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WORKING DRAFT  
1/13/76

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

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

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

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

A great history teacher, Professor Preston Slosson, was already a legend at Michigan when I was an undergraduate. Now emeritus, Prof. Slosson recently looked back and concluded:

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

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

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

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

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

I want to talk common sense about this country and our most serious problems, and what we can realistically do about them in the coming year and the next five years.

We must not only sort out national problems on the common sense basis of doing first things first, but also decide who does what best.

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We Americans are used to doing things for ourselves.

We know how to organize ourselves efficiently on a voluntary or independent basis, and we don't need government to do everything for us. In fact, we know government cannot.

I ask myself: is it necessary for the federal government to do this? If not, let the states do it. Is it necessary for any government to do this? If not, let the people do it.

And if the people do it, is it necessary for government to regulate their actions? If not, leave them alone; and if so, let there be as little regulation as possible.

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

Americans are losing confidence in the Federal government, because it simply isn't working efficiently or fairly.

It is too big and too impersonal. It doesn't appear to care about them, the people. Not only does government take too much of the individual's money, but too often government doesn't give people their money's worth.

No wonder the State of our Union is unclear. Government is indecisive and overcomplicated. Government promises too much and accomplishes too little. It fails to solve problems and becomes part of the problem. It promises to reorganize and reform itself and then gets worse instead of better. It still is of the people and by the people yes, but too many Americans don't think it is for the people any more.

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

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We want lives that make sense -- and government that makes sense. We are in a new era in which government must be more responsive to -- and honest with -- the individual.

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

Except during the Great Depression and World War II, many in my own generation did not face reality. Many became engulfed in well-meaning causes, and motivated by good intentions. Others found refuge in dreaming of the "good old days" that were only good for some people and not so good for others.

It has been my experience that people today are much the same tough-minded, realistic, problem-solving kind of Americans as those who wrote and signed and supported our Declaration of Independence nearly 200 years ago. They wanted a government to protect and serve them, not to be the subjects

and servants of government.

I have listened to a lot of common sense from today's Americans and this 1776 spirit of independence and individualism is as strong as ever. But we should not misread its message for 1976.

People don't want to junk the Union that eight generations of Americans have sustained and perfected and sacrificed for; they don't want to repeal all the gains and greatness our Federal system has made possible through 200 years of trial and error and trial again.

No, they simply want government to protect them and to work for them; to work better and harder on the tough problems that only government can handle or must help solve; and above all, to quit kidding them and to level with them.

I have always believed that truth is the glue that holds government together, and not only government, but civilization itself. I try to live by the common sense rule that honesty is always the best policy in the end.

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In January, 1975, I spoke of the need for a new direction for America. In January 1976 America wants a new realism.

The economic situation is today of primary importance. Jobs, unemployment, high prices, high taxes, and government spending -- all deserve to be at the forefront of our attention. And they are. More jobs and job security, reduced inflation, lower taxes, reduced government spending -- these are significant goals.

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

-- continuing and strengthening our national independence;

-- strengthening our commitment to the constitutional blessings of liberty, to equality of rights and opportunity, to justice for all, and to domestic tranquility;

-- intensifying our efforts to strengthen our defense, avoid war, reduce international tension, and



improve the chances for peace and order in the world;

-- providing opportunity for economic improvements for workers, businessmen, and investors, not only to create more jobs and income and goods for Americans, but because so much of the rest of the world's economy depends on ours.

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

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

Those are the goals to which I pledge myself as President.

We must move as fast as we realistically can toward each of them.

Today our first objective is full economic recovery with stable prices and good jobs for all who want to work.

Twelve months ago, the onrushing recession joblessness and double digit inflation, compounded by skyrocketing energy costs, dominated our concern for the State of the Union. I stood here and said the State of the Union was not good.

Today, the State of the Union is better -- but still not good enough.

Last January, most things were rapidly getting worse. This January most things are slowly getting better. The recessionary trend was turned around, starting about April. The dire predictions of many forecasters were not fulfilled. The best news of the past year is that we have cut the rate of inflation almost in half. The worst is that the rate of unemployment remains unacceptably high.

My major goals for the American economy are concrete and simple.

First, America must provide jobs for all who seek work.

These jobs must be productive, permanent jobs working in private businesses. Although the burdens of high unemployment can be partially alleviated by temporary public service jobs and unemployment insurance, we all realize that an expanding economy that creates new jobs in the private sector is the only satisfactory solution. Last month 85 1/2 million Americans were at work -- one million more than a year ago, and nearly 1.7 million more than at the unemployment peak in March.

We have already recovered two-thirds of the jobs lost in the recession. People are being hired much faster than they are being laid off. But the process remains too slow. I intend to speed it up.

Five out of every six jobs in this country are in private

business and industry. In times of recession, these businesses are reluctant to risk their uncertain future earnings by long term investments for expansion and modernization. But expansion and modernization are precisely what we need to create more jobs, greater productivity and lower prices.

We expect that our policies will foster the creation of 2.2 million such jobs in 1976 and more than 2 million additional jobs in 1977.

Not only will new jobs be created, but all at work will increase their real take home pay by 6.1 percent in 1976. For 1977, we can look forward to a real increase to our buying power of \_\_\_\_\_ percent in addition to that achieved in 1976.

We are moving in the right direction toward our ultimate objective of a job for every able American.

My second goal: America must provide sound economic growth without inflation. All Americans can contribute to controlling inflation. Business, labor and government must

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conduct their affairs prudently to achieve this objective.

If we all act with restraint we will contain the rate of inflation which is the greatest threat to our economic well-being. From an average rate for 1975 of 9.5 percent we will reduce the rate to an average 6 percent or below for 1976.

These improvements in our economic well-being are bringing us closer to our ultimate goals of full employment and an inflationless economy.

Attempts to achieve the ultimate goals we seek by crash programs of deficit financing and creating money can assure only the continuation of rollercoaster economics -- boom followed by recessions -- inflation followed by unemployment.

Our economic policy must be designed to make steady progress in the right direction toward lasting gains in employment, productivity, and control of inflation.

How do we plan to achieve these objectives?

First, we shall continue to refuse to be stampeded into hasty, quick-fix programs designed for short-term gains while

assuring long-term problems. A firm steady, policy in our volatile political, media-oriented world requires a strong determination to maintain consistent sustained policies. We must have the courage to resist temptations for quick political gains with aspirin tablet remedies for major disorders. I have that determination and pledge that it will not waiver.

Second, we must create the conditions by which factories, stores, farms, and shops can expand their businesses and create more jobs. We cannot order such expansion. But we can create the conditions by which it will take place.

This expansion requires that these private sector enterprises have available the funds for investment. I have already proposed a number of programs to make this possible including special programs for public utilities and the elimination of the double taxation of corporate dividends.

Basic to expansion and job creation in the private sector is reducing the ever increasing size of the Federal deficit. To accomplish this we must restrain government spending. The

Federal government's deficit spending reduces the amount available to business for expansion. No expansion means no new jobs. This is a principal reason why my budget will propose a limitation on the increase of Federal spending -- a ceiling of \$395 billion for 1977.

My objective is to achieve a balanced budget in three years -- and our plan shows that it can be accomplished.

Effective curbs on spending will enable us to have additional tax cuts by 1979.

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

I reiterate my request for an additional tax cut effective July 1 of this year and providing \$28 billion in annual tax relief.

This will mean a cut of \_\_\_\_\_ for a family of four earning \$14,000 a year.

To further stimulate the creation of new jobs, I am proposing three new programs. The first will provide tax benefits to businesses in high unemployment areas that construct new plants or expand existing facilities for their new equipment. Accelerated depreciation rates will be available for such facilities begun within one year of today.

I also propose to give the opportunity to millions more Americans to participate in the ownership of American business. Special tax incentives will be given to low and middle income families to invest in America. This will help to increase the money available for job creating investment and help assure that all Americans can participate in our growth and prosperity through ownership as well as through increased job opportunities.

I will ask the Congress for changes in the estate tax laws to specifically encourage expansion and increased capital



investment in family businesses and family farms. While the primary purpose of this reform is to ensure the survival of smaller farms and businesses for future generations, it will have a healthy stimulative effect to their current operations and the economy as a whole.

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

Thirdly, we seek to promote good housing for all Americans.

No sector of the economy receives as much assistance from the Federal government as the housing sector does. Federal assistance to housing in 1977 will include: \$32 billion in new mortgage loans, \$5.4 billion in loan guarantees, \$5.2 billion in direct subsidies, and \$9.4 billion in special tax breaks. However, essential to a complete revival of housing and construction is the need for reasonable interest rates. These rates can be

achieved only if the Federal government does not pre-empt the savings of the country by its borrowing.

A fourth objective of our economic policy is to curtail the governmental "regulatory drag" on the economy.

The scope of government regulation of our collective existence is vast, encompassing energy and raw materials, transportation, employment, financial matters, trade, communications, health, insurance, etc. My Administration has established a program to review and reform Federal intrusions into these areas -- to eliminate those government regulations that are anticompetitive. The beneficiary of this program will not be just the businessman and the regulated industries as some critics have alleged. The real beneficiary of this program will be the consumer and the American taxpayer. I want to ensure that the greatest variety of goods and services are available at the lowest prices possible. To accomplish this, I have already submitted several legislative proposals in the fields of energy, transportation, and finance.

As further protection for the consumer I have proposed legislation to sharpen the legal tools and resources of the antitrust activities of the Justice Department. This will serve to protect the public from that small minority of the business community that might attempt to take advantage of deregulation to engage in illegal business practices at the expense of the consumer.

While I intend to exert every effort to modify anticompetitive economic regulation, I also believe that we must also begin to review the vast apparatus of Federal safety, health and environmental regulations that have been set up in the last two decades.

It is my belief that there are often more efficient, less expensive ways of accomplishing these objectives. My Administration will make appropriate administrative changes and propose new legislation to reduce the size of the bureaucracy and the

emphasis on enforcement of mandatory standards. We have to reduce the cost of regulation, both to businessman and consumers.

A fifth essential economic growth is a sound/energy policy.

Energy independence continues essential to our economic future and our national survival.

Last month I signed the Energy Policy and Conservation Act, a partial answer. But we became even more dependent in 1975.

I now urge the Congress to move immediately on my proposals to

- reduce the natural gas shortages;
- authorize Naval Petroleum Reserves production;
- provide standards and tax incentives for building efficiency;
- assure adequate nuclear power;
- and create a new \$100 billion Energy Independence

Authority designed to generate new forms of energy within 10 years for this and future generations.

I will send to the Congress new proposals to expedite delivery of Alaskan natural gas to the lower 48 states and to

set up a comprehensive assistance program for areas adversely affected by new energy resource development.

I envision an energy future for the United States free of the disruptive effects of embargoes and arbitrary price increases by foreign governments. We have the capacity -- if we have the common sense.

Finally, our economic policies take into account the economic aspiration of people everywhere. Our success is affected by the international economic environment. When other countries raise barriers to our exports or escalate prices on the raw materials we must import, unemployment worsens in the United States. The purchase of food by countries far from our shores determines whether American grain farmers prosper or not. Many of our industries depend on imported products and on foreign markets. Likewise, what we do in Washington about our domestic employment, interest rates and budget may influence whether a family in Manila or Milan has a steady income.

If we are to cope intelligently with the challenges of interdependence we must first abandon the comfortable illusions of our past. We can no longer maintain the fiction of a unique American immunity to external economic problems and pressures.

The strident demands by some of the developing nations for a "new international economic order" of government-controlled

markets and wealth-redistribution have raised the specter of global confrontation on rich-poor, north-south lines. These events gave an alarming cast to the concept of interdependence and showed that it could as easily become a spur to economic conflict as a stimulus to mutually beneficial trade and investment.

Our response to this choice is clear. The United States seeks a world of cooperation and mutual benefit, not confrontation and economic nationalism.

We wish to make it clear, however, that our cooperation is dependent upon an equal recognition by other countries that their best interests also lie in practical accommodation rather than bloc confrontation. Interdependence is not a one-way street.

Taken together, these six guidelines constitute the path to an economically restored and revitalized America. They basically are not new, they are the common sense principles by which we must proceed. Our first 200 years saw us create the greatest economic force in history. We must not forget the



principles that make this possible. Our future depends on our self-discipline and ability to follow these fundamentals while adapting them to the changing world in which we live.

Important as recovery from the economic recession is in 1975 and 1976, the fundamental duty of all government is to protect the lives and personal safety of its citizens in their homes or wherever they lawfully want to go.

Protecting the life and property of the citizen is properly and primarily the job of local and State law enforcement authorities; eight generations of Americans have found the very thought of a Federal police force repugnant and intolerable, and so do I. Yet there are limited and legal ways in which we can help to ensure domestic tranquility as the Constitution charges us.

My common sense conclusions on how to control violent crime were given to the Congress last June with emphasis on protecting the victims of crime. The way to keep a criminal from committing more crimes is to lock him up so he cannot harm law abiding citizens.

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

The biggest single cause of the increase of crime today is the sale of hard drugs. This is not only a major domestic problem but an international issue. Here the Federal responsibility is plain.

I have directed all agencies of the Federal Government to step up the war against the big drug traffickers and dealers who sell hard drugs and attract young people to them.

As President I have talked personally with the leaders of Mexico, Columbia and Turkey to urge greater efforts by their governments to control effectively the production and trafficking of hard drugs.

Another major threat to every American's person and property is the criminal carrying a handgun. I will ask Congress for 500 additional Federal agents in the 11 largest metropolitan high crime areas to help local authorities stop criminals from selling and using handguns.

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

I recommended months ago that Congress enact mandatory, certain sentences for persons committing Federal crimes of violence or selling hard drugs. I have also asked for additional Federal judges. I now call again upon Congress to enact this legislation promptly.

Some judges won't send convicted criminals to jail because of poor prison conditions. I put money in my new budget to build four new Federal facilities, open and operate

three that are almost ready and rehabilitate a number of other Federal prisons.

I will propose in the new budget that Congress authorize \$6.7 billion over the next five years to assist State and local governments to protect the safety and property of all citizens.

As this nation measures its progress toward the fundamental rights of life, liberty and the pursuit of happiness we cannot fail to recognize that a person's health is crucial to his or her enjoyment of these rights.

The protection of the health of our loved ones is something that every American finds part of his or her daily existence. Moreover, a healthy population is a major national asset. It is obvious that each of us is primarily responsible for our own health. What can or should the Federal government be doing to improve health care?

Common sense tells us that a healthy national environment is a responsibility for the nation as a whole. Similarly, there are common sense benefits from national medical and health research. As a nation we cannot falter in these efforts.

Almost every American, however, knows that the cost of health care has increased beyond all expectations. Today's health care costs threaten to overwhelm individual or family budgets.

Realistically, full national health insurance for all 215 million Americans is something we simply cannot afford at this time.

Following the principle of putting first things first, I recommend we use the resources now available to give a better break to those Americans in real danger of being wiped out by soaring health costs -- older people and the poor..

For all citizens covered by Medicare over 60 I would provide catastrophic health protection. No eligible senior citizen will ever pay more than \$500 annually for a hospital stay or have to pay more than \$250 a year in doctor's bills. This catastrophic health insurance protection for the elderly is a commitment our resources permit and our consciences demand.

To provide better medical care for the poor I propose the single largest Federal bloc grant in history, a \$10 billion program of financial assistance for health care. Combining 16 existing Federal health programs, including Medicaid, this \$10 billion will be divided among the States not on the basis

of how rich they are but according to how many low income persons they have.

In the last decade, hospital costs have quadrupled and physicians' fees have nearly doubled. The Medicare trust funds are in danger of running out of money. I will submit legislation limiting the amounts Medicare will pay to cover such inflationary increases in hospital rates and doctor's fees, as well as cost-sharing adjustments designed to discourage unnecessary use of hospital and medical services for short-term illnesses. This will save the taxpayers nearly \$1 billion next year and will strengthen the trust funds. At the same time, we offer senior citizens new catastrophe protection.

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



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

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

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

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

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I cannot overstate the importance of taking corrective action soon, before a crisis is upon us. If present trends continue and there are no changes in the law, the trust fund may have used up its resources by the early 1980s.

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

I have made some of them, but Congressional concurrence is required. The problem is so complex it must await a later message. However, I have decided that no cap or ceiling will be placed on Social Security cost-of-living increases this year. To preserve the integrity of the Social Security Trust Fund for future years, I will propose that Congress increase the social security tax rate of 3/10th of 1 percent each on employer and employee, effective January 1, 1977, and certain other reasonable reforms.

This extra contribution to the trust fund will maintain the integrity of this Trust Fund and cannot exceed \$47 a year for any employee. If the Congress approves my additional income

tax reduction for July 1 and thereafter, coupled with equivalent cuts in overall spending, it will more than make up any loss of takehome pay for most Americans.

Winning the long-term battle against destructive inflation and climbing costs is as important to the upcoming generation of Americans as it is to those nearing retirement age.

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

Jobs for newcomers in the working force are high on my list of priorities. It is hard enough for young people to get a good job in good times and doubly difficult with so many experienced and skilled workers to compete with. My programs will emphasize job training and placement assistance for young Americans, continue summer job programs, stress direct aid to needy students instead of to institutions of higher learning, providing one million basic educational opportunity grants to one million students.

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Education, like law enforcement, is primarily and properly a State and local responsibility. Quality education is best provided close to home, and a national school system would be just as bad as a national police force.

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

In promoting the general welfare, I am firmly dedicated to strengthening this nation's federal system. Two hundred years ago, thirteen separate colonies came together and joined forces in a struggle for independence and self-government. Their union was given only limited power. In the centuries that passed the nation's affairs have grown more complex, but the spirit of independence and local self-government is very much alive today.

The opportunity to enlist local talent to define and solve local problems is the essence of that Federal spirit. We must reaffirm the common sense policy that State and local governments have a critical role in addressing the challenges of our third century. But we must also help with Federal funds, not just toss the problems back to them and turn away.

A cornerstone of this policy is general revenue sharing. By the end of this year this program will have distributed \$30.2 billion of federal funds to States and localities for use by locally-elected governments to meet local priorities. I

again ask the Congress to extend this proven program for another five years and to authorize annual expenditures in excess of \$6.5 billion for each year.

I also ask Congress to legislate basic changes in many State and local grant programs. Over time, these programs have become tangled in red tape and mired in requirements that kill local initiative and innovation.

This program should be strengthened by requiring citizen participation in local decisions on how to spend revenue sharing funds. I am also proposing consolidation of \_\_\_\_\_ of the more than 1,000 categorical grants programs into bloc grants in the areas of health, education, social services and child nutrition.

For instance, a single bloc grant for feeding needy children will consolidate and simplify 15 complicated and overlapping programs. 700,000 needy children today receive no benefits under these programs. Under my new proposal, every single

needy child would be fed and subsidies for the non-poor would be eliminated.

Another example of consolidation of separate grants is education where 24 separate grants would be combined into a single flexible grant to States, without matching requirements. This would go primarily to help disadvantaged and handicapped children.

I am also asking for \$3.2 billion, an increase of \$466 million, in Federal bloc grants for local community development. Our future as a nation, like our past, depends on the practical application of new scientific and technical knowledge. If we fall behind in this race it is hard to catch up.

I want to harness the energy of the sun, unlock the secrets of the human body, control agricultural pests and diseases, reduce pollution and explore new educational methods in order to ensure a higher standard of living and quality of life for future generations.



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

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

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

I have make a systematic effort to meet with national, State and local leaders from the governmental and the private sector almost from the first day I assumed office.

I mean to open up the Federal Government to citizens from all walks of life to make the Federal Government more responsive to the needs of the people and to make it more accessible.

If we choose not to listen to the people and only to the politicians and bureaucrats, the government which now takes in taxes from the American people one-third of what they earn every year, will by the end of this century be taking fully half. When that happens, government's ability to control its free citizens -- already powerful -- will subtly shift to the government's ability to command its subjects.

We will then have been translated back from liberty to despotism in a feather bed -- and who will be our Jefferson, our Lafayette, or our Lincoln?

It was Lincoln who, in the darkest days of our Union, called upon his countrymen to dedicate themselves to a new birth of freedom. He treasured, as we do, the shining words

and deeds of 1776, which his own grandparents had witnessed. But he kept his eye on the future, with its brighter promise of a more perfect Union, with liberty and justice the birth-right of all Americans.

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

In our foreign relations, we find ourselves in a time of trial and difficulty -- and of peaceful progress and hope for the future.

-- The structure of our foreign policy is sound.

-- Our military power is second to none.

-- Our economic strength is the greatest in history.

-- Our principal alliances -- with the industrial democracies of the Atlantic Community and Japan -- are solid.

A further agreement to limit the strategic arms race is within reach.

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-- We continue to improve relations with the People's Republic of China.

-- We pursue peace in the Middle East.

-- The threat of a major war has been reduced.

-- The dialogue between the industrial world and the developing world looks to the future.

-- Our friendships grow in Latin America, Africa, and Asia.

Nevertheless, we face the future with too much confusion abroad -- and uncertainty at home -- about our purpose.

The American people have heard enough exaggerations of our past mistakes and misdeeds. They are looking at the new realities.

We are -- and continue to be -- the world's greatest democracy. We will merit the pride of our people. We will remain the bastion to which the free and partially-free countries look for protection. We are still the symbol of hope to millions

who live under tyranny but yearn for the freedom and prosperity that we represent.

Our enemies are not our own people but those abroad who seek to enslave mankind. As long as there is a strong United States of America, they will never succeed. That is basic common sense.

Let us stop self-deprecation, self-hate and self-destruction. That course can only weaken the United States and promote the real conspiracies and tyrannies of the world.

We must learn from our past mistakes. It is my firm intention to see that they never happen again. But the time has come to face the future. The world will not wait for America to defer vigilance, patriotism and unity, and to continue a domestic binge of self-flagellation.

I regret that the powers of the Presidency have been used in inappropriate ways and for improper purposes under previous Administrations. But I regret even more those who exaggerate past mistakes to weaken the Presidency in the future conduct of foreign affairs.

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Foreign and national security policy must continue to be the product of the consultation and cooperation of the Congress and the President. But our foreign relations can only be conducted effectively if there is a strong central authority to set the course. That authority, under the Constitution, rests with the President.

I will continue a foreign policy that pursues America's highest ideals -- a secure, just, and peaceful world. I pledge to the Congress a full process of consultation befitting the equality of our two branches.

Let us work together. The United States can no longer afford disruption, disarray or disunity in the conduct of our foreign affairs. No matter who is elected President this year, the United States of America must remain strong and defend the peace. My Administration, or any future Administration, bears this solemn responsibility.

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Just as the preservation of the powers of the Presidency is not a partisan issue, the preservation of an effective U. S. intelligence service must transcend party politics.

As your President, I will do everything in my Constitutional power to prevent the unilateral dismantling of our intelligence system and to preserve the security of the United States.

As you know, I ordered an independent investigation of Central Intelligence Agency. When the Congress established select committees to undertake a Congressional investigation, I ordered full cooperation by the Administration and shared the findings and files of our own investigations. I have appointed a new CIA director, of recognized ability and integrity, from outside the Agency.

Yet there continues to be a never-ending series of leaks of classified information on the most sensitive intelligence undertakings. The Congress's own procedures, and own promises to respect classified information, have been violated.

Foreign governments -- friendly to us -- have expressed concern about our common sense and ability to keep confidences. Foreign governments -- not friendly to us -- have been amazed and delighted.

The ultimate consequences are yet to be seen. Peace and security are jeopardized.

Peace requires not only strength and courage, but the ability to measure our response to foreign challenge. Covert operations are one such possible response. There are times when our friends abroad, combatting aggression, prefer that help be given without the glare of publicity and the risk of escalation that such publicity promotes. And, there are times when the United States wants to help others, in ways that avoid or minimize confrontation with a potential adversary.

The reduction of our intelligence capacities does not decrease but vastly increases the danger of American involvement in war. Our adversaries are encouraged to undertake



new and dangerous adventures, while our own ability for limited response is undermined.

Do we now face a future in which we can no longer help our friends -- even in limited and carefully monitored ways -- because of events of a different decade, in a different part of the world? Have we lost all capacity to respond short of an all-out thermonuclear war? I hope not. I see the future state of the Union directly dependent our common sense answers to these questions of today.

From the tragedy of Vietnam, we must learn wisdom, not wishful thinking.

To borrow from Prime Minister Winston Churchill's great speech in December 1941:

"We have not journeyed all this way across the centuries, across the oceans, across the mountains, across the prairies, because we are made of sugar candy."

(MORE)

I will propose a common sense defense budget increase to equip our military forces with the best arms available and to maintain a safe level of nuclear deterrence. We must continue to modernize both strategic and general purpose forces. We must improve military readiness and combat effectiveness within current personnel levels.

In keeping with the new realities, I will do this by cutting defense programs that do not directly contribute to combat effectiveness, by knocking off needless military frills and fancywork, and by greater efficiency.

Realistic reductions will be proposed in personnel levels, benefits, and marginal support activities. If Congress won't go along, I must say now that additional funds will be required.

Our national security imperatives are to:

- reduce the threat of war by maintaining military balance.

- deter or defeat any attack against the United States, our allies or any nation vital to our security.

-- protect the freedom of the seas.

Common sense dictates that to live in peace, we must have a credible and effective defense. It is also obvious that without peace and security, all our other priorities are meaningless.

(CONCLUSION TO COME)

THIRD DRAFT  
1/15/76

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JAN 16 1976

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

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

As we begin our Bicentennial, 200 years as an independent  
Republic seems to us a very long time.

But men and women on this planet have been struggling upward  
from savagery and slavery for a much longer time.

One peak towers high above the ranges of all human history.

In the nearly 2000 years of the Christian calendar, in the  
nearly 6000 years of Jewish reckoning, the supreme example of a  
people uniting to produce abundance and organizing their society to  
share the good life fairly and in freedom -- is the United States of  
America.

We have not remade paradise on earth, and we know perfection  
will not be found here. But think a minute how far we have come  
from the perspective of 200 years ago, seldom seeing much beyond a  
generation forward or back.

We came from many roots and have many branches. Yet all Americans across the eight generations that separate us from the stirring deeds of 1776, those who know no other homeland and those who just found refuge on our shores, say in unison:

I am proud of America and proud to be an American. Life will be better here for my children than for me. I believe this not because I am told to believe it, but because life has been better for me than it was for my father and my mother.

I know it will be better for my children because my hands, my brains, my voice and my vote, can help make it happen.

And it has happened here in America.

It happened to me--to most of us.

My most profound purpose in life, long before I became President, was to make sure it goes on happening. Government exists to translate the ideals of people into practical reality. In the best of times, much is lost in translation. But we try.

History and experience tell us that moral progress comes, not in comfortable and complacent times, but out of trial and confusion. Tom Paine aroused the troubled Americans of 1776 to stand up to the times that try men's souls, since the harder the conflict the more glorious the triumph.

Just a year ago I reported that the State of the Union was not good.

Tonight I report that the State of our Union is better -- in many ways a lot better -- but still not good enough.

To paraphrase Tom Paine, 1975 was not a year for summer soldiers and sunshine patriots. It was a year of fears and alarms, of dire forecasts most of which never happened and are not going to happen.

It also was a year of hard decisions, difficult compromises, and a new realism that taught us something important about America.

It brought back a needed measure of common sense, steadfastness and self-discipline. Americans did not panic or demand instant

but useless cures. In all sectors people met their difficult problems with restraint and responsibility worthy of their great heritage.

Add up the separate pieces of progress in 1975, subtract the setbacks, and the sum total shows that we are not only headed in the new direction I proposed 12 months ago, but that it turned out to be the right direction.

Common sense tells me to stick to that steady course.

Take the state of our economy.

Last January most things were rapidly getting worse.

This January most things are slowly getting better.

As you will recall, the year 1975 opened with rancor and bitterness still lodged deeply in the nation's soul. Political misdeeds of the past had neither been forgotten nor forgiven.

The longest, most divisive war in our history was winding toward an unhappy conclusion and many feared that the end of the external war of armed conflict would mean the beginning of an internal war of incrimination. Friends and adversaries abroad were asking whether America had lost its nerve, and, finally, our economy was ravaged by

inflation--inflation so serious that it would soon drive us into the worst recession in 40 years. Ours was a troubled land.

The worst recession since World War II turned around in April. The best cost of living news of the past year is that the double digit inflation of 12% or higher has been cut almost in half and the downward trend is continuing. The worst -- unemployment remains way too high.

Today nearly 2 million more Americans are working than at the bottom of the recession. Today people are being hired much faster than they are being laid off.

But we are a growing Nation. We need more and more jobs every year. Today's total employment of 85 1/2 million Americans is an all time record, but we need a lot more jobs especially for the young.

Five out of six jobs in this country are in private business and industry. The worst unemployment is in big metropolitan areas. Common sense tells us this is where we must create more jobs and find them faster.

My economic objectives are specific and make sense.



My first goal is that everyone in America who wants to work has a job.

The Federal government can create conditions and incentives for private business and industry to make more and more jobs, and that is what we must do to the very best of our ability.

I propose that Congress enact changes in federal tax laws that will speed up plant expansion and the purchase of new equipment to create over 2 million new permanent private jobs in 1976 and again in 1977.

This recommendation will concentrate this job-creation tax incentive in urban areas where the unemployment rate now runs over 7%, and legislation to achieve this objective must be approved at the earliest possible date.

I will propose other tax law changes to help people transfer their family farms and family businesses without the roadblocks of existing estate tax laws. The family farm and family-owned small business are <sup>significantly strengthen our economy</sup> ~~important to our society~~ and we must give encouragement to this stability in our society.

When American workers are also American investors, they profit both ways. Production also rises and prices go down. I propose we encourage people to invest in America through a plan that permits lower and middle income families, with matching funds from their employers, to get tax advantages if they invest in America's <sup>material</sup> future.

My second goal, as essential as finding jobs but a longer lasting problem, is to have sound economic growth without inflation. We all know from recent experiences what inflation does to ruin every other worthy purpose. We are slowing it; we must stop it cold.

In a growing economy -- an economy where prices are stable and jobs are plentiful -- there is hope and individual opportunity. In a stagnant economy or a rapidly inflating economy there is always hardship and despair. We can and we must regain our economic strength.

For many Americans the way to a healthy non-inflationary economy has become increasingly apparent; the government must stop spending so much and borrowing so much of our money; more money must remain in private hands where it will do the most good. The only

way we can hold down the cost of living is to hold down the cost of government.

Therefore, I am proposing a federal budget for the next fiscal year that cuts the projected growth in government spending by over 50%. Unless this is done, the programs already on the books would cost at least \$423 billion in this 12 month period. I will insist that we hold federal spending in this time frame to \$394.2 billion -- a savings of almost \$30 billion for the American taxpayers.

By holding down the growth in federal spending, we can provide additional tax cuts and return to the American people greater decision making over their own lives.

Last month legislation was enacted to extend the 1975 tax reductions for the first six months of this year. I propose that effective July 1, 1976, we enact a permanent tax cut of \$28 billion -- approximately \$10 billion more than what Congress enacted *in December*.

This broader tax reduction, which I am recommending, means that for a family of four making \$14,000 a year there will be \$225 more in take home pay. The hard-working Americans caught in the

middle can really use that kind of extra cash. This proposal will help to relieve the cost of living crunch by leaving more of their own pay checks to spend.

My recommendations for a firm restraint on the growth of federal spending and for greater tax reduction are realistic. For every dollar in cutting the growth in the federal budget we can have an added dollar of federal tax benefit.

*The formula is simple and straight forward.*

My goal of a balanced budget by 1979 is realistic if we continue to reduce the growth of federal spending by applying a little courage and a lot of common sense to our decisions in 1976.

The budget I will submit on Wednesday will chart a course for fiscal responsibility, greater tax reduction, and adequate funding for our national security and a healthy economy at home.

*from*

*Fully*

Twelve months ago with the foreign oil embargo fresh in our mind the energy outlook was bleak. The domestic production of oil and gas was declining. Our dependence on foreign oil at high fixed prices was increasing, draining dollars and jobs away from our own economy at the rate of \$100 per year for every American.

Last month I signed a compromise national energy bill which enacts a part of my Comprehensive Energy Independence Program. This legislation, late in coming, to reduce our vulnerability on foreign oil was not the best or the most complete answer. Nevertheless, it was a start in the right direction.

However, I strongly urge the Congress to move ahead immediately on the remainder of my energy proposals to make America invulnerable to the foreign oil cartel. Congress must proceed promptly to:

Reduce domestic national gas shortages;

Permit use of federally owned petroleum reserve oil;

Stimulate effective conservation;

Develop synthetic fuels from our vast coal resources;

Expedite clean and safe nuclear power production;

And create a new national Energy Independence Authority to push experimental sources of energy from the sun and earth for this and future generations.

Increasing health costs are of deep concern to all and a powerful force pushing up the cost of living. Hospital and medical

services in America are among the world's best but in extended and complex illnesses they can soon wipe out a family's lifetime savings.

The burden of a catastrophic illness can be borne by <sup>very</sup> few families, ~~and~~ we must eliminate this fear from every family.

I recommend medicare revisions to provide catastrophic health insurance for all eligible citizens. Under my plan no American after reaching 60 will have to pay more than \$500 annually for a hospital stay nor more than \$250 a year in all doctors' bills.

Under the resources now available, I propose to improve the medicare and other federal health programs to help those who really need more protection: older people and the poor. To help states and local governments give better health care to the poor I propose that we combine 16 existing federal programs including Medicaid into a single \$10 billion grant, the largest in history.

This would be divided up under a new formula which provides the most federal money, not to the richest states, but to those who have the most low income families. I will continue to

improve the quality of veterans care as recommended by the group that studied our program to upgrade medical and hospital care for those who served in the armed forces. My recommendations in all these health priority programs will actually lower the total cost to the taxpayers because they focus on helping the people who need it most.

Following the principle of putting first things first, we cannot realistically afford full federally dictated national health insurance protection for all 215 million Americans. The experience of other countries raises questions about the quality as well as the cost of such plans. But I do envision the day when we may use the private health insurance system to offer more middle income families high quality health services at prices they can afford and shield them from catastrophic illnesses.

Our federal social security system for people who have worked hard and contributed to it all their lives is a part of our economic system. Its value is no longer debatable.

But I am concerned about the integrity of our social security trust fund that enables people--those retired and those still working

who will retire--to count on this source of retirement income. Benefits to older people are being eroded by inflation while younger workers watch their deductions rise and wonder if they will be adequately protected in the future.

We must meet this challenge head-on. In my budget for fiscal year 1977 I am recommending that the full cost of living increase in social security benefits be paid during the coming year. I am specifically opposed to placing any limits on these anticipated benefits. At the same time we must recognize that the social security trust fund is in jeopardy. If this issue is neglected because of election year apprehension we will face a crisis in the near future that will threaten the younger taxpayers more than those already receiving benefits. Common sense tells us we should enact a moderate increase in social security taxes of .6 (6/10) of one percent effective January 1, 1977.

Not resentment but realism should guide our welfare policies.

Everybody knows that welfare has gotten out of hand and many programs



are not only wasteful but morally wrong. Rampant abuses are ruining  
are national morale and people's pride.

Compassion and charity -- two of America's greatest strengths  
throughout our history -- tell us we must take care of our neighbors  
who simply cannot take care of themselves. The host of federal  
programs in this field reflect our goodness and generosity as a people.

But common sense tells us that government at all levels is  
not doing the job. The truth is we are wasting enormous and badly  
needed resources without reaching many of the truly needy. The  
whole federal involvement in welfare needs a massive injection of  
common sense.

It cannot be reformed overnight because no concensus exists  
as to what should be done. Surely we cannot simply dump this problem  
in the laps of state and local agencies and walk away from it. Nor  
is a time of delicately balanced economic recovery from recession  
the right time for massive and sweeping changes, causing some of  
the innocent to suffer.

My guidelines for welfare are simple. Help all of the needy, but none of the greedy.

I will ask Congress for Presidential authority to tighten up eligibility rules and make other administrative improvements to achieve this goal.

I renew my recommendations of last year for long overdue reform of the scandal-ridden Food Stamp Program. We must give to the poor and hungry more of the food they need and give nothing to the chiselers.

Everybody's cost of living is increased by caring for those who can take care of themselves, but everybody's spirits are exalted by sharing with those who truly need our helping hands.

The common sense purpose of all my proposals is to put first things first in our national government and to cut back the cost of living by reducing the runaway growth of federal spending and also reducing its control over people's lives.

I am asking the Congress once again to free individual Americans and businesses from the tyranny of massive government regulation.

We are wasting literally millions of man hours and billions of dollars because of effective red tape. The American farmer has already shown how much more can be produced by lifting the shackles of government control. Now we need reforms in other key areas in our economy -- the airlines, trucking, railroads, and banking. I have proposed concrete plans in each of these areas not to help this or that industry but to foster competition and to bring prices down for the consumer.

This Administration will strictly enforce the federal anti-trust laws for the same purpose.

Protecting the life and property of the citizen at home is the responsibility of all public officials but is primarily the job of local and state law enforcement authorities.

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

My common sense conclusions on how to control violent crime

were submitted to the Congress last June with <sup>strong</sup> emphasis on protecting  
1  
the innocent victims of crime.

The way to keep a criminal from committing more crimes is to lock him up so he cannot harm law abiding citizens. The way to cut down violent crimes committed with guns is not to take guns away from everybody but to toughen the penalties for crimes in which guns are used, make it harder to obtain cheap guns for criminal purposes, and concentrate gun control enforcement in high crime areas.

The biggest single cause of the increase of crime today is the sale of hard drugs. This is not only a major domestic problem but an international issue. Here the federal responsibility is plain.

I have directed all agencies of the federal government to step up the war against the big drug traffickers and dealers who sell hard drugs and attract young people to them.

As President I have talked personally with the leaders of Mexico, Columbia, and Turkey to urge greater efforts by their governments to control effectively the production and trafficking of hard drugs.

Another major threat to every American's person and property is the criminal carrying a handgun. My budget recommends 500 additional federal agents in the 11 largest metropolitan high crime areas to help local authorities stop criminals from selling and using handguns.

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

? I recommended months ago that the Congress enact mandatory, <sup>fixed</sup> certain sentences for persons committing federal crimes of violence or selling hard drugs. Additional federal judges are needed as I proposed last year. This legislation recommended by the judicial conference should be promptly enacted.

Some judges won't send convicted criminals to jail because of poor prison conditions. To alleviate this problem at the federal level my new budget proposes the construction of four new federal facilities and would provide necessary funds to open and operate the three that are being completed.

I will propose in the new budget that the Congress authorize almost \$7 billion over the next five years to assist state and local governments to protect the safety and property of all citizens.

It is unrealistic and dishonest to hold out the hope that the federal government can move in and clean up crime in every neighborhood. But I do pledge to crack down on every illegality that falls

within the President's duty to faithfully execute the laws.

*2 re - emphasize*  
*'s guidelines in my anti crime act - protection for the victims of crime & domestic tranquility*

Last year I strongly recommended a five-year extension of the existing revenue sharing legislation which thus far has provided \$ \_\_\_\_\_ to help state and local units of government solve problems at home. This program has been effective with decision making transferred from the federal bureaucrats to locally elected officials. Congress must act this year or state and local units of government will have to drop programs or raise local taxes.

Expansion of federal assistance with greater flexibility in administration at the local level will be included in my budget recommendations in the areas of federal aid to education and social



services. These federal funds will help get the job done better and  
*by providing greater administrative flexibility*  
closer to home.

What do people want from their government?

They want government first to protect them and help them when they really need help. Beyond that, they want government to let them alone.

We have a duty to do all we can to protect all Americans in the enjoyment of their Constitutional rights and liberties;

To protect their jobs, their earnings, their chance to get ahead and their security in later life;

To protect the weak, the poor, and the wounded;

To protect the treasures of Nature for future generations;

And above all else to protect their lives, their safety, and their personal possessions from all enemies, foreign and domestic.

The protection of the lives and property of Americans from foreign enemies is the primary responsibility of the President and Commander in Chief of the armed forces.

Our foreign policy supports this ultimate obligation of government and so, in an ever more crucial way, do our intelligence services.

These are grave responsibilities but they can be carried out -- like my other objectives -- according to the common sense principles of first things first and not trying to do more than you have the means to do successfully.

Since I became President I have concentrated on strengthening our alliances -- economic as well as military -- with the industrial nations of NATO and Japan and in seeking to defuse the time bomb in the Middle East.

We are heading in the right direction in all these key areas and I will continue on the same steady course in 1976. The threat of major war has been reduced, negotiations for nuclear arms limitations continue, the prospects for peace are much better than a year ago, and confidence in America's decisiveness and willpower has been restored.



We are -- and continue to be -- the world's greatest democracy.

We will be worthy of our past. We will remain the beacon light to which enslaved people everywhere look for hope.

Our enemies are not our own people but those abroad who seek to enslave mankind. As long as there is a strong United States of America, they will never succeed. That is basic common sense.

Let us stop self-destruction <sup>here at home</sup> which can only weaken the United States and promote those who would crush freedom throughout the world.

I will continue a foreign policy that pursues America's highest ideals -- a secure, just, and peaceful world. I pledge to the Congress a full process of consultation befitting the equality of our two branches.

Let us work together. The United States can no longer afford disruption or disunity in the conduct of our foreign affairs. No matter who is elected President this year, the United States of America must remain strong and defend the peace. My Administration, or any future Administration, bears this solemn responsibility. If our military

forces are not sufficient to wage war, they will certainly not be adequate to ensure peace. America must never be second best in military strength.

The crippling of our intelligence capacities vastly increases the danger of American involvement in war. Our adversaries are encouraged to undertake new and dangerous adventures, while our own ability for limited response is undermined. It is absolutely vital that we have a strong and effective intelligence service.

If we destroy the effectiveness of our intelligence forces, we will stand blindfolded and helpless in a world that is still too dangerous. In the near future I will submit to the Congress a comprehensive set of proposals to reform and strengthen our intelligence community.

Do we now face a future in which we can no longer help our friends -- even in limited and carefully monitored ways -- because of events of a different decade, in a different part of the world? Have we lost all capacity to respond short of an all-out thermonuclear war?

I hope not. I see the State and survival of the Union in its third century hanging on our common sense answers to these questions of today.

And I have no doubt that our Union will endure -- better, stronger with more individual freedom.

We can see forward only dimly -- one year, five years, a generation perhaps. Like our forefathers, we cannot see beyond the horizon. But like our forefathers, we do know that if we meet the challenges of our own time with a common sense of purpose and conviction -- if we remain true to our ideals -- then we shall master the future better than we have the past.

I see America today crossing a threshold, not just because it is our Bicentennial, but because we have been tested in adversity and taken a new look at what we want to be and what we want our nation to become.

I see America resurgent, certain once again that life will be better for our children than it is for us, seeking strength that cannot be counted in megatons and riches that cannot be eroded by inflation.

I see these United States of America, moving forward as before toward a more perfect Union where a government serves

and the people rule.

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

Of all the Presidential speeches I have heard, the words I remember best were spoken by General Eisenhower standing in this very place.

"America is not good because it is great," he said.

"America is great because it is good."

President Eisenhower was raised in a poor but religious home in the heart of America. His simple words echoed President Lincoln's eloquent testament that "right makes might." And Lincoln's in turn evoked the silent image of President George Washington kneeling in prayer at Valley Forge.

So all these magic memories, which link eight generations of Americans, are summed up in the inscription just above me.

How many times have we seen it? -- "In God We Trust."

Let us engrave it now in each of our hearts as we  
begin our Bicentennial.

END OF TEXT