to re-invigorate an American industrial base that has reached the cycle of maturity.

In this effort I will have the assistance and cooperation of the appropriate federal agencies whose work bears directly on these issues. These include the Departments of Treasury, Commerce, Labor, Energy, Justice and Interior, the Council of Economic Advisors, the Council on Wage and Price Stability, the Environmental Protection Agency, The Special Trade Representative, and the Office of Science and Technology Policy. Moreover, as we begin the work we will seek early on the views of our private partners in enterprise--industry, labor, consumers, environmentalists--all those who share the serious concern over the economic future of this country.

I believe this effort can begin to define a new era of public-private cooperation. While recognizing our differences, we must begin to forge a working alliance of mutual respect based on two premises:

Government accepts the profit motive that drives industry and now seeks to find ways to help the private sector succeed.

And, industry accepts the role of government in representing national environmental and social goals, from which there can be no retreat.

Where safety would be sacrificed, where air would be dirtied, where energy would be wasted, the government will continue to regulate. But I do not regard regulation per se as the divisive issue it once was. In many ways, the market place -- and in particular competition from abroad -- has superceded regulation.

There is still an issue, however, regarding the process of regulating. Here we have sought to define through action the new relationship I have talked about:

\*Our support of so-called carry forward/carry back legislation in fuel economy standards represents our belief that an industry committed to meeting energy efficiency goals should have more flexibility in charting its own strategy.

\*The light truck fuel standards we proposed last month were issued with a numerical range for the period 1983-85 to permit a constructive dialogue during rule-making.

A new relationship between the public and private sectors will allow the real work of an industrial policy to be accomplished. For in making the transition to accommodate new energy realities, we have the opportunity to re-tool American industry.

We know where to look in the process:

\*Our hunger for exports requires us to enforce the provisions of the Multilateral Trade Negotiations and to use fully the opportunity created by President Carter's recent international trade reorganization.

\*Our concern for the efficiency of United States plant and equipment requires us to examine capital formation and depreciation allowances.

\*Our commitment to innovation and technological leadership necessitates a review of anti-trust provisions and federal procurement policies.

\*Our recognition of the importance of linkages demands a look at public infra-structure investments that would allow industry to operate more efficiently and thus more competitively.

For above all, any industrial policy must be based on a philosophy of conservation -- of energy and capital. And the first task of our new partnership must be to go on the attack against waste and inefficiency and to squeeze them out of our economy.



The tough choices we face as a nation call upon us to renounce the wasteful ways of the past. We can no longer afford the symbolic investments that cost billions and perpetuate -- just one more time -- a pattern of inefficiency. Now we must demand of each other a standard of mutual responsibility to create a conserving, productive strategy for the long-range economic health of the nation:

\*Our interstate freeway system has cost us over \$75 billion to construct and is now over 90 percent complete; but the cost to finish all the remaining links, many of which are disputed in urban areas would be another \$42 billion. Should we spend our scarce capital there or is there a more conserving strategy?

\*As of last year, several hundred new electrical power plants were on order or under construction across the country at a cost of billions of dollars; yet we know that energy produced by conservation is many times more cost effective than new generating plants. Should we spend our scarce capital there, or is there a more conserving strategy?

\*According to recent estimates, our nation's private railroads face a \$13 billion capital shortfall to perform critical track maintenance at a time when 66 per cent of the commerce is carried on less than 20 per cent of the track; yet there is a call to keep the entire system, even if it means nationalizing the rails at a cost of billions. Should we spend our scarce capital there, or is there a more conserving strategy?

These are only examples. Beyond them is a vision of America that links transportation, economic development, energy, land use planning, housing and human resources into a reinforcing strategy of conservation. And a vision of ourselves which is not Fortress America--but which seeks the same life we enjoy for our partners abroad and the Third World.

Finally what a public-private partnership must be charged with achieving is that vision of America to the year 2000.

The decisions we are making now--as we enter this critical period of transition--will determine what we will emerge looking like as a nation and as a people.

I do not think our task is to re-invent America--our country's purpose and values are written in the Constitution and the Bill of Rights and in the history of generation after generation of Americans.

What is required of us is a re-affirmation of those fundamentals and the measurement of our actions against them:

\*Does our strategy assure jobs for Americans, now and in the future?

\*Does it contribute to saving our nation's cities, the place where our greatest infra-structure and people power lies underutilized?

\*Does it expand choice and extend the promise of a better life to future generations of Americans?

\*Does it build a working relationship with the resource-rich nations of the Third World that we can sustain both economically and ethically?

All of this may sound too distant and too abstract from the economic problems that trouble us today. But any other view is, I believe, myopic.

We cannot forget our current problems nor lose faith with those who bear the heaviest burden. But we must as well be looking beyond today's problems to long-term solutions.

We have before us in the last two decades of this century the opportunity to re-tool and re-build America--its plants, its cities, yes, the hope of its people; to respond prudently and vigorously in recognition of the new forces in the world and in pursuit of our traditional values at home.

"The fireborn are at home in the fire," wrote Carl Sandburg of this country and its people.

Now it is our turn to forge a new American vision at the crucible of world competition.

Let us grasp the challenge together.

#####