The original documents are located in Box 30, folder "State of the Union Address, 1976 - Outline Proposed by Marsh" of the John Marsh Files at the Gerald R. Ford Presidential Library.

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THE WHITE HOUSE WASHINGTON

Mer March



MEMORANDUM FOR:

BOB HARTMANN

FROM:

JACK MARSH

SUBJECT:

State of the Union

Recalling our conversation of this morning, attached is an outline taken from your second draft which I hope will be helpful to you.

Attachment

JOM/dl



STATE OF THE UNION

I. Introductory

- A. Parallel with 1776 as tough year
 - 1. Don't begin Bicentennial Year by retreating into past.
 - 2. Tom Paine's Times that try men's common sense.
 - 3. Want to talk common sense about our problems and realistic actions in the coming five years.
- B. Must sort out national problems on the basis of who does what best.
 - 1. Americans are used to doing things for themselves.
 - 2. Is it necessary for the Federal Government to do this?
 - 3. Federal Government is trying to do more than its resources permit.
 - 4. Americans are losing confidence in the Federal Government.
 - 5. State of our Union is unclear government fails and becomes part of the problem.
- C. We want lives and government that make sense.
 - 1. Solutions are not found in political extremes, left or right.
 - 2. The worn out labels liberal and conservative no longer make sense.
 - 3. Refuge is not found in well meaning causes or dreaming of the good old days.

- D. My experience is that people are realistic, tough minded, just as are the signers of the Declaration of Independence.
 - 1. I have listened to a lot of common sense from today's Americans.
- 2. The people don't want to repeal all the gains and greatness of our federal system.
- 3. They want government to protect them and to work for them better and harder on tough problems.
- 4. The people want above all government to quit kidding them and to live by the common sense rule that honest is the best policy.
- 5. In January '75 I spoke of a new direction; in January '76 America wants new realism.

II. The Economic Situation

- A. Although economy is important, there are other goals dearer to our national heart.
 - 1. Continuing and strengthening our national independence.
 - 2. Strengthening the commitment to Constitutional liberties, (etc.)
 - 3. Intensifying our defense, reducing international tensions, (etc.)
 - 4. Providing opportunity for economic improvements for people.
 - 5. Responding to humane responsibilities.
 - 6. Striving to be a nation of proud and purposeful citizens.

- B. Our first objective is full economic recovery with stable prices and good jobs for all who want to work.
 - 1. The State of the Union has improved in the last year but is not good enough.
 - 2. The recession has turned around.
 - 3. Rate of inflation is cut in half.
- C. My first economic goal is to provide jobs for all who seek work, productive permanent jobs working in private businesses.
 - 1. Our policies will continue to foster the creation of jobs in 1976 (2.2 million in '76, 2 million in '77).
 - 2. Real take home pay will be increased (by 6.1 % in '76)
- D. America must provide sound economic growth without inflation.
 All Americans can contribute.
 - 1. We must all act with restraint to contain inflation.
 - 2. We must avoid crash programs of deficit financing and creating money.
 - 3. We will refuse to be stampeded into quick fix programs designed for short-term gains.
 - 4. We will create the conditions for expansion of businesses, farms and factories.
 - a. I have already proposed a number of programs to increase funds for investment.
 - b. I have recommended special programs for public utilities.
 - c. I have recommended the elimination of the double taxation of corporate dividends.

- 5. We must restrain government spending and reduce the ever increasing size of the federal deficit.
 - a. I will propose a limitation on federal spending of \$395 billion for '77.
 - b. Effective curbs on spending will allow us additional tax cuts by 1979.
- 6. In spite of budget cuts, I will continue funding job training programs, small business and minority enterprise loans and other proven federal programs.
- 7. I reiterate requests for \$28 billion in annual tax relief.
- E. To further stimulate the creation of new jobs, I am proposing three new programs.
 - 1. The first will provide tax benefits to businesses in high unemployment areas expanding.
 - 2. Special taxes to low and middle income families to invest in America.
 - 3. Changes in Estate Tax laws to encourage expansion and increased investment in family business and firms.
- F. We seek to promote good housing for all Americans. No sector receives as much assistance from the Federal Government as housing.
 - 1. Essential is reasonable interest rates.
 - 2. These can be achieved only if the Federal Government does not preempt savings by its own borrowing.

- G. Fourth objectives of Economic Policy is to curtail government regulatory drag on the economy.
 - 1. I have established programs to review federal intrusions .
 - 2. I have already submitted several legislative proposals in energy, transportation and finance.
 - 3. I have proposed legislation to beef up antitrust.
 - 4. We must review the federal safety health and environmental regulations.
 - 5. My Administration will make administrative changes to reduce bureaucracy.
- H. The fifth economic goal is a sound energy policy. Energy independence continues essential to our economic future and our national survival.
 - 1. I signed the Energy Policy and Conservation Act a partial answer.
 - 2. I urge Congress to move on my proposals.
 - a. To reduce natural gas shortages.
 - b. Authorize Naval production.
 - c. Provide standards and tax incentives for efficiency in buildings.
 - d. Assure adequate nuclear power.
 - e. Create \$100 billion energy independence authority.

- 3. I propose to expedite Alaskan natural gas deliveries.
- 4. I propose to set up a comprehensive assistance program for areas adversely affected by energy development.
- I. Finally, international economic policies must account for the worlds economic aspirations.
 - 1. Our food and industries have significant impact on the world.
 - 2. We must abandon the illusions of the past of our invulnerability.
 - 3. In response to confrontation on rich-poor, north-south lines, our answer must be seek a world of cooperation and mutual benefit.
 - 4. Best interests dictate practical accommodation rather than bloc confrontation.
- J. Six Guidelines constitute a path to restored and revitalized America.
 - 1. They are not new but are common sense principles.
 - 2. 200 years saw us create the greatest economic force in history.
 - 3. Future depends on self discipline and attention to fundamentals.

- III. Protecting the Lives and Personal Safety of Citizens.
 - A. Protecting life and property is primarily the job of state and local law enforcement; our goal should be to maintain this distinction.
 - 1. There are limited ways in which the Federal Government can help.
 - 2. My proposals were submitted to Congress last June.
 - a. Keep criminals from committing crimes by locking them up.
 - b. Protect the victims of crime.
 - c. Cut down on crimes with guns by making it harder to obtain them, and concentrate on gun control in high crime areas.
 - 3. The biggest single cause is the increase in hard drugs, a plain federal responsibility.
 - a. Federal agencies stepped up the war against big drug trafficers.
 - b. I have talked with leaders of major drug producing countries.
 - 4. Justice must be more swift and certain for those arrested.
 - a. I am proposing an increase in U.S. attorneys.
 - b. I will ask for 500 additional federal agents in metropolitan high crime areas.
 - c. I recommended mandatory sentences for persons committing federal crimes of violence or drugs.
 - d. I have called for additional federal judges.
 - e. Congress should enact this legislation already submitted
 - f. I have put money into 4 new federal detention facilities.

- B. Personal health is crucial to enjoyment of rights of life, liberty, and the pursuit of happiness. What can or should the government do to improve health care?
 - 1. The environment must be healthy.
 - 2. There are benefits from national medical and health research, and we should not falter in these efforts.
 - 3. Goal. We should reduce the impact of rising health costs.
 - a. Full national health insurance is not affordable.
 - b. Provide catastrophic health care protection for citizens covered by Medicare.
 - c. A single largest grant in history (\$10 billion) of assistance to the poor (combining 16 existing health programs including Medicaid)
 - d. I will submit legislation limiting the amounts Medicare
 will pay to cover inflationary increases in hospital rates and doctor's fees.
 - e. I will propose cost-sharing adjustments designed to discourage unnecessary use of services under Medicare.
 - f. Complete recommendations improving the VA quality of care; and
 - g. Legislation requiring private health insurers to reimburse VA for care of non-service connected disabilities.



- C. Our Social Security System is a vital part of our American way of life and its value is no longer debatable. What is debatable now is the long-range integrity of the financial system and the potential crisis in Social Security funding.
 - 1. The problem is complex and I will submit a later message.
 - 2. I have decided that no ceiling will be placed on Social Security cost of living increases this year.
 - 3. I will propose Congress increase Social Security tax rate three-tenths of one-percent, effective January '77. (A maximum of \$47 a year for any employee)
 - 4. The best thing we can do is get inflation under control.
- D. Jobs for new comers are a high priority.
 - 1. My programs will emphasize job training and placement assistance.
 - 2. I will continue summer job programs.
 - 3. I will stress direct aid to needy students instead of to institutions.
 - 4. I will provide \$1 million basic educational opportunity grants to one million students.

- E. Education like law enforcement is properly state and local responsibility, and should stay that way.
 - 1. Propose consolidating 24 federal education grant programs into a single bloc grant (\$100 million).
 - a. This will permit flexibility in local school systems.
 - b. Reduce red-tape and strings and federal interference.
- F. I am firmly dedicated to strengthening this nation's federal system. The federal union was given only limited power 200 years ago; the same spirit of independence and local self government is very much alive today.
 - 1. We reaffirm the common sense that state and local governments have a critical role.
 - 2. Our corner stone of this policy is general revenue sharing (\$30 billion by the end of this year).
 - 3. I asked Congress to extend this program and authorize annual expenditures (\$6.5 billion each year).
 - 4. I asked Congress to legislate basic changes in grant programs to state and local governments, which over time have become tangled in red tape and mired in requirements.
 - 5. I am proposing consolidation of categorical grant programs in the areas of health, education, social services and child nutrition.
 - a. Consolidate 15 programs into single bloc grant for feeding needy children (700,000 who today receive no benefits would under my proposal)
 - b. Consolidate 24 separate educate grants into a single flexible grant to states without matching requirements to help disadvantaged and handicapped children.
 - c. I am also increasing bloc grants for local community development.

- G. Our future as a nation depends upon the practical application of new scientific and technical knowledge.
 - 1. I want to propose programs that would:
 - a. Harness the energy of the sun.
 - b. Unlock the secrets of the human body.
 - c. Control agricultural tests and diseases.
 - d. Reduce pollution.
 - e. Explore new educational methods.
 - 2. These should be done to insure a higher standard of living and quality of life.
- IV. Public Policy and Problem Solving.
 - A. Americans are increasingly alienated from all big institutions.
 - 1. They are loosing confidence not just in big government, but in big business, big labor, big education and even big churches.
 - 2. Government must reach out to the people for answers in listing, rather than restricting the private sector in national affairs.



- B. I propose a new common sense partnership, not only between federal, state and local governments, but something greater, partnership between government institutions and citizen institutions.
 - 1. Government's function of governing can be emphasized.
 - 2. I have made a systematic effort to meet with national, state and local leaders from all walks of life.
 - 3. I mean to open up the federal government to citizens of all walks, making it more accessible.
 - 4. Unless changed, government will be taking in taxes, half of our earnings by the end of the century.
- C. Unless we do so, we will be translated back from liberty to despotism in a feather bed and who will be our Jefferson or our Lincoln?
- V. The state of the world in which we live.
 - A. Overall the U.S. is far stronger today than it was one year ago.
 - 1. In our foreign relations, we find ourselves in a time of trial and difficulty, of peaceful progress and hope for the future.
 - a. Structure of our foreign policy is sound.
 - b. Military power is second to none.
 - c. Our economy is greatest in history.
 - d. Our principal alliances are sound and solid.

- B. We are taking actions to improve our position in the world.
 - 1. A further agreement to limit the strategic arms race is within reach.
 - 2. We continue to improve relations with the Peoples Republic of China.
 - 3. We pursue peace in the Middle East.
 - 4. The dialogue between the industrial and the developing worlds looks to the future.
 - 5. Our friendships grow in Latin America, Africa, and Asia.
- C. We face confusion abroad and uncertainty at home about our purposes.
 - 1. The people have heard enough exaggeration about past mistakes.
 - 2. We are and continue to be the world's greatest democracy, the symbol of hope to millions.
 - 3. Our enemies are not our own people but those abroad who seek to enslave mankind.
 - 4. I regret the powers of the Presidency have been used inappropriately, but I regret even more the exaggeration of past mistakes to weaken the Presidency for conducting foreign affairs.
 - 5. Our foreign relations can only be conducted effectively with strong central authority. A product of consultation and cooperation with the Congress.

- D. The preservation of an effective intelligence service must transend party politics just as the preservation of the powers of the Presidency is not a partisan issue.
 - 1. I will do everything in my Constitutional power to prevent unilateral dismantling.
 - 2. I ordered an independent investigation of the CIA.
 - 3. I ordered full cooperation with Congressional investigations.
 - 4. Congress! own procedures with respect to leaks of classified information on sensitive intelligence have been violated.
 - a. Friendly governments are concerned.
 - b. Unfriendly governments have been amazed and delighted.
 - 5. Peace requires the ability to measure response to foreign challenges, and covert operations are one such possible response.
 - 6. Reduction of intelligence capacities vastly increases the danger of involvement in war are we in a position where we can no longer help our friends in limited and carefully monitored ways, short of all out thermonuclear war?
- E. We must preserve our defense capability.
 - I will propose a common sense defense budget increase to equip military forces.
 - a. To modernize both strategic and general purpose forces.
 - b. To improve military readiness and combat effectiveness within current personnel levels.

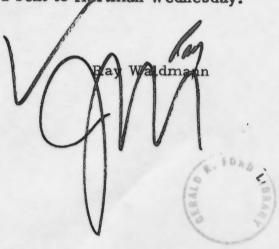
- 2. I will cut Defense programs that do not directly contribute to effectiveness.
- 3. Reductions in personnel levels benefits and marginal support will be proposed.
- 4. We will maintain national security imperatives to:
 - a. To reduce the threat of war.
 - b. Deter or defeat any attack against the United States, allies or any nation vital to our security.
 - c. Protect the freedom of the seas.

THE WHITE HOUSE

Jan 16, 1976

MEMO TO JACK MARSH

You may find this helpful over the next few days. This is a copy of what you sent to Haftman Wednesday.



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