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THE WHITE HOUSE

WASHINGTON

December 15, 1975
12:45 p.m.

MEMORANDUM FOR:

DICK CHENEY
ROBERT T. HARTMANN
BILL SEIDMAN
FRANK ZARB
JAMES LYNN
PAUL O'NEILL
BRENT SCOWCROFT
ALAN GREENSPAN
PAUL MacAVOY
JACK MARSH
MAX FRIEDERSDORF
PHIL BUCHEN
ED SCHMULTS
JERRY JONES
ART QUERN

FROM:

JIM CANNON *JMC*

SUBJECT:

State of the Union Meeting on
Revitalizing the Federal System

The attached paper will serve as a beginning point for discussion this afternoon on a proposed section of the State of the Union Message dealing with Revitalizing the Federal System.

Attachment



V. The Fifth Challenge: Revitalizing our Federal System.

- A. We recommend that you reaffirm your faith in the unique values of the American Federal system of shared sovereignty and responsibility -- its capacity:
1. To foster diversity within unity;
 2. To encourage imagination, innovation and creativity in both the public and private sectors;
 3. To achieve balance by the division of authority between national and state governments and the separation of power among the executive, the legislative and the judicial branches;
 4. And its pluralism -- the capacity to sustain many differing beliefs which strengthen the total fabric of American society.
- B. We recommend that you explain that historic forces have distorted the relationships between the Federal partners and thus undermined the strength of the system:
1. The uncoordinated proliferation of categorical grants, with resultant duplication, conflict, inefficiency, waste and weakening of initiative and responsibility at the state and local levels;
 2. Confusion of responsibility among Federal, state and local governments, hence declining public confidence in all government.
 3. Aggravation of state and local fiscal problems by the matching requirements of grants.
 4. Effective exclusion of state governments from prior formulation of Federal programs which these governments must then administer.

C. We recommend that you propose to Congress these actions to revitalize the Federal system:

1. To strengthen the financial capacities of government closest to the people:

-- Renew General Revenue Sharing -- undergirding the program with a permanent trust fund.

2. To eliminate duplication and waste and to strengthen initiative and responsibility of governments closest to the people:

-- Consolidate Federal aid programs into these four areas, to be administered primarily by the states:

: Health

: Education

: Social Services

: Community Development

3. To strengthen and restore the authority of state governments and to decentralize the Federal regulatory bureaucracy:

-- Provide for state administration of Federal regulatory programs, based on Federal approval of state plans.

4. To rationalize the Federal system:

-- Make a clear, simple allocation of roles and responsibilities to each level of government.

5. To make revitalization of the Federal system a high priority of the Administration and to involve state governments in policy planning:

-- Propose creation of an Executive Office of Intergovernmental Coordination in the White House.

THE WHITE HOUSE
WASHINGTON

These are the
State of the
Union meetings



Monday 12/15/75

State of the Union
Meetings

9:00 Mr. Cannon's office advises of the following
meetings on the State of the Union:

Monday 12/15	11 a. m.	Situation Room	<i>Mr. Schmults</i>
Wednesday 12/17	11 a. m.	Situation Room	
	5 p. m.	Situation Room	
Thursday 12/18	11 a. m.	Situation Room	
	5 p. m.	Roosevelt Room	
Friday 12/19	11 a. m.	Situation Room	
	5 p. m.	Roosevelt Room	

(Meetings will last approximately an hour)

cc: Mr. Schmults



THE WHITE HOUSE

WASHINGTON

December 15, 1975

MEMORANDUM FOR:

DICK CHENEY
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MAX FRIEDERSDORF
PHIL BUCHEN
ED SCHMULTS
ART QUERN

FROM:

JIM CANNON 

SUBJECT:

State of the Union Discussions

The purpose of these meetings is to provide for brief discussion of the elements of the State of the Union and to enable submission in writing of comments and suggestions on these elements. This is aimed at:

1. Ensuring a prompt compilation of possible themes and principles.
2. Identifying various specific programmatic decisions which have been, are being, or need to be made.
 - Where decisions have been made, the purpose is to determine how best to treat them in the State of the Union.
 - Where decisions are in the process of being presented to the President, the purpose is to accelerate the process.
 - Where decisions that need to be made are identified, the purpose is to determine the most expeditious means of bringing the issue to a decision.

3. The documents produced on each "challenge" will be compiled and given to the President.

--Challenges I and V by the 19th.

--Challenges IV and VI by the 20th.

--Challenges II and III by the 21st.

Schedule for MeetingsMONDAY, December 15

11 a.m. Brief group on process
Sit Rm. --lay out themes and Six Basic Challenges

TUESDAY, December 16

11 a.m. I. Continuing America's Growth While Ensuring
Cannon's Fiscal Responsibility
Office (Comments and papers due 12/18/75)

5 p.m. V. Revitalizing Our Federal System
Cannon's (Comments and papers due 12/18/75)
Office

WEDNESDAY, December 17

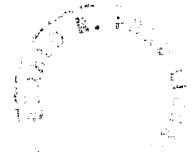
11 a.m. IV. Ensuring Responsible Social Policies
Sit Rm. (Comments and papers due 12/19/75)

5 p.m. VI. International Peace and Security (Scowcroft)
Sit Rm. (Comments and papers due 12/19/75)

THURSDAY, December 18

11 a.m. III. Increasing Employment and Productivity
Sit Rm. (Comments and papers due 12/20/75)

5 p.m. II. Achieving Energy Independence
Sit Rm. (Comments and papers due 12/20/75)



Deadline for Decision Papers to the PresidentFRIDAY, December 19

2 p.m. Completion and Submission of Paper to
President on Challenges I and V.

SATURDAY, December 20

2 p.m. Completion and Submission of Paper to
President on Challenges IV and VI.

SUNDAY, December 21

2 p.m. Completion and Submission of Paper to
President on Challenges III and II.

WEDNESDAY, December 31


6 p.m. All issues resolved and all papers to
Hartmann.

THE WHITE HOUSE

WASHINGTON

December 29, 1975

MEMORANDUM FOR: DAVE GERGEN

FROM: PHIL BUCHEN 

SUBJECT: Your "General Themes"
Paper

In general, I believe you have selected your questions well and have given effective answers.

However, I do have misgivings about your answer for the President's "Greatest Disappointment" in 1975. Even if the intrusion by the Congress into the conduct of foreign policy does represent a disappointment, I doubt that the refusal of Congress to provide emergency aid to South Vietnam in the closing days of the war actually enlarged the tragedy that occurred there. I believe the facts are that the downfall of the South Vietnamese Government came so fast that even a favorable vote on emergency aid would not have altered events very much, if any. (As I recall, at the time of the total victory by the North Vietnamese, the President deliberately did not put the blame on Congress.) Also, even though it is questionable for Congress to have voted an embargo on aid to Turkey and a cutoff on aid to Angola, I doubt a good case can be made for arguing that Congress exceeded its proper role in taking these actions.

My opinion is that greater disappointments for the President came from these circumstances:

1. The hardships suffered by many people as a result of an economic recession that defied any "quick fix" because of the overriding risk of inflation that worked against using conventional devices to restimulate the economy;

2. Failure of Congress to be prompt and effective in dealing with the overall energy problem, the need for tax reform, and the need to support job formulation through incentives to capital formulation; and
3. Failure of Congress to work constructively with the Executive branch toward the objective of restoring the trust of the people in their government.

In the section on "Goals for our Third Century", I would change "fruits of happiness and prosperity" to "opportunities for the pursuit of happiness."

THE WHITE HOUSE

WASHINGTON

January 16, 1976

MEMORANDUM FOR: ED SCHMULTS
FROM: KEN LAZARUS *KL*
SUBJECT: State of the Union Message

I had another thought on the crime control portion of the State of the Union --

In the President's Crime Message, he stressed a program of compensation for innocent victims of Federal crime. This positive concept can be restated in the State of the Union as follows:

"I again urge the Congress to assure compensation for the 'forgotten man' in the criminal justice system -- the victim of crime. Traditional forms of sentences by themselves encourage little atonement. Requiring the perpetrators of federal crimes to provide the funds necessary to compensate their victims serves not only to ease the plight of the victims but to emphasize to offenders the human dimensions of their crimes."



THE WHITE HOUSE
WASHINGTON

January 16, 1976

MEMORANDUM FOR: ED SCHMULTS
FROM: KEN LAZARUS *KL*
SUBJECT: State of the Union Message

In his Crime Message last year the President endorsed ". . . the type of comprehensive criminal code reform incorporated in S. 1." This bill to revise the whole of Title 18 United States Code was recently reported from the Senate Subcommittee on Criminal Laws and Procedures to the full Committee on the Judiciary. Senator Hruska and members of Senator McClellan's staff have indicated to me that they are prepared to move the bill to the Senate floor within approximately one month after the opening of the Second Session. Senator Hruska has indicated to me that he would like to have some statement along the lines of that contained in the Crime Message incorporated in the State of the Union. Additionally, in order to light a fire under Senator McClellan, who is easily distracted by his Appropriations Committee responsibilities, he would like some reference made to the hope that code reform will receive final Senate action early in the session.

I believe this matter is important enough to warrant the inclusion in the State of the Union of the attached paragraph.

Attachment




In my Crime Message delivered to the Congress in the First Session of the 94th Congress, I endorsed the type of comprehensive criminal code reform embraced by S. 1, which was recently reported to the full Senate Committee on the Judiciary. In order to refine the state of our substantive Federal criminal law and to fashion a responsible model for state code reform, I am hopeful that the Senate will act early in the current session to finalize action on this legislation and that the House will promptly entertain consideration of the Senate's work product.



THE WHITE HOUSE

WASHINGTON

January 16, 1976

MEMORANDUM FOR: ED SCHMULTS
FROM: KEN LAZARUS 
SUBJECT: State of the Union Message

A few thoughts on the 1/15/76 draft of the State of the Union Message:

- (1) On page 3 "summer" should be "summertime" soldiers.
- (2) On page 5 the next to the last paragraph contains some noticeable gaps in logic.
- (3) On page 12 following the first paragraph, it might be appropriate to include the President's decision on the Alaskan gas initiative.
- (4) On page 13 references to the change in the fund distribution formula should be eliminated. The statement lends nothing to the message and will be unsettling to a number of people.
- (5) Attached is a "quick and dirty" rewrite of pages 22-25, the crime control section of the message.

Protecting the life and property of the citizen at home is primarily the job of local and state law enforcement authorities.

Historically, Americans have found the very thought of a Federal force with general police powers to be repugnant and intolerable, and so do I. Yet there are proper ways in which we can help to ensure domestic tranquility as the Constitution charges us.

My conclusions on how to reduce violent crime were given to the Congress last June with emphasis on protecting the victims of crime.

The fabric of our criminal law must be woven to ensure the goals of deterrence, punishment and rehabilitation. However, we must also recognize the principle of incapacitation in our law enforcement process -- one sure way to keep a criminal from committing more crimes is to lock him up so he cannot harm law abiding citizens.

The realistic way to cut down violent crimes committed with guns is not to confiscate guns but to toughen the penalties for crimes in which guns are used, make it harder to obtain cheap guns which have no purpose other than the taking of human life, and to concentrate gun control enforcement in high crime areas.



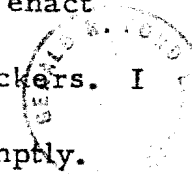
I have urged the passage of mandatory minimum sentences for those convicted of crimes involving the use of a handgun. I have also proposed that we outlaw the manufacture, sale or transfer of so-called "Saturday Night Specials". Lastly, I have asked Congress for 500 additional Federal agents in 11 metropolitan high crime areas to help local authorities stop criminals from selling and using handguns.

Although violent crime is the principal focus of most Americans, we must recognize that the seeds of ^{almost} all street crime are hard drugs. Drugs are not only a major domestic problem but an international issue. Here the Federal responsibility is plain.

I have directed all departments of the Federal Government to clearly define the responsibilities of interested law enforcement agencies and accelerate our efforts against the big drug traffickers and dealers who sell hard drugs and attract young people to them.

As President I have talked personally with the leaders of ² Mexico, Columbia and Turkey to demand greater efforts by their governments to control effectively the production of those opiates which are the source of hard drugs.

I also recommended months ago that Congress enact stiffer and mandatory prison sentences for drug traffickers. I call upon Congress again to enact this legislation promptly.



To make justice more swift and certain for those arrested for crimes, I am proposing an increase this year in U. S. Attorneys prosecuting Federal crimes and reinforcement of the number of U. S. marshals. However, our courts also cry out for additional manpower. Four years ago the Judicial Conference of the United States recommended the creation of 51 new judgeships around the country to meet the needs of Federal law enforcement. The Chief Justice of the United States has also pressed this request but to date the Congress has failed to act on the recommendation. Our courts require strong bipartisan support in this request for justice delayed is often justice denied.

I would also like to stress my concern that incarceration not result in a deprivation of human dignity. Prisons must meet essential human needs. Money is in my new budget to build four new Federal facilities, open and operate three that are almost ready and rehabilitate others.

As I noted earlier in my remarks, the bedrock of law enforcement is to be found at the State and local level. However, the Federal Government can provide financial and technical assistance to their efforts. I will/propose in the new budget that Congress authorize \$6.7 billion over the next five years to assist State and local governments to protect the safety and property of all citizens.

It is unrealistic and dishonest to hold out the hope that the Federal Government can move in and clean up crime in every neighborhood. But I do pledge to crack down on every illegality that falls within the President's duty to faithfully executive the law.



7

THE WHITE HOUSE

WASHINGTON

January 17, 1976

MEMORANDUM FOR: BOB HARTMANN

FROM: PHIL BUCHEN *P.*

Attached is a document handed to me last evening by the Attorney General. It proposes points for inclusion in the crime portion of the President's State of the Union message. I think the Attorney General realized that the speech is too far along to permit any significant changes, but you may want to check what is already in the speech on this subject against the Attorney General's document to see if any modifications are desirable.

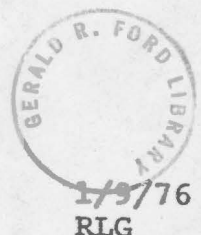
U.S. GOVERNMENT PRINTING OFFICE

DRAFT CRIME PORTION OF THE PRESIDENT'S STATE OF THE UNION MESSAGE

The continuously rising crime rate is a matter of great concern to all Americans. It is a challenge which must and shall be faced. This Administration has undertaken new initiatives in meeting the problems of white collar crime and crime committed by career criminals. Yet, the most feared form of crime -- random street violence -- is largely beyond the direct control of the federal government. In this area we can take some direct action, however, by improving applicable federal laws, and we can provide leadership and assistance for the state and local governments. I propose a combined approach to the problem.

First, I again urge the Congress to assure compensation for the "forgotten man" in the criminal justice system -- the victim of crime. Traditional forms of sentences by themselves encourage little atonement. Requiring the perpetrators of federal crimes to provide the funds necessary to compensate their victims serves not only to ease the plight of the victims but to emphasize to offenders the human dimensions of their crimes.

Second, I urge Congressional extension of the Law Enforcement Assistance Administration in order to assure the careful research and planning -- and the funding -- that is necessary to present a united front against crime.



Third, I urge prompt passage by both houses of Congress of the Criminal Justice Reform Act. Only a handful of issues in that effort to codify the federal criminal law have become subjects of controversy. There is a clear consensus that the overwhelming preponderance of the bill represents an enlightened and progressive effort to simplify, clarify, and improve the federal criminal law. I trust that the members of Congress can continue the bipartisan effort which has typified the codification process for the past ten years and join together to settle the few areas of difference. Such an effort is greatly needed. The nation can not hope to meet the problem of crime without a modern federal criminal code.

Fourth, and in relation to the new federal criminal code, our sentencing and correctional systems are in serious need of reexamination. I have submitted previously a proposal for mandatory sentences for certain offenders. I am pleased to note that numerous members of Congress of both political parties have demonstrated their agreement with the necessity for certainty in sentencing. I urge the Congress to act speedily in implementing such a proposal.



Finally, I urge the Congress to pass the legislation which this Administration has proposed to keep convicted felons from freely purchasing handguns and to remove from the market the handguns most used in crime — the "Saturday Night Specials." The legislation is carefully drafted to protect the rights of all legitimate handgun owners. Its focus is upon the criminal and upon the criminals' gun. It will not eliminate gun crimes, but it can help to reduce them. This is a goal that can be measured in human lives. It must be pursued.



STATE OF THE UNION MESSAGE
OF
PRESIDENT GERALD FORD
TO A JOINT SESSION OF THE CONGRESS

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 fore-
fathers 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 2000 years of the Christian calendar, the
nearly 6000 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 seeking to produce abundance and
to share the good life fairly and justly. One Union holds out
the promise of freedom 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. We cannot see beyond a generation forward or back. But think for a minute how far we have come in 200 years.

We came from many roots and 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 on our shores, say in-unison:

I am proud of America and proud to be an American. Life will be 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 make it happen.

And it has happened here in America.

It happened to you and to me.

Government exists to create and preserve conditions in which people can translate their ideals 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 we forgot the sound principles that had guided us through most of our history. We wanted to accomplish great things and solve age-old problems. And we became overconfident of our own abilities. We tried to act as a policeman abroad and as a solicitous parent here at home. We believed 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 truthful with ourselves about how much these programs would cost and how we would pay for them.

-- Finally, we lowered our priority for national defense while the Soviets 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 much more vigorous, healthier economy that can create new jobs and hold down prices.

I believe 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 spending on domestic programs and spending on defense -- a balance that ensures we fully meet our obligations 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 tell us that moral progress comes not in comfortable and complacent times, but out of trial and 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 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 worst recession in 34 years.

At the same time, Americans became increasingly alienated from all big institutions. They were steadily losing confidence not just in big government, but in big business, big labor and big education.

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 restraint and 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 the new direction I proposed 12 months ago, but that 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 problem solving involves much more than government. It involves a full partnership between all branches and 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 ⁿ news of the past year is that double digit inflation of 12% or higher was cut almost in half. The worst -- unemployment remains way too high.

Today nearly 1.7 million 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 us be honest: many Americans have not yet felt these changes in their daily lives. They still see prices going up too fast, and they still know the fear of unemployment.

And we are a growing Nation. We need more and more jobs every year. Today's total employment 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 non-inflationary economy has become increasingly apparent; the government must stop spending so much and 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 every 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 in Federal spending, we can afford additional tax cuts and return to the people who pay taxes more decision-making power over their own lives.

Last month I signed legislation to extend the 1975 tax reductions for the first six 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 \$196 more in take home pay annually. Hard-working 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 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 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.

-- I therefore propose that Congress enact changes in Federal tax laws that will speed up plant expansion and the purchase of new equipment. My recommendation 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 I will recommend for the coming year, I will ask for ^{additional housing} Federal assistance for ~~the construction of~~ ^{families} 500,000 additional homes. This program will expand housing opportunities, spur construction and help to house those with middle incomes and the poor.

We did not meet our housing goals 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 consumers' dollars because of bureaucratic red tap. The American farmer who not only feeds 215 million Americans and millions worldwide, has shown how much more he can produce without the shackles of government control.

Now we need reforms in other key areas in our economy -- the airlines, trucking, railroads, and banking. I have 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 will strictly enforce the Federal anti-trust laws for the same purpose.

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 increasing, draining jobs and dollars away from our own economy at the rate of \$100 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 in coming, not the complete answer to energy independence, but still at start in the right direction.

(MORE)

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 would:

Reduce domestic natural gas shortages;

Permit use of Federally owned petroleum reserves;

Stimulate effective conservation, including revitali-

~~zation of our railroads and the expansion of our urban trans-~~
portation systems;

Develop synthetic fuels 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 for the sake of future generations we must preserve the family farm and family-owned small businesses. Both strengthen America and give stability to our economy.

I will propose estate tax changes so that family businesses and small 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 permits lower and middle income families to claim income tax deductions 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 world's best but the cost of a serious and extended illness can soon 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 a 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 60 will have to pay more than \$500 a year for hospital or nursing home care nor more than \$250 for one year's doctors' 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 catastrophic illnesses.

Under the resources now available, I propose improving the Medicare and other Federal health programs to help those who really need more 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 the States under a new formula which provides the most Federal money, not to the ~~States with the biggest budgets, but to those which have the~~ most low income families.

I will also continue 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 hard and contributed to it all their lives is a 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 increase in 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 young.

I must therefore recommend a 3/10 of one percent increase in both employer and employee Social Security taxes effective January 1, 1977. This will cost each covered employee less than one 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 expansions in unemployment insurance which helped those who were jobless during 1975. These programs will continue in 1976.

In my fiscal 1977 budget, I am also requesting funds to ~~continue p-rever 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. 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 in the laps of the 50 States, their local taxpayers or 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 a recession.

Nevertheless, there are still plenty of improvements

~~we can make. I will ask Congress for Presidential authority~~
to tighten up 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. Yet there are proper ways

in which we can help to ensure 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. 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 prison facilities. To alleviate this problem at the Federal level, my new budget proposes the construction of four new Federal facilities.

To make justice more swift and certain for those arrested for Federal crimes, I propose an increase this year in U.S. Attorneys prosecuting Federal crimes and reinforcement of the number of U.S. Marshals.

Additional Federal judges are needed, as I proposed last year. This legislation recommended by me and the Judicial Conference should be promptly enacted.

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 high crime 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 on the increase again. I have directed all agencies of the Federal Government to step up enforcement efforts against those who deal in drugs. Hard drugs degrade the spirit as they destroy the body of their users. Here the Federal responsibility is plain.

I recommended months ago that the Congress enact mandatory fixed sentences for persons convicted of Federal crimes involving selling hard drugs.

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.

It is unrealistic and misleading to hold out the hope that the Federal Government can move in to 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 the Congress authorize almost \$7 billion over the next five years to assist State and local governments to protect the safety and property of all 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 five-year extension of
the existing revenue sharing legislation which thus far has
provided \$19 billion to help State and local units of government
solve problems at home. This program has been effective with
decision making 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.

In addition to my health|care reforms, I propose to con-
solidate 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.

22
\$23.5
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Now let me turn to the international arena.

In a world of instant communications and intercontinental missiles, in a world economy that is global and interdependent, our foreign policy becomes more, not less, important to the lives of Americans.

America has had a unique moral role in the world since the day of our independence 200 years ago. And for the last 30 years since the end of World War II, we have borne -- successfully -- a great responsibility for ensuring a stable world order and hope for human progress.

Today, the structure of our foreign policy is strong.

-- We are at peace -- and I intend to keep it that way.

-- Our military forces are the most advanced; our military power is second to none. 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 is within reach.

-- We have a durable and improving relationship with China, the world's most populous nation.

-- The elements for peace in the Middle East now exist, for the first time.

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

-- Our many friendships with Latin America, Africa, and Asia, endure.

We should be proud of what America has accomplished in foreign affairs.

The American people have heard much of late about how terrible our mistakes, how evil our deeds, and how misguided our purposes. The American people know better. It isn't true.

Our nation has passed through a decade of domestic trial with its institutions as strong as ever. We are the world's

greatest democracy. We continue to be the bastion of global stability and security. We remain the symbol of man's aspirations for liberty and well-being. We are the embodiment of hope for progress.

And so my fellow-Americans, it is time we put a stop to the attacks on ourselves. We have every obligation to draw the right lessons from our past mistakes, to see that they never happen again. But it is time to face our future. The world's problems do not go away.

The American people want an effective and strong foreign policy.

In our Constitutional system, foreign policy must be the product of consultation and accommodation between the President and Congress. But in the last analysis, as our Founding Fathers knew, the foreign relations of the United States can be conducted effectively only if there is strong central direction and action. That responsibility can only rest with the President. I intend to uphold that responsibility.

I pledge to the American people a foreign policy which seeks a secure, just, and peace^eful world. I pledge to the Congress -- my colleagues -- to work with you to that end.

We must not face a future in which we can no longer help our friends, such as in Angola -- even in limited and carefully controlled ways -- because of the trauma of a past decade. We must not lose all capacity to respond short of an all-out war. The unwise actions of the Congress during the past year -- most recently in Angola -- are very much on the minds of our allies and our adversaries. The preservation of our role as a world leader and perhaps our own security depends on how we answer these questions of today.

We must, as well, be deeply concerned about our military strength.

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 and slows down the nuclear arms race that could threaten our safety and the peace of the world.

The Defense Budget that I shall submit to the Congress for fiscal 1977 will show an essential increase over last year. There is a 7.5 percent growth in purchasing power over last year's Defense Budget, which includes, among other things, the costs of supporting our All-Volunteer Force.

We are making continuing economies, to enhance the efficiency of our military forces. But the budget that I will submit represents the necessity of American strength for the perilous period in which we live.

As conflict and competition inevitably continue in the world, I can think of nothing more vital than our intelligence capabilities.

The crippling of our foreign intelligence services only increases the danger of American involvement in direct military conflict. Our adversaries are encouraged to attempt new adventures, while our own ability to monitor events, to gauge the intentions of others and to chart a course in the best interests of this Nation -- and to influence events short of military action -- is undermined.

Deprived of an effective intelligence capability, we will stand blindfolded and hobbled.

In the near future, I will take actions to reform and strengthen our intelligence community. I ask for your positive cooperation. We must end the assault on our own vital institutions. It is time to go beyond sensationalism to the hard work of rebuilding an effective, responsible, and responsive foreign intelligence capability.

I have spoken of 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 -- one year, five 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 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 and 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 a government serves and the people rule.

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

I have heard many inspired 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.

END OF TEXT

