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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, there is one supreme
example of a people uniting to produce abundance and to share
the good life fairly and in freedom.

That union is the United States of America.

We have not remade paradise on earth. We know perfection
will not be found here. We cannot see beyond a generation for-
ward or back. But think for a minute how far we have come from

the perspective of 200 years ago.

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 you and to me.



My main purpose as a citizen, long before I became President, was to make sure it goes on happening. Government exists to create and preserve conditions in which people can translate their ideals into practical reality. In the best of times, much is lost in translation. But we try.

The genius of America has been its incredible ability *← insert* to improve the lives of tis citizens through a unique combination of governmental and free citizen activity.

My main purpose as President is to make sure this continues to happen.

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, because 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.

As you 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. Many feared that the end of that foreign war of men and machines meant the beginning of a domestic war of recrimination and reprisal.

Friends and adversaries abroad were asking whether America had lost its nerve.

Finally, our economy was ravaged by inflation -- inflation that was plunging us into the worst recession in 40 years.


At the same time, Americans were increasingly alienated from all big institutions. They were steadily losing confidence not just in big government, but in big business, big labor and big education.

Ours was a troubled land.

And so 1975 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 peices 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.



It is the right direction because it follows the truly revolutionary American concept of 1776 which holds that, in a free society, the making of public policy and successful problem solving involves much more than government. It involves a full partnership between all branches and levels of government, private institutions and individual citizens.

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 but surely getting better.

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

Today nearly 2 million more Americans are working than at the bottom of the recession. At year's end people were again being hired much faster than they were 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. Common sense tells us this is the place to look for more jobs and to find them faster.

I mean real, rewarding, permanent jobs.

My economic objectives are specific and make sense.

My first objective 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 afford additional tax cuts and return to the people who pay

taxes more decision making power over their own lives.

Last month I signed legislation to extend the 1975 tax reductions for the first six months of this year. I now propose that effective July 1, 1976, we give our taxpayers a permanent annual tax cut of \$28 billion -- approximately \$10 billion more than Congress agreed to in December.

My broader tax reduction would mean that for a family of four making \$14,000 a year there will be \$225 more in take-home pay. 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 them 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. The formula is simple and straightforward. For every dollar in cutting the growth in the federal budget we can have an added dollar of federal tax benefit.

(MORE)

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 firm course for fiscal responsibility, greater tax reduction, fully adequate funding for our national security and a healthy economy at home.

~~One of the~~ *A vital test of*
~~Central to~~ a healthy economy is a job for every American who wants to work.

Government -- our kind of government -- cannot create that many jobs. But 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 emphatically and urgently.

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 2 million more in 1977.

My recommendation will concentrate this job-creation tax incentive in urban areas where the unemployment rate now runs over 7%. Legislation to get this started must be approved at the earliest possible date.

Within the strict budget total I will recommend for the coming year, I will ask for an additional \$_____ billion in Federal help for new housing for lower and middle income families. We didn't meet our housing goals in 1975. But with lower interest rates, and available mortgage money, we should have a minimum of 1-1/2 million new housing starts in 1976.

Taking a longer look at America's future there can be neither sustained growth nor more jobs unless we continue to have an assured supply of energy to run our economy. Domestic production of oil and gas is still declining. Our dependence on foreign oil at high fixed prices is still 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 was late in coming, not the complete answer to energy independence but still a start in the right direction.

I again 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 natural gas shortages;

Permit use of federally owned petroleum reserve oil;

Stimulate effective conservation, including revitalization of our railroad and urban transportation systems;

Develop synthetic fuels from our vast coal resources;

Expedite clean and safe nuclear power production;

Create a new national Energy Independence Authority to stimulate vital energy investment;

And accelerate development of technology to capture energy from the sun and the earth for this and future generations.

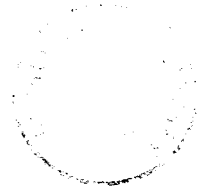
The family farm and family-owned small business significantly strengthen America's future and give stability to our economy.

I will propose estate tax changes so that family businesses and small farms can be kept in the family without having to be sold to pay taxes when someone dies.

I propose tax changes to encourage people to invest in America's future through a plan that permits lower and middle income families (with matching funds from their employers) to deduct up to \$1000 a year if they invest it in common stock in American companies.

When American workers are also American investors, they profit both ways. Production also rises and the cost of living goes down.

While we must reform and restrain the Government in coming years, I will not recklessly dismantle it. Americans cannot return to a 19th century way of life. The national



government must and will respond to clear-cut national needs.

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 very few in our society. We must eliminate this fear from every family.

I propose medicare revisions to provide catastrophic health insurance for all eligible citizens. To finance this added protection, fees for short-term care will go up somewhat, but nobody after reaching age 60 will have to pay more than \$500 a year for hospital or nursing home care nor more than \$250 for one year's 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.

Funds would be divided among the States 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 medical and hospital care for those who ^{have} served in our armed forces. My recommendations in all these priority health programs will actually lower the total cost to all taxpayers because they focus on helping the people who need it most.

Following the principle of putting first things first, we cannot realistically afford federally-dictated national health insurance providing full coverage 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 ^{also} 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.

At the same time common sense warns all of us that the social security trust fund is headed for trouble. If this issue is neglected because of election year apprehension the social security system will face a crisis in the near future that will threaten the younger taxpayers more than those already receiving benefits.

I must therefore recommend a 3/10 of 1 percent increase in both employer and employee Social Security taxes effective January 1, 1977. This will cost each covered employee no more than \$1 a week and will ensure the integrity of the trust fund.

As we rebuild our economy, we have a continuing responsibility to provide a temporary cushion to the unemployed. At my request, the Congress enacted two extensions/expansions in unemployment insurance which eased the financial burdens of those who were jobless during 1975. These programs will continue in 1976.

In my Fiscal 1977 budget, I am also requesting funds to continue proven job training and employment opportunity programs for over three and one-half million other Americans.

Looking realistically at our welfare policies, many programs are both wasteful and inequitable. Welfare abuses damage people's morale and people's pride.

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

Everyone realizes that government at all levels is not doing the job well. We are wasting badly-needed resources without reaching many of the truly needy. The whole federal involvement in welfare needs a massive injection of common sense.

Welfare programs cannot be reformed overnight because

no consensus exists as to what should be done. Surely we cannot simply dump this problem in the laps of State and local and private 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. We will fulfill our obligation to the truly needy. But those who can help themselves should not increase the burden on all hard-working taxpayers.

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 the poor and hungry more of the food they need and give nothing to those who don't really need it.

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.

To sum up:

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 programs and the control they exercise 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 bureaucratic red tape. The American farmer who not only feeds 215 million Americans and millions worldwide, has shown how much more he can produce without the shackles of government control.

Now we need reforms in other key areas in our economy -- the airlines, trucking, railroads, and banking. I have

propose 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 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 strong emphasis on protecting 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.

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.

A major cause of the increase of crime today is the sale of hard drugs. 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.

I recommended months ago that the Congress enact mandatory fixed sentences for persons committing Federal crimes of violence or selling hard drugs.

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

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.

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.

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. They are the front-line fighters in the war against crime.

It is unrealistic and misleading to hold out the hope that the Federal government can move in to every neighborhood and clean up crime. But I do pledge to crack down on every illegality that falls within the President's duty to faithfully execute the laws. We must protect the victims of crime and ensure 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 government 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.

In addition to my health care reforms, I propose to eliminate some _____ separate Federal grant programs and consolidate federal dollar grants to States, cities and local agencies to help them in the important areas of education, child nutrition, and social services. This flexible system makes more sense because it does the job better and 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;

(MORE)

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 intelli-
gence 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 we have the means to do successfully.

Since I became President I have concentrated on strengthen-
ing 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 oppressed 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 here at home. Hatred and strife 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 strength 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? Is it not plan common sense to be able to influence developments abroad by means that fall midway between diplomacy and all-out war? I see the State and survival of the Union in its third century hanging on our common sense answers to these questions of today.

(MORE)

And I have no doubt that our Union will endure -- better, stronger and 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 forefather, 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.

(MORE)

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 commonsense.

I have heard many inspired Presidential speeches, but the words I remember best were words spoken by Dwight D. Eisenhower.

"America is not good because it is great," the President 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

See JCRIFT : SUNDAY 10:15 A.M.

Now let me turn briefly to the international arena.

In a world of instant communications and intercontinental missiles, in a world economy that is global and interdependent, our foreign policy becomes more, not less, important to the lives of Americans.

America has had a unique moral role in the world since the day of our independence 200 years ago. And for the last 30 years since the end of World War II, we have borne -- successfully -- a great responsibility for ensuring a stable world order and hope for human progress.

Today, the structure of our foreign policy is strong.

-- We are at peace -- and I intend to keep it that way.

-- Our military forces are the most advanced; our military power is second to none. And I intend to keep it that way.

-- Our economic strength, the underpinning of our well-being at home and our leadership abroad, is recovering from recession and is the greatest in history.

Our principal alliances, with the industrial democracies of the Atlantic Community and Japan, have never been more solid.

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

-- We have a durable and improving relationship with China, the world's most populous nation.

-- The elements for peace in the Middle East now exist, for the first time.

-- We have taken the role of leadership in launching a serious and hopeful dialogue between the industrial world and the developing world.

-- Our many friendships with Latin America, Africa, and Asia, endure.

I am proud of what America has accomplished in foreign affairs.

The American people have heard much of late about how terrible our mistakes, how evil our deeds, and how misguided our purposes.

The American people know better. It isn't true.

Our nation has passed through a decade of domestic trial with its institutions as strong as ever. We are the world's greatest democracy. We continue to be the bastion of global stability and security. We remain the symbol of man's aspirations for liberty and well-being. We are the embodiment of hope for progress.

And so my fellow-Americans, it is time we put a stop to the attacks on ourselves. We have every obligation to draw the right lessons from our past mistakes, to see that they never happen again. But it is time to face our future. The world's problems do not go away. If we continue to tear ourselves apart in purposeless namecalling and abuse, we and our children will pay the price.

The American people want an effective and strong foreign policy.

In our Constitutional system, foreign policy must be the product of consultation and accommodation between the President and Congress.

But in the last analysis, as our Founding Fathers knew, the foreign

relations of the United States can be conducted effectively only if there is strong central direction and action. That responsibility can only rest with the President. I intend to uphold that responsibility.

I pledge to the American people a foreign policy which seeks a secure, just, and peaceful world. I pledge to the Congress -- my colleagues -- to work with you to that end.

But there must be a concern for the national interest. We can no longer afford disruption, disarray or disunity in the conduct of our foreign affairs.

We must not face a future in which we can no longer help our friends, such as in Angola -- even in limited and carefully controlled ways -- because of the trauma of a past decade. We must not lose all capacity to respond short of an all-out war. The precipitous actions of the Congress during the past year -- most recently in Angola -- are very much on the minds of our allies and our adversaries. The preservation of our role as a world leader and perhaps our very survival depend on how we answer these questions of today.

We must, as well, be concerned about our military strength.

Throughout my public career I have maintained that strength is the only sure foundation for peace, and that America must maintain an adequate defense capability.

A strong defense posture gives weight to our values and our views in international negotiations; it assures the vigor of our alliances; and it sustains our efforts to promote settlements of international conflicts that could threaten our safety and the peace of the world.

The Defense Budget that I shall submit to the Congress for Fiscal 1977 will show an increase over last year. Most of the apparent increase merely reflects inflation. There is, however, a 7.5% growth in purchasing power over last year's Defense Budget, which includes, among other things, the costs of supporting our All-Volunteer Force.

cut percentage for spending more on defense

We are making continuing economies, to enhance the efficiency of our military forces. But the budget that I will submit represents the necessity of American strength for the perilous period in which we live.

As conflict and competition inevitably continue in the world,

I can think of nothing more vital than our intelligence capabilities.

The crippling of our foreign intelligence services only increases the danger of American involvement in wider conflict. Our adversaries are encouraged to attempt new adventures, while our own ability to monitor events, to gauge the intentions of others and to chart a course in the best interests of this Nation -- and to influence events short of military action -- is undermined.

Deprived of an effective intelligence capability, we will stand blindfolded, and hobbled.

In the near future, I will take action to reform and strengthen our intelligence community. I ask for your positive cooperation. We must end the assault on our own vital institutions. It is time to go beyond sensationalism and scandal-mongering to the hard work of rebuilding an effective, responsible, and responsive foreign intelligence capability.

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, America is still one of
the youngest Nations in recorded history. Long before our fore-
fathers came to these shores, men and women had been struggling
on this planet to forge a better life for themselves and their
families.

In man's long upward march from savagery and slavery --
throughout the nearly 2000 years of the Christian calendar, the
nearly 6000 years of Jewish reckoning -- there have been many
deep, terrifying valleys, but also many bright and towering peaks.

One peak stands highest in the ranges of human history.
One example shines forth of a people seeking to produce abundance and
to share the good life fairly and justly. One Union holds out
the promise of freedom and opportunity for every citizen.

That Union is the United States of America.

We have not remade paradise on earth. We know perfection will not be found here. We cannot see beyond a generation forward or back. But think for a minute how far we have come in 200 years.

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 make it happen.

And it has happened here in America.

It happened to you and to me.

Government exists to create and preserve conditions in which people can translate their ideals into practical reality. In the best of times, much is lost in translation. But we try.

Sometimes we have tried and failed.

Always we have had the best of intentions. But we forgot the sound principles that had guided us through most of our history. We wanted to accomplish great things and solve age-old problems. And we became overconfident of our own abilities. We tried to act as a policeman abroad and as a solicitous parent here at home. We believed we could transform the country through massive national programs;

-- But often the programs did not work; too often, they only made things worse.

-- In our rush to accomplish great deeds quickly, we trampled on sound principles of restraint, and endangered the rights of individuals.

-- We unbalanced our economic system by the huge and unprecedented growth of Federal expenditures and borrowing. And

we were not totally truthful with ourselves about how much these programs would cost and how we would pay for them.

-- Finally, we lowered our priority for national defense while the Soviets continued a massive buildup of arms.

The time has now come for a fundamentally different approach -- for a new realism that is true to the great principles upon which this nation was founded.

We must introduce a new balance to our economy -- a balance that favors not only sound, active government but also a much more vigorous, healthier economy that can create new jobs and hold down prices.

I believe we must introduce a new balance in the relationship between the individual and the Government -- a balance that favors greater individual freedom and self-reliance.

We must strike a new balance in our system of Federalism -- a balance that favors greater responsibility and freedom for the leaders of our State and local governments.

We must introduce a new balance between spending on domestic programs and spending on defense -- a balance that ensures we fully meet our obligations to the needy while also protecting our security in a world that is still hostile to freedom.

And in all that we do, we must be more honest with the American people; promising them no more than we can deliver, and delivering all that we promise.

The genius of America has been its incredible ability to improve the lives of its citizens through a unique combination of governmental and free citizen activity.

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, because 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, and of dire forecasts -- most of which never happened and won't happen.

As you recall, the year 1975 opened with rancor and bitterness. 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. Many feared that the end of that foreign war of men and machines meant the beginning of a domestic war of recrimination and reprisal.

Friends and adversaries abroad were asking whether America had lost its nerve.

Finally, our economy was ravaged by inflation -- inflation that was plunging us into the worst recession in 34 years.

At the same time, Americans became increasingly alienated from all big institutions. They were steadily losing confidence not just in big government, but in big business, big labor and big education.

Ours was a troubled land.

And so, 1975 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.

It is the right direction because it follows the truly revolutionary American concept of 1776 which holds that in a free society, the making of public policy and successful problem solving involves much more than government. It involves a full partnership between all branches and levels of government, private institutions and individual citizens.

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 but surely getting better.

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

Today nearly 1.7 million more Americans are working than at the bottom of the recession. At year's end people were

again being hired much faster than they were being laid off.

Yet let us be honest: many Americans have not yet felt these changes in their daily lives. They still see prices going up too fast, and they still know the fear of unemployment.

And we are a growing Nation. We need more and more jobs every year. Today's total employment has produced over 85 million jobs for Americans, but we need a lot more jobs especially for the young.

My first objective is to have sound economic growth without inflation.

We all know from recent experience what runaway inflation does to ruin every other worthy purpose. We are slowing it; we must stop it cold.

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. To hold down the cost of living, we must hold down the cost of government.

In the past decade, the Federal budget has been growing at an average rate of over 10 percent every year. The budget I am submitting Wednesday cuts this rate of growth in half. I have kept my promise to submit a budget for the next fiscal year of \$395 billion. In fact, it is \$394.2 billion.

By holding down the growth in Federal spending, we can afford additional tax cuts and return to the people who pay taxes more decision-making power over their own lives.

Last month I signed legislation to extend the 1975 tax reductions for the first six months of this year. I now propose that effective July 1, 1976, we give our taxpayers a tax cut of approximately \$10 billion more than Congress agreed to in December.

My broader tax reduction would mean that for a family of four making \$15,000 a year there will be \$196 more in take home pay annually. Hard-working Americans caught in the



middle can really use that kind of extra cash.

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

We can achieve a balanced budget by 1979 if we have the courage and wisdom to continue to reduce the growth of Federal spending.

One test of a healthy economy is a job for every American who wants to work.

Government -- our kind of government -- cannot create that many jobs. But the Federal Government can create conditions and incentives for private business and industry to make more and more jobs.

Five out of six jobs in this country are in private business and industry. Common sense tells us this is the



place to look for more jobs and to find them faster.


I mean real, rewarding, permanent jobs.

To achieve this we must offer the American people greater incentives to invest in the future.

-- I therefore propose that Congress enact changes in Federal tax laws that will speed up plant expansion and the purchase of new equipment. My recommendation will concentrate this job-creation tax incentive in areas where the unemployment rate now runs over 7 percent. Legislation to get this started must be approved at the earliest possible date.

Within the strict budget total I will recommend for the coming year. I will ask for Federal assistance for the construction of 500,000 additional homes. This program will expand housing opportunities, spur construction and help to house those with middle incomes and the poor.

We did not meet our housing goals in 1975. But with lower interest rates and available mortgage money, we can have a healthy recovery in 1976.



A necessary condition of a healthy economy is freedom from the petty tyranny of massive government regulation. We are wasting literally millions of working hours costing billions of consumers' dollars because of bureaucratic red tape. The American farmer who not only feeds 215 million Americans and millions worldwide, has shown how much more he can produce without the shackles of government control.

Now we need reforms in other key areas in our economy -- the airlines, trucking, railroads, and banking. I have 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.

Taking a longer look at America's future there can be neither sustained growth nor more jobs unless we continue to have an assured supply of energy to run our economy.

I will propose estate tax changes so that family businesses and small farms can be handed down from generation to generation without having to be sold to pay taxes.

I propose tax changes to encourage people to invest in America's future, and their own, through a plan that permits lower and middle income families to claim income tax deductions if they make long-term investments in common stock in American companies.

The Federal Government must and will respond to clear-cut national needs -- for this and future generations.

Hospital and medical services in America are among the world's best but the cost of a serious and extended illness can soon wipe out a family's lifetime savings. Increasing health costs are of deep concern to all and a powerful force pushing up the cost of living.

The burden of a catastrophic illness can be borne by very few in our society. We must eliminate this fear from every family.

I propose catastrophic health insurance for everybody covered by Medicare. To finance this added protection, fees for short-term care will go up somewhat, but nobody after reaching age 60 will have to pay more than \$500 a year for hospital or nursing home care nor more than \$250 for one year's doctors' bills.

We cannot realistically afford Federally dictated national health insurance providing full coverage 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 also from catastrophic illnesses.

Under the resources now available, I propose improving 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 Federal grant.

Funds would be divided among the States under a new formula which provides the most Federal money, not to the States with the biggest budgets, but to those which have the most low income families.

I will also continue to improve the quality of medical and hospital care for those who have served in our armed forces.

Now let me speak about Social Security.

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. 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.

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. Younger workers watch their deductions rise and wonder if they will be adequately protected in the future.

We must meet this challenge head-on.

Simple arithmetic warns all of us that the Social Security Trust Fund is headed for trouble. Unless we act soon to make sure the fund takes in as much as it pays out, there will be no security for old or young.

I must therefore recommend a 3/10 of one percent increase in both employer and employee Social Security taxes effective January 1, 1977. This will cost each covered employee less than one extra dollar a week and will ensure the integrity of the trust fund.

As we rebuild our economy, we have a continuing responsibility to provide a temporary cushion to the unemployed. At my request the Congress enacted two extensions and expansions in unemployment insurance which helped those who were jobless during 1975. These programs will continue in 1976.

In my fiscal 1977 budget, I am also requesting funds to continue proven job training and employment opportunity programs for millions of other Americans.

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

But everyone realizes that when it comes to welfare, government at all levels is not doing the job well. Too many of our welfare programs, are inequitable and invite abuse. Worse, we are wasting badly needed resources without reaching many of the truly needy.



Complex welfare programs cannot be reformed overnight. Surely we cannot simply dump welfare in the laps of the 50 States, their local taxpayers or private charities, and just walk away from it. Nor is it the right time for massive and sweeping changes while we are still recovering from a recession.

Nevertheless, there are still plenty of improvements we can make. I will ask Congress for Presidential authority to tighten up rules for eligibility and benefits.

Last year I twice sought long overdue reform of the scandal riddled Food Stamp program. This year I say again: Let's give Food Stamps to those most in need. Let's not give any to those who don't need them.

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.

Americans have always found the very thought of a Federal police force repugnant and so do I. Yet there are proper ways



in which we can help to ensure domestic tranquility as the Constitution charges us.

My recommendations on how to control violent crime were submitted to the Congress last June with strong emphasis on protecting the innocent victims of crime.

To keep a convicted criminal from committing more crimes we must put him in prison so he cannot harm more law-abiding citizens. Too often criminals are not sent to prison after conviction but are allowed to return to the streets.

Some judges are reluctant to send convicted criminals to prison because of inadequate prison facilities. To alleviate this problem at the Federal level, my new budget proposes the construction of four new Federal facilities.

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




Additional Federal judges are needed, as I proposed last year. This legislation recommended by me and the Judicial Conference should be promptly enacted.

Another major threat to every American's person and property is the criminal carrying a handgun. The way to cut down on the criminal use of guns is not to take guns away from the law-abiding citizen, but to impose mandatory sentences for crimes in which a gun is used, make it harder to obtain cheap guns for criminal purposes, and concentrate gun control enforcement in high crime areas.

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.

The sale of hard drugs is on the increase again. I have directed all agencies of the Federal Government to step up enforcement efforts against those who deal in drugs. Hard drugs degrade the spirit as they destroy the body of their users. Here the Federal responsibility is plain.



I recommended months ago that the Congress enact mandatory fixed sentences for persons convicted of Federal crimes involving selling hard drugs.

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 shipment of hard drugs.


It is unrealistic and misleading to hold out the hope that the Federal Government can move in to every neighborhood and clean up crime. Under the Constitution, the greatest responsibility for curbing crime lies with State and local authorities. They are the frontline fighters in the war against crime.

There are definite ways in which the Federal Government can help them. 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.

As President I pledge the strict enforcement of Federal laws and -- by example, support, and leadership -- to help State and local authorities enforce their laws. Together we must protect the victims of crime and ensure domestic tranquility.

Last year I strongly recommended a five-year extension of the existing revenue sharing legislation which thus far has provided \$19 billion to help State and local units of government solve problems at home. This program has been effective with decision making transferred from the Federal Government 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.

In addition to my health|care reforms, I propose to consolidate some 59 separate Federal programs and provide flexible Federal dollar grants to help States, cities and local agencies in such important areas as education, child nutrition, and social services. This flexible system will do the job better and do it closer to home.



Now let me turn to the international arena.

In a world of instant communications and intercontinental missiles, in a world economy that is global and interdependent, our foreign policy becomes more, not less, important to the lives of Americans.

America has had a unique moral role in the world since the day of our independence 200 years ago. And for the last 30 years since the end of World War II, we have borne -- successfully -- a great responsibility for ensuring a stable world order and hope for human progress.

Today, the structure of our foreign policy is strong.

-- We are at peace -- and I intend to keep it that way.

-- Our military forces are the most advanced; our military power is second to none. And I intend to keep it that way.

Our principal alliances, with the industrial democracies of the Atlantic Community and Japan, have never been more solid.

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

-- We have a durable and improving relationship with China, the world's most populous nation.

-- The elements for peace in the Middle East now exist, for the first time.

-- We have taken the role of leadership in launching a serious and hopeful dialogue between the industrial world and the developing world.

-- Our many friendships with Latin America, Africa, and Asia, endure.

We should be proud of what America has accomplished in foreign affairs.

The American people have heard much of late about how terrible our mistakes, how evil our deeds, and how misguided our purposes. The American people know better. It isn't true.


Our nation has passed through a decade of domestic trial with its institutions as strong as ever. We are the world's

greatest democracy. We continue to be the bastion of global stability and security. We remain the symbol of man's aspirations for liberty and well-being. We are the embodiment of hope for progress.

And so my fellow-Americans, it is time we put a stop to the attacks on ourselves. We have every obligation to draw ~~the right lessons from our past mistakes, to see that they never~~ happen again. But it is time to face our future. The world's problems do not go away.

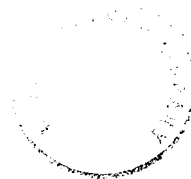
~~The American people want an effective and strong~~ foreign policy.

In our Constitutional system, foreign policy must be the product of consultation and accommodation between the President and Congress. But in the last analysis, as our Founding Fathers knew, the foreign relations of the United States can be conducted effectively only if there is strong central direction and action. That responsibility can only rest with the President. I intend to uphold that responsibility.



I pledge to the American people a foreign policy which seeks a secure, just, and peaceful world. I pledge to the Congress -- my colleagues -- to work with you to that end.

We must not face a future in which we can no longer help our friends, such as in Angola -- even in limited and carefully controlled ways -- because of the trauma of a past decade. We must not lose all capacity to respond short of an all-out war. The unwise actions of the Congress during the past year -- most recently in Angola -- are very much on the minds of our allies and our adversaries. The preservation of our role as a world leader and perhaps our own security depends on how we answer these questions of today.



We must, as well, be deeply concerned about our military strength.

A strong defense posture gives weight to our values and our views in international negotiations; it assures the vigor of our alliances; and it sustains our efforts to promote settlements of international conflicts and slows down the nuclear arms race that could threaten our safety and the peace of the world.

The Defense Budget that I shall submit to the Congress for fiscal 1977 will show an essential increase over last year. There is a 7.5 percent growth in purchasing power over last year's Defense Budget, which includes, among other things, the costs of supporting our All-Volunteer Force.


We are making continuing economies, to enhance the efficiency of our military forces. But the budget that I will submit represents the necessity of American strength for the perilous period in which we live.

As conflict and competition inevitably continue in the world, I can think of nothing more vital than our intelligence capabilities.

The crippling of our foreign intelligence services only increases the danger of American involvement in direct military conflict. Our adversaries are encouraged to attempt new adventures, while our own ability to monitor events, to gauge the intentions of others and to chart a course in the best interests of this Nation -- and to influence events short of military action -- is undermined.

Deprived of an effective intelligence capability, we will stand blindfolded and hobbled.

In the near future, I will take actions to reform and strengthen our intelligence community. I ask for your positive cooperation. We must end the assault on our own vital institutions. It is time to go beyond sensationalism to the hard work of rebuilding an effective, responsible, and responsive foreign intelligence capability.



I have spoken of our problems at home and abroad. I have recommended policies that will meet the challenge of our third century.

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

We can see forward only dimly -- one year, five years, a generation perhaps. Like our forefathers, we 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 Constitution and our ideals -- then we can know that the future will be better than 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.

I have heard many inspired Presidential speeches, but the words I remember best were spoken by Dwight D. Eisenhower.

"America is not good because it is great," the President 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 in turn evoked the silent image of 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

