I've been with the Federal Power Commission a little over six months. I've passed the point when I might safely fall back on inexperience as an excuse for ignorance, but have not yet reached the stage of sure-footedness which my more experienced colleagues enjoy. Unlike other positions I've had, in this one not only your conclusions but your reasoning processes are fully exposed for public scrutiny. By now I've written several opinions and participated in many more—and that record is what really counts, more than what I say in speeches.

The past six months have been memorable ones. President Johnson has seen fit, during his Presidency, to change my assignment twice—from Assistant Secretary to Under Secretary of the Interior, and from that post to the present one. In the case of my chairman, Lee White, in the case of Under Secretary of State Nicholas Katzenbach, and in many
other instances I could name, he has given to men in public
service the vital stimulation of a new job and a new challenge.

I think this is a sound policy, both from the stand-
point of the job and the man. Public service is extremely
demanding, as is now generally recognized, and the tonic of
a new assignment in it is welcome.

There is a marked difference between service in one
of the Cabinet departments, arms of the Executive, and in one
of the regulatory agencies, arms of the Legislative. Let me
begin by telling you just a little about how the Federal Power
Commission works.

Those of you who have anything to do with natural
gas, which, naturally includes most of you, know as well as
I do the nature of the Commission's jurisdiction under the
Natural Gas Act and the Supreme Court decisions. You know
about our certificate responsibilities and our rate respon-
sibilities, and you know about the interstate-intrastate jurisdictional boundary. The Federal Power Commission was once an added assignment for the Secretaries of War, Agriculture and Interior with responsibilities only in the hydroelectric licensing field. A new five-member, fulltime body was created by Congress in 1935, and the responsibility for administration of the Natural Gas Act of 1938 was allocated to the Federal Power Commission at that time.

The Commission's membership is bipartisan with no more than three from one party. The five-year appointments are staggered. The President designates the Chairman.

Our weekly meetings have impressed me, and I have growing admiration for this commission-form of decision making. The process by which five men, of diverse backgrounds, differing politics, and varying professional and business training, reach decisions may be slow, and often is. Individual
Commissioners may not concur either in the result or the way it is stated, and have the opportunity of expressing their separate views or dissent. Our decisions may be overruled by the courts, and sometimes are.

Overall, the process is a satisfying one, related largely, I think, to the fact that the function we are carrying out is a legislative one. The weighing and balancing of competing interests is not an exercise in pure administration, or pure adjudication, but is rather akin to the process of legislating--the Commission is charged with finding the public interest. What the public interest is in a given case divides reasonable men, yet decisions have to be reached. As it is with the Congress, so it is with a Commission--if you have faith in the institution, you are not too disturbed by the result even if you are on the losing side. If you have no faith in the institution, you can have little satisfaction
even in prevailing.

There is always a lot of discussion about the relationship between the regulated industry and the regulatory commissions, as there is also about the relationship between business and government.

About a year ago, Thomas Gates, who was President Eisenhower's Secretary of Defense and who is now Chairman of the Board of Morgan Guaranty Trust, described the ideal situation between business and government as one of "creative tension."

I take it that I may build upon Mr. Gates' idea by saying that tension can have a good connotation: the tautness and close tolerances synonymous with smoothly operating machinery, or the atmosphere of a well-run ship or an alert football team. The word can also be defined in a negative sense, as having an abrasive and inefficient connotation—like the tension in the TV commercials for which you take pills.
There is a temptation to stop here and talk about the tensions between regulator and regulated. The ebb and flow of regulatory agency "toughness", and the interrelationship of the many kinds of regulation under which American business operates, the differences among agencies like ICC, FPC, and FCC, are all topics which could be developed at length. But what I want to talk about is related to the first half of the phrase—creativity.

Creativity is an "in" word: it now spruces up many old ideas: creative federalism, creative administration, creative management, creative regulation. We used to want to be "progressive", but the word got an unfortunate overtone of political meaning forty years ago, a fate which has yet to overcome the word "creative". I do not rule out, however, the possibility that some time in the future the "Creative Democrats", and the "Creative Republicans", will split away
for a bull-moose type new party called the "Creatives".

One of the things meant by "creativity" is the ability to find new solutions to old problems. Some of the world's complex problems perhaps lend themselves to simple solutions—in this connection, I think of inventions and discoveries which propelled us into the modern technological era. President Johnson's frank call for measures to control the world's population explosion has focused our attention on cheap and simple methods of birth control.

Creativity can also stretch the ability of men to control the energies of other men and machines—improved methods of organization, of communications, and of transportation. You will immediately think of what control devices, microwave communications, and electronic data processing have done for your own industries.

But there is another field of organization which
has challenged us--the effort to "rationalize" or regularize a policy in a field where economic, social, and political forces are equally involved. One of the challenges for creativity is in devising a rational "national energy policy."

It helps sometimes to try to see ourselves as others see us, so I hope you will indulge me while I give you an Italian view of American energy policy, expressed at a meeting of the Energy Committee of OECD in Paris last January:

"The variety and complexity of the factors which have accumulated in the course of time in regard to both sources of energy and the economic, political, social, legal and administrative structure in which they have gradually been introduced and have developed are sufficient justification for the fact . . . that American energy policy does not conform to a uniform and rational plan."

As Americans I think we tend to forget this elemental fact--we are the product of our history, and history seldom provides "a uniform and rational plan." Our energy picture is diverse, and in many ways irrational because it is the resultant very complex forces.
Some of the paradoxical elements were neatly summarized by the Italians:

"While in the case of crude oil, production is controlled and prices are free, in the case of natural gas, production is free and prices controlled."

Or, at an earlier place in the paper:

"The substance of a liberal economic system is the free play of market forces. But we see that the United States, far from keeping to an abstract theory of laissez faire, intervenes with the full force of the public authorities to make the market work in the direction of precise objectives of national interest."

And,

"It may be further observed that in spite of the extent of indirect - legislative and administrative - public action to regulate the energy economy, there is lack of intervention aimed at achieving certain objectives through direct public enterprise." [TVA]

A starting point for any policy is the definition of goals or objectives. The Council of Economic Advisers in a section of its Annual Report dealing with "Regulatory Policies" defined one of our national goals as "reasonable price stability in a high level economy moving steadily toward fuller use of its human resources," and went on to say that regula-
tion plays a vital role in achieving this goal. Regulation is associated historically and traditionally with sectors of the economy where competition is not considered feasible because of the waste of duplicative service, but in the complex world of today, such historical truisms hardly help us. For the Council of Economic Advisers also tells us that "regulatory policy must not forego the possibilities of introducing competition when technological change makes this economically desirable."

This paradox is evident everywhere. The competition between gas distribution companies and electric utilities, competition among fuel oil dealers, electric companies and gas distributors, and in another field, the competition between communications carriers and private microwave and other private facilities show that the regulatory commissions, federal and state, every day face problems for which there is no
back-of-the-book answer.

The Italians reminded us that U. S. energy policy contains inherent contradictions and was not really rational; the Council of Economic Advisers conceives regulation to be one instrument for achievement of national goals of a growing United States economy, not only with the traditional tools of regulated monopoly, but also with judicious application of competition; and our own experience tells us that in our pluralist system, pieces of the energy policy are found in regulation, in administration, in legislation, and in the proprietor, customer, and landowner roles of the government.

In the light of all this, I read with interest an editorial in the Oil and Gas Journal last week. The editor asks for a reasonably firm and permanent import policy and other federal policies consistent therewith. With this stability, he believes industry can solve many of the problems now puzzling government.
This particular idea may or may not be "creative". Certainly it is not precisely new, and the editor does not assert that it is. My own problem with it is that it oversimplifies a complex combination of relationships. The editor of the Journal certainly is not advocating a "planned economy" when he says we need "a clear national energy policy". Insofar as his editorial asks for an end to indecision, it is reasonable and right.

And certainly I agree that a national energy policy is an appropriate policy objective. It does, as he says, involve leasing, the outer continental shelf, shale-oil development, research, and many other components. He is right that the heterogeneous federal activities are neither conceived nor administered as segments of an overall national policy.

Where I do not agree, however, is with the assumption
that "import policy" or any other single element is necessarily the key log in this particular jam. And even if it is, I would counsel him and you not to hold your breath until it is pried loose. True enough, decisions have to be taken about import policy this year, but in my opinion no stroke of genius or flash of inspiration is going to produce a universally acceptable result, much less a permanent one. In a word, this is asking too much of "creativity".

A completely rational energy policy might well be devised by one of the computer-equipped think factories as a theoretical exercise. But in the "real world" of our federal system, our system of checks and balances, and our capitalist-industrial, competitive, market economy society, any given master plan is not likely to gain the necessary breadth of acceptance.

I've been in Washington over ten years--four years on the Hill, six years downtown, six months with the Commission.
During that time, I've seen the Congress, the Administration, and the affected industrial segments reach the stage of angry frustration over their combined or separate efforts to get a national policy for even one component of the resource picture, much less all of them together. Coal, gold, oil, lead-zinc, and many others have been studied and re-studied; legislation has reached various stages, including passage; bills have been signed and vetoed. In every single case, the march of events has been faster than the devising of policy, and the frustrations have not been banished for long at a time, if at all.

By no means do I mean that we shouldn't bring all the elements into focus. The Journal editor says that industry and government are improvising aimlessly. I don't agree. Conscious and purposeful decisions are being made every day in both public and the private sectors. It is the result which is confused, not the individual pieces.
The thought I would like to leave with you is that however much we want things done better, faster, or more rationally, none of us really wants to be bound by a master plan, requiring only execution by technicians. Planning is vitally important. Within your various companies, your Boards of Directors have plans for the future; within your divisions, you have plans for the future; governors and mayors have programs and plans, down to PTA's and lodges. But these plans are means, not ends; management must be free to adjust to changes in conditions.

Returning to the field of regulation, Congress wants the regulatory agencies to plan ahead better, but Congress isn't likely to deprive the regulatory agencies of the Congestionally-chartered responsibilities in favor of the "rationality" of a national program presided over by an Executive administration. The President is taking great
strides to improve the quality of the decision-making process in the Executive Branch; he isn't likely to yield the tools at his command for the execution of such purely executive functions as external relations and defense.

I began this by saying I wanted to talk about the creativity part of Mr. Gates' phrase, creative tension, so I should get back to that subject before closing.

The heightened consciousness of the American people about the quality of their environment has vastly changed the procedures for the formulation of policy and the making of decisions. In the regulatory area, this takes one form where we accommodate to the rights of that general class of people we call interveners. In the administrative area, this means devising new institutional arrangements to execute the programs which the Congress enacts in response to this heightened public consciousness about air and water pollution, highway
aesthetics, underground utility conduits, and the like.

These are new challenges, unknown when our population was small and our industrial technology less developed. It is creativity when the result of our response to these challenges is good; it is bungling bureaucracy when the result is bad.

Creative tension between business and government therefore requires each to demand better performance from the other, and each better to understand the role of the other. They are different fields.

The editor of the Journal says to the government--get with it, we can't do our part of the job while you are fooling around as you are with import policies and the like! I am presumptuously responding for the government by saying, we're doing our best, and we will keep trying. But you, on the other hand, should not look to government which presides
over our pluralistic system to solve too many problems in one sweep. We might sweep up more than you bargained.

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