



U.S. Department of  
Transportation

# News:

Office of Public Affairs  
Washington, D.C. 20590

Contact: Mari Maseng  
Tel.: (202) 426-4570

REMARKS PREPARED FOR DELIVERY BY SECRETARY OF TRANSPORTATION  
ELIZABETH HANFORD DOLE  
ADAM SMITH INSTITUTE LUNCHEON  
LONDON, ENGLAND  
MAY 22, 1984

Adam Smith said that people of the same trade seldom meet together, but when they do the conversation results in either a conspiracy against the public or in some scheme to raise prices. Let me assure you that my mission here involves neither of these evils.

I'm delighted to have an opportunity to meet with such distinguished British national opinion leaders and members of the press, an institution upon which we Americans place the highest value. As Oscar Wilde remarked, "In America the President reigns for four years," he said, "and journalism governs forever and ever."

I have long admired the rich British reservoir of talent, particularly some of your most famous thinkers: Adam Smith, John Locke, David Frost.

Today's luncheon, unfortunately, marks the end of my visit to London. I have had the privilege of meeting with Prime Minister Thatcher and Minister of Transport Ridley. I have been interviewed by the BBC, many of whose programs are exported to my country and enjoyed by millions of Americans. The BBC's Masterpiece Theater, which is a favorite program of mine, has been running the story lately of Nancy, Lady Astor, the first woman member of Parliament. Like Lady Astor, I am an American southern woman. But there the similarities end. I am not here today to announce my intention to stand for Parliament.

The Adam Smith Institute, which brings us together today, is known in both our countries for introducing into public policy debate innovative proposals and creative thought, both of which were never more sorely needed than today. One of its most effective concepts has been privatization: taking various jobs performed by government and letting the private sector perform them more efficiently and at less expense.

In 1776, Adam Smith described the British empire as being at first sight, "a project fit only for a nation of shopkeepers." His words might equally fit either of our nations today. We are both nations whose governments are influenced by commerce.



Democratic capitalism encourages thrift, discipline, hard work, public-spiritedness and honesty. It rewards individual effort, which is why it is no accident that capitalist countries in the world are outproducing socialist ones by nearly 2 to 1. And in the process, it has lifted the standard of living for more people in more places in a shorter period of time than any other system in the history of mankind.

In his History of the English Speaking Peoples, Winston Churchill quotes the great South Carolina statesman John C. Calhoun, on the importance of linking together the parts of a vast nation under the auspices of a vigorous federal government.

"We are greatly and rapidly...growing," said Calhoun early in the nineteenth century. "This is our pride and our danger, our weakness and our strength...Let us then bind the Republic together with a perfect system of roads and canals. Protection would make the parts adhere more closely...It would form a new and most powerful cement."

And so we did. Government sparked construction of vast waterways and a national highway system. The parts adhered closely. But the cement foreseen by Calhoun turned out to be more like putty in the hands of overzealous regulators. They managed to gum up the free enterprise system and punish the very innovators without whom progress and freedom alike become mere catchwords.

All of that, fortunately, has begun to change. It has changed because we in America share with this Institute an enthusiasm for less economic regulation, and a stouthearted faith in what President Reagan has called "the magic of the marketplace." This is not the "black magic" of government red tape. It is magic to free up rather than bind down the dynamic forces that induce prosperity.

In Great Expectations, Charles Dickens advises: "Take nothing on its looks; take everything on evidence." Let me offer a few examples from my own experience as evidence that deregulation is saving America's consumers hard dollars, preserving American initiative and revitalizing free enterprise in the transportation industries.

In aviation, deregulation has transformed an industry long shielded by the government from real price competition and new competitors. Today's air travelers have a far wider choice of carriers, fares and services than ever before --including bargain prices in many markets. And since some carriers -- including those begun since deregulation --have lower operating costs, they can offer low fares and still turn a profit. Our newspapers are filled with encouraging reports of airlines, both long-established and freshly-conceived, serving the flying public while earning greater revenues for their shareholders.

After a negative first half, our airlines rebounded in the latter part of 1983, ending the year with an operating profit of \$275 million for the fourth quarter. We expect the industry to report a profitable first quarter and some analysts predict a billion dollar profit year for 1984.

Nor is that all. Not long ago, U.S. railroads were plagued by high costs, deferred maintenance, low rates of return and dwindling markets. Deregulation of the railroads has been largely responsible for their dramatic economic turnaround. Today, those same railroads are better able to buy new equipment and maintain what they have. Track is rapidly being renewed. New cars are riding the rails. Traffic is increasing. Together, America's Class One railroads had a net operating income of \$1.3 billion last



year, well above 1982 levels. There is little doubt that deregulation played a large part in keeping the industry profitable throughout the recent recession.

All American freight railroads are privately owned and operated except Conrail, our northeastern freight line. Once a troubled line, Conrail is now making money and advertises "on time freight delivery" with a money back guarantee. Its comeback has been remarkable, last year alone it earned \$313 million. Today, I am in the process of selling Conrail -- returning it to the private sector. In fact, I have two firm offers and a number of interested prospects and have set June 18 as the closing date for all bids. Another example of our commitment to privatization is our proposed sale of the Alaska Railroad, now owned by the federal government, to the state of Alaska.

As for the motor carrier industry, with free entry to our vast trucking market now permitted under deregulation, more firms are in business than ever before -- 33,000 compared to 18,000 three years ago. Truckers, new and old alike, have introduced rates and services tailored to shippers' needs. Shippers are enjoying rates lower than they would have been otherwise, and these result in savings for consumers.

We have even taken deregulation to sea. Two months ago President Reagan signed the Shipping Act of 1984 reducing government intervention in the ocean liner business. Essentially, it allows carriers and their conferences to offer more innovative services, and shippers to bargain for service contracts. It is our first complete revision of international ocean liners shipping statutes since 1916 and a major, even historic, accomplishment for the Reagan Administration and maritime community alike.

Nor is our interest in a freer market place limited to the things of this world, at least as bounded by our planet and its atmosphere. We've begun deregulation of a new industry -- space transportation -- even before regulations have had time to take hold. Three months ago President Reagan designated my own Department as the lead government agency for commercial operation of expendable launch vehicles. For a firm that wants to send a payload into space, we will provide one-stop service by streamlining all clearance requirements, eliminating unnecessary regulations and promoting what promises to be a multi-billion dollar space launch business. This is one more instance where we have rejected old dogmas and the economic equivalent of Mr. Micawber's always waiting for something to turn up.

But there is another side to the regulatory coin in the United States. We have a long history of safety regulation which has served us well, especially in air transportation. We are taking steps now to further increase both the safety and the capacity of our airways, through a 10-year program to modernize our air traffic control system. Our National Airspace Plan is the biggest non-military government program since the man-on-the-moon project of the '60s. Among other things, it will double the capacity of our airways and virtually weather-proof flight. We're acquiring new and better radar, equipped with separate weather channels, which provides terminal area controllers a display of current weather conditions "live and in color." We will also equip airports with a new, more precise landing system -- the micro-wave system which our friends in Australia helped develop and British firms are helping to build. This system can land a pilot so accurately that on final approach, he is within one tenth of one degree of the centerline.

There is one final Administration priority I want to address -- policies and programs affecting women in the United States. My own involvement in this area began with my



work at the White House as Assistant to the President. In that position, I was responsible for liaison with many groups -- including labor, minorities and women.

I believe many of the issues we are dealing with today are the result of what I like to call the "quiet revolution," the tidal wave of women who have entered the American work force in record numbers in recent decades. More than half of all American women now work. And 63 percent of mothers with children between the ages of 6 and 17 are in the U.S. labor force.

Among various Reagan Administration efforts to address their concerns, I have had the pleasure of helping write legislation to strengthen child support enforcement laws. The Administration has been similarly outspoken in seeking pension reforms to treat women more fairly. We have struck hard at the so-called "marriage tax" which unfairly penalized working women. Millions of women stand to gain from the virtual elimination of the estate tax, another highlight of the Reagan 1981 tax reform law. And we have revised our most simple tax form to contain an additional line for deducting child care costs, making it easier than ever before for lower and middle income parents to claim those deductions.

In all these ways and more, we are pressing for a compassionate capitalism. Churchill liked to say that the inherent vice of capitalism was the unequal sharing of blessings, whereas the inherent virtue of socialism was an equal sharing of miseries. Neither President Reagan nor I could agree more. And that is why we are both pleased to unravel the red tape spun by decades of federal regulators -- even while breaking down legal barriers to individual self-realization. These are goals Adam Smith himself, I'm sure, would applaud.

Finally, I recall Shakespeare's advice: "Talkers are no good doers," he said in Richard III. So let me talk less that we may do more. Let us exchange views, and permit me to answer any questions you may have.

Thank you very much.

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