

THE PRESIDENT HAS SEEN . . .

27 January 1974
6:55 p.m.

MEMO FOR THE PRESIDENT

FROM: RAY PRICE

In putting this draft together, I neglected to include a section on welfare reform. I'm working up a couple of paragraphs, but didn't have time to include them in the draft.

RP

Price

SECOND DRAFT
January 24, 1974

STATE OF THE UNION 1974 - SPEECH

Mr. Speaker, Mr. President, my colleagues in the Congress, our distinguished guests, my fellow Americans:

Tonight, for the first time in 12 years, a President of the United States can report to the Congress on the State of a Union at peace with all nations of the world. For this we can be thankful -- and thankful that for the first time in 12 years the problems we address are the problems of peace, not the problems of war.

Just a moment ago, I delivered to the Speaker of the House and the President of the Senate a message of (25,000) words discussing in detail America's needs and its progress in key areas of national concern. In that message, I urge action in this session on more than _____ measures that I either have submitted to the Congress already, or will submit ~~shortly~~.

These measures set an agenda for progress in 1974.

But before we chart where we are going, let us look for a moment at where we are -- and where we have come.

Five years ago, on the steps of this Capitol, I took the oath of office as your President.

In those five years, the world has changed. America has changed. As a result of these changes, America is safer today, more prosperous today, with greater opportunity for more of its people than ever before.

Five years ago America was at war in Southeast Asia, locked in confrontation with the Soviet Union, in hostile isolation from a quarter of the world's population in mainland China.

Five years ago our cities were burning and besieged.

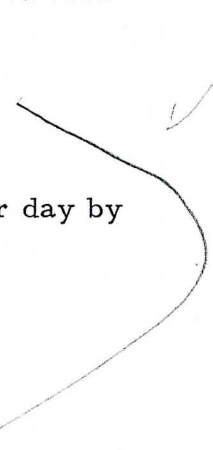
Five years ago our college campuses were a battleground.

Five years ago crime was increasing at a rate that struck
fear across the Nation.

Five years ago the spiraling rise in drug addiction was
threatening human and social tragedy of massive proportion --
and there was no concerted program to meet it.

Five years ago, the military draft still confronted America's
youth as they left school or college -- as it had ever since World
War II.

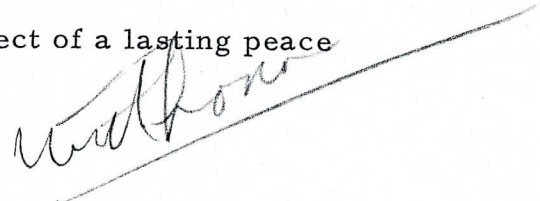
Five years ago our air and water were getting fouler day by
day; we had not yet begun to preserve our environment.



Five years ago American agriculture was a depressed industry,
America's farms a depressed area.

As we look at America today, we find a new set of needs to
challenge our energies. But we also find a record of progress
that demonstrates that new needs can be met, just as old ones have
been.

After more than a decade of military involvement, our troops
have returned from Southeast Asia -- in a way that preserves our
essential purposes and strengthens the prospect of a lasting peace
in the world.



With the Soviet Union, confrontation has given way to negotia-
tion. With the People's Republic of China, hostile isolation has
given way to peaceful exchange and expanding trade.

Peace has returned to our cities, and our campuses.

The (17)-year rise in crime has been stopped -- our war
against crime is being won.

A massive campaign against drug abuse has been organized,
and heroin addiction -- the most vicious threat of all -- is decreas-
ing rather than increasing.

The military draft has been ended. ✓

Our air is getting cleaner. Our water is getting cleaner.

Our agriculture, which was depressed, is prospering. Farm
income is up 70 percent, farm production is setting all-time records,
and the billions of dollars the taxpayers were paying in subsidies
have been cut to nearly zero.

Overall, Americans are living more abundantly than ever before. More than two and a half million new jobs were created in the past year alone -- the biggest percentage increase in nearly 20 years. People are earning more, and what they earn buys more, than ever before in history. In the past five years, the average family's real spendable income -- that is, what you can actually buy with what you earn, even after allowing for taxes and inflation -- has increased by _____ percent.

As we turn to the year ahead, we hear prophecies that because of the need to fight inflation, and because of the effects of the energy shortage, America may be headed into a recession.

There will be no recession

Some people argue that we should deliberately put the Nation through the wringer of a recession in order to wring out the inflation more rapidly.

SOTU-Speech
2nd Draft-1/27/74

I totally reject this -
~~This would be wrong. This would take care of the inflation~~

-- but at a cost in jobs that I refuse to accept.

We will continue to fight inflation. Our programs and our
budget are designed to fight inflation. *The recession I fear*
you will be used to see that there is no recession
But I am determined that we
will not have a recession. To the extent that they are needed, the

full powers of this Government will be used to keep the American
economy producing, and to keep America's workers on the job.

In preparing the budget that I shall send to the Congress next
week, I allocated our dollars to make possible major advances this
year in key areas of government activity that are ripe for significant
new initiatives.

If we also allocate our time and focus our attention on these
key areas, we have a chance in 1974 to achieve (eight) goals that
will make this year a landmark in our progress toward a better life
for all here in America, and a safer world for the people of all nations.

This shall be the year

This can be the year in which we break the back of the energy crisis, and lay the foundation for the achievement of a long-term capacity for self-sufficiency in energy at reasonable prices.

This can be the year in which we take another giant stride toward lasting peace in the world, by helping toward the achievement of a just and lasting settlement in the Middle East.

This can be the year in which we establish a new system that makes high-quality health care available to every American, in a dignified manner and at a price he can afford.

This can be the year in which we bring a new level of achievement and responsiveness to State and local government.

This can be the year in which we give new life to the Nation's rail transportation system, which is so vital to the whole economy.

This can be the year in which we make a crucial breakthrough toward better transportation in our towns and cities.

This can be the year in which we begin a long-overdue reform of a welfare system that bleeds the taxpayer, corrodes the community and demeans those it is meant to assist.

And this can be a year in which, through historic negotiations on international trade, investment^s and monetary policy, we establish the framework within which we Americans can be assured of sharing fully and fairly in an expanding world-wide prosperity in the years ahead.

150 years

This is the first time a President has addressed Congress on the State of the Union when the number one problem was energy.

But energy is our number one problem today -- and the number one urgency in terms of the measures on which this session must act.

Last week I sent to the Congress a comprehensive special message setting forth our energy situation, our energy prospects, our energy needs, and the legislative measures I consider necessary as a part of my program for meeting those needs.

We do face a serious shortage. That shortage is manageable.

But managing it will require the continued cooperation of the American people, and also the urgent attention of the Congress to those measures necessary to deal with it.

Therefore, I urge ~~in the strongest possible terms~~ that the highest priority energy measures be made the first priority of this session of the Congress, and that work go forward expeditiously on the others.

And, I urge that in considering measures to meet the immediate crisis, the Congress bear in mind these four key objectives:

First, we must protect the jobs of American workers.

Second, we must prevent price gouging when people buy gas for their cars and heating oil for their homes.

Third, we must compel the oil companies and other energy producers to provide the public with complete information on their supplies.

Fourth, we must prevent them from making windfall profits as a result of the sacrifices that you are making.

Fifth, the measures we take to deal with the short-term emergency must be consistent with our need for greatly expanded production and intensified research and development for the long term.

In particular, it is vital that we have swift action on the five measures I proposed as necessary to meet the current emergency:

-- A Special energy act, to permit additional restrictions on energy consumption and to relax temporarily certain Clean Air Act requirements for power plants and automotive emissions.

-- A windfall profits tax, to prevent private profiteering at the expense of public sacrifice.

-- Unemployment insurance to help those who are thrown out of work because of the energy crisis.

-- Mandatory reporting by major energy producers on their inventories, their production and their reserves.

-- Establishment of the new organizational structures, including a Federal Energy Administration, that we need in order to move forward most effectively.

The other measures I have asked in order to deal with longer-term needs are equally important -- and they require also expeditious action. If we are to achieve our goal of a capacity for energy self-sufficiency by 1980, there is no alternative but to stick to a tight time-table.

The time is at hand -- this year -- to bring comprehensive, high-quality health care within the reach of every American.

I shall propose a program that will assure health insurance protection to millions of Americans who cannot now obtain it or afford it. This program will provide vastly improved protection against catastrophic illness. It will place a new emphasis on preventive health care. It will provide subsidies for low income families, and for those with special health problems. (And it will not require additional taxes???)

Some call for a health plan that would cost \$80 or \$100 billion, and would put our whole health care system under the hand of the Federal Government. This is wrong. This has been tried abroad,

and failed; this is not the way we do things here in America; and this would threaten the quality of care provided by our whole health care system. The right way is one that builds on the strengths of our present system, not one that destroys those strengths; one that establishes a partnership among individuals, employers, private insurance companies, State and local governments, and the Federal Government; and most important, one in which doctors work for their patients, not for the Federal Government.

After 40 years of moving power from the States and communities to Washington, we have begun moving power back from Washington to the States and communities all across America.

The old way of providing Federal aid to States and localities -- with each dollar tied to a string pulled and manipulated by a planner in Washington -- is wrong. The money that pays the Federal planners can better be spent in the local community; the decisions made by the planners can better be made in the local community.

In my State of the Union address three years ago, I commented that "people are simply fed up with government -- at all levels" -- and I recommended a sweeping reorganization of the Executive Branch of the Federal Government to make it more effective, and an equally sweeping new approach to strengthening State and local

government by giving them not only more support, but also more freedom from Federal interference.

Great changes in the way government works takes time to achieve. The ship of state turns slowly, even with the rudder hard over. But we have begun to make progress toward the goals I outlined three years ago, and we have a chance this year to make major new breakthroughs in helping our local communities help themselves, without Federal domineering. I look forward to working with the Congress in resolving our remaining differences on economic development and community development legislation, and thus to making available more than \$_____ billion to our States and localities to use according to their own priorities.

The energy crisis has given new urgency to the need to improve mass transit, not only in our cities but in rural areas as well. It is essential that local communities themselves have greater power to determine their own transportation needs, and to strike their own balance. The program I shall propose this year will give communities more money and more freedom -- and it will mark the strongest Federal commitment ever to the improvement of mass transit as an essential element of the improvement of life in our towns and cities.

Whenever a significant portion of the Nation's rail service is shut down, and we realize to what extent that service remains the Nation's economic lifeline. Yet for years, the railroads have been strangling in a web of obsolete Federal regulations that threaten their future. The time has come to cut through that web, and to establish

instead a new regulatory framework that meets the needs of the 1970s

-- and will assure the vitality of the railroads through the rest of this century.

America's own prosperity in the years ahead depends on its sharing fully and fairly in an expanding world prosperity. Historic negotiations will take place this year to replace the international monetary system that was established after World War ii, and to agree on new international rules for trade and investments. It is vital that the United States be able to negotiate flexibly and vigorously on behalf of American interests; and it is therefore vital that the negotiating authority embodied in the trade bill now before the Congress be enacted.

If successful, these negotiations can usher in a new era of international trade that not only increases the prosperity of all nations, but also strengthens the peace among all nations.

In the past five years, more progress has been made toward a lasting structure of peace in the world than in any comparable time in the Nation's history.

We could not have made that progress if we had not been strong militarily. - _____ once observed that the price of liberty is eternal vigilance; and by the same token, and for the same reason, in today's world the price of peace is a strong defense.

In the past five years, outlays for defense -- measured in constant dollars -- have been reduced by more than a third, and

the number of military personnel has been cut from 3.5 million to 2.2 million. But while we have been prudently cutting back, the Soviet Union's defense expenditures have been increased, and their military manpower has been raised from 3.4 million in 1968 to 3.7 million today. They continue to pursue a major military weapons development program.

Therefore, the budget I submit next week will include a substantial increase for defense. This increase is essential to assure the continued readiness of our military forces, to preserve present force levels in the face of rising costs, and to give us the military strength we must have if our security is to be maintained and if our initiatives for peace are to succeed.

In the years ahead, we will be negotiating with the Soviet Union to place further limits on strategic nuclear arms. Together with our allies, we will be negotiating with the nations of the Warsaw Pact on mutual and balanced reduction of forces in Europe. We will continue our efforts to promote peaceful economic development in Latin America, in Africa, in Asia. We will press for full compliance with the peace accords that brought an end to American fighting in Indochina -- including the provision that promised the fullest possible accounting for those missing in action. We will be working with the other nations of the world toward agreement on means by which oil supplies can be assured at reasonable prices on a stable basis, in a way fair to consuming and producing nations alike.

All of these are steps toward a future in which the world's peace and prosperity are made more secure.

Throughout these five years, I have had one overriding aim: to establish a structure of peace in the world that can free future generations from the scourge of war. Others may have different priorities; this has been, and is, and will remain, my first priority, the chief legacy that I hope to leave from the eight years of my Presidency.

It is this that will make possible, in the longer run, those great advances in national prosperity and individual well-being that we rightly look forward to not only in this decade, but in the next. With a stable peace, all is possible; without a stable peace, nothing is possible. That, simply put, is the bottom line of the arithmetic of public policy.

As we strengthen the peace, we must also continue each year a steady strengthening of the structure of our society here at home. Our conscience requires it. Our development as a Nation requires it.

As we create more jobs, as we build a better health care system, and better transportation; as we develop new sources of energy, as we provide more abundantly for the elderly and the poor, as we strengthen the system of private enterprise that produces our prosperity -- as we do all this and more, we solidify those essential bonds that hold us together as a Nation. Even more importantly, we advance what in the final analysis government in America is all about: more freedom, more security, a better life, for each one of the 210 million individual persons who are America.

But if we cannot afford to neglect progress at home while pursuing peace abroad -- and we cannot -- neither can we afford to neglect peace abroad while pursuing progress at home.

In the written message that I have just delivered, I comment that "one of the continuing challenges facing us in the legislative process is that of the timing and pacing of our initiatives. . . selecting each year among many worthy projects those that are ripe for action at that time. . . ."

What is true legislatively is also true diplomatically. This period we now are in -- these few years -- presents a confluence of historic forces unique in this century, which in turn provide an opportunity we may never have again to create a structure of peace solid enough to last a lifetime and more. It is this opportunity that
that
we have siezed, and/I am determined to pursue.