

**The original documents are located in Box 30, folder “State of the Union Address, 1975 (2)” of the John Marsh Files at the Gerald R. Ford Presidential Library.**

### **Copyright Notice**

The copyright law of the United States (Title 17, United States Code) governs the making of photocopies or other reproductions of copyrighted material. Gerald R. Ford donated to the United States of America his copyrights in all of his unpublished writings in National Archives collections. Works prepared by U.S. Government employees as part of their official duties are in the public domain. The copyrights to materials written by other individuals or organizations are presumed to remain with them. If you think any of the information displayed in the PDF is subject to a valid copyright claim, please contact the Gerald R. Ford Presidential Library.

ADMINISTRATIVELY CONFIDENTIAL

PROPOSED PRESIDENTIAL WRITTEN MESSAGE TO BE SENT  
TO THE CONGRESS ON THE STATE OF THE UNION  
AND FOLLOW-UP ACTIONS

ADMINISTRATIVELY CONFIDENTIAL



(Friedman)

January 7, 1975  
Third Draft

THE STATE OF THE UNION

Mr. President, Mr. Speaker, Members of the 94th Congress,  
my fellow citizens:

This is the moment when the Congress and the Executive annually begin their cooperative work. One basic purpose unites us in 1975 as we begin the 200th year of this Republic. It is to take charge of our own fate, to make the necessary decisions on our troubled economy, and to achieve the broader vision necessary for a realistic response to rapid change at home and abroad.

The State of the Union address is traditionally an occasion for a detailed assessment by the President and a statement of what he wants the Congress to do. But I will not repeat the rituals of the past.

Instead of dwelling on the unprecedented events since the last State of



the Union message, I will use this occasion to propose actions to deal with our economic problem.

In welcoming the new Congress, I am aware that members of my own party are decidedly in a minority. When President Truman in 1948 addressed the Congress on the State of the Union, he made some points which are appropriate today. He said that "on this occasion, above all others, the Congress and the President should concentrate their attention not upon party but upon country, not upon things that divide us but upon those which bind us together -- the enduring principles of our American system and our common aspirations for the future welfare and security of the people of the United States."

I ask you today for a new partnership for effective action against the erosion of our economy by alternating waves of inflation and recession. That is the great challenge to policy in 1975. The Executive and Legislative



departments must join to break the ideological stalemate between the rigid philosophies of both conservatives and liberals. Liberals must realize that to ignore the investment requirements of the system is to condemn it to stagnation, inflation, and social disorder. Conservatives must realize that if they are to avoid mandatory wage, price, and profit controls, they must accept orderly evolution in American economic institutions to meet the new needs of an evolving society.

The United States became great because we, as a people, have been able to work together for great objectives even while differing about details. The elements of our strength are our democratic government, our economic system, and our great natural resources. But this is only a partial explanation. The basic source of our real strength is our belief in the human individual and in the energy, ability, and ingenuity of the American people. With this common faith, let us attack our common problems.



We start together to make our mark on history in the service of the 213 million people of the United States.

Let us begin by acknowledging that too many of us have been living as if there were no tomorrow. Now tomorrow is here. Our economic condition is under severe strain. There is concern and bewilderment among our people. But there is also the determination to solve problems -- or to learn to live with them.

The state of our union reflects the changing nature of the world. Most of our anxieties are exaggerated. But they do not seem exaggerated to those who are unemployed or lack the money to pay rising costs or face bankruptcy.

During my five months in office, I sought [the] [proper] remedies.

Congress responded to my economic messages of October 8 and November 18 by acting on seven important measures. I was pleased earlier this month to sign the Trade Bill which will create more jobs for Americans and strengthen our economic situation. Other measures enacted provide deepwater port facilities, a 55 mile per hour speed limit, Energy Research Development Administration and the Nuclear Regulatory Commission, a special unemployment insurance



-4a-

and Community Improvement Program, increased penalties for anti-trust violations, and made conventional mortgages eligible for purchase by Government National Mortgage Association.

-more-



Today the situation has changed. The pace of our economy has slowed more than any of the experts predicted.

Too many people are deeply worried. Some lack confidence in America's future. I understand their concern. America has seen drastic changes in its economy. We have felt the impact of food shortage at a time of rising world population. Billions of dollars pour out of our country as price-fixed foreign oil inflates America's cost of living. We also feel the impact of excessive government spending in times of prosperity.

Rules and regulations of Government, management, and labor combined to push prices up. Lack of competition in certain areas allowed unrestrained wage and price increases. Together -- food, oil, deficits, the perpetuation of special interests and lack of competition have resulted in the current economic illness -- and the lack of confidence it produced.

Some of these things we did to ourselves. Others were done to us.

What has happened requires us to take action on a national scale.





Regardless of where the blame lies, we have suffered the worst inflation in our history. This inflation has caused the recession which we now face. Make no mistake, we recognize that this recession is eroding our economy as rapidly as any recession in the last thirty years.

Recession caused by inflation has now become our Public Enemy Number One. While all of us need to be concerned, none of us needs to panic. Our resources -- natural and human -- are the greatest in the world. Our achievement in providing the good life ~~to our citizens~~ is unparalleled. With confidence in our proven capacities, let us now go into action:

I will present the Congress tomorrow a plan to make us independent of foreign sources of oil. It will require sacrifice. But it will work.

Our plan will:



-- Begin immediately to take those actions necessary to reduce our energy consumption and increase our domestic supply.

-- Eliminate by 1985, U.S. vulnerability to economic disruption by foreign suppliers by achieving the capacity for full energy self-sufficiency.

-- Within this century, develop our technology and resources to meet the energy needs of the Free World.

-- Help to lower world oil prices to preserve the Western financial system and prevent accumulation of excessive economic and political power by oil suppliers.

There will be higher prices for petroleum products and fuel ~~here~~  
~~at home~~. There will also be help for those hardest hit while every American sacrifices. <sup>Our</sup> The plan is complicated because there is no simple solution. The Congress and the American people must study it in all



its ramifications. This is a unified operation to regain our national economic independence. It will be coordinated with our friends abroad. No one will be permitted to make undue profit from this national undertaking. Everyone will find some part they won't like. And everyone will have to compromise in the national interest of the United States.

As the first step in reducing oil consumption, I have today ordered a tax on imported crude oil to reduce consumption. The Congress must act at once to provide the rebates necessary to offset the hardships that will ensue from this essential action. We begin today acting as well as talking about saving energy.

-more-



Let us implement a new energy policy. The necessary actions will not be easy or universally popular. The benefits will not be fully realized until 1985.

Warnings sounded and measures taken have proved inadequate.

The world energy problem will not go away. Without immediate action the situation will certainly deteriorate. What is at stake is the economic growth achieved by the Western World over the last century and a half.

It can be resolved only by the concerted action of many nations.

The task before us is not only to improve our domestic situation but to provide leadership for the world.

### The Present Situation

An assessment of the U.S. energy situation is now complete:

-- U.S. energy consumption has been growing at a rate of 4-5 percent in recent years.



-- Domestic production of petroleum has been declining since 1970; coal use remains at the levels of the 1930's; since 1968 we have been consuming natural gas faster than we have discovered it; and nuclear power and other sources have not yet begun to attain the promise of their potential.

-- We now rely on coal for 17 percent of our energy and on oil and gas for most of the rest. We have centuries of coal reserves left but only enough oil and gas to last a generation at the current levels of use.

-- Petroleum imports have provided an ever-increasing share of America's energy rising from about 20 percent in 1970 to the present 37 percent of domestic oil consumption.

The world has plenty of gasoline. The issue is whether we can afford to pay excessive prices and rely upon unstable sources. The



Arab Embargo imposed in October, 1973, demonstrated the extent of our vulnerability. Our Gross National Product dropped significantly. A half-million of our national labor force lost their jobs.

Our energy problem remains very serious. Domestic demand continues to grow, though more slowly than in the past. Domestic petroleum production continues to decline. The gap between supply and demand must be filled by imports, which already have surpassed pre-embargo levels. Thus, we will rely more and more on insecure foreign sources, which have quadrupled petroleum prices the past year at the growing peril of the international economic system.

Major industrialized nations -- including our traditional friends and allies -- with limited or virtually non-existent domestic energy sources are accumulating staggering deficits because of high oil prices. We hear dire warnings of their *Economic condition* (bankruptcy and imminent economic collapse.)



We see oil-producing nations accumulating surplus cash, more than they can productively use at home, at an estimated annual rate of about \$60 billion. We hear predictions of the monetary chaos which these accumulations portend. And, at a more fundamentally human level, we see underdeveloped nations, being bent to the breaking point under the weight of oil prices.

To cope with this situation we must cut energy use while stimulating production from domestic energy sources.

### National Energy Policy and Goals

Many of the proposals I will outline today entail difficult domestic choices -- increased energy costs, environmental compromises or changed lifestyles.

We must establish firm national energy goals that all Americans can understand and accept.



The poor are always hardest hit by rising prices. They spend more of their limited income for energy than other groups. I will soon announce a series of measures to help low-income consumers. In addition, all Americans will benefit from reduced balance of payments deficits and the increased domestic employment opportunities that will result from this program. In the next 10 years, we will need more people to explore, develop, produce and transform our energy resources than ever before.

As a first step, I am establishing the following national energy goals to assure that our future is as secure and productive as our past:

- (1) To reduce oil imports by 1 million barrels per day by the end of this year and by 2 million barrels per day by the end of 1977.
- (2) To end vulnerability to economic disruption by foreign suppliers by 1985. This means that by 1985 we should import no more than 15 percent of our total petroleum consumption. We must





have the capability to immediately replace that 15 percent from storage and standby measures in the event of a supply disruption.

(3) To develop our energy technology and resources so that the United States has the ability to supply a significant share of the energy needs of the Free World by the end of this century.

All of these goals involve economic and political costs. They cannot be fully achieved through natural market forces operating within current national and international policies. To attain objectives we need:

- Drastic, immediate action to cut imports.
- Actions to increase our supplies and ability to use our coal, gas, oil and nuclear power.
- A major new mandatory energy conservation program.
- A major new emergency and security storage program including up to one billion barrels of petroleum storage.



We cannot debate the merits of only increasing supply or only reducing demand. We must do both to the maximum extent possible. The program I am proposing is complex. All parts of it are necessary if we are to reach our national energy goals.

Actions to meet the Short-Term (1977) Goal

If we are to be successful in implementing a national energy policy, our first steps will be the most important. They must be taken now and serve notice to other nations that we are serious.

In the short-term, there are only a limited number of actions which can increase domestic supply. I intend to pursue all of them. To that end, I have already consulted with Congressional leaders to discuss the subject of producing oil more rapidly from the Elk Hills, California, Naval Petroleum Reserve. Increased production from this area should be used to top off military storage tanks, provide funds for storage, and

result in increased domestic supplies. It can also provide funds to build a more secure domestic storage program. I will submit legislation to allow commercial production of up to 160 thousand barrels per day as soon as possible in 1975, and up to 300 thousand barrels per day by the end of 1977.

In order that we make greater use of our domestic coal resources, I am submitting a set of comprehensive amendments to the Energy Supply and Environmental Coordination Act of 1974. These will greatly increase the number of plants that can be converted to coal in the coming years. The current law only allows 23,000 barrels per day of conversions in 1975; these amendments could allow almost 100,000 barrels per day to be saved.

Such actions are not nearly enough to meet my import goal. To reach these levels, voluntary conservation is essential, but will not be sufficient. To assist the voluntary program, the Federal Energy Administration



is stepping up its energy conservation public information program from one to five million dollars. I am, also, calling on the 94th Congress to enact a comprehensive legislative package to cut demand to reach the goal of import reductions of 1 million barrels per day in 1975, and 2 million barrels per day by the end of 1977.

Because of the need for action, during the period of Congressional deliberation on requested legislation, I am administratively raising the fee on all imported crude oil, natural gas liquids and petroleum products. The fee levels will be \$1 per barrel effective February 1; \$2 on March 1; and \$3 on April 1. The crude price equalization program will be modified to mitigate disproportionate benefits or impacts in any single area or our country.

The legislative package I am requesting to conserve energy use is a tough program including the following items:



- An excise tax of \$2 per barrel on all crude oil, natural gas liquids and product imports.
- Deregulation of new natural gas as previously proposed by the Administration.
- An excise tax of 37¢ per thousand cubic feet on all natural gas to equal the \$2 oil excise tax on a thermal equivalency basis.
- A windfall profits tax to ensure that no single sector of our economy gains unduly while others make sacrifices. I will administratively decontrol the price of crude oil on April 1 and urge Congressional enactment of this tax by that time.
- A program of income tax reductions and/or other rebate measures to return to the economy the roughly \$30 billion estimated to be raised this year through these measures. Most of this money is to be restored directly to consumers, with special measures to provide funds for the poor.



The actual legislative language for this and my other proposals will be forwarded after the State of the Union Message. I want to work closely with the Congress so that this package will be enacted within 90 days and our import goals can be met. Only prompt action will enable the money collected through the tariffs to be returned to the economy quickly and the inequities caused by the tariff to be corrected. This proposal will result in some windfall profits. But rapid Congressional action can also remove this problem. The windfall profits tax, as well as rebates, would be retroactive to February 1, 1975. These actions are harsh and my administrative authorities are limited -- yet they are the only powers I possess. The situation is too serious to wait.

In making the decision to propose this comprehensive package of legislation, I had to choose between fundamentally differing approaches



to conserve energy. The only viable method to achieve large and immediate reductions in energy consumption, other than this market approach, is through greater use of Government controls -- either by import quotas, allocation, or rationing. While each of these measures has some merit, each would result in large inefficiencies, bureaucracy, and disruptions in our way of life. Rather than endure gas lines or rationing coupon lines, we must let the free market work to the maximum extent possible. But higher prices alone would create economic pressures that must be relieved by tax measures to return revenues to consumers. This proposal does increase gasoline prices. But it is more equitable than an outright gasoline tax. The tax on crude oil spreads the burden across the broad spectrum of all petroleum products. To cut imports, all usage must be reduced.

Actions to meet the Mid-Term (1985) Goal

By 1985, the vulnerability of the United States to economic disruption by foreign energy suppliers must be eliminated by achieving

the capacity for full energy self-sufficiency. This will mean that by 1985 we should be importing no more than 15 percent of our total petroleum consumption, which would be about 6 percent of total energy use, and that most of that amount must be immediately replaceable from storage and standby emergency measures.

In order for the nation to attain such a goal, we must act quickly to remove constraints and provide new incentives for domestic production and conservation. Many of the measures I propose will take 5 to 10 years to reach fruition after the necessary laws are enacted. We cannot afford to pick and choose among fuels. To meet the 1985 target:

- Coal production must double.
- Trends must be reversed to realize our fullest potential in oil and gas production.
- Nuclear power must increase to more than twenty times current levels.



-- Emerging energy sources have to be accelerated.

The specific measures I will propose have been selected after a careful evaluation of all our national goals -- energy independence, economic well-being, environmental quality, and social welfare. Actions that would unduly compromise any of these goals have not been taken.

I have already discussed the need for deregulation of new natural gas, which must be approved in this session of the Congress to reverse the trend of dwindling natural gas reserves, production, and continued unemployment due to natural gas shortages.

The decline in domestic petroleum production can also be reversed, and today's higher prices will provide a strong incentive to produce more oil from known fields. But the largest part of increased production will have to come from wells drilled in major new frontier areas. Thus, our




position on Outer Continental Shelf leasing and development must be equally clear. Therefore, I now reaffirm that it is the intent of this Administration to move ahead with exploration, leasing and production in those frontier areas of the Outer Continental Shelf where the environmental risks are judged to be acceptable.

We have been drilling for oil and gas on our continent for over 100 years. Now our reserves are declining. Huge reserves remain where we have not yet explored. The immense resources under the Shelf, in the Petroleum Reserves and on all public lands, belong to all Americans. We cannot allow those resources -- which we can develop in an environmentally sound way -- to remain untouched if the price is continuing reliance upon unstable foreign energy sources.

The same statement can be made with regard to the largest of our Naval Petroleum Reserves. NPR 4 in Alaska has not yet been

significantly explored or developed. As a result, it could not be available for production for several years, even in an emergency more grave than we faced during last year's embargo. As with the Elk Hills Reserve, I have consulted with Congressional leaders to discuss the need for exploration, development and production of NPR 4 for the domestic economy and a working national strategic reserve. I will soon forward legislation to you to authorize the exploration, development, and production of NPR-4 to provide petroleum for the domestic economy. Only then can we know the true extent of the resources beneath that reserve. Estimates are from 10 to 30 billion barrels of oil and 60 to 192 trillion cubic feet of natural gas. With accelerated exploration and production based upon the expertise of the private sector, NPR-4 could produce 2-3 million barrels of oil per day and commensurately large quantities by gas by 1985.



Our most abundant domestic resources, coal, is most severely limited by markets. We must strike a new energy/environment balance with coal if we are to move our economy toward a heavier reliance on domestic energy. Clean air and proper restoration of mined lands are both possible, even with greater coal use -- but reasonable standards must be set first.

A matter already familiar to most Members of Congress is the need for proper legislation to assure that strip mining is conducted in a way that allows greater use of our most abundant fuel and, at the same time, provides adequate protection for the environment. I vetoed the strip mining legislation passed by the last Congress. With a minimum of changes to make the bill more precise, I am prepared to sign a revised version into law. And I am prepared to work with the Congress so that those changes can be made and the law be enacted as soon as possible.



One of the primary objectives of the Clean Air Act amendments proposed by the Administration is to provide for the increased use of coal while maintaining appropriate environmental safeguards. The Congress must act on these amendments to grant the Environmental Protection Agency authority to suspend emission limitations for powerplants until low sulfur coal can be obtained or stack gas scrubbers can be installed. It should take no longer than 1980 for all urban powerplants to comply. All rural powerplants will be able to follow suit by 1985.

I urge the Congress to provide legislative clarification with regard to the prevention of significant air quality deterioration in those parts of the nation where the air is already cleaner than required by Federal health and welfare standards under the Clean Air Act. We cannot afford the continued uncertainty which now exists in the face of our serious energy problems. Among the Clean Air Act amendments I am submitting is one to deal with this critical problem.



The Federal Government owns over 200 billion tons of coal reserves.

Currently 16 billion tons on Federal lands are under lease, although only

6 billion are currently scheduled to support production by 1980. To

assure rapid production from existing leases and to make new, low

sulfur supplies available, I have directed the Secretary of the Interior

to:

-- Put into force legal diligence requirements to assure timely

production from existing leases.

-- Meet with the western Governors to explore regional questions

associated with new federal coal leases.

-- Implement a new program of coal leasing consistent with

timely development and adequate return on public resources

provided that adequate environmental safeguards can be provided.



Nuclear power must also play an important role in our energy future.

Although nuclear power was expected to play an important role in the early 1970's, it now only supplies about 1 percent of our energy needs.

There have been technical problems, construction delays, and other

bottlenecks to slow its progress. To rejuvenate nuclear power, I am

announcing a markedly increased budget appropriation for nuclear waste

disposal and for continued improvements in safeguards. I will also resubmit

the Nuclear Facility Licensing Act and urge prompt Congressional action

on this bill.

But the use of nuclear power, as well as the availability of all

electric power, depends upon the health of the electric utilities industry.

In recent months, utilities have cancelled or postponed over 60 percent

of planned nuclear expansion and 30 percent of planned additions

to non-nuclear capacity. Financing problems for that industry are

worsening, and current regulatory practices by State commissions are

largely inadequate or unresponsive. If these problems, trends and obstacles persist, the cancellations and construction delays will slow the transition from oil and gas fired powerplants to coal and nuclear facilities. The delays and difficulties this industry is currently experiencing could well lead to higher oil import levels and inadequate supplies of electricity to 10 years from now.

I am therefore proposing, and will soon forward legislation to provide

for:

-- An increase in the investment tax credit for electric utilities

from the current 4 percent to a level which eliminates the gap

between its tax credit and those of other industries. There will

also be remission of unused credits.

-- While this higher investment tax credit will be available for

all industry in 1975, to stimulate coal and nuclear plants, I

will extend the credit for two additional years for these priority

facilities.





-- A further tax reform to allow utilities to deduct preferred

stock dividends for tax purposes as a way to stimulate equity,

rather than debt financing; and

-- A limited federal override of state regulatory procedures which

will assure rapid rate processing and allow construction work

in progress to be included in the rate base.

I will also submit legislation to assure that all major energy

facilities -- including power plants -- can acquire needed sites. I am

quickly directing the Energy Resources Council to review the entire regulatory

process as it relates to electric utilities and to make additional recommen-

dations for reform. I am asking the Council to meet with the utilities

and report on necessary further measures within 6 weeks.

As we take these actions to increase our energy supplies, we

must be aware of some potential problems. Our success should serve,



as we intend, to lower world oil prices. However, before we achieve our goals of energy sufficiency, actions of oil producing nations, or economic conditions, could result in lower -- but unstable -- price levels. That could weaken our continued commitment to greater self-sufficiency. The Federal Government must take actions to encourage and protect domestic energy investment in the face of significant world price uncertainty.

To do so is the only way to ensure our progress to energy vulnerability by 1985.

To provide this stability, I will request legislation to authorize and require the President of the United States to use tariffs, import quotas or other measures to protect our energy prices at levels which will achieve full national capability for self-sufficiency and protect our energy industry and jobs.

All of the actions I have mentioned would have the effect of increasing our available domestic supplies of energy. Oil production could reach 13 or 14 million barrels per day, coal production could double and nuclear generation could increase from a 4 to 30 percent share of our electric generation capacity by 1985. But those supply actions are not enough. We must dramatically cut our historical demand growth if we are to meet goals for 1985. Higher energy prices will cause market forces to reduce demand, but these effects are not enough -- particularly in key energy intensive sectors such as buildings and transportation.

Heating and cooling of buildings account for almost 20 percent of total United States energy consumption. Energy savings of above 30 percent could be realized by energy efficient construction. I therefore propose legislation to make thermal efficiency standards mandatory for all new buildings in the United States. The energy savings with such standards



are estimated to be 275,000 barrels of oil per day by 1980, and 560,000 by 1985 for new buildings alone.

Since potential savings are even greater for existing homes, I also intend to ask for legislation to institute a 15 percent tax credit for investments of up to \$1,000 for those owners of existing homes who add insulation, storm doors and windows or other energy efficiency improvements to their homes.

I am announcing today the establishment of an energy conservation program for low-income families, to be administered by the Department of Health, Education and Welfare. Under this program, which will be funded at \$55 million in Fiscal Year 1975, the Federal Government will purchase and have volunteers install insulation and other energy conserving devices in homes owned or occupied by low-income citizens, who might otherwise not be able to have such improvements made on their homes. These



actions will help the homeowners adjust, with Federal assistance, to higher energy prices.

Since over half of our petroleum is used in transportation, it is imperative that we find ways to further reduce consumption by automobiles. The level of automotive pollution control directly affects our ability to conserve fuel. We have made tremendous improvements in reducing automobile emissions in the last few years. To improve auto efficiency, I propose to submit legislation to freeze automotive emission standards for hydrocarbons and carbon monoxide for 5 years at current California regulatory levels and to implement a 3.1 grams per mile nitrogen oxide standard. These standards are more stringent than currently required. The even more stringent standards now legislatively mandated would produce very little environmental improvement but would seriously impair the efforts of automotive manufacturers as they work toward the goal



I called for in my October 8 economic address of a 40 percent increase in efficiency over the next 5 years.

The hearings which the Environmental Protection Agency has scheduled to begin January 21 will provide a comprehensive and objective body of information on auto emissions which should assist the Congress in its consideration of this important matter.

Based on the passage of this amendment, I have received written pledges from the three largest domestic automobile manufacturers that they will make that 40 percent efficiency improvement. This pledge includes yearly goals, Federal monitoring and public release of the data with which to assess the progress to the goals. They have pledged to do their part. It is now up to Congress to take the necessary action so that their promise can become a reality.



I am certain that the manufacturers of major appliances can make a similar effort. I am directing the Energy Resources Council to set efficiency standards for major appliances, and to secure within 6 months signed pledges to meet those goals from the leading manufacturers of those appliances. I am hopeful that this voluntary approach will succeed. Yet, if I must, I will ask for mandatory legislation to accomplish this end.

These numerous proposals and actions, taken together, can reduce our dependence on foreign energy supplies to a manageable level by 1985.

But, even so, the United States will continue to import 3 to 5 million barrels of oil per day or about 15 percent of the total we consume.

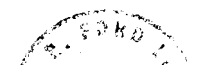
Consequently, to ensure that we are capable of energy self-sufficiency, we must establish legal authority for emergency measures that can be readily implemented, including rationing, and, thus, guarantee equal



sharing of shortages and the equitable allocation of supplies. To help consumers determine the efficiency of products I will submit legislation to require the testing and appropriate labelling of all automobiles and appliances.

We must commence now to prepare a strategic storage capacity of 1 billion barrels of oil above and beyond our present capacity. The stored reserves would be available in the event of a supply cutoff, and would be capable of providing 3 million barrels of oil per day for a full year.

One-fourth of the stocks would be earmarked for military use in case of future cutoffs. To prepare such an emergency storage capacity will take several years. But if we begin now, and we must, our other actions may exert enough pressure to lower world oil prices by the time we are ready to provide storage stocks. Only by taking such precautions can we act responsibly both at home and in the international community in a time of future supply interruptions.





International Cooperation

These major new programs will move our nation toward energy independence. They will also place us in a position to seek international cooperation to deal with economic tactics that now threaten the world. In this age of economic inter-dependence, national energy self-sufficiency will not by itself end our economic and political vulnerability. As long as our major trading partners and allies are subject to interruptions of supply, unjustified increases in oil prices, and financial instability, America will remain exposed and insecure. We must establish effective joint programs with other industrialized nations to reduce our total dependence on imported oil.

I am directing the Secretary of State to establish within the new International Energy Agency a broad international program of energy cooperation in the areas of conservation and the development of new energy



supplies. By working together, oil importing nations can reestablish an equitable balance between buyers and sellers in the international oil market.

The conservation program I have outlined for the United States will result in a major cut in our petroleum imports this year and continuing declines in 1976 and 1977. Over the medium term, it will produce a sharp reduction in the rate of growth of our energy consumption. Other industrialized countries must make comparable efforts to quickly reduce their imports of petroleum and to limit the financial hemorrhage caused by massive payments for imported oil.

The development of our own energy resources is key to the success  
of our effort to reduce substantially our dependence on imported oil.

This common interest must be reflected in the adoption of common policies by the industrialized nations. For example, we must employ common measures to assure that price instability and investor uncertainty



do not inhibit the flow of capital into the development of new supplies of petroleum, gas and coal.

We also require an intensive international effort to speed the development of synthetics and other non-conventional fuels. The United States is prepared to join with other nations in large scale projects to develop new technologies.

Over the next decade, international cooperation can reduce Free World reliance on imported oil to an economically and politically acceptable level. But we must also erect a series of oil and financial safety nets to protect our vital interests through the next few years. We must, in effect, limit our vulnerability through this critical period until our dependence on imported oil begins to decline sharply.

Fortunately, we have already made solid progress in this area.

We have negotiated with 15 other countries and established, with the International Energy Agency, an integrated program of emergency demand restraint



measures, stockpiles and oil sharing. The agreement ensures that the member countries will act together to prepare for a possible supply emergency and that they will take common measures should a crisis occur. This program substantially enhances our individual and collective ability to withstand the economic impact of an embargo. The action we are taking to construct strategic storage will greatly increase our ability to sustain full economic activity in the face of an embargo. A similar effort is required by other major oil importing countries. My domestic emergency legislative proposals will allow the United States to meet its international obligations.

A comparable safety net is now being worked on in the financial area. We urgently need new international financial institutions to help handle the huge balance of payments deficits caused by present oil prices and to limit their destabilizing effect on our economies.



Prompt action to complete this framework of consumer country cooperation in energy and finance is imperative.

Action to meet the Long-Term (post 1985) Goal

The actions I have proposed will enable us to meet our short-term and mid-term goals. For the longer term, our goal is to sustain our position of energy independence, and to enhance it so that the United States will again be able to supply a significant share of the Free World's needs.

For the future, we must be able to help other nations through development of new energy technology. We must, by the 1980's and beyond, find new, cleaner ways to use coal. We must tap our gigantic deposits of oil shale. We must develop solar, geothermal, nuclear, and other energy forms. And these and other resources must be developed in ways that do not severely damage our environment.



MAN ON  
The MOON

This means that we, as a Nation, must reaffirm our commitment a strong energy research and development program, aimed not only at developing the capability to tap all our major domestic energy resources but also at improving the efficiency of energy utilization in all sectors of our economy.

Last year, the United States committed itself to a five year \$10 billion energy R&D effort. The 1975 energy R&D budget resulted in almost a doubling of our program from the level in 1974 and three times that of 1973. In 1976, I will continue this accelerated effort and I pledge today to make available whatever funds are needed for future R&D activities to ensure that America can maintain its energy independence. With the activation of the new Energy Research and Development Administration on January 19, we now have, for the first time, both the unified Federal organization and the financial commitment to get the job done.



*New Spending*

Energy R&D funds and organization are not enough. We also need new incentives to assure that emerging technologies are not only developed, but brought into commercial use as rapidly as possible. Therefore, I am announcing today a National Synthetic Fuels Commercialization Program.

This effort, which will assure at least one million barrels per day equivalent of synthetic fuels capacity by 1985, will entail a program of Federal incentives designed to reduce the price uncertainty, help raise capital, and overcome unnecessary delays in bringing existing or nearly developed technologies into commercial use.

The program will result in the demonstration of technologies of several types and perhaps 30-50 major new plants, using both oil shale and coal resources, and will not only provide additional incremental domestic fossil fuels capacity by 1985, but will assure early availability of critical environmental, economic and other information necessary to



decisions concerning the continuing growth of a synthetic fuels industry.

The Energy Resources Council will develop, within six months, the detailed guidelines for implementing this program, including appropriate consideration of implications for regional development, water use, and environmental protection.

If the Congress and the American people will now consider these goals that I have set for the short-term, the mid-term and the years beyond, I believe we can all agree that they are attainable. To attain them will not be easy. To do so will require sacrifice and determination. But they can be attained.

We must resist the temptation to be guided by political or regional or personal considerations. We must resist the temptation to continue a piecemeal approach to our energy problems, enacting numbers of unrelated laws in the vain hope that they might somehow fit together to form a coherent and comprehensive policy.





The program I have laid out today embodies a national policy.

It will enable us to meet our energy goals. But this program requires that we work together, that we take all the steps and enact all the laws necessary to accomplish these goals.

After energy, my concern is for jobs and production. The jobs we want are in private industry -- in the factories, farms and stores.

-more-



We need two things -- more people at work and better tools for people to work with. Beginning today every single recommendation of this administration will be mindful of these goals. Together, they mean more goods and services, and a better life for all.

We have provided for emergency Government jobs. This administration will do what is necessary to help those who are hurt the most. This we must do of necessity. But we can afford only such absolute necessities.

Over the past decade Federal spending has assumed uncontrollable dimensions. A growing proportion of total outlays is the result of programs already on the books. At present some three-fourths of total federal outlays are virtually uncontrollable. There are huge increases in mandatory grants to state and local governments and in payments to individuals and families.



Federal payments have been increasing at astronomical rates.

Measured in current dollars, Government payments to "entitled" persons rose from \$25 billion to \$75 billion between 1962 and 1972. Since 1972 they have increased to about \$120 billion, equivalent to almost 40 percent of the budget.

Burgeoning government hand-outs have been financed in recent years by sharp declines in defense expenditures. In addition to these existing programs, there are the inevitable new ones. The normal workings of our government create new programs year after year. Unless this trend is curbed, we will face huge increases in government spending and sharply rising inflation or taxes.

When I was sworn in last August, most of the elements which constitute our expenditure programs for fiscal 1976 were largely in place. I have just completed a rigorous review of the fiscal 1976 budget. One



could scarcely find fault with the clear benefits of virtually every program under review. In fact, as a member of Congress, I voted in favor of the vast majority of the items which constitute our expenditure totals.



[OPTIONAL] [While there is merit in the individual parts, the sum total of \$345 billion creates a federal expenditure which is unacceptable to me ~~and~~ I firmly believe wholly unacceptable to the American people. In all conscience, I cannot present the budget that emerged from our rigorous analysis. As a consequence of our economic emergency, I am asking the Congress to immediately enact legislation that will pare many of the programs which we have in the past appraised individually and approved. I also ask for basic reform in others. They can no longer be financed this way in a period of economic emergency.]

(SPECIFY BUDGET CUTS AND REFORMS.)



To show that the Government practices what it preaches, I will insist upon a 5 % limit on Federal pay increases even though comparability with non-government wages might justify more .

In all Government programs tied to the consumer price index --- including social security, civil service retirement pay, military retirement, and food stamps --- I am asking a 5 % cap on increases .

These proposals would realize an estimated \$5 billion savings in Federal outlays .



The time has come for a moratorium on new spending programs.

I shall recommend NO new spending programs and will veto any sent to me by the Congress. This year we simply cannot afford a new national health program and many other desirable undertakings.

The time has also come to give taxpaying Americans their own money to spend. Such spending creates jobs. The adversity of this recession gives us the golden opportunity to begin to return to the people the right to spend their own earnings.

-more -



If the overheated demand phase of the inflation is over, as it now appears to be, renewed expansion helps to stabilize the price-cost level. Rising output relieves the pressure of costs underlying the price level.

The time has also come to make sure business has more money to re-invest in plants and equipment. This will create more production and new jobs. Business obtains funds by attracting savings from investors. People save because they hope to make a profit or receive interest. Savings investment and profit are essential for new jobs.

While the concept of thrift for "a rainy day" <sup>may be</sup> ~~is~~ seen by many <sup>SOME</sup> ~~people~~

as no longer relevant, sacrifice today by saving for a better tomorrow is a basic American virtue. Our ability to produce and consume more in the future depends upon investment. By investing part of current output, standards of living can be improved.



Our labor force has been growing at an accelerated rate in the past decade. Yet we have not stepped up the pace of investment in a corresponding way. We are not increasing the capital per worker rapidly enough.

We must do so.

To start us back in the right direction, I am recommending a tax reduction of \$15 Billion. I propose an immediate one-time reduction in income taxes due for 1974.

It will be allocated with three-fourths going to individuals and one-fourth for corporations. There will be three refund payments for taxes paid for calendar year 1974. A proportional reduction, based on the progressivity concept of income taxes, will apply. This will amount to an approximate 10 percent refund of taxes paid.

The investment tax credit for businesses will be restructured to stimulate investment and new jobs. I propose increasing the rate of





present credit for utilities from 4 percent to 12 percent and for all other corporations from 7 percent to 12 percent. This will apply for a one year period.

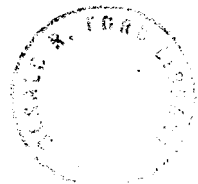
The taxes imposed on energy will be returned to the people.

I propose an Energy Equalization Payment of \$70 for every American. The estimated 15 million who make so little that no income tax is filed by or for them will receive payments merely by filing claims on Form 1040A.

Let us act upon this plan before Abraham Lincoln's Birthday to stimulate the economy. No other legislation is as urgent.

This is a program to help our economy. But it is not the tax reform we need. I want a reformed tax system that will:

1. (Specify)
2. (Specify)
3. (Specify)



Government alone cannot bring America back. It will take leadership in Washington, leadership by business, leadership by labor, and commitment by all Americans. This leadership must be willing to restrain any impulse to improve the lot of one group at the expense of others. Until the American economy is again going up, all Americans must sacrifice because we are producing less.

When production increases, we can return to the enjoyable task of distributing the gains. But today all of us must exercise restraint in our demands for increased profit and increased pay. It is in everyone's interest that the burdens of these times be equally divided. Yet not everyone can agree on how burdens should be shared.

We must reach a national consensus. I pledge myself to this effort.

Those who clearly abuse their economic power will hear from me.

And I will speak with all the force the Presidency can command.

I was pleased at the roll back in steel price increases in one instance and am observing the whole spectrum of escalating prices.



Beyond restraint, however, there is a far greater challenge to America's leaders. I challenge you to find new, ingenious, and effective ways to produce more. Only if we produce more can we have more. Greater productivity is vital. Productivity is not a bad word meaning exploitation through speed-ups. It is a good word meaning better results through creativity, <sup>AND</sup> ~~stronger cooperation,~~ willingness to change our ways and to try new approaches. Increased production can be achieved in thousands of ways, through the participation of America's millions. Improved productivity requires involvement.

At the White House level I have asked Vice President Rockefeller to take charge of our productivity effort. Under his direction, we must evaluate the cost of environmental efforts to our total production, determine new ways for management and labor to cooperate, and find innovative steps to encourage capital investment. We want to see



the standards of living of all our people improve. Only increased productivity -- a bigger pie for us all to share -- can make this possible.

I turn now to our Nation's income security system -- a policy concern as intimately related to our economic health as our energy initiatives. Since the 1930's, each Congress and Administration has added to the complex of policies and programs, until the entire income security system has become a dominant function of the Federal government. In the past decade alone, we have enacted Medicare, Medicaid, Public Service Employment, Food Stamps, the Supplemental Security Income program, and a new Federal role in pension regulation. We have significantly expanded the Social Security Program, Aid to Families with Dependent Children, Unemployment Insurance, and the minimum wage. And we have introduced a low-income allowance into our Federal Income Tax.



Each program was passed to meet <sup>AN</sup> EMERGENCY . |

~~No~~ one can fault the compassionate intentions that underlie each program. The current array of income security programs and policies

made ~~some~~ essential contributions <sup>TO</sup> BENEFICIARIES

and the whole society.

But what was appropriate for the 1930's, or even the 1960's, does not match the realities of the 1970s and 80s. We must have a new direction. The multitude of programs have taken from the individuals the inalienable right to help himself -- the right to buy what he wants, the right to get ahead by going to work, and the right to live a private family live.

We are morally obligated to restore opportunity and dignity to the poor, the handicapped, the disadvantaged and the older Americans.

We must find a way to give self-respect and productivity to all

Americans willing to work.



(OPTIONAL - 1) But I must frankly say that no one has yet suggested a program I can accept. I shall <sup>appoint</sup> ~~create~~ a National commission and challenge it and this Congress to achieve a new direction and new respect for those in need.

<sup>MUST</sup>  
Any new solution offer a better way to spend, not increased spending.

(OPTIONAL - 2) My first proposal to Congress is that we enact a single plan for straightforward, effective, and fair Federal basic income support for the Nation's low and moderate income citizens. Under such an approach, citizens would not be required to pay Federal income taxes until their income reaches levels sufficient to ensure that their families' basic needs were being met. All those whose incomes fall below those tax exempt levels would be eligible to receive cash income supplements from the Federal government provided



those who can work fully comply with a stringent work requirement.

As a family's income becomes high enough to pay taxes, those supplements would be phased down gradually, so that we could always reward work. )

I have not given you a laundry list of legislative proposals.

Instead, I propose a fundamental redirection -- a new direction and the right direction. It will give us freedom from energy dependence, new jobs and increased production. It calls for cooperation and restraint and a new direction in our obligation to the less fortunate in our society.

Let us concentrate on these fundamentals. I prescribe major surgery, not band aids.

Renewed economic vitality is also our obligation to the rest of the free world.

As the world's largest single trading nation, producing one-third of the world's output, we transmit to others impulses of growth or recession, inflation or economic health. Our determination to restore our economy to health through government action as well as voluntary means, and our determination to maintain a strong defense, are the crucial ingredients in our leadership abroad. In collaboration with others, we can reduce our common vulnerability to external pressures.

Our policy is one of interdependence. It calls for efforts by many. But it depends on forceful American leadership.

I shall send a separate message to the Congress on the state of our international affairs. Today I speak about our first consideration - - the state of our own country.

---



Out of adversity we can build a better America. The

realities of today shock us into a new sense of purpose as human

beings and involvement in a new America built on facts rather than

fantasies. America cannot exist as a society without direction.

Let us define and create what we want the future to be. Let us begin

today to work toward a goal that we can understand and achieve.

Let us take charge of our fate. Our future depends on what we have

the will to do.



[International]

In recent years this nation made a momentous shift in the way we help maintain the security and well-being of our friends and allies.

We have also been successful in creating new relationships with adversaries. We have led the world a step closer to the universal peace that America always sought.

But in foreign affairs it is sometimes the unpredictable event that is more important than the well-conceived plan. New conditions in the field of energy have suddenly been added to our burdens as a nation and as a leader of nations.

No one foresaw the turbulent change which has occurred. Nor would anyone have believed two years ago that we would face today the possibility of a breakdown in the international order. But the energy crisis, barely a year old, poses just that threat.

The breakdown could be political as well as economic. There are



rapidly accumulating unspendable surpluses of capital in some countries.

This contributes to both recession and inflation. It increases alarm about the international monetary system. Economic disarray could threaten moderate governments and diminish political cooperation and trade. If Western unity is imperilled, unpredictable tensions with our adversaires could emerge.

These are serious problems. But they can be licked. The American people possess great courage and vision. These are not Republican or Democratic qualities. They do not belong only to the Executive or the Congress. These are not private or governmental. These are American qualities. They will again allow us to turn a grave crisis into gains for the United States and the world, and lead to a new set of institutions for our security, prosperity and freedom.

Thus, the foreign policy task for the future is a new one. We



will make full use of the structure we have built so far. We certainly cannot -- and will not -- lessen our efforts to reduce tensions in a world of armed nations.

Let us seek

-- first, to restore confidence abroad. Solutions to our problems exist.

They are within our reach. We in America will push efforts to find solutions.

-- second, to evolve these solutions through collaborative efforts

and consultations. In the matter of energy, these efforts will

be pursued with both consumers and producers. There are common

interests in mutual prosperity and stability. Our alliances and

friendships can be strengthened by this pursuit.

-- third, to set the example at home. As the world's largest

single trading nation, producing one-third of the world's output,



we transmit to others impulses of growth or recession, inflation or economic health. Our determination to restore our economy to health through government action as well as voluntary means, and our determination to maintain a strong defense, are the crucial ingredients in our leadership abroad. It will promote the cooperation of others to reduce our common vulnerability to external pressures.

This is the policy of interdependence. It calls on efforts by many but it depends on forceful American leadership.

# #

