

# STATE OF THE UNION ADDRESSES OF GERALD R. FORD

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Mr. Speaker, Mr. Vice President, Members of the 94th Congress, and distinguished guests:

Twenty-six years ago, a freshman Congressman, a young fellow with lots of idealism who was out to change the world, stood before Sam Rayburn in the well of the House and solemnly swore to the same oath that all of you took yesterday—an unforgettable experience, and I congratulate you all.

Two days later, that same freshman stood at the back of this great Chamber—over there someplace—as President Truman, all charged up by his single-handed election victory, reported as the Constitution requires on the state of the Union.

When the bipartisan applause stopped, President Truman said, "I am happy to report to this 81st Congress that the state of the Union is good. Our Nation is better able than ever before to meet the needs of the American people, and to give them their fair chance in the pursuit of happiness. [It] is foremost among the nations of the world in the search for peace."

Today, that freshman Member from Michigan stands where Mr. Truman stood, and I must say to you that the state of the Union is not good: Millions of Americans are out of work.

Recession and inflation are eroding the money of millions more.

Prices are too high, and sales are too slow.

This year's Federal deficit will be about \$30 billion; next year's probably \$45 billion.

The national debt will rise to over \$500 billion.

Our plant capacity and productivity are not increasing fast enough.

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We depend on others for essential energy.

Some people question their Government's ability to make hard decisions and stick with them; they expect Washington politics as usual.

Yet, what President Truman said on January 5, 1949, is even more true in 1975. We are better able to meet our people's needs. All Americans do have a fairer chance to pursue happiness. Not only are we still the foremost nation in the pursuit of peace but today's prospects of attaining it are infinitely brighter.

There were 59 million Americans employed at the start of 1949; now there are more than 85 million Americans who have jobs. In comparable dollars, the average income of the American family has doubled during the past 26 years.

Now, I want to speak very bluntly. I've got bad news, and I don't expect much, if any, applause. The American people want action, and it will take both the Congress and the President to give them what they want. Progress and solutions can be achieved, and they will be achieved.

My message today is not intended to address all of the complex needs of America. I will send separate messages making specific recommendations for domestic legislation, such as the extension of general revenue sharing and the Voting Rights Act.

The moment has come to move in a new direction. We can do this by fashioning a new partnership between the Congress on the one hand, the White House on the other, and the people we both represent.

Let us mobilize the most powerful and most creative industrial nation that ever existed on this Earth to put all our people to work. The emphasis on our economic efforts must now shift from inflation to jobs.

To bolster business and industry and to create new jobs, I propose a 1-year tax reduction of \$16 billion. Three-quarters would go to individuals and one-quarter to promote business investment.

This cash rebate to individuals amounts to 12 percent of 1974 tax payments—a total cut of \$12 billion, with a maximum of \$1,000 per return.

I call on the Congress to act by April 1. If you do—and I hope you will—the Treasury can send the first check for half of the rebate in May and the second by September.

The other one-fourth of the cut, about \$4 billion, will go to business, including farms, to promote expansion and to create more jobs. The 1-year reduction for businesses would be in the form of a liberalized investment tax credit increasing the rate to 12 percent for all businesses.

This tax cut does not include the more fundamental reforms needed in our tax system. But it points us in the right direction—allowing taxpayers rather than the Government to spend their pay.

Cutting taxes now is essential if we are to turn the economy around. A tax cut offers the best hope of creating more jobs. Unfortunately, it will increase the size of the budget deficit. Therefore, it is more important than ever that we take steps to control the growth of Federal expenditures.

## **Part of our trouble is that we have been self-indulgent. For decades, we**

have been voting ever-increasing levels of Government benefits, and now the bill has come due. We have been adding so many new programs that the size and the growth of the Federal budget has taken on a life of its own.

One characteristic of these programs is that their cost increases automatically every year because the number of people eligible for most of the benefits increases every year. When these programs are enacted, there is no dollar amount set. No one knows what they will cost. All we know is that whatever they cost last year, they will cost more next year.

It is a question of simple arithmetic. Unless we check the excessive growth of Federal expenditures or impose on ourselves matching increases in taxes, we will continue to run huge inflationary deficits in the Federal budget.

If we project the current built-in momentum of Federal spending through the next 15 years, State, Federal, and local government expenditures could easily comprise half of our gross national product. This compares with less than a third in 1975.

I have just concluded the process of preparing the budget submissions for fiscal year 1976. In that budget, I will propose legislation to restrain the growth of a number of existing programs. I have also concluded that no new spending programs can be initiated this year, except for energy. Further, I will not hesitate to veto any new spending programs adopted by the Congress.

As an additional step toward putting the Federal Government's house in order, I recommend a 5-percent limit on Federal pay increases in 1975. In all Government programs tied to the Consumer Price Index—including social security, civil service and military retirement pay, and food stamps—I also propose a 1-year maximum increase of 5 percent.

None of these recommended ceiling limitations, over which Congress has final authority, are easy to propose, because in most cases they involve anticipated payments to many, many deserving people. Nonetheless, it must be done. I must emphasize that I am not asking to eliminate, to reduce, to freeze these payments. I am merely recommending that we slow down the rate at which these payments increase and these programs grow.

Only a reduction in the growth of spending can keep Federal borrowing down and reduce the damage to the private sector from high interest rates. Only a reduction in spending can make it possible for the Federal Reserve System to avoid an inflationary growth in the money supply and thus restore balance to our economy. A major reduction in the growth of Federal spending can help dispel the uncertainty that so many feel about our economy and put us on the way to curing our economic ills.

If we don't act to slow down the rate of increase in Federal spending, the United States Treasury will be legally obligated to spend more than \$360 billion in fiscal year 1976, even if no new programs are enacted. These are not matters of conjecture or prediction, but again, a matter of simple arithmetic. The size of these numbers and their implications for our everyday life and the health of our economic system are shocking.

I submitted to the last Congress a list of budget deferrals and rescissions. There will be more cuts recommended in the budget that I will submit. Even so, the level of outlays for fiscal year 1976 is still much, much too high. Not only is it too high for this year but the decisions we make now will inevitably have a major and growing impact on expenditure levels in future years. I think this is a very fundamental issue that we, the Congress and I, must jointly solve.

Economic disruptions we and others are experiencing stem in part from the fact that the world price of petroleum has quadrupled in the last year. But in all honesty, we cannot put all of the blame on the oil-exporting nations. We, the United States, are not blameless. Our growing dependence upon foreign sources has been adding to our vulnerability for years and years, and we did nothing to prepare ourselves for such an event as the embargo of 1973.

During the 1960's, this country had a surplus capacity of crude oil which we were able to make available to our trading partners whenever there was a disruption of supply. This surplus capacity enabled us to influence both supplies and prices of crude oil throughout the world. Our excess capacity neutralized any effort at establishing an effective cartel, and thus the rest of the world was assured of adequate supplies of oil at reasonable prices.

By 1970, our surplus capacity had vanished, and as a consequence, the latent power of the oil cartel could emerge in full force. Europe and Japan, both heavily dependent on imported oil, now struggle to keep their economies in balance. Even the United States, our country, which is far

more self-sufficient than most other industrial countries, has been put under serious pressure.

I am proposing a program which will begin to restore our country's surplus capacity in total energy. In this way, we will be able to assure ourselves reliable and adequate energy and help foster a new world energy stability for other major consuming nations.

But this Nation and, in fact, the world must face the prospect of energy difficulties between now and 1985. This program will impose burdens on all of us with the aim of reducing our consumption of energy and increasing our production. Great attention has been paid to the considerations of fairness, and I can assure you that the burdens will not fall more harshly on those less able to bear them.

I am recommending a plan to make us invulnerable to cutoffs of foreign oil. It will require sacrifices, but it—and this is most important—it will work.

I have set the following national energy goals to assure that our future is as secure and as productive as our past:

First, we must reduce oil imports by 1 million barrels per day by the end of this year and by 2 million barrels per day by the end of 1977.

Second, we must end vulnerability to economic disruption by foreign suppliers by 1985.

Third, we must develop our energy technology and resources so that the United States has the ability to supply a significant share of the energy needs of the free world by the end of this century.

To attain these objectives, we need immediate action to cut imports. Unfortunately, in the short term there are only a limited number of actions which can increase domestic supply. I will press for all of them.

I urge quick action on the necessary legislation to allow commercial production at the Elk Hills, California, Naval Petroleum Reserve. In order that we make greater use of domestic coal resources, I am submitting amendments to the Energy Supply and Environmental Coordination Act which will greatly increase the number of powerplants that can be promptly converted to coal.

Obviously, voluntary conservation continues to be essential, but tougher programs are needed—and needed now. Therefore, I am using Presidential powers to raise the fee on all imported crude oil and petroleum products. The crude oil fee level will be increased \$1 per barrel on February 1, by \$2 per barrel on March 1, and by \$3 per barrel on April 1. I will take actions to reduce undue hardships on any geographical region. The foregoing are interim administrative actions. They will be rescinded when the broader

but necessary legislation is enacted.

To that end, I am requesting the Congress to act within 90 days on a more comprehensive energy tax program. It includes: excise taxes and import fees totaling \$2 per barrel on product imports and on all crude oil; deregulation of new natural gas and enactment of a natural gas excise tax.

I plan to take Presidential initiative to decontrol the price of domestic crude oil on April 1. I urge the Congress to enact a windfall profits tax by that date to ensure that oil producers do not profit unduly.

The sooner Congress acts, the more effective the oil conservation program will be and the quicker the Federal revenues can be returned to our people.

I am prepared to use Presidential authority to limit imports, as necessary, to guarantee success.

I want you to know that before deciding on my energy conservation program, I considered rationing and higher gasoline taxes as alternatives. In my judgment, neither would achieve the desired results and both would produce unacceptable inequities.

A massive program must be initiated to increase energy supply, to cut demand, and provide new standby emergency programs to achieve the independence we want by 1985. The largest part of increased oil production must come from new frontier areas on the Outer Continental Shelf and from the Naval Petroleum Reserve No. 4 in Alaska. It is the intent of this Administration to move ahead with exploration, leasing, and production on those frontier areas of the Outer Continental Shelf where the environmental risks are acceptable.

Use of our most abundant domestic resource—coal—is severely limited. We must strike a reasonable compromise on environmental concerns with coal. I am submitting Clean Air [Act] amendments which will allow greater coal use without sacrificing clean air goals.

I vetoed the strip mining legislation passed by the last Congress.<sup>1</sup> With appropriate changes, I will sign a revised version when it comes to the White House.

<sup>1</sup>See 1974 volume, Item 326.

I am proposing a number of actions to energize our nuclear power program. I will submit legislation to expedite nuclear leasing [licensing] and the rapid selection of sites.

In recent months, utilities have cancelled or postponed over 60 percent of planned nuclear expansion and 30 percent of planned additions to

non-nuclear capacity. Financing problems for that industry are worsening. I am therefore recommending that the 1-year investment tax credit of 12 percent be extended an additional 2 years to specifically speed the construction of powerplants that do not use natural gas or oil. I am also submitting proposals for selective reform of State utility commission regulations.

To provide the critical stability for our domestic energy production in the face of world price uncertainty, I will request legislation to authorize and require tariffs, import quotas, or price floors to protect our energy prices at levels which will achieve energy independence.

Increasing energy supplies is not enough. We must take additional steps to cut long-term consumption. I therefore propose to the Congress: legislation to make thermal efficiency standards mandatory for all new buildings in the United States; a new tax credit of up to \$150 for those homeowners who install insulation equipment; the establishment of an energy conservation program to help low-income families purchase insulation supplies; legislation to modify and defer automotive pollution standards for 5 years, which will enable us to improve automobile gas mileage by 40 percent by 1980.

These proposals and actions, cumulatively, can reduce our dependence on foreign energy supplies from 3 to 5 million barrels per day by 1985. To make the United States invulnerable to foreign disruption, I propose standby emergency legislation and a strategic storage program of 1 billion barrels of oil for domestic needs and 300 million barrels for national defense purposes.

I will ask for the funds needed for energy research and development activities. I have established a goal of 1 million barrels of synthetic fuels and shale oil production per day by 1985 together with an incentive program to achieve it.

I have a very deep belief in America's capabilities. Within the next 10 years, my program envisions: 200 major nuclear powerplants; 250 major new coal mines; 150 major coal-fired powerplants; 30 major new [oil] refineries; 20 major new synthetic fuel plants; the drilling of many thousands of new oil wells; the insulation of 18 million homes; and the manufacturing and the sale of millions of new automobiles, trucks, and buses that use much less fuel.

I happen to believe that we can do it. In another crisis—the one in 1942 President Franklin D. Roosevelt said this country would build 60,000 [50,000] military aircraft. By 1943, production in that program had reached 125,000 aircraft annually. They did it then. We can do it now.

If the Congress and the American people will work with me to attain these targets, they will be achieved and will be surpassed. From adversity, let us seize opportunity. Revenues of some \$30 billion from higher energy taxes

designed to encourage conservation must be refunded to the American people in a manner which corrects distortions in our tax system wrought by inflation.

People have been pushed into higher tax brackets by inflation, with consequent reduction in their actual spending power. Business taxes are similarly distorted because inflation exaggerates reported profits, resulting in excessive taxes.

Accordingly, I propose that future individual income taxes be reduced by \$16.5 billion. This will be done by raising the low-income allowance and reducing tax rates. This continuing tax cut will primarily benefit lower- and middle-income taxpayers.

For example, a typical family of four with a gross income of \$5,600 now pays \$185 in Federal income taxes. Under this tax cut plan, they would pay nothing. A family of four with a gross income of \$12,500 now pays \$1,260 in Federal taxes. My proposal reduces that total by \$300. Families grossing \$20,000 would receive a reduction of \$210.

Those with the very lowest incomes, who can least afford higher costs, must also be compensated. I propose a payment of \$80 to every person 18 years of age and older in that very limited category.

State and local governments will receive \$2 billion in additional revenue sharing to offset their increased energy costs.

To offset inflationary distortions and to generate more economic activity, the corporate tax rate will be reduced from 48 percent to 42 percent.

Now let me turn, if I might, to the international dimension of the present crisis. At no time in our peacetime history has the state of the Nation depended more heavily on the state of the world. And seldom, if ever, has the state of the world depended more heavily on the state of our Nation.

The economic distress is global. We will not solve it at home unless we help to remedy the profound economic dislocation abroad. World trade and monetary structure provides markets, energy, food, and vital raw materials—for all nations. This international system is now in jeopardy.

This Nation can be proud of significant achievements in recent years in solving problems and crises. The Berlin agreement, the SALT agreements, our new relationship with China, the unprecedented efforts in the Middle East are immensely encouraging. But the world is not free from crisis. In a world of 150 nations, where nuclear technology is proliferating and regional conflicts continue, international security cannot be taken for granted.

So, let there be no mistake about it: International cooperation is a vital factor of our lives today. This is not a moment for the American people to

turn inward. More than ever before, our own well-being depends on America's determination and America's leadership in the whole wide world.

We are a great Nation—spiritually, politically, militarily, diplomatically, and economically. America's commitment to international security has sustained the safety of allies and friends in many areas—in the Middle East, in Europe, and in Asia. Our turning away would unleash new instabilities, new dangers around the globe, which, in turn, would threaten our own security.

At the end of World War II, we turned a similar challenge into an historic opportunity and, I might add, an historic achievement. An old order was in disarray; political and economic institutions were shattered. In that period, this Nation and its partners built new institutions, new mechanisms of mutual support and cooperation. Today, as then, we face an historic opportunity. If we act imaginatively and boldly, as we acted then, this period will in retrospect be seen as one of the great creative moments of our Nation's history. The whole world is watching to see how we respond.

A resurgent American economy would do more to restore the confidence of the world in its own future than anything else we can do. The program that this Congress passes can demonstrate to the world that we have started to put our own house in order. If we can show that this Nation is able and willing to help other nations meet the common challenge, it can demonstrate that the United States will fulfill its responsibilities as a leader among nations.

Quite frankly, at stake is the future of industrialized democracies, which have perceived their destiny in common and sustained it in common for 30 years.

The developing nations are also at a turning point. The poorest nations see their hopes of feeding their hungry and developing their societies shattered by the economic crisis. The long-term economic future for the producers of raw materials also depends on cooperative solutions.

Our relations with the Communist countries are a basic factor of the world environment. We must seek to build a long-term basis for coexistence. We will stand by our principles. We will stand by our interests. We will act firmly when challenged. The kind of a world we want depends on a broad policy of creating mutual incentives for restraint and for cooperation.

As we move forward to meet our global challenges and opportunities, we must have the tools to do the job.

Our military forces are strong and ready. This military strength deters aggression against our allies, stabilizes our relations with former adversaries, and protects our homeland. Fully adequate conventional and

strategic forces cost many, many billions, but these dollars are sound insurance for our safety and for a more peaceful world.

Military strength alone is not sufficient. Effective diplomacy is also essential in preventing conflict, in building world understanding. The Vladivostok negotiations with the Soviet Union represent a major step in moderating strategic arms competition. My recent discussions with the leaders of the Atlantic community, Japan, and South Korea have contributed to meeting the common challenge.

But we have serious problems before us that require cooperation between the President and the Congress. By the Constitution and tradition, the execution of foreign policy is the responsibility of the President.

In recent years, under the stress of the Vietnam war, legislative restrictions on the President's ability to execute foreign policy and military decisions have proliferated. As a Member of the Congress, I opposed some and I approved others. As President, I welcome the advice and cooperation of the House and the Senate.

But if our foreign policy is to be successful, we cannot rigidly restrict in legislation the ability of the President to act. The conduct of negotiations is ill-suited to such limitations. Legislative restrictions, intended for the best motives and purposes, can have the opposite result, as we have seen most recently in our trade relations with the Soviet Union.

For my part, I pledge this Administration will act in the closest consultation with the Congress as we face delicate situations and troubled times throughout the globe.

When I became President only 5 months ago, I promised the last Congress a policy of communication, conciliation, compromise, and cooperation. I renew that pledge to the new Members of this Congress.

Let me sum it up. America needs a new direction, which I have sought to chart here today—a change of course which will: put the unemployed back to work; increase real income and production; restrain the growth of Federal Government spending; achieve energy independence; and advance the cause of world understanding.

We have the ability. We have the know-how. In partnership with the American people, we will achieve these objectives.

As our 200th anniversary approaches, we owe it to ourselves and to posterity to rebuild our political and economic strength. Let us make America once again and for centuries more to come what it has so long

been—a stronghold and a beacon-light of liberty for the whole world.

Thank you.

State of the Union Address  
Gerald R. Ford  
January 19, 1976

Mr. Speaker, Mr. Vice President, Members of the 94th Congress, and distinguished guests:

As we begin our Bicentennial, America is still one of the youngest nations in recorded history. Long before our forefathers came to these shores, men and women had been struggling on this planet to forge a better life for themselves and their families.

In man's long, upward march from savagery and slavery—throughout the nearly 2,000 years of the Christian calendar, the nearly 6,000 years of Jewish reckoning—there have been many deep, terrifying valleys, but also many bright and towering peaks.

One peak stands highest in the ranges of human history. One example shines forth of a people uniting to produce abundance and to share the good life fairly and with freedom. One union holds out the promise of justice and opportunity for every citizen: That union is the United States of America.

We have not remade paradise on Earth. We know perfection will not be found here. But think for a minute how far we have come in 200 years.

We came from many roots, and we have many branches. Yet all Americans across the eight generations that separate us from the stirring deeds of 1776, those who know no other homeland and those who just found refuge among our shores, say in unison:

I am proud of America, and I am proud to be an American. Life will be a little better here for my children than for me. I believe this not because I am told to believe it, but because life has been better for me than it was for my father and my mother. I know it will be better for my children because my hands, my brains, my voice, and my vote can help make it happen.

It has happened here in America. It has happened to you and to me. Government exists to create and preserve conditions in which people can translate their ideas into practical reality. In the best of times, much is lost in translation. But we try. Sometimes we have tried and failed. Always we have had the best of intentions.

But in the recent past, we sometimes forgot the sound principles that guided us through most of our history. We wanted to accomplish great things and solve age-old problems. And we became overconfident of our abilities. We tried to be a policeman abroad and the indulgent parent here at home.

We thought we could transform the country through massive national programs, but often the programs did not work. Too often they only made things worse. In our rush to accomplish great deeds quickly, we trampled on sound principles of restraint and endangered the rights of individuals. We unbalanced our economic system by the huge and unprecedented growth of Federal expenditures and borrowing. And we were not totally honest with ourselves about how much these programs would cost and how we would pay for them. Finally, we shifted our emphasis from defense to domestic problems while our adversaries continued a massive buildup of arms.

The time has now come for a fundamentally different approach for a new realism that is true to the great principles upon which this Nation was founded.

We must introduce a new balance to our economy—a balance that favors not only sound, active government but also a much more vigorous, healthy economy that can create new jobs and hold down prices.

We must introduce a new balance in the relationship between the individual and the government—a balance that favors greater individual freedom and self-reliance.

We must strike a new balance in our system of federalism—a balance that favors greater responsibility and freedom for the leaders of our State and local governments.

We must introduce a new balance between the spending on domestic programs and spending on defense—a balance that ensures we will fully meet our obligation to the needy while also protecting our security in a world that is still hostile to freedom.

And in all that we do, we must be more honest with the American people, promising them no more than we can deliver and delivering all that we promise.

The genius of America has been its incredible ability to improve the lives of its citizens through a unique combination of governmental and free citizen activity.

History and experience tells us that moral progress cannot come in comfortable and in complacent times, but out of trial and out of confusion. Tom Paine aroused the troubled Americans of 1776 to stand up to the times that try men's souls because the harder the conflict, the more glorious the

triumph.

Just a year ago I reported that the state of the Union was not good. Tonight, I report that the state of our Union is better—in many ways a lot better—but still not good enough.

To paraphrase Tom Paine, 1975 was not a year for summer soldiers and sunshine patriots. It was a year of fears and alarms and of dire forecasts—most of which never happened and won't happen.

As you recall, the year 1975 opened with rancor and with bitterness. Political misdeeds of the past had neither been forgotten nor forgiven. The longest, most divisive war in our history was winding toward an unhappy conclusion. Many feared that the end of that foreign war of men and machines meant the beginning of a domestic war of recrimination and reprisal. Friends and adversaries abroad were asking whether America had lost its nerve. Finally, our economy was ravaged by inflation—inflation that was plunging us into the worse recession in four decades. At the same time, Americans became increasingly alienated from big institutions. They were steadily losing confidence, not just in big government but in big business, big labor, and big education, among others. Ours was a troubled land.

And so, 1975 was a year of hard decisions, difficult compromises, and a new realism that taught us something important about America. It brought back a needed measure of common sense, steadfastness, and self-discipline.

Americans did not panic or demand instant but useless cures. In all sectors, people met their difficult problems with the restraint and with responsibility worthy of their great heritage.

Add up the separate pieces of progress in 1975, subtract the setbacks, and the sum total shows that we are not only headed in a new direction, a direction which I proposed 12 months ago, but it turned out to be the right direction.

It is the right direction because it follows the truly revolutionary American concept of 1776, which holds that in a free society the making of public policy and successful problemsolving involves much more than government. It involves a full partnership among all branches and all levels of government, private institutions, and individual citizens.

Common sense tells me to stick to that steady course.

Take the state of our economy. Last January, most things were rapidly getting worse. This January, most things are slowly but surely getting better.

The worst recession since World War II turned around in April. The best cost-of-living news of the past year is that double-digit inflation of 12

percent or higher was cut almost in half. The worst—unemployment remains far too high.

Today, nearly 1,700,000 more Americans are working than at the bottom of the recession. At year's end, people were again being hired much faster than they were being laid off.

Yet, let's be honest. Many Americans have not yet felt these changes in their daily lives. They still see prices going up far too fast, and they still know the fear of unemployment.

We are also a growing nation. We need more and more jobs every year. Today's economy has produced over 85 million jobs for Americans, but we need a lot more jobs, especially for the young.

My first objective is to have sound economic growth without inflation.

We all know from recent experience what runaway inflation does to ruin every other worthy purpose. We are slowing it. We must stop it cold.

For many Americans, the way to a healthy, noninflationary economy has become increasingly apparent. The Government must stop spending so much and stop borrowing so much of our money. More money must remain in private hands where it will do the most good. To hold down the cost of living, we must hold down the cost of government.

In the past decade, the Federal budget has been growing at an average rate of over 10 percent a year. The budget I am submitting Wednesday cuts this rate of growth in half. I have kept my promise to submit a budget for the next fiscal year of \$395 billion. In fact, it is \$394.2 billion.

By holding down the growth of Federal spending, we can afford additional tax cuts and return to the people who pay taxes more decisionmaking power over their own lives.

Last month I signed legislation to extend the 1975 tax reductions for the first 6 months of this year. I now propose that effective July 1, 1976, we give our taxpayers a tax cut of approximately \$10 billion more than Congress agreed to in December.

My broader tax reduction would mean that for a family of four making \$15,000 a year, there will be \$227 more in take-home pay annually. Hardworking Americans caught in the middle can really use that kind of extra cash.

My recommendations for a firm restraint on the growth of Federal spending and for greater tax reduction are simple and straightforward. For every dollar saved in cutting the growth in the Federal budget, we can have an

added dollar of Federal tax reduction.

We can achieve a balanced budget by 1979 if we have the courage and the wisdom to continue to reduce the growth of Federal spending.

One test of a healthy economy is a job for every American who wants to work. Government—our kind of government—cannot create that many jobs. But the Federal Government can create conditions and incentives for private business and industry to make more and more jobs.

Five out of six jobs in this country are in private business and in industry. Common sense tells us this is the place to look for more jobs and to find them faster. I mean real, rewarding, permanent jobs.

To achieve this we must offer the American people greater incentives to invest in the future. My tax proposals are a major step in that direction. To supplement these proposals, I ask that Congress enact changes in Federal tax laws that will speed up plant expansion and the purchase of new equipment. My recommendations will concentrate this job-creation tax incentive in areas where the unemployment rate now runs over 7 percent. Legislation to get this started must be approved at the earliest possible date.

Within the strict budget total that I will recommend for the coming year, I will ask for additional housing assistance for 500,000 families. These programs will expand housing opportunities, spur construction, and help to house moderate- and low-income families.

We had a disappointing year in the housing industry in 1975. But with lower interest rates and available mortgage money, we can have a healthy recovery in 1976.

A necessary condition of a healthy economy is freedom from the petty tyranny of massive government regulation. We are wasting literally millions of working hours costing billions of taxpayers' and consumers' dollars because of bureaucratic redtape. The American farmer, who now feeds 215 million Americans, but also millions worldwide, has shown how much more he can produce without the shackles of government control.

Now, we badly need reforms in other key areas in our economy: the airlines, trucking, railroads, and financial institutions. I have submitted concrete plans in each of these areas, not to help this or that industry, but to foster competition and to bring prices down for the consumer.

This administration, in addition, will strictly enforce the Federal antitrust laws for the very same purposes.

Taking a longer look at America's future, there can be neither sustained growth nor more jobs unless we continue to have an assured supply of energy to run our economy. Domestic production of oil and gas is still declining.

Our dependence on foreign oil at high prices is still too great, draining jobs and dollars away from our own economy at the rate of \$125 per year for every American.

Last month, I signed a compromise national energy bill which enacts a part of my comprehensive energy independence program. This legislation was late, not the complete answer to energy independence, but still a start in the right direction.

I again urge the Congress to move ahead immediately on the remainder of my energy proposals to make America invulnerable to the foreign oil cartel.

My proposals, as all of you know, would reduce domestic natural gas shortages; allow production from Federal petroleum reserves; stimulate effective conservation, including revitalization of our railroads and the expansion of our urban transportation systems; develop more and cleaner energy from our vast coal resources; expedite clean and safe nuclear power production; create a new national energy independence authority to stimulate vital energy investment; and accelerate development of technology to capture energy from the Sun and the Earth for this and future generations.

Also, I ask, for the sake of future generations, that we preserve the family farm and family-owned small business. Both strengthen America and give stability to our economy. I will propose estate tax changes so that family businesses and family farms can be handed down from generation to generation without having to be sold to pay taxes.

I propose tax changes to encourage people to invest in America's future, and their own, through a plan that gives moderate-income families income tax benefits if they make long-term investments in common stock in American companies.

The Federal Government must and will respond to clear-cut national needs-for this and future generations.

Hospital and medical services in America are among the best in the world, but the cost of a serious and extended illness can quickly wipe out a family's lifetime savings. Increasing health costs are of deep concern to all and a powerful force pushing up the cost of living. The burden of catastrophic illness can be borne by very few in our society. We must eliminate this fear from every family.

I propose catastrophic health insurance for everybody covered by Medicare. To finance this added protection, fees for short-term care will go up somewhat, but nobody after reaching age 65 will have to pay more than \$500 a year for covered hospital or nursing home care, nor more than \$250 for 1 year's doctor bills.

We cannot realistically afford federally dictated national health insurance providing full coverage for all 215 million Americans. The experience of other countries raises questions about the quality as well as the cost of such plans. But I do envision the day when we may use the private health insurance system to offer more middle-income families high quality health services at prices they can afford and shield them also from their catastrophic illnesses.

Using resources now available, I propose improving the Medicare and other Federal health programs to help those who really need protection—older people and the poor. To help States and local governments give better health care to the poor, I propose that we combine 16 existing Federal programs, including Medicaid, into a single \$10 billion Federal grant.

Funds would be divided among States under a new formula which provides a larger share of Federal money to those States that have a larger share of low-income families.

I will take further steps to improve the quality of medical and hospital care for those who have served in our Armed Forces.

Now let me speak about social security. Our Federal social security system for people who have worked and contributed to it for all their lives is a vital part of our economic system. Its value is no longer debatable. In my budget for fiscal year 1977, I am recommending that the full cost-of-living increases in the social security benefits be paid during the coming year.

But I am concerned about the integrity of our Social Security Trust Fund that enables people—those retired and those still working who will retire—to count on this source of retirement income. Younger workers watch their deductions rise and wonder if they will be adequately protected in the future. We must meet this challenge head on. Simple arithmetic warns all of us that the Social Security Trust Fund is headed for trouble. Unless we act soon to make sure the fund takes in as much as it pays out, there will be no security for old or for young.

I must, therefore, recommend a three-tenths of 1 percent increase in both employer and employee social security taxes effective January 1, 1977. This will cost each covered employee less than 1 extra dollar a week and will ensure the integrity of the trust fund.

As we rebuild our economy, we have a continuing responsibility to provide a temporary cushion to the unemployed. At my request, the Congress enacted two extensions and two expansions in unemployment insurance which helped those who were jobless during 1975. These programs will continue in 1976.

In my fiscal year 1977 budget, I am also requesting funds to continue proven job training and employment opportunity programs for millions of other Americans.

Compassion and a sense of community—two of America’s greatest strengths throughout our history—tell us we must take care of our neighbors who cannot take care of themselves. The host of Federal programs in this field reflect our generosity as a people.

But everyone realizes that when it comes to welfare, government at all levels is not doing the job well. Too many of our welfare programs are inequitable and invite abuse. Too many of our welfare programs have problems from beginning to end. Worse, we are wasting badly needed resources without reaching many of the truly needy.

Complex welfare programs cannot be reformed overnight. Surely we cannot simply dump welfare into the laps of the 50 States, their local taxpayers, or their private charities, and just walk away from it. Nor is it the right time for massive and sweeping changes while we are still recovering from the recession.

Nevertheless, there are still plenty of improvements that we can make. I will ask Congress for Presidential authority to tighten up the rules for eligibility and benefits.

Last year I twice sought long overdue reform of the scandal-riddled food stamp program. This year I say again: Let’s give food stamps to those most in need. Let’s not give any to those who don’t need them.

Protecting the life and property of the citizen at home is the responsibility of all public officials, but is primarily the job of local and State law enforcement authorities.

Americans have always found the very thought of a Federal police force repugnant, and so do I. But there are proper ways in which we can help to insure domestic tranquility as the Constitution charges us.

My recommendations on how to control violent crime were submitted to the Congress last June with strong emphasis on protecting the innocent victims of crime. To keep a convicted criminal from committing more crimes, we must put him in prison so he cannot harm more law-abiding citizens. To be effective, this punishment must be swift and it must be certain.

Too often, criminals are not sent to prison after conviction but are allowed to return to the streets. Some judges are reluctant to send convicted criminals to prison because of inadequate facilities. To alleviate this problem at the Federal level, my new budget proposes the construction of four new Federal facilities.

To speed Federal justice, I propose an increase this year in the United States attorneys prosecuting Federal crimes and the reinforcement of the number of United States marshals. Additional Federal judges are needed, as recommended by me and the Judicial Conference.

Another major threat to every American's person and property is the criminal carrying a handgun. The way to cut down on the criminal use of guns is not to take guns away from the law-abiding citizen, but to impose mandatory sentences for crimes in which a gun is used, make it harder to obtain cheap guns for criminal purposes, and concentrate gun control enforcement in highcrime areas.

My budget recommends 500 additional Federal agents in the 11 largest metropolitan high-crime areas to help local authorities stop criminals from selling and using handguns.

The sale of hard drugs is tragically on the increase again. I have directed all agencies of the Federal Government to step up law enforcement efforts against those who deal in drugs. In 1975, I am glad to report, Federal agents seized substantially more heroin coming into our country than in 1974.

As President, I have talked personally with the leaders of Mexico, Colombia, and Turkey to urge greater efforts by their Governments to control effectively the production and shipment of hard drugs.

I recommended months ago that the Congress enact mandatory fixed sentences for persons convicted of Federal crimes involving the sale of hard drugs. Hard drugs, we all know, degrade the spirit as they destroy the body of their users.

It is unrealistic and misleading to hold out the hope that the Federal Government can move into every neighborhood and clean up crime. Under the Constitution, the greatest responsibility for curbing crime lies with State and local authorities. They are the frontline fighters in the war against crime.

There are definite ways in which the Federal Government can help them. I will propose in the new budget that Congress authorize almost \$7 billion over the next 5 years to assist State and local governments to protect the safety and property of all their citizens.

As President, I pledge the strict enforcement of Federal laws and—by example, support, and leadership—to help State and local authorities enforce their laws. Together, we must protect the victims of crime and ensure domestic tranquility.

Last year I strongly recommended a 5-year extension of the existing revenue sharing legislation, which thus far has provided \$23 billion to help State and local units of government solve problems at home. This program has been effective with decisionmaking transferred from the Federal Government to locally elected officials. Congress must act this year, or State and local units of government will have to drop programs or raise local taxes.

Including my health care program reforms, I propose to consolidate some 59 separate Federal programs and provide flexible Federal dollar grants to help States, cities, and local agencies in such important areas as education, child nutrition, and social services. This flexible system will do the job better and do it closer to home.

The protection of the lives and property of Americans from foreign enemies is one of my primary responsibilities as President.

In a world of instant communications and intercontinental ballistic missiles, in a world economy that is global and interdependent, our relations with other nations become more, not less, important to the lives of Americans.

America has had a unique role in the world since the day of our independence 200 years ago. And ever since the end of World War II, we have borne—successfully—a heavy responsibility for ensuring a stable world order and hope for human progress.

Today, the state of our foreign policy is sound and strong. We are at peace, and I will do all in my power to keep it that way.

Our military forces are capable and ready. Our military power is without equal, and I intend to keep it that way.

Our principal alliances with the industrial democracies of the Atlantic community and Japan have never been more solid.

A further agreement to limit the strategic arms race may be achieved.

We have an improving relationship with China, the world's most populous nation.

The key elements for peace among the nations of the Middle East now exist. Our traditional friendships in Latin America, Africa, and Asia continue.

We have taken the role of leadership in launching a serious and hopeful dialog between the industrial world and the developing world.

We have helped to achieve significant reform of the international monetary system.

We should be proud of what America, what our country, has accomplished in these areas, and I believe the American people are.

The American people have heard too much about how terrible our mistakes, how evil our deeds, and how misguided our purposes. The American people

know better.

The truth is we are the world's greatest democracy. We remain the symbol of man's aspiration for liberty and well-being. We are the embodiment of hope for progress.

I say it is time we quit downgrading ourselves as a nation. Of course, it is our responsibility to learn the right lesson from past mistakes. It is our duty to see that they never happen again. But our greater duty is to look to the future. The world's troubles will not go away.

The American people want strong and effective international and defense policies. In our constitutional system, these policies should reflect consultation and accommodation between the President and the Congress. But in the final analysis, as the framers of our Constitution knew from hard experience, the foreign relations of the United States can be conducted effectively only if there is strong central direction that allows flexibility of action. That responsibility clearly rests with the President.

I pledge to the American people policies which seek a secure, just, and peaceful world. I pledge to the Congress to work with you to that end.

We must not face a future in which we can no longer help our friends, such as Angola, even in limited and carefully controlled ways. We must not lose all capacity to respond short of military intervention.

Some hasty actions of the Congress during the past year—most recently in respect to Angola—were, in my view, very shortsighted. Unfortunately, they are still very much on the minds of our allies and our adversaries.

A strong defense posture gives weight to our values and our views in international negotiations. It assures the vigor of our alliances. And it sustains our efforts to promote settlements of international conflicts. Only from a position of strength can we negotiate a balanced agreement to limit the growth of nuclear arms. Only a balanced agreement will serve our interests and minimize the threat of nuclear confrontation.

The defense budget I will submit to the Congress for fiscal year 1977 will show an essential increase over the current year. It provides for real growth in purchasing power over this year's defense budget, which includes the cost of the all-volunteer force.

We are continuing to make economies to enhance the efficiency of our military forces. But the budget I will submit represents the necessity of American strength for the real world in which we live.

As conflict and rivalry persist in the world, our United States intelligence capabilities must be the best in the world.

The crippling of our foreign intelligence services increases the danger of American involvement in direct armed conflict. Our adversaries are encouraged to attempt new adventures while our own ability to monitor events and to influence events short of military action is undermined. Without effective intelligence capability, the United States stands blindfolded and hobbled.

In the near future, I will take actions to reform and strengthen our intelligence community. I ask for your positive cooperation. It is time to go beyond sensationalism and ensure an effective, responsible, and responsive intelligence capability.

Tonight I have spoken about our problems at home and abroad. I have recommended policies that will meet the challenge of our third century. I have no doubt that our Union will endure, better, stronger, and with more individual freedom. We can see forward only dimly—1 year, 5 years, a generation perhaps. Like our forefathers, we know that if we meet the challenges of our own time with a common sense of purpose and conviction, if we remain true to our Constitution and to our ideals, then we can know that the future will be better than the past.

I see America today crossing a threshold, not just because it is our Bicentennial but because we have been tested in adversity. We have taken a new look at what we want to be and what we want our Nation to become.

I see America resurgent, certain once again that life will be better for our children than it is for us, seeking strength that cannot be counted in megatons and riches that cannot be eroded by inflation.

I see these United States of America moving forward as before toward a more perfect Union where the government serves and the people rule.

We will not make this happen simply by making speeches, good or bad, yours or mine, but by hard work and hard decisions made with courage and with common sense.

I have heard many inspiring Presidential speeches, but the words I remember best were spoken by Dwight D. Eisenhower. "America is not good because it is great," the President said. "America is great because it is good."

President Eisenhower was raised in a poor but religious home in the heart of America. His simple words echoed President Lincoln's eloquent testament that "right makes might." And Lincoln in turn evoked the silent image of George Washington kneeling in prayer at Valley Forge.

So, all these magic memories which link eight generations of Americans are summed up in the inscription just above me. How many times have we seen it? "In God We Trust."

Let us engrave it now in each of our hearts as we begin our Bicentennial.

State of the Union Address  
Gerald R. Ford  
January 12, 1977

Mr. Speaker, Mr. Vice President, Members of the 95th Congress, and distinguished guests:

In accordance with the Constitution, I come before you once again to report on the state of the Union.

This report will be my last—maybe—[laughter]—but for the Union it is only the first of such reports in our third century of independence, the close of which none of us will ever see. We can be confident, however, that 100 years from now a freely elected President will come before a freely elected Congress chosen to renew our great Republic's pledge to the Government of the people, by the people, and for the people.

For my part I pray the third century we are beginning will bring to all Americans, our children and their children's children, a greater measure of individual equality, opportunity, and justice, a greater abundance of spiritual and material blessings, and a higher quality of life, liberty, and the pursuit of happiness.

The state of the Union is a measurement of the many elements of which it is composed—a political union of diverse States, an economic union of varying interests, an intellectual union of common convictions, and a moral union of immutable ideals.

Taken in sum, I can report that the state of the Union is good. There is room for improvement, as always, but today we have a more perfect Union than when my stewardship began.

As a people we discovered that our Bicentennial was much more than a celebration of the past; it became a joyous reaffirmation of all that it means to be Americans, a confirmation before all the world of the vitality and durability of our free institutions. I am proud to have been privileged to preside over the affairs of our Federal Government during these eventful years when we proved, as I said in my first words upon assuming office, that "our Constitution works; our great Republic is a Government of laws and not of men. Here the people rule."

The people have spoken; they have chosen a new President and a new Congress to work their will. I congratulate you—particularly the new Members—as

sincerely as I did President-elect Carter. In a few days it will be his duty to outline for you his priorities and legislative recommendations. Tonight I will not infringe on that responsibility, but rather wish him the very best in all that is good for our country.

During the period of my own service in this Capitol and in the White House, I can recall many orderly transitions of governmental responsibility—of problems as well as of position, of burdens as well as of power. The genius of the American system is that we do this so naturally and so normally. There are no soldiers marching in the street except in the Inaugural Parade; no public demonstrations except for some of the dancers at the Inaugural Ball; the opposition party doesn't go underground, but goes on functioning vigorously in the Congress and in the country; and our vigilant press goes right on probing and publishing our faults and our follies, confirming the wisdom of the framers of the first amendment.

Because of the transfer of authority in our form of government affects the state of the Union and of the world, I am happy to report to you that the current transition is proceeding very well. I was determined that it should; I wanted the new President to get off on an easier start than I had.

When I became President on August 9, 1974, our Nation was deeply divided and tormented. In rapid succession the Vice President and the President had resigned in disgrace. We were still struggling with the after-effects of a long, unpopular, and bloody war in Southeast Asia. The economy was unstable and racing toward the worst recession in 40 years. People were losing jobs. The cost of living was soaring. The Congress and the Chief Executive were at loggerheads. The integrity of our constitutional process and other institutions was being questioned. For more than 15 years domestic spending had soared as Federal programs multiplied, and the expense escalated annually. During the same period our national security needs were steadily shortchanged. In the grave situation which prevailed in August 1974, our will to maintain our international leadership was in doubt.

I asked for your prayers and went to work.

In January 1975 I reported to the Congress that the state of the Union was not good. I proposed urgent action to improve the economy and to achieve energy independence in 10 years. I reassured America's allies and sought to reduce the danger of confrontation with potential adversaries. I pledged a new direction for America. 1975 was a year of difficult decisions, but Americans responded with realism, common sense, and self-discipline.

By January 1976 we were headed in a new direction, which I hold to be the right direction for a free society. It was guided by the belief that successful problem-solving requires more than Federal action alone, that it involves a full partnership among all branches and all levels of government and public policies which nurture and promote the creative energies of private enterprises, institutions, and individual citizens.

A year ago I reported that the state of the Union was better—in many ways a lot better—but still not good enough. Common sense told me to stick to the steady course we were on, to continue to restrain the inflationary growth of government, to reduce taxes as well as spending, to return local decisions to local officials, to provide for long-range sufficiency in energy and national security needs. I resisted the immense pressures of an election year to open the floodgates of Federal money and the temptation to promise more than I could deliver. I told it as it was to the American people and demonstrated to the world that in our spirited political competition, as in this chamber, Americans can disagree without being disagreeable.

Now, after 30 months as your President, I can say that while we still have a way to go, I am proud of the long way we have come together.

I am proud of the part I have had in rebuilding confidence in the Presidency, confidence in our free system, and confidence in our future. Once again, Americans believe in themselves, in their leaders, and in the promise that tomorrow holds for their children.

I am proud that today America is at peace. None of our sons are fighting and dying in battle anywhere in the world. And the chance for peace among all nations is improved by our determination to honor our vital commitments in defense of peace and freedom.

I am proud that the United States has strong defenses, strong alliances, and a sound and courageous foreign policy.

Our alliances with major partners, the great industrial democracies of Western Europe, Japan, and Canada, have never been more solid. Consultations on mutual security, defense, and East-West relations have grown closer. Collaboration has branched out into new fields such as energy, economic policy, and relations with the Third World. We have used many avenues for cooperation, including summit meetings held among major allied countries. The friendship of the democracies is deeper, warmer, and more effective than at any time in 30 years.

We are maintaining stability in the strategic nuclear balance and pushing back the specter of nuclear war. A decisive step forward was taken in the Vladivostok Accord which I negotiated with General Secretary Brezhnev—joint recognition that an equal ceiling should be placed on the number of strategic weapons on each side. With resolve and wisdom on the part of both nations, a good agreement is well within reach this year.

The framework for peace in the Middle East has been built. Hopes for future progress in the Middle East were stirred by the historic agreements we reached and the trust and confidence that we formed. Thanks to American leadership, the prospects for peace in the Middle East are brighter than they have been in three decades. The Arab states and Israel continue to

look to us to lead them from confrontation and war to a new era of accommodation and peace. We have no alternative but to persevere, and I am sure we will. The opportunities for a final settlement are great, and the price of failure is a return to the bloodshed and hatred that for too long have brought tragedy to all of the peoples of this area and repeatedly edged the world to the brink of war.

Our relationship with the People's Republic of China is proving its importance and its durability. We are finding more and more common ground between our two countries on basic questions of international affairs.

In my two trips to Asia as President, we have reaffirmed America's continuing vital interest in the peace and security of Asia and the Pacific Basin, established a new partnership with Japan, confirmed our dedication to the security of Korea, and reinforced our ties with the free nations of Southeast Asia.

An historic dialog has begun between industrial nations and developing nations. Most proposals on the table are the initiatives of the United States, including those on food, energy, technology, trade, investment, and commodities. We are well launched on this process of shaping positive and reliable economic relations between rich nations and poor nations over the long term.

We have made progress in trade negotiations and avoided protectionism during recession. We strengthened the international monetary system. During the past 2 years the free world's most important economic powers have already brought about important changes that serve both developed and developing economies. The momentum already achieved must be nurtured and strengthened, for the prosperity of the rich and poor depends upon it.

In Latin America, our relations have taken on a new maturity and a sense of common enterprise.

In Africa the quest for peace, racial justice, and economic progress is at a crucial point. The United States, in close cooperation with the United Kingdom, is actively engaged in this historic process. Will change come about by warfare and chaos and foreign intervention? Or will it come about by negotiated and fair solutions, ensuring majority rule, minority rights, and economic advance? America is committed to the side of peace and justice and to the principle that Africa should shape its own future, free of outside intervention.

American leadership has helped to stimulate new international efforts to stem the proliferation of nuclear weapons and to shape a comprehensive treaty governing the use of oceans.

I am gratified by these accomplishments. They constitute a record of broad success for America and for the peace and prosperity of all mankind. This

administration leaves to its successor a world in better condition than we found. We leave, as well, a solid foundation for progress on a range of issues that are vital to the well-being of America.

What has been achieved in the field of foreign affairs and what can be accomplished by the new administration demonstrate the genius of Americans working together for the common good. It is this, our remarkable ability to work together, that has made us a unique nation. It is Congress, the President, and the people striving for a better world.

I know all patriotic Americans want this Nation's foreign policy to succeed. I urge members of my party in this Congress to give the new President loyal support in this area. I express the hope that this new Congress will reexamine its constitutional role in international affairs.

The exclusive right to declare war, the duty to advise and consent on the part of the Senate, the power of the purse on the part of the House are ample authority for the legislative branch and should be jealously guarded. But because we may have been too careless of these powers in the past does not justify congressional intrusion into, or obstruction of, the proper exercise of Presidential responsibilities now or in the future. There can be only one Commander in Chief. In these times crises cannot be managed and wars cannot be waged by committee, nor can peace be pursued solely by parliamentary debate. To the ears of the world, the President speaks for the Nation. While he is, of course, ultimately accountable to the Congress, the courts, and the people, he and his emissaries must not be handicapped in advance in their relations with foreign governments as has sometimes happened in the past.

At home I am encouraged by the Nation's recovery from the recession and our steady return to sound economic growth. It is now continuing after the recent period of uncertainty, which is part of the price we pay for free elections.

Our most pressing need today and the future is more jobs—productive, permanent jobs created by a thriving economy. We must revise our tax system both to ease the burden of heavy taxation and to encourage the investment necessary for the creation of productive jobs for all Americans who want to work.

Earlier this month I proposed a permanent income tax reduction of \$10 billion below current levels, including raising the personal exemption from \$750 to \$1,000. I also recommended a series of measures to stimulate investment, such as accelerated depreciation for new plants and equipment in areas of high unemployment, a reduction in the corporate tax rate from 48 to 46 percent, and eliminating the present double taxation of dividends. I strongly urge the Congress to pass these measures to help create the productive, permanent jobs in the private economy that are so essential for our future.

All the basic trends are good; we are not on the brink of another recession or economic disaster. If we follow prudent policies that encourage productive investment and discourage destructive inflation, we will come out on top, and I am sure we will.

We have successfully cut inflation by more than half. When I took office, the Consumer Price Index was rising at 12.2 percent a year. During 1976 the rate of inflation was 5 percent.

We have created more jobs—over 4 million more jobs today than in the spring of 1975. Throughout this Nation today we have over 88 million people in useful, productive jobs—more than at any other time in our Nation's history. But there are still too many Americans unemployed. This is the greatest regret that I have as I leave office.

We brought about with the Congress, after much delay, the renewal of the general revenue sharing. We expanded community development and Federal manpower programs. We began a significant urban mass transit program. Federal programs today provide more funds for our States and local governments than ever before—\$70 billion for the current fiscal year. Through these programs and others that provide aid directly to individuals, we have kept faith with our tradition of compassionate help for those who need it. As we begin our third century we can be proud of the progress that we have made in meeting human needs for all of our citizens.

We have cut the growth of crime by nearly 90 percent. Two years ago crime was increasing at the rate of 18 percent annually. In the first three quarters of 1976, that growth rate had been cut to 2 percent. But crime, and the fear of crime, remains one of the most serious problems facing our citizens.

We have had some successes, and there have been some disappointments. Bluntly, I must remind you that we have not made satisfactory progress toward achieving energy independence. Energy is absolutely vital to the defense of our country, to the strength of our economy, and to the quality of our lives.

Two years ago I proposed to the Congress the first comprehensive national energy program—a specific and coordinated set of measures that would end our vulnerability to embargo, blockade, or arbitrary price increases and would mobilize U.S. technology and resources to supply a significant share of the free world's energy after 1985. Of the major energy proposals I submitted 2 years ago, only half, belatedly, became law. In 1973 we were dependent upon foreign oil imports for 36 percent of our needs. Today, we are 40-percent dependent, and we'll pay out \$34 billion for foreign oil this year. Such vulnerability at present or in the future is intolerable and must be ended.

The answer to where we stand on our national energy effort today reminds

me

of the old argument about whether the tank is half full or half empty. The pessimist will say we have half failed to achieve our 10-year energy goals; the optimist will say that we have half succeeded. I am always an optimist, but we must make up for lost time.

We have laid a solid foundation for completing the enormous task which confronts us. I have signed into law five major energy bills which contain significant measures for conservation, resource development, stockpiling, and standby authorities. We have moved forward to develop the naval petroleum reserves; to build a 500-million barrel strategic petroleum stockpile; to phase out unnecessary Government allocation and price controls; to develop a lasting relationship with other oil consuming nations; to improve the efficiency of energy use through conservation in automobiles, buildings, and industry; and to expand research on new technology and renewable resources such as wind power, geothermal and solar energy. All these actions, significant as they are for the long term, are only the beginning.

I recently submitted to the Congress my proposals to reorganize the Federal energy structure and the hard choices which remain if we are serious about reducing our dependence upon foreign energy. These include programs to reverse our declining production of natural gas and increase incentives for domestic crude oil production. I proposed to minimize environmental uncertainties affecting coal development, expand nuclear power generation, and create an energy independence authority to provide government financial assistance for vital energy programs where private capital is not available.

We must explore every reasonable prospect for meeting our energy needs when our current domestic reserves of oil and natural gas begin to dwindle in the next decade. I urgently ask Congress and the new administration to move quickly on these issues. This Nation has the resources and the capability to achieve our energy goals if its Government has the will to proceed, and I think We do.

I have been disappointed by inability to complete many of the meaningful organizational reforms which I contemplated for the Federal Government, although a start has been made. For example, the Federal judicial system has long served as a model for other courts. But today it is threatened by a shortage of qualified Federal judges and an explosion of litigation claiming Federal jurisdiction. I commend to the new administration and the Congress the recent report and recommendations of the Department of Justice, undertaken at my request, on "the needs of the Federal Courts." I especially endorse its proposals for a new commission on the judicial appointment process.

While the judicial branch of our Government may require reinforcement, the budgets and payrolls of the other branches remain staggering. I cannot help

but observe that while the White House staff and the Executive Office of the President have been reduced and the total number of civilians in the executive branch contained during the 1970's, the legislative branch has increased substantially although the membership of the Congress remains at 535. Congress now costs the taxpayers more than a million dollars per Member; the whole legislative budget has passed the billion dollar mark.

We have made some progress in cutting back the expansion of government and its intrusion into individual lives, but believe me, there is much more to be done—and you and I know it. It can only be done by tough and temporarily painful surgery by a Congress as prepared as the President to face up to this very real political problem. Again, I wish my successor, working with a substantial majority of his own party, the best of success in reforming the costly and cumbersome machinery of the Federal Government.

The task of self-government is never finished. The problems are great; the opportunities are greater.

America's first goal is and always will be peace with honor. America must remain first in keeping peace in the world. We can remain first in peace only if we are never second in defense.

In presenting the state of the Union to the Congress and to the American people, I have a special obligation as Commander in Chief to report on our national defense. Our survival as a free and independent people requires, above all, strong military forces that are well equipped and highly trained to perform their assigned mission.

I am particularly gratified to report that over the past 2 years, we have been able to reverse the dangerous decline of the previous decade in real resources this country was devoting to national defense. This was an immediate problem I faced in 1974. The evidence was unmistakable that the Soviet Union had been steadily increasing the resources it applied to building its military strength. During this same period the United States real defense spending declined. In my three budgets we not only arrested that dangerous decline, but we have established the positive trend which is essential to our ability to contribute to peace and stability in the world.

The Vietnam war, both materially and psychologically, affected our overall defense posture. The dangerous anti-military sentiment discouraged defense spending and unfairly disparaged the men and women who serve in our Armed Forces.

The challenge that now confronts this country is whether we have the national will and determination to continue this essential defense effort over the long term, as it must be continued. We can no longer afford to oscillate from year to year in so vital a matter; indeed, we have a duty to

look beyond the immediate question of budgets and to examine the nature of the problem we will face over the next generation.

I am the first recent President able to address long-term, basic issues without the burden of Vietnam. The war in Indochina consumed enormous resources at the very time that the overwhelming strategic superiority we once enjoyed was disappearing. In past years, as a result of decisions by the United States, our strategic forces leveled off, yet the Soviet Union continued a steady, constant buildup of its own forces, committing a high percentage of its national economic effort to defense.

The United States can never tolerate a shift in strategic balance against us or even a situation where the American people or our allies believe the balance is shifting against us. The United States would risk the most serious political consequences if the world came to believe that our adversaries have a decisive margin of superiority.

To maintain a strategic balance we must look ahead to the 1980's and beyond. The sophistication of modern weapons requires that we make decisions now if we are to ensure our security 10 years from now. Therefore, I have consistently advocated and strongly urged that we pursue three critical strategic programs: the Trident missile launching submarine; the B-1 bomber, with its superior capability to penetrate modern air defenses; and a more advanced intercontinental ballistic missile that will be better able to survive nuclear attack and deliver a devastating retaliatory strike.

In an era where the strategic nuclear forces are in rough equilibrium, the risks of conflict below the nuclear threshold may grow more perilous. A major, long-term objective, therefore, is to maintain capabilities to deal with, and thereby deter, conventional challenges and crises, particularly in Europe.

We cannot rely solely on strategic forces to guarantee our security or to deter all types of aggression. We must have superior naval and marine forces to maintain freedom of the seas, strong multipurpose tactical air forces, and mobile, modern ground forces. Accordingly, I have directed a long-term effort to improve our worldwide capabilities to deal with regional crises.

I have submitted a 5-year naval building program indispensable to the Nation's maritime strategy. Because the security of Europe and the integrity of NATO remain the cornerstone of American defense policy, I have initiated a special, long-term program to ensure the capacity of the Alliance to deter or defeat aggression in Europe.

As I leave office I can report that our national defense is effectively deterring conflict today. Our Armed Forces are capable of carrying out the variety of missions assigned to them. Programs are underway which will assure we can deter war in the years ahead. But I also must warn that it

will require a sustained effort over a period of years to maintain these capabilities. We must have the wisdom, the stamina, and the courage to prepare today for the perils of tomorrow, and I believe we will.

As I look to the future—and I assure you I intend to go on doing that for a good many years—I can say with confidence that the state of the Union is good, but we must go on making it better and better.

This gathering symbolizes the constitutional foundation which makes continued progress possible, synchronizing the skills of three independent branches of Government, reserving fundamental sovereignty to the people of this great land. It is only as the temporary representatives and servants of the people that we meet here, we bring no hereditary status or gift of infallibility, and none follows us from this place.

Like President Washington, like the more fortunate of his successors, I look forward to the status of private citizen with gladness and gratitude. To me, being a citizen of the United States of America is the greatest honor and privilege in this world.

From the opportunities which fate and my fellow citizens have given me, as a Member of the House, as Vice President and President of the Senate, and as President of all the people, I have come to understand and place the highest value on the checks and balances which our founders imposed on government through the separation of powers among co-equal legislative, executive, and judicial branches. This often results in difficulty and delay, as I well know, but it also places supreme authority under God, beyond any one person, any one branch, any majority great or small, or any one party. The Constitution is the bedrock of all our freedoms. Guard and cherish it, keep honor and order in your own house, and the Republic will endure.

It is not easy to end these remarks. In this Chamber, along with some of you, I have experienced many, many of the highlights of my life. It was here that I stood 28 years ago with my freshman colleagues, as Speaker Sam Rayburn administered the oath. I see some of you now—Charlie Bennett, Dick Bolling, Carl Perkins, Pete Rodino, Harley Staggers, Tom Steed, Sid Yates, Clem Zablocki—and I remember those who have gone to their rest. It was here we waged many, many a lively battle—won some, lost some, but always remaining friends. It was here, surrounded by such friends, that the distinguished Chief Justice swore me in as Vice President on December 6, 1973. It was here I returned 8 months later as your President to ask not for a honeymoon, but for a good marriage.

I will always treasure those memories and your many, many kindnesses. I thank you for them all.

My fellow Americans, I once asked you for your prayers, and now I give you mine: May God guide this wonderful country, its people, and those they have chosen to lead them. May our third century be illuminated by liberty and

blessed with brotherhood, so that we and all who come after us may be the  
humble servants of thy peace. Amen.

Good night. God bless you.