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



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

I have come to report, as the Constitution requires, on the State of the Union. The plain truth is that 1976 is going to be a very tough year.

But 1776 was also a very tough year. There have been even tougher years during our 200 years of national independence. As Jefferson wrote Lafayette, we could not "expect to be translated from despotism to liberty in a feather bed".

A great history teacher, Professor Preston Slosson, was already a legend at Michigan when I was an undergraduate.

Now emeritus, Prof. Slosson recently looked back and concluded:

"Our country, our civilization, and our world are all tougher than you think. There are many perils facing us in the future, but we have survived as many in the past. This is a better country now than the one I was born in 83 years ago and even then the United States was luckier than most nations."



My former teacher, who calls himself, "a little left of center" in politics, said he could wish for many reforms but quickly added: "I am in a hurry, but God is more patient."

Prof. Slosson speaks for the new realism that has infected both liberals and conservatives in American politics.

Let us not begin our Bicentennial year by retreating into the past, but by going forward into the future with a combination of patience, realistic hope, courage and common sense.

These are not times that try men's very souls, as Tom Paine's were. But these are times that try men's ~~common~~ sense -- and women's, too.

Tonight, I will spare you and the American people either a Bicentennial Address or an election speech. Nor will I give the customary State of the Union rhetoric which proclaims the great national goals everybody knows and the bold new Federal programs that are supposed to get us there.



I want to talk a little common sense about this country and our most serious problems, and what we can realistically do about them in the coming year or the next five years -- the time span we actually can plan and legislate in.

We must not only sort out national problems on the common sense basis of doing first things first, but also decide what instrumentality is most effective. Is it the Federal government, State or local authorities, private organizations or associations, or some combination of these?

The trouble with the Federal government is that it is trying to do more than its resources permit, to do many things that it cannot do very well, to do some things that it should never do at all, and to do all these things at the same time.

That just does not make common sense.

The people I have listened to around the country since I became President, have convinced me that Americans are losing confidence in the Federal government, because it simply isn't working efficiently or fairly. It is too big and too bumbling.



It takes too much of the individual's money but doesn't give people their money's worth.

In short, as a political Union, the State of our Union is unclear. It is indecisive and overcomplicated. The Union promises too much and accomplishes too little. It fails to solve problems and becomes part of the problem. It reorganizes and reforms itself and gets worse instead of better. It still is of the people and by the people but too many people don't think it is for the people.

When President U. S. Grant gave his State of the Union address 100 years ago, he referred to the great expansion of population and the development of transcontinental railroads, the steamship, the telegraph, rapid printing presses, and other innovations. Today, we are less interested in bigness and new gadgets than in the quality of individual life and the inner growth of the human being.

We seek lives that make sense -- and government that makes sense. We are in a new era in which government must be



more responsive to -- and honest with -- the individual.

In this century, America has ridden the pendulum from left to right, and from right to left. But the solutions to our problems were not found at the extremes. The American people know that. The worn-out labels, liberal and conservative, no longer make sense.

Many in my own generation did not face reality. Many became engulfed in well-meaning causes, motivated by good intentions and idealistic fantasies. The result was national policy based upon romantic illusions about America... about America's role in the world, about poverty, about education, about energy, about the environment, and about the unlimited capacities of the government.

We tried to do everything for everyone. As a result, very few still believe in the grandiose pretensions of big government.

I see real hope in the millions of Americans who are showing new self-respect and new independence by saying,



"don't con me." They are demanding to know America's real possibilities -- and our real limitations.

They suspect that neither the ultra-liberal approach of the past nor the ultra-conservative approach of the past is the answer to today's problems. The common sense answer of 1976 is a new realism.

In January, 1975, I spoke of the need for a new direction for America. We must now complete our search for the goals that give us our special character as a nation. But we should not be surprised if the goals we set forth are in some respects the same ones we pursued through our 200 years of existence.

The questions are the old: What kind of nation do we want to be? What kind of people do we want to be?

When we challenge ourselves to answer these broad questions, we realize that we will not reach the heart of America's aspirations by limiting ourselves to dollars and cents. The economic situation is today of primary importance. Jobs, unemployment, high prices, high taxes, and government



spending -- all deserve to be at the forefront of our attention.

And they are. More jobs and job security, reduced inflation, lower taxes, reduced government spending -- these are significant goals.

But we also know that there are other goals dearer to our national heart. I mean such things as

-- continuing and strengthening our national in-

dependence;

-- strengthening our commitment to the constitutional rights of freedom, to equality of rights and

opportunity, and to justice for all -- which means,

among other things, protection of potential victims

from the cruel injustice of violent crime;

-- intensifying our efforts to strengthen our de-

fense, avoid war, reduce international tension, and

improve the chances for peace and order in the world;

-- provide the opportunity for economic improve-

ments for workers, businessmen, and investors, not only



to create more jobs and income and goods for Americans,
but because so much of the rest of the world's economy
depends on our production of food and goods;

-- respond to those humane responsibilities a decent
community imposes on itself to care for those who can-
not provide for themselves;

-- and, finally, strive to be a nation of proud and
purposeful citizens who have reason to be confident of
themselves and their leaders because the purposes of
their nation are understandable and noble.

Those are the goals to which I have pledged myself as
President. We must move as fast as we realistically can toward
each of them. Today our first objective is full economic recovery
with stable prices and good jobs for all who want to work.

Twelve months ago, the onrushing recession and jobless-
ness, compounded by skyrocketing energy costs dominated our
concern for the State of the Union. I stood here and said the
State of the Union was not good enough.



Last January, most things were rapidly getting worse.

This January most things are slowly getting better. The recessionary trend was turned around, starting about April. The best news of the past year is that we have cut the inflation rate almost in half. The worst is that total unemployment remains unacceptably high.

My objective is productive, permanent jobs in the private sector. Although high unemployment to some extent has been alleviated by temporary public service jobs and extended unemployment compensation benefits, we all realize that an expanding economy that creates new private jobs is the only satisfactory solution.

The 85,500,000 Americans at work last month means there are one million more jobs today than a year ago, and nearly two million (1.7 million) more than at the peak of unemployment in March. We have recovered two-thirds of the jobs lost in the recession. People are now being hired faster than they are being laid off. But the process remains too slow. I intend



to speed it up.

Five out of every six jobs in this country are in private business and industry. In times of recession, these businesses do not risk their uncertain future earnings by long-term investments for expansion and modernization. But expansion and modernization are precisely what we need to create more jobs, greater productivity and lower prices.

~~It is in everybody's interest to encourage business expansion and modernization through new plant construction.~~

The need to get these projects underway in areas of high unemployment is urgent.

I will ask the Congress for changes in the tax laws to allow accelerated depreciation write-offs for such construction and equipment in metropolitan areas and communities where unemployment now stands above 7 percent. If promptly enacted, it is estimated this tax change would create _____ new jobs over the next five years.

(MORE)



To ensure continued expansion, jobs, and productivity throughout the country we must set aside more capital for sustained growth in the future. The amount of capital required is enormous. It can be obtained only from the savings and investments of millions of Americans. As an additional but longer term incentive for job creation, I will propose another tax reform to broaden stock ownership by employees and other individuals with adjusted gross incomes of \$35,000 or less. Under my plan, you could invest up to \$1,000 a year, and your employer could make matching contributions of half that much in common stock. Both would be deductible from taxable income if they remain invested at least seven years. This could produce as much as \$_____ in new capital formation over the next five years -- the estimated equivalent of _____ new jobs.

I will ask the Congress for changes in the estate tax laws to specifically encourage expansion and increased capital investment in family businesses and family farms. While the primary purpose of this reform is to ensure the survival of

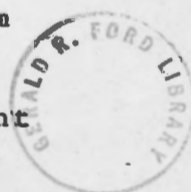


smaller farms and businesses for future generations, it will have a healthy stimulative effect to their current operations and the economy as a whole.

The cost of all three of these proposed tax reforms will be a short term loss of \$_____ in estimated revenues, about the same as a proposed Federal make-work project to temporarily employ_____ persons.---

Although many other programs have had to be cut in the budget I will submit to you Wednesday for the new fiscal year, there will be proposals for continued funding to job training programs, small business and minority enterprise loans and other proven Federal programs that increase the job opportunities in the private sector.

We may not solve the unemployment problem in 1976. But I am confident that we will do substantially better than in 1975 -- if the job-creating proposals I will submit are speedily enacted. I hope that we will fully recover the losses from recession layoffs and climb upward towards normal employment levels in the coming year.



A year ago I devoted a large part of my State of the Union Message to a comprehensive 10-year crash program to make the United States independent of uncertain foreign oil at arbitrary high prices. Ample energy is essential to our economic recovery and growth. Our whole standard of living depends on energy instead of human muscle and sweat.

In this area we have made a little progress, but not

much.

As the Congress and the American people debated the energy issue all through 1975, our domestic production of oil and natural gas continued to decline. We are now producing one million barrels per day less oil than we were at the time of the Arab oil embargo just two years ago. In just the last 12 months we paid foreign oil producers over \$25 billion for their oil -- that's over \$100 for every American.

Natural gas production declined by more than two trillion cubic feet in the last two years and the trend will continue.



At the same time, coal production has increased only slightly and nuclear power plants continue to be delayed or cancelled.

We cannot let this continue.

To speed Congressional action last year I took every administrative step I could to encourage conservation and encourage production. Finally, last month I signed into law a national energy bill. I hope it will end the long debate and permit a fresh start on achieving the rest of my energy program.

While the pricing provisions of the new energy bill are not all I desired, it enacts much of my energy program, including a national strategic petroleum reserve; standby authorities for quick action in the event of another embargo; conservation measures to improve automobile and appliance efficiency and implement conservation programs in states; extends our ability to convert powerplants and industrial facilities to coal; and will phase out oil price controls over 40 months.

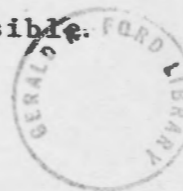
On energy conservation, the nation made significant progress in the past year. Energy consumption is below 1973



levels and higher prices have stimulated production of more efficient cars and led to conservation measures in industry and homes. In the current model year alone, automobiles are _____ percent more efficient than they were in 1973. Maybe that's why the American people, using common sense, are buying more.

But, voluntary conservation and one energy bill are not enough. We need much more. I urge the Congress to act immediately on my remaining proposals, including natural gas deregulation, Naval Petroleum Reserves production, building efficiency standards, nuclear licensing and fuel assurance, the \$100 billion Energy Independence Authority, and responsible environmental changes.

In addition, I will soon send to the Congress important legislative recommendations for expediting delivery of Alaskan natural gas to the lower 48 states and to authorize a comprehensive energy development impact assistance program for areas significantly affected by new energy resource development. I



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also have directed the Energy Resources Council to assure that needed imported liquefied natural gas is available, but subject each project to stringent national security review to assure no undue dependence, and to set a new 10 year goal to reduce energy use in Federal facilities by _____, in addition to the _____ reduction already achieved. I have further ordered a major expansion of our efforts on nuclear waste management, reactor safety, and fuel reprocessing.

I envision an energy future for the United States free of the disruptive effects of embargoes and arbitrary price increases by foreign governments. I envision a major expansion in the production and use of coal, a strong commitment to nuclear power, significant breakthroughs in harnessing the unlimited potential of solar energy, and continued conservation in our use of energy.

Throughout the long debate on energy policy I have taken every opportunity to visit first-hand major new energy projects.

I have seen America harnessing new energy in the frozen snows



of Alaska, in California and the great northwest, and in the
Gulf of Mexico. I am convinced we have the capacity for energy
independence and with common sense we can still achieve it.



There is some good economic news. Although prices remain too high, the rate of inflation has been cut almost in half. We now have figures showing that the recent Christmas selling season was 15% higher in volume than the previous Christmas. The sales of automobiles and other items have gone up.

America must hold a steady course in 1976. We must not return to government spending policies that will set off another inflationary cycle followed by recession. Nor should we adopt a no-growth policy.

These are the reasons why I asked the Congress to balance the necessary \$28 billion cut in income tax with a \$28 billion cut in spending.

In the last six months, the Gross National Product was again rising at an annual rate of about 8 percent. 1975 began with a massive inventory of unsold goods. The year ended with a retail boom and the largest balance of trade surplus in history.



Important as recovery from the economic recession is in 1975 and 1976, there are other concerns of a more permanent character which urgently call for our attention.

Without minimizing the Federal government's obligation to provide leadership and common sense policies for the protection of people's jobs, people's savings, people's earnings and what the dollar will buy, perhaps the most fundamental duty of all government is the protection of the lives and personal safety of its citizens in their homes or wherever they lawfully want to go.

The constitution wisely divides this duty; protecting the country as a whole is clearly a Federal job, though States and private institutions have a vital supporting role in national security. I will get to this part later.

Protecting the life, limb and property of the citizen is properly and primarily the job of local and State law enforcement authorities; eight generations of Americans have



found the very thought of a Federal police force repugnant and intolerable, and so do I. Yet there are limited and legal ways in which we can help to ensure domestic tranquility as the Constitution charges us.

My common sense conclusions on how to control violent crime were given to the Congress last _____ and to the California legislature in Sacramento last _____. The way to keep a criminal from committing more crimes is to lock him up -- at the very least, he won't hurt anyone while he's in jail.

The way to cut down violent crimes committed with guns is not to take guns away from everybody but to toughen the penalties for crimes in which guns are used, to make it harder to obtain cheap guns for criminal purposes, and to concentrate gun control enforcement in high crime areas.

The biggest single cause of the increase of crime today is the sale of hard drugs. This is not only a major domestic



problem but an international issue. Here the Federal authority is plain.

I have directed all agencies of the Federal Government to step up the war 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 Presidents of Mexico, Columbia and Turkey to urge greater efforts by their governments to control the production of hard drugs, and we shall continue to work with these and other nations to curb production of and trafficking in hard drugs.

Another major threat to every American's person and property is the criminal carrying a handgun. I have proposed legislation to remove the "Saturday night special" used by criminals from the market place, and I ask Congress for 500 additional Federal agents in the 11 largest metropolitan high crime areas to stop criminals from selling and using handguns.

If you want to know what I mean by common sense government



and putting first things first, I discovered that the Federal Bureau of Alcohol, Tobacco and Firearms has _____ fulltime trained agents out hunting for makers of moonshine whiskey. I

told them to switch 60 of them to tracking down illegal gun dealers.

To make justice more swift and certain for those arrested for crimes, I am proposing a 9 percent increase this year in the number of U. S. Attorneys prosecuting Federal crimes and a 5 percent reinforcement in the number of U. S. marshals assisting the Federal courts.

To be honest about it, some judges are too soft. I recommended months ago that Congress enact mandatory, certain sentences for persons committing Federal crimes of violence or selling hard drugs. I have also asked for additional Federal judges, and I now call upon Congress to enact this legislation promptly.

To tell the truth, some judges won't send convicted criminals to jail because of poor prison conditions. I put money in my new budget build four new Federal facilities in Detroit, Phoenix,



Alabama and New York, open and operate three that are almost ready in Texas, Tennessee and North Carolina and rehabilitate a number of other Federal prisons.

As State and local governments still have primary responsibility to prevent crimes of violence, we must continue to help State and local governments as much as we can. I shall propose in the new budget that Congress authorize \$6.7... billion over the next five years in assisting State and local governments to protect the safety of American citizens and their property.



Next to protection of life itself, every American is concerned about the protection of a healthy environment and the protection of his and her own health. The health of our loved ones is as important as our own. And the health of our neighbors is important to our own.

While individual health is first of all an individual responsibility, and community health and sanitation primarily that of the State and local governments, and while the medical profession and private health insurance organizations play a major role in this area, no real consensus has developed as to the proper Federal role.

Clearly, a healthy population is a major national asset. Clearly, a healthy environment involves Federal standards where air and water pollution or occupational hazards affect numerous States. Clearly, there are common sense benefits from national medical and health research facilities. I have no intention of crippling these valuable contributions but neither will I



allow them to cripple our economic recovery or expand into a nationalized medical and health bureaucracy with literally life-and-death powers over our people.

The new realism that I recommend we apply to all our problems compels me to these tentative conclusions.

One, full national health insurance for all 215 million Americans is something we cannot afford, at this time of economic stress, because it is simply too expensive a drain on existing resources.

Two, private health bills are also too expensive for a growing number of families, and the burden of a catastrophic medical calamity is, more than all but the most prosperous of our people can survive. Partly this is due to miraculous but very costly techniques for treating previously fatal illnesses. Although the protection of insurance is applicable to these risks, as in the Medicare and Medicaid programs, the Federal government is committed to help certain of our citizens in obtaining such coverage. These include all senior citizens



and those to whom the Federal government owes a special obligation, such as veterans, as well as the disabled and the truly needy.

Following the principle of putting first things first, I have decided that we must give a better break to those Americans in real danger of being wiped out by soaring health costs -- older people and the poor.

I propose that no American after his or her 60th birthday will ever have to pay more than \$500 for a Medicare-covered stay in a hospital. Nor will she or he ever pay more than \$250 per year for all doctor bills, however much they add up to in a catastrophic illness or complex treatment.

I propose to consolidate 16 existing Federal health programs, including Medicaid, into one \$10 billion bloc grant to better provide medical care for the poor. This will be divided among the States by a new formula based on the number of low-income persons they have and not, as now, by how much they put up in matching funds, so that the wealthier States get



most of the Federal money.

For all of us, rising costs of medical care have driven up the cost of living over the past 10 years. Hospital costs have quadrupled and physicians' fees have nearly doubled. The Medicare trust funds are in danger of running out of money at the present rate, and I will submit legislation limiting the amounts Medicare will pay to cover such inflationary increases, as well as cost-sharing adjustments designed to discourage unnecessary use of hospital and medical services for short-term illnesses. This will save the taxpayers nearly \$1 billion next year and will strengthen the trust funds while providing older patients with new catastrophic protection.

A major Federal responsibility in the health field is the Veterans Administration system which serves millions of veterans. I will ask for funds to complete the VA "Quality of Care" survey recommendations begun last year and, at the same time, legislation requiring private health insurers to reimburse the VA for care of non-service-connected disabilities. This



common sense change would save taxpayers over \$130 a year at no cost to the covered veterans, who are also taxpayers.

I will also recommend a _____% increase in Federal health research funds over last year, to a total of \$_____ billion in 1977 and \$_____ in 1978. The kind of research that may find a cure for cancer or otherwise save millions of lives must not be shortchanged even when budgets are tight.

Probably the most controversial items on our national agenda is welfare -- how we should deal compassionately and constructively with those of our neighbors who simply cannot take care of themselves. This question is compounded when times are difficult not only for the poor and helpless but also for those whose labors are taxed to help them.

What was once a religious, community and at most a State responsibility has in recent years been deeply invaded by a host of Federal programs that reflect our goodness and generosity as a people. But there is no longer much doubt that they are



badly designed, badly abused, and waste enormous resources without reaching many of the deserving and truly needy.

~~The whole Federal welfare involvement needs most a massive~~
injection of common sense. It cannot be reformed over night
~~because it is apparent that no real consensus exists as to what~~
should be done.

My policy is directed towards giving more help to those who really need it and nothing to those who don't really need

~~it. I renew my recommendations of last year for long overdue~~
reform of the Food Stamp program, which is becoming a national
scandal. I will ask similar legislation to reduce fraud and
inequities in the other income assistance programs without now
trying to restructure all of them at once. Briefly, I am asking
Congress for authority to modify eligibility requirements and
other administrative rules over the next five years, subject
to Congressional disapproval as in the case of reorganization
plans.

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Though both programs are intended to assure that all Americans may live in dignity and have at least the necessities of life, there is a fundamental difference between welfare and Social Security.

Our Federal Social Security system which provides retirement, disability and survivor benefits to people who have worked hard and contributed their own earnings to them is the largest social insurance program in the world. It is a vital part of our American way of life and its value is no longer debatable.

What is debatable now concerns both the retired recipient who depends upon Social Security for living expenses and the younger worker who watches his deductions rise and wonders if he will live long enough to get a fraction of them back. The question is how we can ensure the long-range integrity of the Social Security system in a way that is both fair and financially sound.

I cannot overstate the importance of taking corrective action soon, before a crisis is upon us. If present trends



continue and there are no changes in the law, the trust fund will have used up its resources by the early 1980s.

We are not going to let that happen, of course. But to prevent it, nothing but tough choices present themselves.

I have made some of them, but congressional concurrence is required. The problem is so complex it must await a later message. However, I can say that no cap or ceiling on Social Security cost-of-living increases is contemplated this year.

in future years, we will have to uncouple the duplication in benefit formulas that results in benefits rising faster than the inflation rate. I will also ask a modest increase in the social security tax rate of 3/10th of 1 percent each on employer and employee.

This extra contribution to the trust fund will maintain its integrity for the short-term and cannot exceed \$47 a year for any employee. If the Congress approves my additional income tax reduction for July 1 and thereafter, coupled with equivalent cuts in overall spending, it will more than make up any



takehome pay for most Americans.

The best thing the Federal government can do for all Social Security participants, 9 out of 10 jobholders in the country,

as well as others on other public or private pensions, is to get a firm grip on inflationary forces that are shrinking all fixed incomes day by day.

I must make the same point to representatives of management and labor as they move toward contract negotiations this year. If such settlements are inflationary, they will not in fact protect the future security of working men and women and will endanger the permanence of our present recovery....

The desire of all Americans to "catch up" with inflationary setbacks is understandable, but it must be slow and steady and matched by real production increases. I commend both organized workers and employers for the restraint and responsibility they have shown during the difficult months of 1975 and urge a similar cooperative spirit in the year ahead.

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Winning the long-term battle against destructive inflation and climbing costs is as important to the upcoming generation

of Americans as it is to those nearing retirement age.

The best thing the Federal government can do for young Americans is also to get inflation under control, to leave them a country that is not going broke.

Jobs for newcomers in the working force are high on my list of priorities. It is hard enough for young people to get

a good job in good times and doubly difficult with so many experienced and skilled workers to compete with. My programs will

emphasize job training and placement assistance for young

Americans, continue summer job programs, stress direct aid to

needy students instead of to institutions of higher learning,

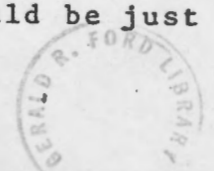
providing one million basic educational opportunity grants

to one million students.

Education, like law enforcement, is primarily and properly

a State and local responsibility. Quality education is best pro-

vided close to home, and a national school system would be just



as noxious as a national police force.

I propose that we help State and community efforts to provide quality education for all American children at the elementary and secondary school level by consolidating 24 Federal education grant programs into a single bloc grant that exceeds 1976 outlays by \$100 million. This will permit the flexibility needed by local school systems to meet their most urgent needs, and reduce the red tape and strings that spell Federal interference and control to concerned parents and thoughtful teachers.

I have also approved slight increases or continued levels of Federal funding for the new National Institute of Education, for educational research projects, and for the National Endowments for the Arts and the Humanities. It is my conviction that we should proceed very cautiously, even when budget considerations ease, before sticking the Federal camel's nose any further into the tent of public and private education and cultural subsidy.

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All of the dictatorial governments I have ever seen or heard of start first by taking over the schools and constricting the creative arts. Freedom makes its home in the human mind, and I would like to leave it there.



A major strength of America's economic system has been its free and unrestricted marketplace. Federal regulatory activities were designed to protect that strength. But many regulatory policies are now outdated and do more harm than good.

The transportation industry is one area which suffers from outmoded regulation. In the airline, railroad, and trucking industries current regulatory practices cause higher prices, declining service, reduced competition, and, in some cases, complete economic collapse of industries. I have proposed legislation to reform the regulation of the air, truck, and rail industries.

I have also sought major reform in other regulatory areas. In December, I signed a bill to repeal Federal laws which permit State fair trade laws. This will increase competition and lower prices.

Efforts to modernize our regulatory systems will be continued with attention next focusing on financial institutions and the cable television industry.

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We must develop a realistic approach to regulation, balancing economic interests with legitimate concerns for consumers, workers, and public protection.

Small businesses and farms traditionally have been strengths of the American economy.

Currently 9.4 million small businesses provide 55 percent of the private sector non-agricultural employment, 48 percent of the Gross Business Product, and 43 percent of the Gross National Product. Yet, small businessmen and farmers are being strangled by over-regulation and bureaucratic red tape.

America's bountiful resources are greater today than at any time in our history. America's capacities, energies and talents are unlimited. Americans yearn for a renewed sense of progress and community.

Yet Americans have become cynical about their government and their public officials. Confidence in government, especially big government, is the chief casualty of the many



promises made and broken.

In spite of the views of some, public discontent with big government does not legitimize the negative counsel that we must stop trying to improve the quality of life for all Americans.

Most Americans live lives of quiet honor. The bureaucratization of America has offended their honor and stifled their progress.

The Debureaucratization of America is what community renewal is all about.

A common sense policy of community renewal sorts out the different functions of Federal, State and local governments and those of our citizen institutions.

It begins with a renewed dedication to revenue sharing. It recognizes that the focus of government policy thus far in the late sixties and early seventies has been an inward one. There has been a proper but by no means comprehensive concentration on putting government's own house in order.



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Moving toward program consolidation and bloc-grant

mechanisms, we have tried to decentralize the Federal Government and redistribute the powers and responsibilities accumulated in Washington back to the States and localities.

To that end, the Federal Government has provided more than \$20 billion to the 50 States and some 38,000 local communities since the General Revenue Sharing program was enacted

in 1972. I have proposed extending this program through FY 1982

with an annual expenditure rate of more than \$6.5 billion. I am also asking the Congress to strengthen this program by including citizen participation in decisions on use of these funds.

I am also proposing further consolidation of a significant number () of the more than 1,000 categorical grant programs into bloc grants in the areas of health, education, social services and child nutrition. In the Community Development program, I am asking for an increase of \$466 million in the bloc grant to a total of \$3.2 billion in support of local community development and planning activities.



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(Insert other examples of getting government's house

in order: reduction in White House and Federal Government personnel; evaluation process of OMB; consumer representation plans and hearings; etc.)

Americans are increasingly alienated from all big institutions. They are losing confidence not just in government but in business, labor, school, community and even church.

America's policies must help people move from alienation to involvement.

Both our political institutions and our free economy are threatened by forces that some believe are uncontrollable.

Bureaucracy is alien to the tradition that made America great. Our drift in the last 40 years to a view that government is the primary problem-solver is responsible for many of our contemporary problems. People are facing the reality that they are not the beneficiaries but the victims of bureaucracy.

A public policy which focuses on government alone as problem-solver, fails to mobilize the abilities of people and



institutions outside government. Revenue sharing will not transfer power from the Federal Government if the transfer extends only from big governmental bureaucracies to smaller ones.

Public policy and problem solving must transcend government. Government must reach out to the people for the answers, enlisting -- rather than restricting -- the private sector in national affairs.

As once I proposed a marriage between Congress and the Executive and that there be compromise, conciliation, communication and cooperation between the branches of government, so do I now propose the same between the basic institutions of American society, governmental and non-governmental.

For I am talking about a partnership not only between Federal, State and local governments but something even greater -- a partnership between government institutions and citizen institutions. Through this kind of a process, the government's proper function of governing can be emphasized while the creative resources of our society are unleashed.



I began a systematic effort to meet with national, State and local leaders from the governmental and the private sector almost from the first day I assumed office. I learned much by meeting in the White House and in Town Hall meetings around the country with thousands of citizen leaders from labor, business, farm, education, the churches and the professions, from neighborhood associations, ethnic and minority groups, from associations of women, youth and the elderly, from civic groups and service clubs and voluntary associations.

This unprecedented process sought to open up the Federal Government to citizens from all walks of life to make the Federal Government more responsive to the needs of the people and to make it more accessible.

I believe the office of the Presidency should be used to enhance the ability of our private and governmental institutions to address, understand and resolve our common problems.

If we choose not to listen to the people and only to the politicians and bureaucrats, the government which now takes in



taxes from the American people one-third of what they earn

every year, will by the end of this century be taking fully

half. When that happens, government's ability to control its

free citizens -- already powerful -- will subtly shift to

the government's ability to command its subjects.

We will then have been translated back from liberty

to despotism in a feather bed -- and who will be our Jefferson,

our Lafayette, or our Lincoln?

It was Lincoln who, in the darkest days of our Union,

called upon his countrymen to dedicate themselves to a new

birth of freedom. He treasured, as we do, the shining words

and deeds of 1776, which his own grandparents had witnessed.

But he kept his eye on the future, with its brighter promise

of a more perfect Union, with liberty and justice the birthright

of all Americans.



Now let me turn to the international field, the State
of the world in which we live. Over all, the United States
is in a far stronger position today than it was one year ago.

Peace has made visible progress.

The past year saw the end of an era in Indochina.

(Continued)



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There have been serious repercussions, particularly in Asia. There

were grave and genuine fears that this tragedy indicated -- or

would precipitate -- America's abandonment of its responsibilities

for global peace. But we did not allow these fears to be realized.

Within months, American leadership continued to show its

resilience and its strength.

-- An attempt by a small country in May to kidnap an

American merchant ship, the Mayaguez, on the high seas

in violation of international law was thwarted by firm action,

demonstrating that this country will never submit to blackmail.

-- A summit meeting of all the NATO nations at the end of

May reaffirmed Atlantic solidarity, and indeed displayed

greater cohesion on political, security and economic issues

than at any time in recent decades.



-- In the Middle East, in August and September, the mediating effort of the United States helped produce an interim agreement between Egypt and Israel. This was

the first agreement between Israel and an Arab state that

was not just the aftermath of hostilities. It was an unpre-

cedented step towards a settlement of basic issues; it was

the essential basis for further steps which will be taken

resolutely by the United States and the parties towards a

just and comprehensive peace in accordance with Resolutions

242 and 338.

-- In Cyprus, once the U.S. embargo was partially lifted,

Greece and Turkey and the parties on Cyprus began to move

closer to a negotiated solution. With our encouragement, the

intercommunal talks have begun again, with an opening to



discuss all the issues comprehensively and cooperatively.

-- At the United Nations General Assembly Special Session in

September, and again at the consumer-producer conference

in Paris last month, the United States assumed a role of

initiative and leadership on the fundamental issue of the relations

between the industrialized world and the developing nations.

This will be one of the central concerns of our foreign policy

over the next generation. And our policy of practical proposals

and two-way cooperation, coupled with our undoubted economic

leadership, can help determine the kind of world environment

our children will inhabit.

-- In November, an Economic Summit of the leaders of this

country, Britain, France, West Germany, Italy, and Japan

displayed and advanced the coordination with our closest partners

the great industrial democracies, on basic economic questions.



These issues -- energy policy, monetary policy, coordination

of our recovery measures -- affect the lives of every

American. And so our major alliances, which were forged

a generation ago mainly for security concerns, have proved

to be a fundamental partnership in a new era on a significant

positive dimension of other concerns as well.

-- On this basis, we have continued to pursue what every

American seeks -- a stable world peace. We live in an age of

continuing ideological conflict. But we also live in an age of

thermonuclear weapons -- and also of new genuine opportunities

for resolution of specific problems. It is the inescapable

duty of any Administration to seize these opportunities for

peace.

Therefore, we continued this year to pursue an equitable

strategic arms limitation agreement with the Soviet Union.



Ninety percent of this work is completed, and I intend to continue this effort.

• And I attended in July a 35-nation summit of the Conference on Security and Cooperation in Europe, at Helsinki, to

confirm the stability and security in Europe that have been

American objectives for thirty years. I also made clear that

deeds, not words, will maintain this security. The document

we signed made human rights and the freer movement of

people and ideas a basic component of detente in Europe.

• And on that same trip I visited Yugoslavia, Romania and

Poland, to demonstrate that the benefits of relaxation of tensions

now apply to Eastern, as well as Western Europe.

• In October, we and the Soviet Union concluded a five-year

agreement on grain purchases, by which the Soviet Union has

committed to purchase \$1 billion of grain annually. This



agreement stimulates the American economy, provides jobs

for American transportation workers and seamen, and

minimizes the inflationary impact for American consumers.

This is a good two-way agreement. It is an example of the

positive possibilities of relations between the world's two

most powerful countries.

And just last month I visited China. It was the first

Presidential meeting with Chinese leaders in nearly four years.

We have some differences of view, but we also clarified and

broadened the very significant areas of our agreement.

We share opposition to any form of hegemony in Asia or

in any other part of the world. Our new relationship with

China is now a durable feature on the world scene.

-- I also visited Indonesia and the Philippines, and I enunciated



in Hawaii the doctrine that even after Indochina, the United States remains a strong power in Asia, that will not abandon its friends, its principles, or its responsibilities for peace.

And so America today is at peace. Our foreign policy has restored us to a position of international respect and leadership. Just as 30 years ago, the United States responded with the Marshall Plan and our peacetime alliances and helped keep the peace of a generation, so today the world looks to us again for inspiration and courage.

In the coming year I intend to continue the American role of leadership. I will fulfill my Constitutional responsibility. There can be no moratorium on a responsible foreign policy.



In the coming year:

-- We will continue to strengthen our alliances and

friendships that are the cornerstone of our foreign policy.

Western Europe, Canada, Japan, our friends in free Asia,

in Africa, and Latin America, and the Middle East and

South Asia are of highest importance to us.

-- We will continue to work with dedication and determination

to promote solutions to political problems -- in the Middle

East, in Cyprus, and in South Asia. In the Middle East, in

particular, we will continue to urge both sides to show the

kind of realism and positive spirit that we have seen in the

last two dramatic years. And we will not accept stagnation.

-- In East-West relations, we hope to see the good atmos-

phere of the Helsinki conference reflected in serious



movement forward in the negotiations on reduction of armaments and armed forces in Central Europe. If

this succeeds, we will have taken major steps toward a period of peace that has not been seen in Europe for over 100 years.

-- We will continue to seek a reliable SALT agreement, to implement the balanced, mutually-advantageous terms of the Vladivostok accord. There can be no artificial deadline.-- But equally, I do not accept the proposition that the Nation cannot conduct its national security business in its own interest in one year out of every four.



A great responsibility now rests with the Congress.

There is no question any more that Congress now shares fully the responsibility for fundamental decisions about our foreign policy. Now, both branches of government are accountable for their actions; both branches of government are accountable for the consequences of their decisions.

The past year saw some disturbing developments:

-- We saw serious cuts in the defense budgets, which weakened our ability to maintain a national defense second to none.

(continued)



-- We endured investigations into our intelligence services which, with information and cooperation which we supplied, catalogued some abuses. But they also went further, and harassed and demoralized our intelligence services and leaked sensitive information damaging to countries that have worked most closely and cooperatively with us.

-- In Indochina and Angola, the Congress made impossible any action by the United States to aid friends who were trying to resist domination with Soviet weapons. The consequences of these actions have yet to be fully felt.

We should have learned by now that if we do not act to protect our own interests, our own friends, and our own capabilities, no diplomatic skill or high ideals are going to preserve the peace.

Those who purport to express concern about Soviet actions ought to do their part to help maintain our capability to do what is necessary.



If we maintain our defense and our intelligence activities,
and act firmly to defend our interests, then the genuine oppor-
tunity exists to forge more constructive relations with
adversaries on a secure basis. This has been our policy.

But we cannot unilaterally dismantle or let down our side of the
balance of power.

I am talking about our national defense,

A critical measure of our world position is whether we have
the national will to sustain a long-term commitment to a national
defense that will enable us to deter attacks, and the threat of
attack, to fight effectively if we must, and to support allies.

After 25 years in Congress there can be no doubt about where I
stand on this issue.

I want to assure you now: Every economy that can be
achieved will be approved; every savings that can be found will



be adopted. But the economies of this year, or next, cannot be gained at the expense of our defense posture five or ten years from now. The share of our national resources committed to defense has declined, while that of our opponents has increased.

We face the corrosive effect of inflation on our ability to purchase the modern weapons and maintain the forces that we consider vital.

Our military power is today second to none.

-- The United States and its NATO allies have more than

3 million men under arms;

-- We have in the Alliance more than 7,000 tactical aircraft, over 400 fighting ships and more than 200 attack submarines.

-- The United States strategic forces are solidly based on the most modern types of intercontinental missiles, highly sophisticated submarines capable of delivering a devastating retaliation and a large, proficient strategic air command.



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The United States Army is embarking on a new program to maximize its combat effectiveness without major increases in manpower. Within the next three years the Army will add three new divisions. The United States Navy will embark on a new program of shipbuilding to reverse the downward trend of the past several years. Our Air Force has entered into a new era of modernization to deploy the most effective fighters, interceptors and bombers in the world. Our missile forces will expand at the end of this decade with the advent of the Trident submarine.

These are programs and commitments that we will stand behind. They are reflected in the budget I will submit. Our military power will remain unchallenged only if the Congress supports me in meeting our responsibility.

We do not build defense forces in isolation; they must be geared to the threats that we perceive to our vital interests and those of our



allies. To guarantee that we know what we are about, and know our adversaries, we must have an intelligence establishment composed of the most talented and dedicated Americans. The revelations of abuses are disturbing. I am determined that the abuses of the past will never be repeated.

But the time has come to rebuild the confidence of the United States in its first lines of defense -- the CIA, the FBI, the National Security Agency, the military intelligence -- for without them we stand blind. The time has come to end the assault on our own institutions.

We have a new CIA director -- a man of integrity and ability. And he is a man of wide experience in both foreign policy and in the workings of our free democratic system. The CIA will be responsive to public concern -- but I am determined to defend it and its work in the national interest.



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The American people will not forgive anyone in or out of public office who undercuts a strong America and a strong policy to maintain the peace. Of that I am totally convinced.

These past years have been turbulent times in America and abroad. In this anniversary year it is appropriate to reflect on the fact that 200 years ago this Republic was a small country, challenging the world's greatest power. We did not get here by timidity.

Thirty years ago we accepted another new challenge and have led the free world for a generation. We kept the peace and achieved unparalleled prosperity. Our foreign policy is a source of pride for every American. I will not accept that this generation is one to abandon its responsibility.

The Founding Fathers were sophisticated men. They understood the realities of power, the requirements of diplomacy. Above all, they were men of foresight and courage. Let us live up to their example.

(CONCLUSION TO COME)

