

Office of the White House Press Secretary

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THE WHITE HOUSE

TO THE CONGRESS OF THE UNITED STATES:

In accordance with the Constitution, I come before you once again to report on the State of the Union.

This report will be my last.

But for the Union, it is only the first of such reports in our Third Century of Independence, the close of which none of us will see. We can be confident, however, that 100 years from now a freely elected President will come before a freely chosen Congress to renew our great Republic's pledge to Government of the people, by the people, for the people.

For my part, I pray the Third Century we are beginning will bring to all Americans, our children and their children's children, a greater measure of individual equality, opportunity and justice, a greater abundance of spiritual and material blessings, and a higher quality of life, liberty and the pursuit of happiness.

The State of the Union is a measurement of the many elements of which it is composed -- a political union of diverse states, an economic union of varying interests, an intellectual union of common convictions and a moral union of immutable ideals.

Taken in sum, I can report that the State of the Union is good. There is room for improvement as always, but today we have a more perfect union than when my stewardship began.

As a people, we discovered that our Bicentennial was much more than a celebration of the past; it became a joyous reaffirmation of all that it means to be Americans, a confirmation before all the world of the vitality and durability of our free institutions.

I am proud to have been privileged to preside over the affairs of our Federal Government during these eventful years when we proved, as I said in my first words upon assuming office, that "our Constitution works; our Great Republic is a Government of laws and not of men; here, the people rule."

The people have spoken; they have chosen a new President and a new Congress to work their will; I congratulate you -- particularly the new members -- as sincerely as I did President-elect Carter. In a few days, it will be his duty to outline for you his priorities and legislative recommendations. Tonight, I will not infringe on that responsibility, but rather wish him the very best in all that is good for our country.

During the period of my own service in this Capitol and in the White House I can recall many orderly transitions of governmental responsibility -- of problems as well as of position, of burdens as well as of power. The genius

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of the American system is that we do this so naturally and normally; there are no soldiers marching in the streets except in the Inaugural Parade; no public demonstrations except for some of the dancers at the Inaugural Ball; the opposition party doesn't go underground but goes on functioning vigorously in the Congress and the country; and our vigilant press goes right on probing and publishing our faults and follies, confirming the wisdom of the framers of the first amendment.

Because the transfer of authority in our form of government affects the state of the union, and of the world, I am happy to report to you that the current transition is proceeding very well. I was determined that it should; I wanted the new President to get off to an easier start than I had.

When I became President on August 9, 1974, our Nation was deeply divided and tormented. In rapid succession, the Vice President and the President had resigned in disgrace. We were still struggling with the after-effects of a long, unpopular and bloody war in Southeast Asia. The economy was unstable and racing toward the worst recession in 40 years. People were losing jobs. The cost of living was soaring. The Congress and the Chief Executive were at loggerheads. The integrity of our Constitutional process and of other institutions was being questioned.

For more than 15 years, domestic spending had soared as Federal programs multiplied and the expense escalated annually. During the same period, our national security needs were steadily shortchanged.

In the grave situation which prevailed in August, 1974, our will to maintain our international leadership was in doubt.

I asked for your prayers, and went to work.

In January 1975, I reported to the Congress that the state of the union was not good. I proposed urgent action to improve the economy and to achieve energy independence in ten years. I reassured America's allies and sought to reduce the danger of confrontation with potential adversaries. I pledged a new direction for America.

Nineteen seventy-five was a year of difficult decisions, but Americans responded with realism, common sense and self-discipline.

By January 1976, we were headed in a new direction, which I hold to be the right direction for a free society. I was guided by the belief that successful problem-solving requires more than Federal action alone; that it involves a full partnership among all branches and levels of government, and public policies which nurture and promote the creative energies of private enterprises, institutions and individual citizens.

A year ago, I reported that the state of the union was better -- in many ways a lot better -- but still not good enough.

Common sense told me to stick to the steady course we were on, to continue to restrain the inflationary growth of government, to reduce taxes as well as spending, to return local decisions to local people, to provide for long-range sufficiency in energy and national security

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needs. I resisted the immense pressures of an election year to open the floodgates of Federal money and the temptation to promise more than I could deliver. I told it as it was to the American people and demonstrated to the world that, in our spirited political competition, as in this chamber, Americans can disagree without being disagreeable.

Now, after 30 months as your President I can say that while we still have a way to go, I am proud of the long way we have come together.

I am proud of the part I have had in rebuilding confidence in the Presidency, confidence in our free system and confidence in our future. Once again, Americans believe in themselves, in their leaders, and in the promise that tomorrow holds for their children.

I am proud that today America is at peace. None of our sons are fighting and dying in battle anywhere in the world. And the chance for peace among all nations is improved by our determination to honor our vital commitments in the defense of peace and freedom.

I am proud that the United States has strong defenses, strong alliances and a sound and courageous foreign policy.

-- Our alliances with our major partners, the great industrial democracies of Western Europe, Japan, and Canada, have never been more solid. Consultations on mutual security, defense and East-West relations have grown closer. Collaboration has branched out into new fields, such as energy, economic policy and relations with the Third World.

We have used many avenues for cooperation, including summit meetings held among major allied countries. The friendship of the democracies is deeper, warmer and more effective than at any time in 30 years.

-- We are maintaining stability in the strategic nuclear balance, and pushing back the spectre of nuclear war. A decisive step forward was taken in the Vladivostok Accord which I negotiated with General Secretary Brezhnev -- joint recognition that an equal ceiling should be placed on the number of strategic weapons on each side.

With resolve and wisdom on the part of both nations, a good agreement is well within reach this year.

-- The framework for peace in the Middle East has been built. Hopes for future progress in the Middle East were stirred by the historic agreements we reached and the trust and confidence we formed.

-- Thanks to American leadership, the prospects for peace in the Middle East are brighter than they have been in three decades. The Arab states and Israel continue to look to us to lead them from confrontation and war to a new era of accommodation and peace. We have no alternative but to persevere. The opportunities for a final settlement are great, and the price of failure is a return to the bloodshed and hatred that for too long have brought tragedy to all the peoples of this area, and repeatedly edged the world to the brink of war.

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-- Our relationship with the People's Republic of China is proving its importance and its durability. We are finding more and more common ground between our two countries on basic questions of international affairs.

In my two trips to Asia as President, we have reaffirmed America's continuing vital interest in the peace and security of Asia and the Pacific Basin, established a new partnership with Japan, confirmed our dedication to the security of Korea, and reinforced our ties with the free nations of Southeast Asia.

-- An historic dialogue has begun between industrial nations and the developing nations. Most proposals on the table are initiatives of the United States, including those on food, energy, technology, trade, investment and commodities. We are well launched on this process of shaping positive and reliable economic relations between rich nations and poor nations over the long-term.

-- We have made progress in trade negotiations and avoided protectionism during recession. We strengthened the international monetary system. During the past two years the free world's most important economic powers have already brought about important changes that serve both developed and developing economies. The momentum already achieved must be nurtured and strengthened, for the prosperity of rich and poor depends upon it.

-- In Latin America, our relations have taken on a new maturity and a sense of common enterprise.

-- In Africa, the quest for peace, racial justice and economic progress is at a crucial point. The United States, in close cooperation with the United Kingdom, is actively engaged in that historic process. Will change come about by warfare and chaos and foreign intervention? Or will it come about by negotiated and fair solutions, ensuring majority rule, minority rights and economic advance? America is committed to the side of peace and justice, and to the principle that Africa should shape its own future free of outside intervention.

-- American leadership has helped to stimulate new international efforts to stem the proliferation of nuclear weapons and to shape a comprehensive treaty governing the use of the oceans.

I am gratified by these accomplishments. They constitute a record of broad success for America, and for the peace and prosperity of all mankind. This Administration leaves to its successor a world in better condition than we found. We leave, as well, a solid foundation for progress on a range of issues that are vital to the well being of America.

What has been achieved in the field of foreign affairs, and what can be accomplished by the new administration, demonstrate the genius of Americans working together for the common good. It is this, our remarkable ability to work together, that has made us a unique nation. It is Congress, the President, and the people striving for a better world.

I know all patriotic Americans want this Nation's foreign policy to succeed.

I urge members of my party in the Congress to give the new President loyal support in this area.

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I express the hope that this new Congress will re-examine its constitutional role in international affairs.

The exclusive right to declare war, the duty to advise and consent on the part of the Senate, and the power of the purse on the part of the House, are ample authority for the legislative branch and should be jealously guarded.

But because we may have been too careless of these powers in the past does not justify congressional intrusion into, or obstruction of, the proper exercise of Presidential responsibilities now or in the future. There can be only one Commander-in-Chief. In these times crises cannot be managed and wars cannot be waged by committee. Nor can peace be pursued solely by parliamentary debate. To the ears of the world, the President speaks for the Nation. While he is, of course, ultimately accountable to the Congress, the courts and the people, he and his emissaries must not be handicapped in advance in their relations with foreign governments as has sometimes happened in the past.

At home, I am encouraged by the Nation's recovery from the recession and our steady return to sound economic growth. It is now continuing after the recent period of uncertainty, which is part of the price we pay for free elections.

Our most pressing need today and in the future is more jobs -- productive and permanent jobs created by a thriving economy.

We must revise our tax system both to ease the burden of heavy taxation and to encourage the investment necessary for the creation of productive jobs for all Americans who want to work. Earlier this month I proposed a permanent income tax reduction of ten billion dollars below current levels including raising the personal exemption from \$750 to \$1,000. I also recommended a series of measures to stimulate investment, such as accelerated depreciation for new plants and equipment in areas of high unemployment, a reduction in the corporate tax rate from 48 to 46 percent, and eliminating the present double taxation of dividends. I strongly urge the Congress to pass these measures to help create the productive, permanent jobs in the private economy that are essential to our future. All of the basic trends are good; we are not on the brink of another recession or economic disaster. If we follow prudent policies that encourage productive investment and discourage destructive inflation, we will come out on top.

We have successfully cut inflation by more than half: when I took office, the Consumer Price Index was rising at 12.2 percent a year. During 1976, the rate of inflation was five percent.

We have created more jobs. Over four million more people have jobs today than in the Spring of 1975. Throughout this nation today we have over 88 million people in useful, productive work -- more than at any other time in our history. But, there are still too many Americans unemployed. This is my greatest regret as I leave office.

We brought about with the Congress, after much delay, the renewal of general revenue sharing. We expanded community development and federal manpower programs. We began a significant urban mass transit program. Federal programs

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today provide more funds for our states and local governments than ever before -- \$70 billion for the current fiscal year.

Through these programs and others that provide aid directly to individuals we have kept faith with our tradition of compassionate help for those who need it. As we begin our third century we can be proud of the progress we have made in meeting human needs for all of our citizens.

We have cut the growth of crime by nearly 90 percent. Two years ago, crime was increasing at a rate of 18 percent annually. In the first three quarters of 1976, that growth rate had been reduced to two percent. But crime, and the fear of crime, remains one of the most serious problems facing our citizens.

We have had some successes. And there have been some disappointments.

Bluntly, I must remind you that we have not made satisfactory progress toward achieving energy independence.

Energy is absolutely vital to the defense of our country, to the strength of our economy, and to the quality of our lives. Two years ago I proposed to the Congress the first comprehensive national energy program:

A specific and coordinated set of measures that would end our vulnerability to embargo, blockade, or arbitrary price increases, and would mobilize U.S. technology and resources to supply a significant share of the free world's energy needs after 1985.

Of the major energy proposals I submitted two years ago, only half belatedly became law. In 1973, we were dependent upon foreign oil imports for 36 percent of our needs. Today we are 40 percent dependent, and we'll pay out 34 billion U.S. dollars for foreign oil this year alone. Such vulnerability at present or in the future is intolerable.

The answer to where we stand on our national energy effort today reminds me of the old argument over whether the tank is half full or half empty. The pessimist will say we have half failed to achieve our ten-year energy goals, the optimist will say that we have half succeeded. I am always an optimist, but we must make up for lost time.

We have laid a solid foundation for completing the enormous task which confronts us. I have signed into law five major energy bills which contain significant measures for conservation, resource development, stockpiling and standby authorities.

We have moved forward to develop the Naval Petroleum Reserves; to build a five hundred million barrel strategic petroleum stockpile; to phase-out unnecessary government allocation and price controls; to develop a lasting relationship with other oil consuming nations; to improve the efficiency of energy use through conservation in automobiles, buildings and industry; and to expand research on new technology and renewable resources, such as wind power, geothermal and solar energy.

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All these actions, significant as they are for the long term, are only the beginning. I recently submitted to the Congress my proposals to reorganize the federal energy structure, and the hard choices which remain if we are serious about reducing our dependence upon foreign energy.

These include programs to reverse our declining production of natural gas and increase incentives for domestic crude oil production. I propose to minimize environmental uncertainties affecting coal development, expand nuclear power generation and create an energy independence authority to provide government financial assistance for vital energy programs where private capital is not available.

We must explore every reasonable prospect for meeting our energy needs when our current domestic reserves of oil and natural gas begin to dwindle in the next decade.

I urgently ask Congress and the new Administration to move quickly on these issues. This Nation has the resources and capability to achieve our energy goals if its government has the will to proceed.

I have been disappointed by inability to complete many of the meaningful organizational reforms which I contemplated for the Federal Government, although a start has been made.

For example, the Federal Judicial System has long served as a model for other courts. But today it is threatened by a shortage of qualified Federal judges and an explosion of litigation claiming Federal jurisdiction.

I commend to the new Administration and the Congress the recent report and recommendations of the Department of Justice, undertaken at my request, on "the needs of the Federal Courts." I especially endorse its proposals for a new commission on the judicial appointment process.

While the Judicial Branch of our Government may require reinforcement, the budgets and payrolls of the other branches remain staggering. I cannot help but observe that while the White House Staff and the Executive Office of the President have been reduced and the total number of civilians in the Executive Branch contained during the 1970s, the Legislative Branch has increased substantially, although the membership of the Congress remains at 535. Congress now costs the taxpayers more than a million dollars a year per member; the whole Legislative budget has passed the billion dollar mark.

I set out to reduce the growth in the size and spending of the Federal Government, but no President can accomplish this alone. The Congress sidetracked most of my requests for authority to consolidate overlapping programs and agencies, to return more decision-making and responsibility to State and local governments through block grants instead of rigid categorical programs and to eliminate unnecessary red tape and outrageously complex regulations.

We have made some progress in cutting back the expansion of Government and its intrusion into individual lives -- but there is much more to be done. It can only be done by tough and temporarily painful surgery by a Congress as prepared as the President to face up to this very real political problem.

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Again, I wish my successor, working with a substantial majority of his own party, the best of success in reforming the costly and cumbersome machinery of the Federal Government.

The task of self-government is never finished. The problems are great; the opportunities are greater.

America's first goal is and always will be peace with honor. America must remain first in keeping peace in the world. We can remain first in peace only if we are never second in defense.

In presenting the State of the Union to the Congress and to the American people, I have a special obligation as Commander-in-Chief to report on our national defense. Our survival as a free and independent people requires, above all, strong military forces that are well-equipped and highly trained to perform their assigned mission.

I am particularly gratified to report that over the past two and a half years we have been able to reverse the dangerous decline of the previous decade in the real resources this country was devoting to national defense. This was an immediate problem I faced in 1974. The evidence was unmistakable that the Soviet Union had been steadily increasing the resources it applied to building its military strength.

During this same period the United States' real defense spending declined. In my three budgets, we not only arrested that dangerous decline, but we have established the positive trend which is essential to our ability to contribute to peace and stability in the world.

The Vietnam War both materially and psychologically affected our overall defense posture. The dangerous anti-military sentiment discouraged defense spending and unfairly disparaged the men and women who serve in our armed forces.

The challenge that now confronts this country is whether we have the national will and determination to continue this essential defense effort over the long term, as it must be continued. We can no longer afford to oscillate from year to year in so vital a matter. Indeed, we have a duty to look beyond the immediate question of budgets, and to examine the nature of the problem we will face over the next generation.

I am the first recent President able to address long-term basic issues without the burden of Vietnam. The war in Indochina consumed enormous resources, at the very time that the overwhelming strategic superiority we once enjoyed was disappearing. In past years, as a result of decisions by the United States, our strategic forces levelled off. Yet, the Soviet Union continued a steady, constant build-up of its own forces, committing a high percentage of its national economic effort to defense.

The United States can never tolerate a shift in the strategic balance against us, or even a situation where the American people or our allies believe the balance is shifting against us. The United States would risk the most serious political consequences if the world came to believe that our adversaries have a decisive margin of

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superiority. To maintain a strategic balance we must look ahead to the 1980s and beyond. The sophistication of modern weapons requires that we make decisions now if we are to ensure our security ten years from now.

Therefore I have consistently advocated and strongly urged that we pursue three critical strategic programs: the Trident missile launching submarine; the B-1 bomber, with its superior capability to penetrate modern air defenses; and a more advanced intercontinental ballistic missile that will be better able to survive nuclear attack and deliver a devastating retaliatory strike.

In an era where the strategic nuclear forces are in rough equilibrium, the risks of conflict below the nuclear threshold may grow more perilous. A major long-term objective, therefore, is to maintain capabilities to deal with, and thereby deter, conventional challenges and crises, particularly in Europe.

We cannot rely solely on strategic forces to guarantee our security or to deter all types of aggression. We must have superior Naval and Marine forces to maintain freedom of the seas, strong multi-purpose tactical Air Forces, and mobile, modern ground forces.

Accordingly: I have directed a long-term effort to improve our worldwide capabilities to deal with regional crises.

-- I have submitted a five year Naval building program indispensable to the Nation's maritime strategy.

-- Because the security of Europe and the integrity of N.A.T.O. remain the cornerstone of American defense policy, I have initiated a special, long-term program to ensure the capacity of the alliance to deter or defeat aggression in Europe.

As I leave office, I can report that our national defense is effectively deterring conflict today. Our Armed Forces are capable of carrying out the variety of missions assigned to them. Programs are underway which will assure we can deter war in the years ahead.

But I also must warn that it will require a sustained effort over a period of years to maintain these capabilities. We must have the wisdom, the stamina and the courage to prepare today for the perils of tomorrow.

As I look to the future -- and I assure you I intend to go on doing that for a good many years -- I can say with confidence that the State of the Union is good, but we must go on making it better and better.

This gathering symbolizes the Constitutional foundation which makes continued progress possible, synchronizing the skills of three independent branches of government, reserving fundamental sovereignty to the people of this great land.

It is only as the temporary representatives and servants of the people that we meet here -- we bring no hereditary status or gift of infallibility and none follows us from this place. Like President Washington, like the more

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fortunate of his successors, I look forward to the status of private citizen with gladness and gratitude. To me, being a citizen of the United States of America is the greatest honor and privilege in this world.

From the opportunities which fate and my fellow citizens have given me, as a member of the House, as Vice President and President of the Senate, and as President of all the people, I have come to understand and to place the highest value on the checks and balances which our founders imposed on government through the separation of powers, among co-equal Legislative, Executive and Judicial Branches.

This often results in difficulty and delay, as I well know, but it also places supreme authority under God, beyond any one person, any one branch, any majority great or small, or any one party. The Constitution is the bedrock of all our freedoms; guard and cherish it; keep honor and order in your own house; and the Republic will endure.

It is not easy to end these remarks; in this chamber, along with some of you, I have experienced many of the highlights of my life. It was here that I stood 28 years ago with my freshman colleagues as Speaker Sam Rayburn administered the oath -- I see some of you now, Charlie Bennett, Dick Bolling, Carl Perkins, Pete Rodino, Harley Staggers, Tom Steed, Sid Yates and Clem Zablocki, and I remember those who have gone to their rest.

It was here we waged many a lively battle, won some, lost some, but always remaining friends. It was here surrounded by such friends, that the distinguished Chief Justice swore me in as Vice President on December 6, 1973. It was here I returned eight months later as President to ask you not for a honeymoon, but for a good marriage.

I will always treasure those memories. I thank you for them.

My fellow Americans, I once asked for your prayers, and now I give you mine: May God guide this wonderful country, its people, and those they have chosen to lead them. May our third century be illuminated by liberty and blessed with brotherhood, so that we and all who come after us may be the humble servants of thy peace. Amen.

Good night and God bless you.

GERALD R. FORD

THE WHITE HOUSE,

January 12, 1977.

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