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THE WHITE HOUSE
WASHINGTON

November 10, 1976

MEMORANDUM FOR: JACK MARSH
FROM: CHARLES LEPPERT, JR. *CLJ*
SUBJECT: State of the Union Address

Joel Jankowsky of the Speaker's Office called to state that if President Ford is planning to give his State of the Union Address orally to a joint session of the Congress, they would like to know as soon as possible in order to begin planning for the event.

The matter arose in a staff meeting with the Parliamentarian Bill Brown on preparation for the first session of the 95th Congress. Joel said that they were only asking so that they could have as much notice as possible to plan.

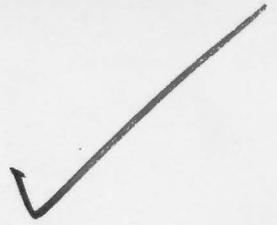
I advised Joel that I'd let him know as soon as we could determine the President's plans for the State of the Union.

cc: Max Friedersdorf



Jack
sent this
on to the Pres
Tux PMA

THE WHITE HOUSE
WASHINGTON



December 30, 1976

MEMORANDUM FOR: BOB HARTMANN
FROM: JACK MARSH *Jack*
SUBJECT: State of the Union

My comments on the State of the Union draft are substantially the same as my earlier comments.

- I believe the message is too long and I would omit much of the program details contained in the center portion of the address.
- I think there is duplication on pages 8 and 9 involving the Middle East and Africa and a discussion which occurs on page 11.
- Although I agree with the point, I question the statement on page 13, paragraph 4, about Congressional authority and urge that this statement be carefully checked out for Constitutional accuracy. Over-statement should also be avoided.
- Page 15 -- These statements sound somewhat extravagant on crime.
- Page 18 -- I would drop the paragraph calling for a reorganized Federal energy structure as well as making any reference to such a proposal elsewhere in the speech.

agree
PMA

agree
PMA

Disagree -
what is
inaccurate
or over-
stated?
PMA

Crime
section
could be
dropped
PMA

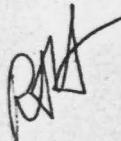
Zarb says
there will
be such
a proposal -
I don't know
PMA



THE WHITE HOUSE
WASHINGTON

December 15, 1976

MEMORANDUM FOR SECRETARY KISSINGER
COUNSELLOR MARSH ✓
MR. LYNN
MR. CANNON
MR. CHENEY
MR. GREENSPAN
GENERAL SCOWCROFT
MR. ZARB

FROM: ROBERT T. HARTMANN 

SUBJECT: 1977 STATE OF THE UNION MESSAGE

Attached for your personal review is a semi-final draft of the 1977 State of the Union message prepared with the assistance of the Domestic Council and National Security Council. It has the President's general approval and extensive changes or additions are not encouraged. The above persons are the only ones he has directed and authorized to have copies and he does not want it circulated further at this time. Please have your written comment hand-delivered to my West Wing office not later than 10:00 a.m. Friday, December 17. Thank you for your assistance.



1977 STATE OF THE UNION MESSAGE

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

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

This report will be my last.

But for the Union, it is only the first of such reports
in our Third Century of Independence, the close of which none
of us will see. We can be confident, however, that a freely
elected President will then come before a freely chosen Congress
to renew our great Republic's pledge to government of the
people, by the people, for the people.

For my part, ~~I pray that the Third Century we are~~
beginning will bring to all Americans, our children and their
children's children, a greater measure of individual equality,



opportunity and justice, a greater abundance of spiritual and material blessings, and a higher quality of life, liberty and the pursuit of happiness.

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

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

As a people, we discovered that our Bicentennial was much more than a celebration of the past; it became a joyous reaffirmation of all that it means to be Americans, a confirmation before all the world of the vitality and durability of our free institutions.



I am proud to have been privileged to preside over the affairs of our Federal government during these eventful years when we proved, as I said in my first words upon assuming office, that "Our Constitution works; our great Republic is a government of laws and not of men; here, the people rule."

The people have spoken; they have chosen a new President and a new Congress to work their will; I congratulate you -- particularly the new Members -- as sincerely as I did President-elect Carter. In a few days, it will be his duty to outline for you his priorities and legislative recommendations. I will not infringe on that responsibility, but rather wish him good luck in all that is good for our country.

During the period of my own service in this Capitol and in the White House I can recall many orderly transitions of governmental responsibility -- of problems as well as of position, of burdens as well as of power. The genius of the American system is that we do this so naturally and normally; there are



no soldiers in the streets except marching in the inaugural parade; no public demonstrations except some of the dancers at the inaugural balls; the opposition party doesn't go underground but goes on functioning vigorously in the Congress and State and local governments; and our vigilant press goes right on finding fault with almost everything except its own purity of purpose. Still, I would stick with Thomas Jefferson and the First Amendment.

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

When I became President on August 9, 1974, our nation was deeply divided and tormented. In rapid succession, the Vice President and the President had resigned in disgrace. We were still struggling to extricate ourselves from a long, bloody



and unpopular war in Southeast Asia. The economy was unstable and racing toward the worst recession in 40 years. People were losing jobs. The cost of living was soaring. The Congress and the Chief Executive were at loggerheads. The integrity of our Constitutional process and of other institutions was being questioned. For more than a decade, domestic spending had soared as Federal programs multiplied automatically. At the same time, our national security needs were steadily shortchanged. Our international leadership was in doubt.

I asked for your prayers, and I went to work.

In January of 1975, I reported to the Congress that the State of the Union was not good. I proposed urgent measures to stimulate the economy and to achieve energy independence in ten years. I set about reassuring America's allies and reducing the danger of confrontation with potential adversaries.

It was a year of difficult decisions, but Americans responded with realism, common sense and self-discipline.

By January 1976, we were headed in a new direction, which I hold to be the right direction for a free society,



guided by the belief that successful problem-solving requires more than government action alone; that it involves a full partnership among all branches and levels of government, and public policies which nurture and promote the creative energies of private enterprises, institutions and individual citizens.

A year ago, I was able to report that the State of the Union was better -- in many ways a lot better -- but still not good enough.

Common sense told me to stick to the steady course we were on, to continue to restrain the inflationary growth of government, to reduce taxes as well as spending, to return local decisions to local people, to provide for long-range sufficiency in energy and national security needs. I resisted the immense pressures of an election year to open the floodgates of Federal money and to promise more than I could deliver. I tried to tell it as it is to the American people and to demonstrate to the world that in our spirited political competition, as on the



floor of this chamber, Americans can disagree without being disagreeable.

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

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

I am proud that today America is at peace. For the first time in a generation, none of our sons are fighting and dying in battle anywhere in the world. And the chances for peace among all nations are improved by our own determination to honor our vital commitments in the defense of peace and freedom.

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



-- Our alliances with our major partners, the great industrial democracies of Western Europe, Japan, and Canada, have never been more solid. Our cooperation has branched out into new fields, such as energy policy, economic policy and relations with the Third World, even while our defense and political consultations have grown closer. The friendship of the democracies is deeper and warmer and more effective than at any time in 30 years.

-- We are stabilizing the strategic balance, and pushing back the spectre of nuclear war. In strategic arms limitation, a decisive step forward was taken in the Vladivostok accord which I worked out with General Secretary Brezhnev.

-- The framework for peace in the Middle East has been built. America demonstrated its readiness to seek what eluded the world for a generation -- a decisive



move toward peace in this important part of the world.

Hopes for future progress in the Middle East were stirred by the historic agreements we reached and the relationship of trust and confidence we formed. Both sides look to the United States for leadership. What better sign could there be of the world's faith in America?

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

-- In relations with the Third World, a historic dialogue has begun between industrial nations and the developing nations on all the issues of economic equity and progress. The proposals on the table are almost all initiatives of the United States -- beginning with the World Food Conference of 1974; to the Seventh Special



Session of the UN General Assembly, and the Conference on International Economic Cooperation in 1975; to the Fourth UNCTAD Conference in 1976. We are launched on this process of shaping positive and reliable economic relations between rich nations and poor over the long-term future.

-- In Africa, the quest for peace, racial justice and economic progress is at a crucial point. The United States, in close cooperation with the United Kingdom, is actively engaged in that historic process. Will change come about by warfare and chaos and foreign intervention? Or will it come about by negotiated and fair solutions, ensuring majority rule and minority rights? America is committed to the side of peace and justice, so that one form of oppression is not replaced by another.

-- In the past two years we have made important progress in reforming the world economic system; in organizing



new efforts to combat nuclear weapons proliferation; in negotiating an agreement on Law of the Sea; in seeking negotiated settlements in Cyprus and Korea; and in reaching an equitable and reliable agreement to secure the safety and defense of the Panama Canal. In all these areas, the new Administration faces opportunities for early progress.

-- I am proud of my record in the conduct of U.S. foreign policy, and I know all patriotic Americans will want this nation's foreign policy to succeed under the new President.

I urge members of my party to give him loyal support.

This is no time for recriminations, but I would express the hope that the Congress re-examine its Constitutional role in international affairs. ~~The exclusive right to declare war,~~ the duty to advise and consent on the part of the Senate, and the power of the purse on the part of the House, are ample authority for the legislative branch and should be jealously



preserved.

But because we may have been too careless of these powers in the past does not justify Congressional intrusion or obstruction of the proper exercise of Presidential responsibilities in the future. There can be only one Commander-in-chief, and in these times war cannot be waged by committee nor can peace be pursued by parliamentary debate. To the ears of the world, the President speaks for the nation. While he is ultimately accountable to the Congress, the courts and the people, he and his emissaries must not be handicapped in advance in their negotiations with foreign governments as has sometimes happened in the past.

In domestic affairs, I am proud of the nation's recovery from the recession and our steady return to sound economic growth. I expect it to continue after this period of uncertainty, which is part of the price we pay for free elections. All of the basic trends are good; we are not on the brink of



another recession or economic disaster. If we follow prudent policies that encourage productive investment and discourage destructive inflation, we will come out all right.

We have successfully cut inflation in half: When I took office, the consumer price index was rising at 12.2 percent a year. During the second half of 1976, the rate of inflation was less than 6 percent.

We have created more jobs. Four million more people have jobs today than did two years ago. Throughout this nation today we have 88 million people in useful, productive work -- more than at any other time in our history. But there are still too many Americans unemployed, and this is my greatest regret as I leave office.

We brought about with the Congress, after much delay, the renewal of General Revenue Sharing. We expanded community development and federal man power programs. We began a significant urban mass transit program. Taken together, these



federal programs provide more funds for American cities than they have ever before received from Washington.

We have cut the growth of crime by more than 75 percent. Two years ago, crime was increasing at a rate of 18 percent each year. In the first quarter of 1976, that growth rate had been reduced to 4 percent. But crime, and the fear of crime, remains one of the most serious problems facing our citizens.

We have had some successes. There also have been disappointments.

Bluntly, I must remind you that we have not made any perceptible progress toward achieving energy independence. Indeed, we have fallen back.

Energy is absolutely vital to the defense of our country, to the strength of our economy, and to the quality of our lives. Two years ago I proposed to the Congress a comprehensive national energy policy and a specific program to end, by 1985, our vulnerability to embargo, blockade, or arbitrary price increases,



and mobilize U.S. technology and resources to supply a significant share of the free world's energy needs after 1985.

Of the major energy proposals I submitted to Congress two years ago, only half belatedly became law. At the start, we were dependent upon foreign oil imports for 37 percent of our needs. Today we are 40% dependent, and this vulnerability could become intolerable in a very short time.

To achieve energy independence will require the investment of more than \$600 billion by 1985, and considerably more than that in the years to follow. Most of this investment will come from the private sector -- in the form of new oil wells, refineries, pipelines, coal digging equipment and facilities for generating electricity.

But we must realize that some projects -- which will be -- necessary to close the energy gap after 1985 -- use new technologies which have never been tested on a large scale. They involve massive investments of capital, 10-year construction lead-times,



and price uncertainties which make the private sector reluctant to commit the necessary capital to get these projects underway.

The gasification and liquefaction of coal, the production of electricity through use of geothermal, solar or wind power, the construction of floating nuclear power plants off our coasts, all fall into this category. But at the same time they offer the only realistic hope for meeting our needs when our current sources of oil and natural gas begin to dwindle after 1985.

Last year I proposed an Energy Independence Authority -- an independent government-owned bank which would lend or guarantee loans to private energy-production projects when other sources of investment capital are not available.

EIA would have authority to provide financing of up to \$100 billion to necessary energy projects over the next 10 years.

The last Congress took no action on the EIA proposal, but I am urgently renewing it again this year in the hope that this Congress will recognize the long-range imperative of energy



-17-

independence.

I have also been disappointed by my inability to complete many of the meaningful reforms which I contemplated for the Federal government, although a start has been made. For example, the Federal judicial system has long served as a model for other courts but it is today threatened by a shortage of qualified Federal judges and an explosion of litigation claiming Federal jurisdiction.

I commend to the new Administration and the Congress the recent report and recommendations of the Department of Justice, undertaken at my request, on "The Needs of the Federal Courts" and especially its proposals for a new Commission on the Judicial Appointment Process and a small agency to plan for the future needs of the Federal judiciary.

While the judicial branch of our government may require reinforcement, the budgets and payrolls of the other branches remain staggering. I cannot help but observe that while the Executive Office of the President has been reduced by 58% since January, 1970,



and the total number of civilians in the executive branch reduced by 3%, the legislative branch has increased by 31%, from 29,193 to 38,161 persons, although the membership of the Congress remains at 535. This may well be the first Congress to cost the taxpayers a billion dollars just for its own housekeeping.

I set out to reduce the growth in the size and spending of the Federal government, but I regret to say no President can really accomplish this alone. The Congress ignored most of my requests for authority to consolidate overlapping programs and duplicative agencies, to return more responsibility to State and local governments through block grants instead of rigid categorical programs, to eliminate unnecessary red tape and outrageously complex regulations, and to check the automatic annual increase in benefit payments mandated by existing law.

We have made some progress in cutting back the expansion of government and its intrusion into individual lives -- but there is much more to be done. It can only be done by tough and temporarily painful surgery by a Congress as prepared as



the President to face up to this very real problem. Again, I wish my successor, working with a substantial majority of his own party, the best of success in reforming the costly and cumbersome machinery of Federal government.

This brings me to a subject I know is very ticklish for an elective official, that of appropriate salary scales for the policy-making people who serve in our government.

(Discussion of Peterson Report)

The task of self-government is never finished. Our problems are great; so are our opportunities. And the capacity of Americans to solve problems and make the most of opportunity is even greater.

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



At home, our most pressing need today and in the future is more jobs -- productive and permanent jobs created by a thriving economy.

We must revise our tax system both to ease the burden of heavy taxation and to encourage the investment necessary for the creation of productive jobs for all Americans who want to work. Earlier this month I proposed a permanent income tax reduction of \$10 billion below current levels including raising the personal exemption from \$750 to \$1,000. I also recommended a series of measures to stimulate investment including accelerated depreciation for new plants and equipment in areas of high unemployment, a reduction in the corporate tax rate from 48 to 46 percent, and eliminating the present double taxation of dividends. ~~I strongly urge the Congress to pass these measures~~ to create the productive, permanent jobs that are essential to our future.



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

This very gathering symbolizes the Constitutional foundation which makes continued progress possible, synchronizing the skills of three independent branches of government, reserving fundamental sovereignty to the people of this great land.

It is only as the temporary representatives and servants of the people that we meet here -- we bring no hereditary status or halo of infallibility and none follows us from this place. Like President Washington, like the more fortunate of his successors, I look forward to the status of private citizen with gladness and gratitude. To be a citizen of the United States of America is the greatest honor and privilege in this world.

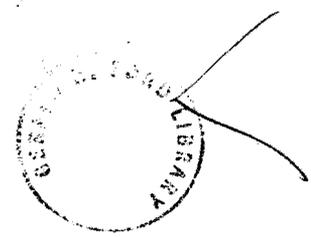
From the opportunities which fate and my fellow citizens have given me, as a Member of the House, as Vice President and



President of the Senate, and as President of all the people, I have come to understand and place the highest value on the checks and balances which our founders imposed on government through the separation of powers, among co-equal legislative, executive and judicial branches.

This often results in difficulty and delay, as I well know, but it also places supreme authority, under God, beyond any one person, any one branch, any majority great or small, or any one party. The Constitution is the bedrock of all our freedoms; guard and cherish it; keep honor and order in your own house; and the Republic will endure.

It is not easy to end these remarks; in this chamber, along with some of you, I have experienced many of the highlights of my life. It was here that I stood 28 years ago with my freshman colleagues as Speaker Sam Rayburn administered the oath. I see some of you now, Charlie Bennett, Dick Bolling, Carl Perkins, Pete Rodino, Harley Staggers, Tom Steed and Clem Zablocki, and I remember those who have gone to their rest.

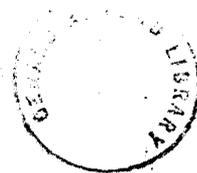


It was here we waged many a lively battle, won some, lost some, but always remaining friends. It was here, surrounded by such friends, that the distinguished Chief Justice swore me in as Vice President on December 6, 1973. It was here I returned eight months later as President to ask you not for a honeymoon, but a good marriage.

I will treasure these memories, and I thank you for them. I once asked for your prayers, and now I give you mine: May God guide this wonderful country, its people, and those they have chosen to lead them. May our Third Century be illuminated by liberty and blessed with brotherhood, so that we and all who come after us may be the humble servants of Thy Peace. Amen.

Good night and God bless you.

#



December 18, 1976

MEMORANDUM FOR: THE PRESIDENT
FROM: JACK MARSH
SUBJECT: State of the Union Message

I have a favorable reaction to this draft. I think the first four or five pages are especially good.

I would urge, in addition to the recounting of the achievements on pages 7-10, that the President lay out some good goals to which the country should strive before the Year 2000. These goals should be in two parts:

1. Those essential to our survival and well-being;
2. Those desirable from the standpoint of an improved quality of life.

I would suggest harkening back to the Bicentennial speech at the Air and Space Museum and the one at Philadelphia on July 4th. In both of these speeches you made reference to goals for the country.

I would think there should be greater reference to individual freedom and the great choices that must be made between statism and individualism.

The President's theme on individualism which occurred in your Fort McHenry speech on July 4, 1975 and subsequently developed as a Bicentennial theme should be reemphasized in my view in the State of the Union.

I would devote less attention to the the details of a number of proposals, such as those relating to energy and taxation.



I think a major theme should be the quality of life and the role of Federalism in achieving that future.

Several lesser points:

1. On page 22, I would change the sentence about those who "have gone to their rest."
2. On page 4, I would suggest a rewording about Nixon and Agnew resigning in disgrace -- perhaps change to resigned without honor.

JOM/dl



THE WHITE HOUSE

WASHINGTON

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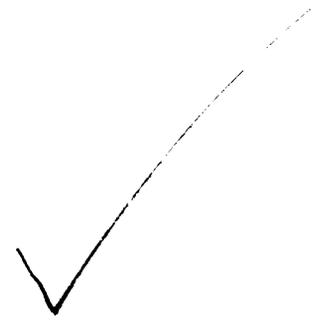
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THE WHITE HOUSE
WASHINGTON

December 20, 1976



MEMORANDUM FOR:

JACK MARSH

FROM:

JIM CONNOR

JEC

The following notation was directed to you in the President's outbox:

"I took copy of SOTU with me (your comments).

Did you give Bob Hartmann a copy?"

Please follow-up with appropriate action.

cc: Dick Cheney

D-ALM



THE WHITE HOUSE

WASHINGTON

December 27, 1976

MEMORANDUM FOR: SECRETARY KISSINGER
COUNSELLOR MARSH ✓
MR. LYNN
MR. CANNON
MR. CHENEY
MR. GREENSPAN
GENERAL SCOWCROFT
MR. ZARB

FROM: ROBERT T. HARTMANN

SUBJECT: 1977 STATE OF THE UNION MESSAGE

Attached for your personal review is the fourth draft of the 1977 State of the Union message. The above persons are the only ones he has directed and authorized to have copies and he does not want it circulated further at this time. Please have your written comment hand-delivered to my West Wing office not later than noon, Wednesday, December 29. If none is received, we will assume this draft has your approval. Thank you for your assistance.



1977 STATE OF THE UNION MESSAGE

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

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

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of us ^{except to} will see. We can be confident, however, that a freely
elected President will then come before a freely chosen Congress
to renew our great Republic's pledge to government of the people,
by the people, for the people.

For my part, I pray that the Third Century we are
beginning will bring to all Americans, our children and their
children's children, a greater measure of individual equality,



opportunity and justice, a greater abundance of spiritual and material blessings, and a higher quality of life, liberty and the pursuit of happiness.

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no soldiers in the streets except marching in the inaugural parade; no public demonstrations except some of the dancers at the inaugural balls; the opposition party doesn't go underground but goes on functioning vigorously in the Congress and State and local governments; and our vigilant press goes right on finding fault with almost everything except itself, confirming the foresight of the framers of the First Amendment.

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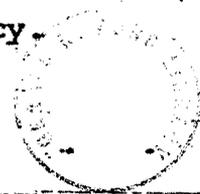
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I am proud that today America is at peace. For the first time in a generation, none of our sons are fighting and dying in battle anywhere in the world. And the chances for peace among all nations are improved by our own determination to honor our vital commitments in the defense of peace and freedom.

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



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

-- We are stabilizing the strategic balance, and pushing back the spectre of nuclear war. In strategic arms limitation, a decisive step forward was taken in the Vladivostok accord -- which recognized that a ceiling should be placed on the number of strategic weapons of each side -- which I worked out with General Secretary Brezhnev.

-- The framework for peace in the Middle East has been built. America demonstrated its readiness to seek what eluded the world for a generation -- a decisive move toward peace in this



important part of the world. Hopes for future progress in the Middle East were stirred by the historic agreements we reached and the relationship of trust and confidence we formed.

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

-- In relations with the Third World, a historic dialogue has begun between industrial nations and the developing nations on all the issues of economic equity and progress. The proposals on the table are almost all initiatives of the United States; the World Food Conference of 1974; the Seventh Special Session of the UN General Assembly; the Conference on International Economic Cooperation in 1975; and the Fourth UNCTAD Conference in 1976. We are launched on this process of shaping positive and reliable economic relations between rich nations and poor over the long-term future.

-- In Africa, the quest for peace, racial justice and economic progress is at a crucial point. The United States, in



close cooperation with the the United Kingdom, is actively engaged in that historic process. Will change come about by warfare and chaos and foreign intervention? Or will it come about by negotiated and fair solutions, ensuring majority rule and minority rights? America is committed to the side of peace and justice, and to the principle that Africa should shape its own future free of outside intervention.

I am proud of these accomplishments. They constitute a record of broad success for America, and for the peace and prosperity of all mankind. Many problems remain, some of them of vast scope. But this Administration leaves to its successor a world in better condition than we found. And we leave, as well, a solid foundation for progress on a range of issues that are vital to the well being of America.

-- A SALT agreement, which will for the first time in history put a ceiling on the strategic weapons of both the Soviet Union and the United States, is well within reach. With good will on the part of both nations, agreement is possible this year, well before the interim agreement expires.



-- With the encouragement and support of the United States, the peoples of Southern Africa have moved a very long way toward a peaceful transition from white to black rule in Rhodesia, from colonial domination to independence in Namibia, and from domination by the men with the guns to a time when moderation in the struggle for racial equality offers true hope for black and white alike. The progress thus far achieved must be maintained; success must come from the Geneva negotiations, for the lives of thousands and the well being of millions depend upon it.

-- Thanks to American leadership, the prospects for peace in the Middle East are brighter than they have been in three decades. The Arab states and Israel continue to look to us to lead them from the tragedy of confrontation and war to a new era of accommodation and peace. We have no alternative but to persevere, for the opportunities for a final settlement are great and the price of failure a return to the bloodshed and hatred that have for too long brought tragedy to Arab and Jew alike, and the world to the brink of war.



-- We are well advanced on negotiations on a treaty that will safeguard America's vital stake in the Panama Canal while recognizing Panama's legitimate claims as well. With perseverance a new Panama Canal regime can be ours during the course of the year.

-- The world has moved closer to concluding a treaty governing the use of the oceans for the benefit of all nations. The Law of the Sea negotiations have already achieved much, thanks in great part to the leadership of the United States. While much remains to be done, we can realize a treaty this year if we continue to lead the way.

-- Reform of the world economic system is well advanced. Meetings held during the past two years with the leaders of the free world's most important economic powers have already led to important changes that serve both developed and developing alike. The momentum already achieved must be nurtured and strengthened, for the prosperity of rich and poor depends upon it.



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

-- I am proud of my record in the conduct of U.S. foreign policy, and I know all patriotic Americans will want this nation's foreign policy to succeed under the new President.

I urge members of my party to give him loyal support.

This is no time for recriminations, but I would express the hope that the Congress re-examine its Constitutional role in international affairs. The exclusive right to declare war, the duty to advise and consent on the part of the Senate, and the power of the purse on the part of the House, are ample authority for the legislative branch and should be jealously preserved.

But because we may have been too careless of these powers in the past does not justify Congressional intrusion into, or obstruction of, the proper exercise of Presidential responsibilities



now or in the future. There can be only one Commander-in-Chief, and in these times crises cannot be managed and wars cannot be waged by committee. Nor can peace be pursued by parliamentary debate. To the ears of the world, the President speaks for the nation. While he is, of course, ultimately accountable to the Congress, the Courts and the people, he and his emissaries must not be handicapped in advance in their negotiations with foreign governments as has sometimes happened in the past.

At home, I am proud of the nation's recovery from the recession and our steady return to sound economic growth. I expect it to continue after this period of uncertainty, which is part of the price we pay for free elections. All of the basic trends are good; we are not on the brink of another recession or economic disaster. If we follow prudent policies that encourage productive investment and discourage destructive inflation, we will come out all right.

We have successfully cut inflation in half: When I took office, the consumer price index was rising at 12.2 percent a year.



During the second half of 1976, the rate of inflation was less than 6 percent.

We have created more jobs. Four million more people have jobs today than did two years ago. Throughout this nation today we have 88 million people in useful, productive work -- more than at any other time in our history. But there are still too many Americans unemployed, and this is my greatest regret as I leave office.

We brought about with the Congress, after much delay, the renewal of General Revenue Sharing. We expanded community development and federal man power programs.

We began a significant urban mass transit program.

Taken together, these federal programs provide more funds for American cities that they have ever before received from Washington.

We have cut the growth of crime by more than 75 percent.



Two years ago, crime was increasing at a rate of 18 percent each year. In the first quarter of 1976, that growth rate had been reduced to 4 percent. But crime, and the fear of crime, remains one of the most serious problems facing our citizens.

We have had some successes. There also have been disappointments.

Bluntly, I must remind you that we have not made satisfactory progress toward achieving energy independence. Indeed, we have become more dependent on foreign oil.

Energy is absolutely vital to the defense of our country, to the strength of our economy, and to the quality of our lives. Two years ago I proposed to the Congress the first comprehensive national energy policy. It was a specific program to end, by 1985, our vulnerability to embargo, blockade, or arbitrary price

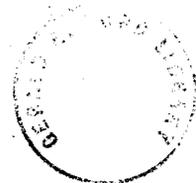


increases, and mobilize U.S. technology and resources to supply a significant share of the free world's energy needs after 1985.

Of the major energy proposals I submitted to Congress two years ago, only half belatedly became law. At the start, we were dependent upon foreign oil imports for 37 percent of our needs. Today we are 40% dependent, and this vulnerability could become intolerable in a very short time.

The answer to where we stand on our national energy effort today reminds me of the old argument over whether the tank is half full or half empty. The pessimist will say we have half failed to achieve our 10-year goals, the optimist that we have half succeeded. I am always an optimist, but we must make up for lost time.

We have laid the foundation for completing the enormous task which confronts us. I have signed into law significant measures for conservation, resource development, stockpiling and standby authorities. I hope that most of Congress and the public



now realize that there are no simple answers, but only hard decisions which must be confronted squarely.

We have moved forward to develop the Naval Petroleum Reserves; build a 500 million barrel strategic petroleum stockpile; phase-out unnecessary government controls; develop a lasting relationship with other oil consuming nations; improve the efficiency of energy use through conservation in automobiles, buildings, and industry; and expand research on new technology and renewable resources, such as solar energy.

All these actions, significant as they may be for the long term, are only the beginning. I recently submitted to the Congress another Energy message which outlines my proposals to reorganize the Federal energy structure, and the hard choices which remain if we are serious about reducing our dependence upon foreign energy.

These include programs for reversing our declining production of natural gas, increasing incentives for domestic crude



oil production, reducing environmental uncertainties affecting coal development, expanding nuclear power generation and providing government financial assistance through creation of an Energy Independence Authority, in those areas vital to our energy goals and where private capital is not currently available.

The gasification and liquefaction of coal, the production of electricity through use of geothermal, solar or wind power, the construction of floating nuclear power plants off our coasts, all fall into this category. But at the same time they offer the only realistic hope for meeting our needs when our current sources of oil and natural gas begin to dwindle after 1985.

EIA would have authority to provide financing of up to \$100 billion to necessary energy projects over the next 10 years.

I urgently ask Congress and the new Administration to move quickly on these issues. This Nation has the resources and capability to achieve our energy goals if its government has the will to proceed.



I have also been disappointed by my inability to complete many of the meaningful reforms which I contemplated for the Federal government, although a start has been made. For example, the Federal judicial system has long served as a model for other courts but it is today threatened by a shortage of qualified Federal judges and an explosion of litigation claiming Federal jurisdiction.

I commend to the new Administration and the Congress the recent report and recommendations of the Department of Justice, undertaken at my request, on "The Needs of the Federal Courts" and especially its proposals for a new Commission on the Judicial Appointment Process and a small agency to plan for the future needs of the Federal judiciary.

While the judicial branch of our government may require reinforcement, the budgets and payrolls of the other branches remain staggering. I cannot help but observe that while the Executive Office of the President has been reduced by 58% since January, 1970,



and the total number of civilians in the executive branch reduced by 3%, the legislative branch has increased by 31%, from 29,193 to 38,161 persons, although the membership of the Congress remains at 535. This may well be the first Congress to cost the taxpayers a billion dollars just for its own housekeeping.

I set out to reduce the growth in the size and spending of the Federal government, but I regret to say no President can really accomplish this alone. The Congress ignored most of my requests for authority to consolidate overlapping programs and duplicative agencies, to return more responsibility to State and local governments through block grants instead of rigid categorical programs, to eliminate unnecessary red tape and outrageously complex regulations, and to check the automatic annual increase in benefit payments mandated by existing law.

We have made some progress in cutting back the expansion of government and its intrusion into individual lives -- but there is much more to be done. It can only be done by tough and temporarily painful surgery by a Congress as prepared as



the President to face up to this very real problem. Again, I wish my successor, working with a substantial majority of his own party, the best of success in reforming the costly and cumbersome machinery of Federal government.

This brings me to a subject I know is very ticklish for an elective official, that of appropriate salary scales for the policy-making people who serve in our government.

By law, at the close of a President's term, he is to submit to the Congress recommendations on salary levels for the top officials of the Executive Branch (mainly of Cabinet and sub-Cabinet rank), for the Federal Judiciary (Supreme Court Justices and the Federal Judges) and for Members of the Congress. Pursuant to the same law, an outside Commission has studied this matter and made its recommendations.

I commend and accept the two basic themes of the Commission's report.

First, that applying the test that salaries should be as low as possible but adequate to attract and hold the best qualified people for these top Federal jobs, some increases are now re-



quired. As you know, except for one increase of 5 percent, the salary schedules for such policymakers have been frozen for eight years.

But an equally important theme of the Commission is that increases be conditioned upon firm commitments to put into effect promptly major reforms restricting outside income, requiring full financial disclosure, tightening conflict of interest rules and the like. As the report puts it so well:

" Americans....do believe that a public office is indeed a public trust. They will pay a fair day's wage for a full day's work but they want to know that the salary they pay is the salary the public servant receives. They will pay enough to avoid the necessity of hidden "moonlighting", but they want to know -- and be able to verify -- that there in none of this "moonlighting" going on anyway. They want open, fair and responsive government from fair and honorable people who work full time for what they receive -- and they will pay adequate salaries if they believe that what they pay for is what they get."

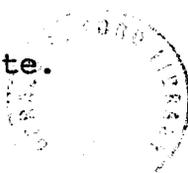


My recommendations will be set forth fully at the time I submit the budget. From discussions with the Leadership of the Congress, the Chief Justice and the President-elect, I have every reason to believe that such recommendations, including the commitment to prompt code of conduct reforms, will be well received.

The task of self-government is never finished. Our problems are great; so are our opportunities. And the capacity of Americans to solve problems and make the most of opportunity is even greater.

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

In presenting the State of the Union to the Congress and to the American people, I have a special obligation as Commander-in-Chief to report on our national defense. Our survival as a free and independent people requires, above all, strong military forces that are well-equipped and highly trained to perform their assigned mission. This must never become an issue of partisan debate.



I am particularly proud to report that over the past two and a half years we have been able to reverse the dangerous decline in the real resources this country devotes to national defense. This was the immediate problem I faced in 1974. For many reasons we had allowed our real defense spending to decline. In the budgets I have submitted, including the present one, we have not only checked that decline, but we have established a positive trend.

The challenge that now confronts this country is whether we have the national will and determination to continue this effort over the long term; for we can no longer afford to oscillate from year to year in our overall defense effort. Indeed, we have a duty to look beyond the immediate question of budgets, and to examine the nature of the problem we will face over the next decade.

I have been the first President that was in a position to address the long-term basic issues without the burden of Vietnam. The war in Indochina consumed enormous resources, at the very time that the strategic superiority we enjoyed was disappearing.



As a result of our own unilateral decisions, our strategic forces levelled off. Yet, the Soviet Union continued a steady, constant build up of its own forces, committing a high percentage of its national economic effort to defense. This situation was remedied in part by the first SALT agreements, and I profoundly hope that it can be further improved through new agreements.

Nevertheless, the United States can never tolerate a shift in the strategic balance against us, or even a situation where our own people or our allies perceive the balance to be shifting against us. It may be that technology has reached the point that neither side can, in fact, achieve a decisive strategic superiority. But the United States would risk the most serious political consequences if the world came to believe that our adversaries have a decisive margin of superiority. In order to maintain a strategic balance we have to plan for the 1980's and beyond. The sophistication of modern weapons requires that we make decisions now if we are to insure our security ten years from now.

Therefore I have consistently advocated and strongly urged that we pursue three critical strategic programs: the Trident missile launching submarine; the new B-1 bomber, with its superior capability to penetrate the most modern air defenses; and finally, a new intercontinental ballistic missile that will be able to survive an attack and deliver a devastating retaliatory strike.



In an era where the strategic nuclear forces remain in a rough equilibrium, the risks of conflict below the nuclear threshold may grow more perilous. The second major long term challenge therefore is to develop capabilities to deal with challenges and crises throughout the world, and particularly in Europe.

It is no longer possible to rely solely on our strategic forces to guarantee our security or to deter aggression. We must have superior naval forces for both the Atlantic and Pacific, strong offensive and defensive tactical air forces, as well as mobile and modern ground forces.

-- I have directed a long-term effort to augment our strategic forces with improved worldwide capabilities to deal with regional crises.

-- I have submitted a five year naval building program that will be indispensable if we are to guarantee the freedom of the seas.

-- The security of Europe and the integrity of NATO must remain a priority goal of American defense policy. I have therefore directed a special, long-term program to restore our capacity to sustain a conflict in Europe at whatever level we are challenged.

As I leave office, I am proud to report that our national defense is second to none. But I also must warn that there is no guarantee it will remain so, unless we have the wisdom and the courage to prepare for the decades to come.



At home, our most pressing need today and in the future is more jobs -- productive and permanent jobs created by a thriving economy.

We must revise our tax system both to ease the burden of heavy taxation and to encourage the investment necessary for the creation of productive jobs for all Americans who want to work. Earlier this month I proposed a permanent income tax reduction of \$10 billion below current levels including raising the personal exemption from \$750 to \$1,000. I also recommended a series of measures to stimulate investment including accelerated depreciation for new plants and equipment in areas of high unemployment, a reduction in the corporate tax rate from 48 to 46 percent, and eliminating the present double taxation of dividends. ~~I strongly urge the Congress to pass these measures~~ to create the productive, permanent jobs that are essential to our future.



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

This very gathering symbolizes the Constitutional foundation which makes continued progress possible, synchronizing the skills of three independent branches of government, reserving fundamental sovereignty to the people of this great land.

It is only as the temporary representatives and servants of the people that we meet here -- we bring no hereditary status or halo of infallibility and none follows us from this place. Like President Washington, like the more fortunate of his successors, I look forward to the status of private citizen with gladness and gratitude. To be a citizen of the United States of America is the greatest honor and privilege in this world.

From the opportunities which fate and my fellow citizens have given me, as a Member of the House, as Vice President and



President of the Senate, and as President of all the people, I have come to understand and place the highest value on the checks and balances which our founders imposed on government through the separation of powers, among co-equal legislative, executive and judicial branches.

This often results in difficulty and delay, as I well know, but it also places supreme authority, under God, beyond any one person, any one branch, any majority great or small, or any one party. The Constitution is the bedrock of all our freedoms; guard and cherish it; keep honor and order in your own house; and the Republic will endure.

It is not easy to end these remarks; in this chamber, along with some of you, I have experienced many of the highlights of my life. It was here that I stood 28 years ago with my freshman colleagues as Speaker Sam Rayburn administered the oath --

I see some of you now, Charlie Bennett, Dick Bolling, Carl Perkins, Pete Rodino, Harley Staggers, Tom Steed and Clem Zablocki, and I remember those who have gone to their rest.

It was here we waged many a lively battle, won some, lost some, but always remaining friends. It was here, surrounded by such friends, that the distinguished Chief Justice swore me in as Vice President on December 6, 1973. It was here I returned eight months later as President to ask you not for a honeymoon, but a good marriage.

I will treasure these memories, and I thank you for them.

I once asked for your prayers, and now I give you mine: May God guide this wonderful country, its people, and those they have chosen to lead them. May our Third Century be illuminated by liberty and blessed with brotherhood, so that we and all who come-after-us-may-be-the-humble servants of Thy Peace. Amen.

Good night and God bless you.

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