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As we move forward in the
 to broaden & strengthen world peace
 months ahead, whether it be in the
 Middle East, Europe, Asia, Latin America
 or Africa we must have the tools to
 do the job.

Our military forces are strong &
 ready. Our all volunteer military manpower
 program is successful. This ^{military} strength
 deters aggression against our allies, stabilizes
 our relations with ^{former} ~~the~~ adversaries &
 protects our homeland. Fully adequate

conventional + strategic forces, cost billions



but these dollars are a sound insurance for our safety, & a more peaceful world,

~~Military weapons are not our only~~

Military deterrence is not the only

method of preventing conflict & building world understanding. Effective diplomacy is a key

to progress. The ^{Vladivostok} Vladivostok negotiations with

The Soviet Union were successful. Our

relations with our allies, the French, are

good because of recent discussions in

Martinez. The visits to Japan & South Korea brought better understanding & a strengthening of our relationships.

But we have ^{serious} challenges before us -



That require cooperation between the President

& the Congress. By the Constitution & tradition

foreign policy was ^{historically} executed by the President.

In recent years under the stress of the

Vietnam war legislative restrictions on the President's

capability to execute foreign & military decisions

proliferated. As a member of the Congress

I offered some & approved others. As President

I welcome the advice & cooperation of the

House & Senate. In return you will



have full reciprocity. But, if our

foreign policy is to be successful we cannot

rigidly restrict ^{in legislation} the power of the President

to act. The conduct of negotiation is

ill-suited to such limitations. ^{I pledge} This

Administration will act in the closest

consultations with the Congress ^{as we meet} ~~of~~ ~~worldwide~~

^{delicate &} the trouble times throughout the globe,
~~these global problems~~

Let me shift from our domestic
economic + energy circumstances to the
global picture.

1/9/75

STATE OF THE UNION

Yellow page II

penetration

At no time in our history has the state of the nation depended more heavily on the state of the world. And seldom if ever has the state of the world depended more heavily on the state of our nation.

-- The economic crisis is global. We will not solve it at home unless we remedy the profound economic dislocation now afflicting the world. ~~The~~ World trade and ^{international} monetary systems provide our markets abroad and our imports of vital raw materials. [it provides man's basic needs for food, for energy, and for progress.] All this is dependent on a global system of orderly economic ties and ~~orderly~~ growth. This international system is now in jeopardy.

-- And it still is a world of political turmoil. This nation can be proud of significant achievements in recent years in solving problems and crises. The Berlin Agreement, the SALT agreements, our new relationship with China, the unprecedented efforts in the Middle East -- are of lasting significance. But the world is not free from crises. A world of 150 nations, proliferating nuclear technology, and continuing regional conflicts is a world in which international security cannot be taken for granted.

So what is our role, our mission?

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So let there be no mistake about it: interdependence is a vital fact of our lives today. Interdependence is in the highest interests of the United States. This is not a moment for the American people to turn inward. More than at any time in a generation -- possibly in our history -- our own well-being depends on America's determination and leadership in the world arena.

-- Our economy produces one-third of the world's goods.

Our economy, more than any other, determines the economic health of the rest of the world. But the converse is even more true -- that a strong US economy cannot exist in an economically sick world.

-- We are ~~the world's strongest power.~~ ^{*a great nation - economically, militarily & diplomatically.*} America's commitment to international security has sustained the safety of allies and friends in many areas -- in the Middle East, in Europe, in Asia. Our turning away would unleash new instabilities and dangers around the globe which would in turn destroy our own security and tranquility.

At the end of World War II, we turned a similar challenge into an historic achievement. An old order was in disarray; political and economic institutions were shattered. In that period this nation and its partners built new institutions, new mechanisms of mutual support

and cooperation. We acted creatively, imaginatively, boldly. We overcame fear by seizing the initiative and shaping our own destiny.

We did not seek such responsibilities. But we have borne them -- successfully -- and thereby safeguarded our own interests and our own well-being. The whole world is watching to see how we respond today.

So the measures we have on our agenda today are vital. A resurgent American economy would do more to restore the confidence of the world in its own future than anything else we can do. The program that this Congress will pass will demonstrate to the world that we have put our own house in order. It will demonstrate that this nation is able and willing to help other nations meet the common needs of man for energy, food, and progress. It will demonstrate that this nation has ~~taken up~~ ^{assumed full} its responsibility to lead us out of the current crisis.

The Foreign Policy agenda is equally serious.

-- At stake is the future of the industrialized democracies, who have perceived their destiny in common and sustained it in common for 30 years. Our decisive action now is essential -- not simply to pool technology, but even more to recover our sense that our future is in our own hands, not at the mercy of external forces. The health of freedom in many countries will be affected by our success.

-- The developing nations are also at a turning point. For the poorest nations, their ability to feed the hungry and their hopes for economic development are literally at stake. For the producers of raw materials, their long-term economic future, too, depends on a cooperative solution to the current crisis.

-- Our relations with the Communist countries are a basic determinant of the world environment. If we seek peace, we must seek to stabilize these relationships and build a long-term basis for our coexistence. We will stand by our principles and our interests; we will act firmly when challenged. But the kind of world we seek to build depends on a broad policy of creating mutual incentives for restraint and for cooperation.

Let me say a word about Indochina.

Separate page

The United States paid dearly in blood and treasure to defend a brave ally against external attack. We succeeded, and then we came home. 50,000 Americans died there; only a few years ago we were spending \$30 billion a year. Today all that the Vietnamese ask of us is sufficient ~~assistance~~ *dollars & weapons* to maintain their own defense. The question we face is whether this country and this Congress -- after all the

sacrifices that have been made -- will now deprive our brave allies of the means for their own defense.

As they struggle alone we must not shoot - change them.

I will shortly ask the Congress, therefore, for additional funds for economic and military aid to South Vietnam and Cambodia. The world will judge from our action whether the United States is a nation that stands by its allies and its principles.

Foreign assistance is an integral part of our own security. Foreign assistance for humane purposes is those less well off have always been a substantial thrust of American generosity. It will be on the future with P.L.

The American people look to their elected leaders to set our course. I as President, and you as the Congress, have our separate responsibilities. We are both accountable for the success or failure of our effort.

480, Technical economic aid & the Peace Corps.

When I first came before you in August, I said: "As President, within the limits of basic principles, my motto towards the Congress is communication, conciliation, compromise, and cooperation." This is my enduring commitment. No foreign policy can be sustained without the understanding and support of the people and the Congress. The Congress, by its oversight and appropriations and its specific legislative responsibilities, helps define the broad outline of national policy.

But I would not be fulfilling my responsibility as President for the conduct of our diplomacy if I did not fight -- and fight hard --

THE PRESIDENT HAS SEEN....

Mr. Speaker, Mr. Vice President, Members of the 94th

Congress and distinguished guests:

Twenty six years ago a freshman Congressman, a young fellow with lots of idealism who was out to change the world, stood before Speaker Sam Rayburn in the well of this House and solemnly swore to the same oath you took yesterday. That is an ennobling and unforgettable experience, and I congratulate you all.

Two days later that same freshman sat in the back row over there somewhere as President Truman, all charged up by his single-handed election victory, reported as the Constitution requires on the State of the Union.

When the bipartisan applause stopped, President Truman said:

"I am happy to report to this Eighty-first Congress that the state of the Union is good. Our Nation is better able than ever before to meet the needs of the American people, and to give them their fair chance in the pursuit of happiness. It is foremost among the nations of the world in the search of peace."

Today the freshman Member from Michigan stands where Mr. Truman stood and I must say to you that the State of the Union is not good.

Millions of Americans are out of work.

Recession and inflation are eroding the money of millions more.

Prices are too high and sales are too slow.

This year's Federal deficit will be ^{about} \$30 billion; next

year's probably \$45 billion.

Federal deficit - limitation
The national debt will rise to over \$600 billion. ✓

Our plant capacity and productivity are not increasing

fast enough.

We depend on others for essential energy.

Some people question their government's ability -- mine and yours -- to make the hard decisions and stick with them.

They expect ^{from} Washington politics as usual.

Yet, what President Truman said on January 5, 1949 is even more true in 1975.

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We are better able to meet the peoples' needs.

All Americans do have a fairer chance to pursue happiness.

Not only are we still the foremost nation in pursuit of peace, but today's prospects of attaining it are infinitely brighter.

~~Mr. Truman said the State of the Union in 1949 was good and I say it is bad. Yet future historians, surveying the statistics, may say we were both wrong.~~

In comparable dollars, the medium family income for all Americans has doubled during those 26 years.

There were 59,378,000 Americans, not counting the military, employed at the start of 1949. Now there are 85,924,000 who have jobs.

~~Most astonishing of all, our gross national product in the postwar boom of 1949 stood at \$259 billion. But in today's recession it is \$1,416 billion, over five times as great.~~

Now I want to speak very bluntly.

(MORE)

What future historians say about 1975 is not so important to you and to me as what the American people say about us in 1976. And unless we get things going again, we will not ^{get} escape ^{any applause from} their wrath by Congress blaming the President or the President blaming the Congress. The American people want action and it will take both of us to give them what they want.

As Speaker [?] Albert said yesterday

~~I want to work with you for national recovery. Let us not talk of a Republican program or a Democrat program, of a conservative program or a liberal program -- but of an American program. Inflation and recession and the energy crisis and the future of our Nation involve all Americans. I am willing to listen to all your proposals. When they come to the White House, I will not look at the politics behind the ideas but only at the potential good ahead. I will meet constructive critics more than half way.~~

~~Let there be no shortage of energy in legislative movement between Capitol Hill and the White House. Let's just make sure we are moving in the right direction.~~

What we can do immediately is to begin to change our ways.

It will take months -- not days or weeks -- to see real progress, and years to see real solutions, but progress and solutions can be achieved.

And they will.

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Part of our trouble is that we have been self-indulgent. For decades we have been voting ourselves ever-increasing levels of government benefits, and now the bill has come due.

Earlier, I mentioned the anticipated federal deficits -- for fiscal year 1975, \$30 billion; for fiscal 1976, \$45 billion. Both of these are bad news. But let me add another element. The federal debt is \$483.6 billion. Because of these deficits, the debt limitation will have to be raised by \$_____.

A year ago, when the 1975 budget was submitted, the anticipated deficit was \$ 9.4 billion. In the interim, however, ^{lower} tax receipts of \$ 10 billion and higher unemployment payments of \$ and public service employment costs of \$ 9 billion and other anti-recession ~~expenses~~ expenses of \$ 3 billion -- all of these added ~~\$~~ \$22 billion to this year's federal deficit.

Is the current recession the only or fundamental cause of our federal financial difficulties? No, there is a far more basic problem.

A major element in
~~The root~~ of our national economic problem is the growth of
programs.

federal spending. We have been adding so many new programs that the size and growth of the federal budget has taken on a life of its own. In 1865, federal expenditures rose beyond the \$1 billion mark for the first time. It took 76 years more, till 1941, for federal expenditures to go beyond the \$10 billion level. It took only 20 more years for federal expenditures to rise beyond the \$100 billion mark. In just 8 more years federal spending reached \$200 billion, and just 5 years later, the present fiscal year, federal spending passed the \$300 billion mark. We are now adding some \$40 to \$50 billion to federal expenditures each year.

We have developed a whole series of special programs that contribute to the well being of tens of millions of persons: social security, medicare, food stamps, veterans benefits, welfare, unemployment insurance. But we have not considered fully the effects of our efforts to pay for these programs.

One characteristic of these programs is that their cost increases automatically every year because the number of people eligible for most of these benefits increases every year. When these programs are enacted, there is no dollar amount affixed to them. We do not know what they will cost. All we know is that whatever they cost this year, they will cost more next year.

It is a question of simple arithmetic. Unless we check the excessive growth of government expenditure, or impose on ourselves matching increases in taxes, we will run as we are huge inflationary deficits in the federal budget.

I have already submitted to the Congress a list of budget cuts and there are more recommended in the budget I will present to the Congress. Even so the level of billion of outlays for fiscal year 1976 is still much too high. Not only is it too high for this year but the decisions we make now will inevitably have a major and growing impact on

expenditure levels in future years. If we project the current built-in momentum of federal spending through the next 15 years, federal, state, and local government expenditures could easily comprise nearly half of our gross national product by 1990. This compares with less than a third in 1975.

As a consequence, there must be no new spending programs for fiscal 1976, except for our energy program. We must limit the size of the automatic cost-of-living increases associated with many programs, including social security, to a limit of 5 percent this year. Federal employee and retirement pension increases must come under the same 5 percent limit.

None of these recommended ceiling limitations, over which the Congress has final authority, will be easy to make, since in most cases they involve anticipated payments to deserving persons. Nonetheless,

it must be done. I recommend the action with great regret. I must emphasize that I am not asking that we eliminate or reduce these programs. I am recommending that we slow down to 5 percent the rate at which these programs will expand.

Now, what is wrong with such sizable federal deficits? Some people, including some economists, think that a government budget deficit, even larger than the \$⁴⁵~~50~~ billion we are estimating for next year, is not a bad thing. Let me explain why I think it is essential for us to avoid deficits of that size, except on a very temporary basis.

When there is a budget deficit, the federal government competes in the money markets for funds that private businesses need to expand their productive capacity. It is difficult, if not impossible, for private ~~persons~~^{citizens} to compete on equal terms with the federal government when the government needs to borrow money. The government will borrow all its needs to cover the deficit no matter how high the interest rates go up. But many private

borrowers cannot borrow when interest rates go too high and will try, instead, to get along without the money. Businesses will cut back on their plans for investment in added production, which means cutting back on the number of workers they will need. And individuals cannot afford to buy homes, cars, and household goods, when interest rates go too high. Sales fall off and this leads to recession and rising unemployment.

If, in response, the Federal Reserve system attempts to make up for the excess credit that the Federal government pre-empted, it will print too much money, which leads to inflation and, eventually, also to recession.

Only a reduction in the growth in spending, in my opinion, can keep federal borrowing down and reduce the damage to the private sector from high interest rates. Only a reduction in spending can make it possible for the Federal Reserve System to avoid an inflationary growth in the money supply and thus restore balance to our economy. Only a major reduction in federal spending can dispel the uncertainty that so many feel about our economy, and put us on the

- 11a -



way to curing the economic disease called "stagflation."

Bitter medicine is never pleasant, but if we are sensible we
swallow it because it is better than being sick. Let us not turn away from this

- MORE -

medicine because it is bitter, but let us instead consider what the consequences will be if we do not take our medicine.

If we do not act to slow down the rate of increase in federal spending, the United States Treasury will be legally obligated to spend more than \$365 billion in fiscal year 1976 -- even if there are no new programs voted.

Once again we would find ourselves with rapid inflation, followed almost immediately by a recession probably much worse than the one we are experiencing today. These are not matters of conjecture or prediction, but of simple arithmetic. The size of these numbers and their implications for our everyday life and the health of our economic system are truly sobering.

The urgent need for us to stop the growth of federal spending is intensified by the fact that the current situation makes a tax cut essential. We must restore purchasing power to consumers, and incentives to businesses to start investing in making more jobs instead of laying off workers.

One immediate step we can take is to reduce taxes.

A tax cut is needed now. Incomes have been rising although real purchasing power has declined as a result of inflation. These income increases have had the effect of putting many in a higher tax bracket and that, in effect, has been a hidden tax-rate increase.

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To stimulate business and industry and to give people cash to spend, I request an across-the-board, one-year tax reduction of \$16 billion. Three-quarters would go to individuals and one-quarter to promote business investment. This is approximately the ratio that individual income taxes bear to corporate income taxes.

This cash rebate to individuals amounts to 12 percent of 1974 tax payments. Families will get as much as \$1,000. It is a strong dose of anti-recession medicine.

I call today on the Congress to act by April 1. If the Congress does so, the Government can send the first check for half the rebate in May and the second by September.

The other one-fourth of the cut, about \$4 billion, will go to businesses, including farms, to promote expansion and create more jobs.

The one-year reduction would be in the form of a liberalized investment tax credit increasing the rate from 4 percent to 12 percent

for utilities and from 7 percent to 12 percent for all other enterprises.

I recognize that this tax cut does not embody the more
fundamental reforms needed in our tax system. But it puts us
in the right direction -- allowing the citizen rather than the

Government to spend earned income. A package of tax reform

requests *communicated*
~~requests~~ will be ~~submitted~~ to the Congress by _____.

From adversity, let us seize opportunity. Now is the time
to remove the distortions to our tax system wrought by inflation.

People have been pushed into higher tax brackets by inflation
with a consequent reduction in their actual spending power.

Business taxes are similarly distorted because inflation exaggerates
reported profits -- meaning excessive taxes.

I am gravely concerned about America's rate of productivity.

During our rise to greatness, American plowed more and more financial resources into new plants and equipment. Jobs expanded to serve a growing population. In the last decade, our industrial machine began slowing down. If we let it grind ~~to~~ ^{to} a halt, our nation would stagnate. We must change the direction and start increasing productivity.

I have therefore asked the Vice President to take charge of a vital new effort to lift our standards of productivity. With his help, I will seek new methods to improve efficiency, to increase cooperation between labor and management, to encourage capital investment, and to find a proper balance between environmental protection and economic growth.

This will not be another interminable study. It will be done by _____.

I have just completed an intensive review of the budget for fiscal year 1976. Expenditures total \$345 billion. This is an unacceptable upward surge of anticipated spending.' It is based on well-intentioned legislation enacted when our circumstances were better. In our present national state of economic emergency, we simply cannot afford all of these programs.

Conscious of my responsibility as chief executive, and mindful of the realities of our budget, I have concluded that there must be a one-year moratorium on new Federal spending programs. Except to increase energy and meet emergency international security requirements, I shall recommend no new spending. I regret that circumstances will force me to veto any new appropriations adopted by the Congress with the exceptions mentioned.

This forces me to request the Congress to immediately enact legislation to pare down many programs and basically reform others.

At the same time, I urge you to place a 5 percent limit on Federal pay increases even though comparability with nongovernmental wages might justify more.

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

These proposed limitations would realize an estimated \$5 billion savings in Federal outlays in 12 months. Washington should be practicing what it preaches in budgetary restraint.

I will do my utmost to assure fairplay in this difficult period. When there is less to go around, everybody must sacrifice. All must exercise restraint in demands for increased ^{prices} ~~profit~~ -- or increased pay. The burdens of the times must be equally divided, equally shared. ~~Those who abuse their economic power will hear from me.~~ So will those who seek a free ride.

Amile

We must provide new direction to our nation's income security system -- that tangle of programs which provides assistance to the poor, the elderly, the sick, and to others. Today's system, riddled with inefficiency and increasingly expensive, serves the best interest of neither the recipients nor the taxpayers. I will work with Congress to devise new, more efficient and effective programs.

In the closing days of 1974, the Congress enacted and I signed into law an emergency public service bill. It provides jobs for 300,000 people now out of work. So far, _____ jobless have been put to work under this program. It extends unemployment assistance for others. Let us agree today to continue assisting those who are hurt the most.

In my address to the Joint Session last October, I urged enactment of legislation to stimulate the housing industry. Working together, and with urgency, we got a good bill which made most home mortgages eligible for purchase by an agency of the Federal Government.

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~~To date, \$3 billion has been committed under this program for the purchase of mortgages with interest rates varying from 8 to 8-1/2 percent, in addition to the \$13 billion of Federal funds made available for mortgage purchases under other programs over the past twelve months.~~

There are hopeful signs -- such as lowered mortgage interest rates and increased savings flows to our thrift institutions -- which have appeared over the last three months and hold real promise for a significant up-turn in the second half of this year. However, since the housing industry presently continues in its most severe recession since the end of World War Two, we must accelerate this anticipated upward trend.

Accordingly, I shall make available an additional \$3 billion for mortgage purchases, but this time with one-half of this amount devoted to a special program for lower-priced homes. Under this special program, the interest rate for a three bedroom new home costing less than \$26,000 will be 5-3/4 percent -- well within the purchasing power of a family at the Nation's median income of \$13,000.

minutes

To summarize:

-- Petroleum is presently available from foreign sources -- but at arbitrarily high prices, causing massive outflow of dollars, and leaving us vulnerable to another embargo.

-- Domestic oil production continues to decline.

-- Total American petroleum consumption is increasing, although at slower rates because of higher prices.

-- Natural gas shortages are forcing curtailment of supplies.

This is resulting in unemployment, reductions in production of fertilizer to increase food supplies, and increased demand for alternative fuels -- especially imported oil.

-- Coal production is at about the same level as in the 1930's.

-- Nuclear energy accounts for only one percent of total needs.

New plants are being delayed, postponed or cancelled.

-- Overall energy consumption is increased.

-- American vulnerability to a foreign oil embargo is increasing with higher imports. It will continue to do so until we take action.

I am today presenting the Congress with a plan to make us invulnerable to cut-offs of insecure foreign oil. It will require sacrifices. But it will work. As a first step, I am establishing the following national energy goals to assure that our future is as secure and productive as our past:

First, we must reduce oil imports by 1 million barrels per day by the end of this year and by 2 million barrels per day by the end of 1977.

Second, we must end vulnerability to economic disruption by foreign suppliers by 1985. This means that by 1985 we should import no more than 3 to 5 million barrels per day, all of which must be immediately replaceable from storage and standby measures in the event of a supply disruption.

We must develop our energy technology and resources so that the United States has the ability to supply a significant share of the energy needs of the Free World by the end of this century. All of these goals involve economic and political costs. They cannot be fully achieved through natural market forces operating within current national and international policies.

To attain these objectives, we need drastic, immediate action to cut imports. Unfortunately, our volunteer efforts have not achieved what must be done. We have not acted with sufficient speed in developing our coal, gas, oil and nuclear power. We need new energy conservation programs. We need a new emergency standby program and a strategic storage system which includes over one billion barrels of new oil storage.

In the short-term, there are only a limited number of actions which can increase domestic supply. I intend to pursue all of them.

I propose quick action on legislation to allow commercial production at the Elk Hills, California, Naval Petroleum Reserve of up to 160 thousand

barrels per day as soon as possible in 1975, and up to 300 thousand barrels per day by the end of 1977. The Secretaries of the Interior and Defense have worked and will continue to cooperate with the Congress on needed legislative authority.

In order that we make greater use of domestic coal resources, I am submitting a set of comprehensive amendments to the Energy Supply

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Both the ^(cap) EPA and ^(law) FEA ~~have~~ agreed on them.

and Environmental Coordination Act of 1974. These will greatly increase the number of energy producing plants that can be converted to coal in the next few years. The current law only allows 23,000 barrels per day of conversions in 1975. These amendments could allow almost 100,000 barrels per day to be saved in 1975 and 300,000 in 1977.

Voluntary conservation continues essential. The Federal Energy Administration will step up its energy conservation public information program. But tougher programs are also needed.

I am, administratively raising the fee on all imported crude oil, natural gas liquids and petroleum products. The fee levels will be one dollar per barrel effective February 1; two dollars on March 1; and three dollars on April 1. The crude price equalization program and product fee rebates will

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be modified to mitigate disproportionate benefits or adverse impacts in any single area of our country.

The permanent legislative package I am requesting to conserve energy use is a tough program. To summarize:

- Excise taxes and import fees of two dollars per barrel on all crude oil, and product imports.
- Deregulation of new natural gas as previously proposed by the Administration.
- An excise tax of 37 cents per thousand cubic feet on all natural gas to equal the two dollars oil excise tax on a thermal equivalency basis.
- A windfall profits tax to ensure that no single sector of our economy gains unduly while other make sacrifices. I will also take steps to administratively decontrol the price of crude oil on April 1 and urge Congressional enactment of this windfall tax by that date.

The administrative actions I am taking to initiate the cutback of American dependence on foreign petroleum products will be phased out when Congress completes action on the legislative package I have just described. The sooner Congress acts, the more effective the oil conservation program will be and the quicker the Federal revenues can be returned to our people.

Accordingly, in addition to 1974 tax rebate, I propose that income taxes for 1975 and thereafter, principally affecting lower and middle income taxpayers, be reduced by increasing the low income allowance and by reducing the tax rate for this group. The total tax reduction will amount to about \$16.5 billion.

For example, the effect for a typical family of four with a gross income of \$5,600 would pay no income tax at all. A family of four with an adjusted gross income of \$12,500 would save \$300 of the \$1,260 they now pay. Families grossing \$20,000 would receive a reduction of \$210.

For people who can least afford the damage done by inflation and pay no income tax at all, I propose a payment of \$80 to every person 18 years of age and older. Such payments will total \$1.8 billion.

There will be a special credit to homeowners, totalling a half-billion dollars, to give a 15 percent tax credit for up to \$1,000 of expenditures on storm windows and doors or adding insulation to their homes.

State and local governments will receive \$2 billion in additional revenue sharing to offset increased energy costs.

To offset inflation distortions and to generate more economic activity, the corporate tax rate will be reduced from 48 percent to 42 percent. This will amount to \$6.5 billion.

The remaining \$3 billion represents the Federal Government's own cost for higher fuel prices.

This makes a total of \$30 billion restored to the economy to deal with the distortions and inequities caused by inflation and higher energy costs. It goes mainly to reduce the taxation of low and middle income groups.

By 1985, the vulnerability of the United States to economic disruption by foreign energy suppliers must be eliminated. To meet the 1985 target:

Coal production must almost double; trends must be reversed to realize our fullest potential in oil and gas production; nuclear power must increase to more than ten times current levels; and emerging energy sources have to accelerate.

The largest part of increased oil production will have to come from wells drilled in major new frontier areas. Thus, our position on Outer Continental Shelf leasing and development must be clear.

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

Our Naval Petroleum Reserves Number 4 in Alaska has not yet been significantly explored or developed. We have been consulting and working with Congress and will soon forward legislation to authorize the exploration, development, and production of NPR-4 to provide petroleum for the domestic economy and military needs.

Our most abundant domestic resource, coal, is severely limited by markets. We must strike a new compromise on environmental concerns with coal.

I vetoed the strip mining legislation passed by the last Congress.

With some changes, I am prepared to sign a revised version into law.

The Federal Government owns over 200 billion tons of coal reserves. Currently 16 billion tons on Federal lands are under lease, although only 6 billion are currently scheduled to support production by 1980. To assure rapid production from existing leases and to make new, low sulfur supplies available, I have directed the Secretary of the Interior to adopt legal diligence requirements to assure production from existing leases and to design a new program of coal leasing consistent with timely development, adequate return on public resources, and environmental protection.

To rejuvenate our lagging nuclear power program, I am announcing a markedly increased budget appropriation for nuclear waste management and for continued improvements in safeguards. I will also resubmit the the Nuclear Facility Licensing Act and urge prompt Congressional action on this bill.

In recent months, utilities have cancelled or postponed over 60 percent of planned nuclear expansion and 30 percent of planned additions to non-nuclear capacity. Financing problems for that industry are worsening, badly needed jobs are lost, and the serious danger of a lack of nuclear and coal generating capacity and increased dependence on oil in the years ahead becomes more acute.

I am therefore ^{PROPOSING,} ~~proposing~~, and will soon forward, legislation to

provide for:

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

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

between its tax credit and those of other industries.

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

industry in 1975, to stimulate the construction of coal and

let

nuclear plants, I will recommend the extension of the credit for two additional years for these priority facilities.

-- Selective reform of state utility commission regulations.

The Federal Government must take actions to encourage and protect domestic energy investment in the face of significant world price uncertainty. To do so is the only way to ensure our progress to energy independence by 1985.

To provide this stability for our energy production and conservation program, I will request legislation to authorize tariffs, import quotas or other measures to protect our energy prices at levels which will achieve full national capability for self-sufficiency and protect our energy industry and jobs.

Heating and cooling of buildings account for almost 20 percent of total United States energy consumption. Energy savings of above

cut

30 percent can be realized by energy efficient construction. I therefore propose legislation to make thermal efficiency standards mandatory for all new buildings in the United States.

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

In addition, I am recommending today the establishment of an energy conservation program for low-income families. Under this program, which will be funded at \$55 million in Fiscal Year 1976, the Federal Government will purchase insulation supplies and have volunteers install them.

To improve automobile efficiency, I propose legislation to extend automotive emission standards for hydrocarbons and carbon monoxide for 5 years at current California regulatory levels and to implement a 3.1 grams per mile nitrogen oxide standard.

Based on the passage of this amendment to the Clean Air Act of 1970, I have received written pledges from the three largest domestic automobile manufacturers that will enable us to make that 40 percent efficiency improvement in gasoline mileage.

Manufacturers of major household appliances must make a similar effort. I am directing the Energy Resources Council to set efficiency standards for major appliances, and to secure within six months signed pledges from the appliance industry.

These proposals and actions, taken together, can reduce our dependence on foreign energy supplies to 3-5 million barrels per day by 1985.

I will propose standby emergency legislation and a new strategic storage program of 1 billion barrels of oil for domestic needs and 300 million of storage for the defense to make the U.S. invulnerable to any disruption of the remaining imports.

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

I will propose whatever funds are needed for future research and development activities to ensure that America can maintain its energy independence. I have also established a goal of 1 million barrels

of synthetic fuels and shale oil production by 1985 and will implement an incentives program to assure we achieve it.

If the Congress and the American people will now consider these goals that I have set for the short-term, the mid-term and the years beyond, I believe we can all agree that they are attainable.

This message is not intended to answer all the complex needs of America.

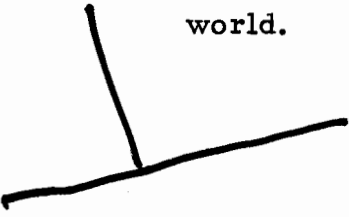
Other aspects of the State of the Union will be addressed later. Detailed messages on the Budget, the Economy and other messages to the Congress will be submitted later. I will make specific recommendations for domestic legislation such as general revenue sharing and extension of the voting rights act.

Recession has joined inflation as Public Enemy Number One. Our first concern is jobs. The jobs we seek are in the factories, mines and oil fields -- on the farms and in the offices and shopping

centers of America. Beginning today, every single recommendation of this Administration will be mindful of the need for activation of the American work force. Let us mobilize the most powerful and creative industrial nation that ever existed on this earth.

(MORE)

These major new programs will place us in a position to gain international cooperation to deal with economic tactics that now threaten the world.



I am directing the Secretary of State to establish within the new International Energy Agency a broad international program of energy cooperation in the areas of conservation and the development of new energy supplies. By working together, oil importing nations can reestablish an equitable balance between buyers and sellers in the international oil market.

Over the next decade, international cooperation can reduce Free World reliance on imported oil to an economically and politically acceptable level. But we ~~must~~ also ^{need} ~~protect~~ a series of oil and financial safety nets to protect our vital interest through the next few years.

We urgently need new international financial arrangements to help handle the huge balance of payments deficits caused by present oil prices and to limit their destabilizing effect on our economies. We and other consuming countries must construct arrangements which promote financial solidarity and reduce our vulnerability. Economic disarray could threaten democratic institutions, undermine political cooperation and trade, and stimulate unpredictable international tensions. This must not happen.

We are negotiating for courses of action on conservation, emergency sharing and financial solidarity with friendly, industrial nations.

INSERT KISSINGER SECTION HERE

That is why I come to this Congress with my hand outstretched, but with my sleeves rolled up. I want to work with you, not fight with you. When I became President only five months ago, I promised the last Congress a policy of communication, conciliation, compromise and cooperation. I renew that pledge to the new members of this ~~new~~ Congress. I need not tell you this is a two-way street, but I am prepared to meet you more than half-way down it.

I have ~~already~~ ^{also} asked the American people for their support, not for every number and every comma in this message, but for the basic changes in direction that are necessary to ~~remedy~~ ^{correct} what is ~~wrong~~ ^{bad} and multiply what is ~~right~~ ^{good} about the State of our Union.

I know that you will seek the support of your constituents in the same spirit because they are, after all, the same constituents as mine.

My economic recovery program and energy plans are ~~not perfect~~ ^{now before you}.

~~As a part of Congress~~ ^{product} I expect your great branch of our Federal government to work its will upon them. I ask only three guiding

considerations: that they be treated as parts of a single problem with an interlocking solution; that the will of the Congress conform to the real will of the American people; and that you act with all possible dispatch.

"Delay is preferable to error," Thomas Jefferson is said to have warned President George Washington at the outset of the American Presidency. In the urgency of today's challenge I believe that action is preferable to perfection. I believe we can best honor our 200th birthday by looking to the future rather than the past.

If any people have the strength, the resolution, the experience, and the ability to maintain their freedom, we are that people. I am confident that we will limit ourselves and govern ourselves wisely, as we have done for almost 200 years. We make blunders, we lose our way, but we have sound fundamental principles, we have a wise and tested Constitution, and we have the principles of the Declaration of Independence *and the Gettysburg Address* to guide us. We rarely measure up to those stern standards, but we always know how to measure ourselves and by how much we have fallen short, and what we must