


THE PRESIDENT HAS SEEN... 

THE WHITE HOUSE
WASHINGTON

January 26, 1974

MR. PRESIDENT:

Attached for your information and perusal is Ray Price's rough second draft of the State of the Union Message. New sections on New Federalism, Government Reorganization, the District of Columbia, and Space and Technology have been incorporated, as well as comments made by your advisors on the first draft.

Ray will be working on a third draft over this weekend which includes further comments.



Al Haig

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Price

SECOND DRAFT
January 25, 1974

STATE OF THE UNION MESSAGE

TO THE CONGRESS OF THE UNITED STATES:

We enter 1974 not at the beginning of an historical cycle, but in the middle of one. Beginnings have been made in many vital areas which we now must build upon. New needs have arisen which we are in the process of addressing. Opportunities are coalescing which give us a chance to make historic progress toward the stable peace and expanding prosperity that must be our goals.

In looking at the agenda for 1974, we cannot consider the work of this or of any one year in isolation. What we select as our tasks in 1974 must build on the work of the years before, and anticipate needs of those ahead. Indeed, one of the continuing challenges facing us in the legislative process is that of the timing and pacing of our initiatives.

It would be as false to pretend that we could do -- or afford to do -- everything at once, as it would be to maintain that we can do nothing. Therefore, we must strive to maintain a steady upward curve of progress, selecting each year among many worthy projects those that are ripe for action at that time, and that can be accommodated within the constraints of the budget -- but pressing to ensure that the most that can be done is done.

In discussing my legislative recommendations for this Congressional Session, therefore, I shall do so in the context of the advances that have already been made, the problems that remain, and the special opportunities we have in 1974 to make further progress.

I have started with certain basic premises:

-- The basic tax burden on the American taxpayer should not be increased.

-- Our new initiatives, therefore, should be scaled to what can prudently be spent within the framework of the level of revenues that would be generated by the existing tax structure.

-- Although economic conditions in 1974 indicate that a small deficit in the budget will be inescapable, we should keep expenditures to a level that would provide a surplus under full employment conditions -- while retaining the flexibility to use Federal spending, if necessary, as a ready instrument to maintain jobs and prosperity by taking up any undue slack in the economy that might result from the energy shortage.

-- It is essential that we break the old habit of regarding any Federal program, once established, as permanent; that we learn to scrap old programs that are no longer effective or needed in favor of new ones that are. This is the only way we can afford to do what must be done.

Within these guidelines, there are a number of major new initiatives which are ripe for action in 1974 -- several of which can be milestones on our march to a life of greater freedom, greater opportunity and greater prosperity for all.

In particular, 1974 can be the year in which:

-- We not only break the back of the present energy crisis, but also lay the foundation for the eventual achievement of long-term capacity for self-sufficiency in energy at reasonable prices.

-- We take another giant stride toward lasting peace in the world, by helping toward the achievement of a final and just settlement in the Middle East, so that the cradle of civilization will no longer threaten to be a flashpoint of world conflict.

-- We establish a system of National Health Insurance, which will guarantee that every American can receive the health care he needs in a dignified manner at a cost he can afford.

-- We usher in a new era of achievement and responsiveness in State and local government, by cutting the strings of too-tight Federal control that have bound the hands of State and local officials in community and economic development programs.

-- We disentangle the Nation's vital rail transportation system from the strangling clutch of outmoded regulation, and establish it instead on a basis that will ensure its survival while improving its service.

-- We make a major breakthrough toward better transportation at the local level, by allowing communities receiving Federal aid to strike a rational balance among their own transportation needs.

-- 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 through historic negotiations on international trade, investments and monetary policy, we establish the framework within which America can be assured of sharing fully and fairly in an expanding worldwide prosperity in the years ahead.

MEETING OUR ENERGY NEEDS

At the start of this legislative session, the number one domestic priority is to deal swiftly and effectively with the energy crisis.

The measures we have already taken, together with the cooperative efforts of the American people, have significantly lessened what would otherwise have been the impact of the energy crisis. Although there have been dislocations and some individual hardships, these have been minimized. From the start, we have followed a clear policy of allocating scarce energy resources in such a way as to do the least possible harm to jobs and the economy -- to keep our farms and factories producing, to keep our workers working, to keep our goods and services flowing, even if this means that we live in cooler surroundings and drive fewer miles at slower speeds. This will continue to be our policy -- and it is important that each American remember that in saving fuel, he saves a job.

But even with the best of cooperation, we still face a real challenge -- and a real shortage -- in the months and years immediately ahead. For the longer term, we also face a real need to change our

patterns of energy consumption and production, to press forward with the rapid development of reliable new and alternative energy sources, and to adjust to the fact that the age of an unlimited supply of cheap energy is ended.

Nearly 3 years ago, in 1971, in the first special message on energy ever sent to the Congress by a President, I warned that we must take steps to avert an energy shortage. The immediate crisis was set off by the embargo. But for a number of years, while our fuel consumption has been climbing our domestic fuel production has not. As a result, we have become more and more heavily dependent on oil imports -- and as the crisis demonstrated, more vulnerable to any interruption or sharp cutback of those imports, as well as to sudden increases in the prices of foreign supplies..

Basically, then, we must pursue two courses at once: we must increase our domestic production, and we must slow the rise in consumption.

Achieving this, of course, is much more complex than that simple formulation suggests. It involves developing alternative sources of energy; shifts from use of scarcer fuels to those in more plentiful supply; increasing incentives for both exploration and production; and allocating resources while critical shortages persist,

to ensure that priority needs are met first. It also requires special measures to ensure that there is no unfair profiteering by some from the hardships of others.

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.

I shall not repeat that analysis today, or the full list of those recommendations. Rather, I commend that energy message to the close attention of every member of the Congress, and 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.

In particular, it is vital that we have swift action on the following 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 people in areas subject to severe economic dislocation.

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

To provide the organizational structure to deal with the shortage, swift action is also essential to establish the Federal Energy Administration and to create the Energy Research and Development Administration.

The (13) other energy measures I requested last week ~~in order~~ to deal with longer-term needs, which extend beyond the present emergency. But these also require 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 timetable. These measures are necessary if we are to narrow the gap between domestic production and domestic consumption in the years and the decades ahead -- and narrowing that gap is essential not only to Project Independence, but also to the actual political and economic independence which that project represents. It is essential to our economic independence, to the continued strength of our position in world trade, and also

to our independence of action as a great power -- an independence which is crucial not only to the survival of our own liberties, but also to the survival of peace in the world.

If we respond to the present crisis as I believe we will respond, the shock administered by the oil embargo will have been not a crippling blow, but a timely warning now that averts a crippling blow later. By seizing the Nation's attention, by leading us to mobilize our resources and concentrate our efforts, it has shaken us -- soon enough, but not a moment too soon -- into a set of actions that the President who addresses the 98th Congress a decade from now can look back on as having made possible his own hopes for the Nation's continued peace and prosperity in the 1980s.

THE NATION'S ECONOMY

The World Economy

During the past three years the U.S. and most other economies experienced unprecedented levels of material prosperity. Industrial output set new records. Trade flourished. Consumption rose to the highest levels in history.

The major policy decisions we took in 1971 contributed to this prosperity -- both here and elsewhere. The International Monetary System adopted after World War II needed major adjustments. Unsustainable imbalances had developed, threatening a resurgence of protectionism and a disruption of U.S. and world trade. I took strong measures in August 1971 that resulted in a major realignment of world currency values, a move toward agreement on new and more flexible international monetary management, and negotiations on trade liberalization.

The adjustments, while essential, were not easy. But we have now entered irreversibly into a more flexible and realistic international financial system. Much remains to be done to complete that transition, but its beneficial results are already clear.

The realignment of currency values helped produce an increase of 76 percent -- or \$47 billion -- in U.S. exports during the past 24 months, along with a major improvement in our trade balance. This improvement was good not only for us, but also for the rest of the world.

The shocks to the world economy arising from reduced food supplies in 1972 and 1973, and in recent months from the oil embargo and the arbitrary increases in the price of oil, all were managed without panic under the new arrangements. Indeed, world trade has continued to expand.

International Trade Barriers

A vigorous international trade is vital to the American economy. Jobs depend on it. Consumers want access to foreign-made products that might be better, less expensive or more interesting. However, trade must be on a fair basis. There are still unnecessary barriers which need to be removed. Many improvements have been made during the last 10 years. Now we must negotiate the removal of remaining barriers. I urge the Congress to complete action on the Trade Bill, in order to give me the authority I will need to negotiate reductions in both tariff and non-tariff barriers to trade.

As the Senate considers that Bill, I wish to draw its attention particularly to one provision which was added in the House, and which unfortunately would work contrary to our efforts to build a peaceful world. Rather than providing authority to cease trade discrimination against most Communist countries, the House bill insists on a continuation of that discrimination, as well as the cessation of Export Import Bank and other financing of United States exports to those countries, unless the President certifies twice a year to internal conditions in those countries. These actions, which would increase our economic discrimination against the Soviet Union and other Communist countries, would only make more difficult the kind of cooperative effort necessary for peace in the Middle East and throughout the world. I am confident that the Senate will find a solution to this issue that will avoid an unacceptable setback in the search for peace.

Along with the trade and monetary problems, new international agreements on investment policies and new mechanisms for dispute settlement are high on our negotiating agenda for the coming year. The United States has begun to eliminate its own restrictions: The interest equalization tax has been lowered. Restraints on overseas

foreign direct investment have been reduced. The Federal Reserve Board has eased the restrictions on the foreign lending activities of commercial banks. I reaffirm my intention soon to end all controls on international capital flows.

The oil embargo and the arbitrary increases in the price of oil create major economic problems for the rest of the world. At a minimum, if continued, they would require enormous transfers of goods and assets from oil importing countries, a serious burden on even the wealthiest and unbearable by the less-developed countries. Beyond this, if the financial consequences of these burdens are not well managed they could lead to a world recession.

Our objectives are clear - we must get world oil prices down from levels that are arbitrary and exploitative, and which would in the end price the exporters out of the market. We must also cooperate to assure that the international and domestic economic policies of the advanced countries do not multiply but rather limit the economic disturbances created by the new situation.

The Domestic Economy

Inflation remains our major economic problem. It also remains a major problem for the rest of the world. World oil prices are up substantially. World food, metals and other commodities prices are

up sharply. Because domestic prices cannot be isolated from international prices, this worldwide inflation has helped drive up prices here at home.

Inflation has been a continuous problem for nearly a decade, and in 1973 it got worse, not better. As a result, during the past decade people have come to expect price increases. Their actions as a result of that expectation make it difficult to slow the pace.

Some advocate wringing out inflation by a recession. It is true that a lower level of economic activity would reduce demand pressures on prices. However, the cost in high unemployment would be unacceptable. Others advocate ignoring inflation and stimulating the economy to further increase employment. This, too, involves a high cost because it would fuel inflation -- in fact, it would unleash an ever-worsening acceleration of the rate of inflation. I have chosen what I believe is a sound middle road: to position Federal policy in a way that will cushion the slowdown during 1974 but that will not provide additional stimulus. This should help to reduce the rate of inflation by the end of the year. If the slowdown should seriously threaten to become severe, we would act promptly and vigorously to support the economy.

But to regain control of inflation will require patience and persistence over the long course. My Administration is dedicated to that task, while continuing to pursue growth in employment. Rapid inflation is not inevitable and it must not be tolerated.

We have learned that while direct controls over prices and wages can help in the short-run, they have a limited life -- and they inevitably create or aggravate significant distortions in production and distribution. Accordingly, I will continue to pursue a policy of selective decontrol except in particularly troublesome areas.

At the same time, those Federal programs that will help reduce inflation by increasing the supply of scarce resources will be strengthened. With a new national farm policy that encourages rather than discourages output, another record harvest now appears likely in 1974 to top the record harvest of 1973. Increased agricultural output is the only sure way to bring food prices down -- and increased output is what our new policies are producing.

Our next most pressing economic problem -- and a major contributor to inflation -- is the energy crisis. In the 1960s it became increasingly attractive to import oil and petroleum products as the cost of further exploitation of our own resources came to exceed the cost of imports.

As a result, a growing dependence on imports made our economic well-being vulnerable. Our vulnerability -- and the even greater vulnerability of the developed countries of Western Europe and Japan, and the less developed countries with no oil -- has now been exploited, and every American has learned the consequences: short supplies, higher prices, less output and more inflation.

To a very large extent, our flexible, adaptable economy will solve the longer run problem through the normal workings of the price system. That will mean that energy prices will be higher than the bargain rates of the past -- that they will find a level that encourages energy conservation, while creating sufficient incentives to expand domestic energy production. We have already seen an example of market response -- the shift to smaller cars with better gas mileage. Over the next few years we will see an expansion of coal production and new output of oil and natural gas.

We must, however, continue to import some of our oil needs for the foreseeable future. And we must seek a more reasonable price for oil on the world market.

In addition, I have directed that a study be made of possible areas of shortages in other basic commodities. It is now imperative that we review our current and prospective material supplies. I feel it

is necessary to provide a comprehensive report and policy analysis so that we can ensure that governmental actions properly anticipate and avoid such problems. Both businessmen and consumers who depend on an adequate supply of commodities and intermediate products need assurance that such a review is being made and will be provided to them.

Despite the inflation and energy problems, 1973 in other respects produced large increases in the economic welfare of the American people -- and these are important to a balanced perspective.

First, employment in 1973 increased by 2.7 million persons. The 3.3 percent rise in employment was the largest since 1955. New job opportunities greatly benefited all categories of workers, including women, non-whites, teenagers, and Vietnam Veterans. Unemployment reached low levels, and near-record low levels for skilled workers.

Second, the purchasing power of the American people reached new highs. Even after allowing for price increases, people are now consuming more goods and services than they did one year ago, or in any other year in the entire history of the United States. While we fight against inflation, we should not ignore the very real improvements that have been made.

Not everyone's purchasing power went up. The unprecedented inflation took its toll on many families whose income did not rise as fast as the average American. It is for this reason that we must not falter in our efforts to subdue inflation.

Perspective on 1974

We enter 1974 in a condition of high inflation, but with a slowdown in economic activity. Some slowdown in economic growth was inevitable, because the economy had been growing at an unsustainable rate. Limitations on a continued high level of growth became obvious from shortages of skilled workers, full utilization of plant and equipment in key industries, and short supplies of a number of essential raw materials. However, the slowdown now threatens to be greater because of the oil embargo, resulting shortages, and the oil price increase.

During the early part of the year, therefore, we expect that output will rise little if at all, unemployment will rise somewhat and inflation will be high. But our goal is to turn this situation around so that later in the year output will be rising more rapidly, while unemployment stops rising and then declines, and inflation slows.

The budget that I will recommend to the Congress next week takes into account our goals for this period. It will support the economy, strongly resisting a major slowdown, but not provide a degree of stimulation that could accelerate inflation. If future events suggest a change in fiscal policy, I will recommend the appropriate changes. In particular, I will not hesitate to use the stimulus of fiscal policy if it becomes necessary to preserve jobs in the face of an unexpected slackening in economic activity.

For FY 1975, my budget plans total spending of \$_____billion, an increase of \$_____billion over the current year. The increase is being held to the minimum necessary -- nearly 90 percent of it is unavoidable under existing law. The budgeted increase in relatively controllable outlays is less than 4 percent -- not enough to offset higher prices and pay.

We must continue to discipline ourselves. On a full employment budget basis, no deficits should be incurred. With supply limitations, and the price pressures they create, even more budget discipline is required.

I have noted with satisfaction that most members of the Congress have recognized the need for budgetary discipline, and that work is going forward to establish a mechanism to coordinate individual

Congressional actions on spending with the budget as a whole. The Congress devoted considerable effort in 1973 to developing a more systematic budget procedure. I supported this effort, and the objectives that the Congress is pursuing. I urge the Congress to enact budget reform in this legislative session.

Our entire economy is affected by the structure of incentives for job-creating investments that are embodied in our tax laws. Major steps toward tax reform have been taken in the past five years, but much remains to be done.

Since 1969 -- primarily through the Tax Reform Act of 1969 and the Revenue Act of 1971 -- major changes have been introduced to make the personal income tax system conform more nearly to contemporary standards of fairness. The higher level of personal exemptions and the low income allowance has meant that more than eight million low income families no longer are required to pay Federal income taxes. The difference in the tax liability for single and married taxpayers has been reduced. As a result of these and other tax changes, individual income taxes will be about \$25 billion less in 1974 than they would have been under the old tax laws. The saving in the tax burden for a typical family would be about \$272.

I look forward during the next few months to working with the Congress to simplify not only our tax laws themselves, but also the tax returns that individuals fill out -- as well as to make the income tax more equitable.

Last April, the Secretary of the Treasury presented to the Congress a set of Administration proposals for major and fundamental tax reform. Included in these proposals were the establishment of a minimum taxable income, so that no high-income individual could avoid his fair share of the tax burden, new rules for taxing income from foreign sources, and also a limitation on artificial accounting losses to eliminate so-called "tax shelters." I urge the Congress to consider the Administration's tax-reform proposals early in the year.

Financial Reform

The health of our economy depends upon an efficient and flexible private financial system -- commercial banks, thrift institutions, credit unions, and the host of other institutions and individuals that comprise the financial sector of our economy. The average family depends on these institutions, both to provide the highest possible return on its savings, consistent with safety, and to provide credit

on reasonable terms when needed to buy homes, automobiles and other purchases. There have been times recently when this financial system has not worked well -- times, for example, when mortgage lending has virtually dried up. In large part these problems have been the combined result of legislation, regulations, and institutional arrangements, suited to an earlier time but now out of date.

Last August I sent to the Congress a message dealing with this problem and then submitted draft legislation embodying the results of careful study by a Presidential Commission and Government experts. I urge the Congress to act on this matter so that American families, businessmen, and local governments can be served by a financial system suited to the economy of the 1970s.

THE NEW FEDERALISM

Just as the tremendous growth of the Federal Government over the last four decades has made its reorganization necessary, the tremendous growth in the range and diversity of the Nation's governmental needs has made it stronger, more effective State and local government essential. If we are to meet our people's growing expectations of governmental services -- and to ensure the best return on every dollar spent -- State and local governments must be enabled to perform a greater role in the governmental process.

During these decades, every major attempt by the Government to meet a major social need has resulted in a new national program administered in Washington by a new bureaucracy. The growth in the size, power and the complexity of the Federal Government has made it increasingly more remote from the particular point at which many of our national problems impact most directly on the life of the individual citizen.

Many of our new national social programs have actually impeded the development of effective local government. By creating a Federal

categorical grant system of staggering complexity and diversity we have fostered at the State and local level:

- Overlapping programs;
- Distorted budgets;
- Additional administrative expense;
- Delay and uncertainty; and
- A diminution in the authority and responsibilities of Governors and mayors, as Federal grants have become the special province of competing bureaucracies.

In the last (decade and a half,) this problem has grown acute. In (1960) there were _____ Federal grant-in-aid programs, but by _____ there were _____. [Note: In October 1972, we cited the increase "in the last decade" as being "from 160 to - more than 1,100." Can we get an updated comparison, either with a "round" year like 1960 or for a "round" period like a decade? --rp]

In one of the basic new directions of my Administration, in 1969 I proposed the creation of a new and fundamentally different relationship between State and local government, on the one hand, and the

Federal Government on the other. This new relationship has come to be known as the New Federalism. As I said in 1969, its purposes are:

- To restore to the States proper rights and roles in the Federal system with a new emphasis on and help for local responsiveness;
- To provide both the encouragement and necessary resources for local and State officials to exercise leadership in solving their own problems;
- To narrow the distance between people and the government agencies dealing with their problems;
- To restore strength and vigor to State and local governments; and
- To shift the balance of political power away from Washington and back to the country and the people.

With the help of both the Congress and the Administration, this new relationship among State, local, and Federal governments has begun to take shape. It is already combining the efficiency of Federal revenue-raising and the breadth of Federal experience with the effectiveness

and responsiveness of our Nation's city halls, county courthouses and State capitols where elected officials know best the needs and priorities of their own States and communities. Already great progress has been made:

-- In 1972, the Congress enacted our General Revenue Sharing Program, and already more than \$11 billion of new money has been put to work in over 38,000 units of State and local government.

-- Funding through the Law Enforcement Assistant program has demonstrated the flexibility of the New Federalism in leaving to State and local authorities the decisions on how to combat crime in their jurisdictions. This program has already played a significant role in stopping the growth in crime, and in the future it can play as large a role in rolling back the rate of crime.

-- The Comprehensive Employment and Training Act which I recently signed into law is a landmark example of the New Federalism's broad and more flexible forms of assistance -- and it is one to which the Congress made a major contribution in its formulation.

-- New authorities under the Rural Development Act are being exercised this year in a way which is supportive of State and local development plans and priorities.

-- In addition, within the limits of law, we have moved administratively to strengthen the role of State and local governments by simplifying and streamlining other Federal grant systems -- including procedures for State and local executive review of project proposals affecting their jurisdictions, opportunities for grant integration and joint funding, and the decentralization of many Federal coordinating and decision-making to ten Federal Regional Councils.

In the remaining three years of this term I shall continue to take all possible administrative action, within the authorities available to me, to support and strengthen State and local government, but we must have the support of the Congress to maintain the progress which has begun. Proposals for furthering the New Federalism now before this body and for which I urge your support include:

-- Reform of Federal education programs to consolidate elementary and secondary, vocational and adult assistance as well as to promote better planning on the local level.

-- The Better Communities Act to replace several ineffective and restrictive community development programs with a flexible approach to urban problems that would allow local officials to make essential decisions on the allocation of community development funds.

-- The Responsive Governments Act, to provide needed Federal assistance for improving State and local planning, decision-making and management capabilities. This would greatly help to strengthen the capacity of State and local governments to perform effectively.

In addition to these proposals now pending, a number of the new initiatives that I describe elsewhere in this message are also designed to promote the New Federalism. These include:

-- A Unified Transportation Assistance Program, that will permit States and localities -- both urban and rural -- to allocate \$2.1 billion in highway and mass transit funds in accordance with local conditions and priorities. The urgency of this proposal is heightened at this time by the demands of the Energy crisis.

-- An Economic Adjustment Assistance Program, that will permit States and communities to create employment opportunities where they have been affected by structural changes in their economies.

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-- In the field of health,^a/National Health Insurance Plan which would bring protection against medical expenses within the reach of all our citizens, including millions who at present either cannot obtain or afford adequate coverage. The costs of coverage for low income families would be Federal supported and State administered.

REORGANIZING GOVERNMENT

On taking office five years ago, one of the first needs I sought to address was the organization of the Executive Branch of Government itself -- for the plain fact is that the only way Government gets anything done is through its organizational structure, and how well it can perform depends on how well it can be organized.

Because the needs of the Nation continue to change, and because the activities of Government continue to change, it follows that patterns of government organization that might have been perfectly fine 30 or 20 or even 10 years ago, may be hopelessly out of date today. Therefore, I promptly assigned an expert commission to survey in depth the entire range of the Executive structure, and to recommend improvements to meet present-day needs. The reports of this commission contributed significantly to the reorganizations that I ordered and that I recommended, including the proposal I put forward three years ago for a sweeping reorganization of the Executive Branch, consolidating seven of the present Cabinet departments into four.

This basic re-structuring has not been enacted by the Congress, substantial other progress has been made in organizing the Government more efficiently to meet present-day needs. For example, we have created:

- The United States Postal Service taking the post office out of politics.
- The Office of Management and Budget, providing a strong management arm to assist in coordinating the functions of the Executive Branch.
- A restructured National Security Council.
- The Domestic Council was created.
- The Council on Environmental Quality and the Environmental Protection Agency, to provide leadership in meeting our vital environmental needs.
- The Special Action Office for Drug Abuse Prevention was established in 1971, and, within the Department of Justice, the Drug Enforcement Administration.

-- The Council on International Economic Policy, to facilitate and coordinate in an area increasingly important both to our foreign relations and to our domestic economy.

-- ACTION, to provide centralized coordination and administration of volunteer activities.

-- The Cost of Living Council to assist in our efforts to stabilize prices.

-- The Federal Energy Office to coordinate and develop Government policies to meet the energy shortage.

Each of these reorganizations has helped significantly in meeting old needs better, or in responding to newly urgent needs. Several were accomplished under the reorganization plan authority which has been available to every President in the last 25 years, but which expired last March. This authority -- which is utilized only with the concurrence of the Congress -- will be necessary if we are to keep abreast of changing needs, and I urge that it be re-enacted.

Of the major reorganization that I originally proposed in 1971, one -- since modified to create a Department of Energy and Natural Resources -- takes on particular significance in light of the present energy crisis. I especially urge swift, favorable action on this proposal, to give us the broad organizational base that will ultimately be needed to meet many of our energy needs in the most effective way.

That same consolidation and reorganization of the Executive Branch that I proposed in 1971, would also have created new Departments for community development, human resources and economic affairs. The basic problems of fractionated, sometimes overlapping and sometimes conflicting organization that prompted these original proposals remain acute today. I recognize that in some respects, conditions have changed in these intervening years; I recognize that some members of Congress had serious reservations about some aspects of those original proposals. But the need to modernize the structure of the Executive Branch continues, and I therefore invite the Congress to join with me in a serious re-examination of how best we can achieve an effective reorganization to meet the needs not of the 1930s and the 1940s, but the 1970s and the 1980s.

IMPROVING TRANSPORTATION

In a very real sense, this Nation's transportation system is its lifeline. No people have ever been so mobile as Americans are today; none have ever depended so heavily not only on their own ability to get from one place to another, but also on the unhindered movement of goods from one place to another.

While some elements of our transportation system -- such as the Federal highway network -- have been dramatically improved or expanded in the past decade, others -- such as the railroads -- have fallen into serious difficulties.

During the past four years, several key measures have helped lay the basis for a greatly improved transportation system.

Under the Urban Mass Transportation Act of 1970, we increased Federal aid to urban public transportation to \$1 billion by 1973 -- 8 times the level of 1968 -- and in 1973 another \$3 billion was made available for the years immediately ahead. For the first time since World War II the downward trend in transit ridership has been reversed, and is now moving upwards. And for the first time, under the provisions of the 1973 Highway Act, states and localities now can use a portion

of their Federal highway funds for mass transportation.

The Rail Passenger Service Act of 1970 created AMTRAK. After years of steady decline in rail passenger service, the past year saw a 14 percent increase in the number of passengers carried on U.S. railroads.

Just this past year, we also were able to solve a major rail crisis through passage of the Regional Rail Reorganization Act of 1973, which provides for the restructuring of the bankrupt railroads of the Northeast region into a streamlined system which should be able to operate profitably -- a development which will go a long way toward helping railroads return to solvency and to survive as producers, not consumers, of tax revenues.

Significant new initiatives have also been taken in airport and airway development, in modernizing the merchant marine, and in promoting transportation safety.

Now, however, we have two historic new opportunities for landmark advances in the field of transportation policy -- each in response to an urgent need.

Until now, most of the resources available under the Urban Mass Transportation Act have been concentrated in only a few of our largest cities.

Shortly, I will send to the Congress a new proposal which will build upon the progress in the 1973 Highway Act and better deal with the problems of public transportation not only in our urban areas, but in rural areas as well. This will increase Federal assistance for metropolitan areas by nearly 50 percent over the level of Fiscal 1974, with more than two-thirds of the funds allocated by formula to State and local governments, to be used for locally determined transportation priorities -- which could include construction of highways or rapid transit systems, or the purchase of buses or rail cars. A limited portion of these resources will also be available for the first time to augment the operating funds for our public transportation systems - to provide new service, faster service, more frequent service.

This proposal will achieve parity between the highway and mass transportation programs and allow local decision-making to be free from the current constraint of having to consider the differing restrictions of Federal funding sources. In addition, it will provide urbanized areas with assured amounts of Federal funds over a period of six years, so that more responsible long-term planning can be done at the local level. By permitting capital and operating

tradeoffs in the use of these Federal resources, this proposal should make unnecessary the currently contemplated Congressional passage of an inappropriate transit operating subsidy categorical grant. It will also, for the first time, provide Federal mass transit aid for rural areas.

To help preserve and improve the nation's rail system, I shall propose a major initiative to modernize the regulatory system governing railroad operations and finances. It will make it easier for railroads to consolidate service on a sustainable basis. It will make changes in the system of rate regulation, to allow rail carriers to compete more effectively with one another and with alternative modes of freight transportation. Discriminatory State and local taxation of interstate carriers will be barred. It will provide \$2 billion in Federal loan guarantee authority to finance improvements in rolling stock, rights-of-way, terminal and rail plant facilities, which will be a major step in the national effort to upgrade the Nation's railroad system.

Additional measures I shall soon propose to improve our transportation system will include:

-- Improving highway safety by earmarking \$250 million of the 1975 Federal highway program for the elimination of death traps from the highways -- as, for example, by improving high-hazard intersections and replacing dangerous bridges. New bonus grants to the States will also be initiated to encourage the adoption of improved safety legislation and to reward programs for outstanding safety accomplishments.

-- A restructuring of the airport and airway financing system to allocate costs more equitably among the users of our airways.

COMMUNITY DEVELOPMENT

Although American communities share in common many of the challenges of the age we live in, the relative intensity and particular nature of these needs vary sharply from one community to another.

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

Therefore, in these past few years, we have sought to change that.

We have recognized that the Federal policy that will work best is one that helps the people of a particular community to define their own needs and meet those needs in the way which they consider best. While in this Administration we have tried to be generous, we have also tried to grant communities greater freedom to set their own priorities. Since 1969, we have:

-- Spent twice as much money on community development as has been spent by the Federal Government in the entire previous history of the Nation.

-- Reduced the red tape and arbitrary restrictions on local action that were so much a part of these programs in the past.

-- Moved authority for administering community development programs from Washington to the field, where administrators are more accessible to local officials, and where they can become more familiar with local problems.

-- Stepped up Federal support for State and local planning and management, again exceeding the total spent for this purpose by the Government in all previous years combined.

As a result, not only have cities received more Federal dollars, but they have been able to accomplish more with each than ever before.

However, a much more sweeping reform than has been possible under existing laws continues to be needed.

Therefore, I once again urge passage of The Better Communities Act to give local officials the maximum opportunity to use Federal community development assistance effectively. Specifically, this legislation would:

- Consolidate Federal support for community development in a single program.
- Permit localities to use Federal funds for the full range of community development activities, including activities eligible for funding under the categorical programs.
- Focus support on general purpose units of governments whose officials are accountable to local citizens.
- Distribute funds primarily through a formula based on objective indicators of need.
- Assure that previous recipients of Federal community development assistance would not suffer an initial reduction in funding.
- Minimize the now burdensome requirements of application and documentation required of recipients.
- Include safeguards to assure that Federal funds are not spent in a discriminatory fashion, or otherwise misused.

In addition, I also urge passage of a companion proposal -- the Responsive Governments Act -- which will help States and localities to use local resources as well as Federal funds in ways

that best serve their citizens. This program would help State and local officials improve their planning, decision-making and managerial capabilities through broad-based, flexible grants.

The time has come for a new partnership between the Federal Government and the States and localities -- a partnership in which we entrust those units closer to the people with a larger role in their own development and in which we share our Federal revenues with them so that they can meet their own needs. The Better Communities Act and the Responsive Governments Act should be the basis of that new and better partnership.

Two Congresses have now addressed Community Development legislation. Both of them have agreed, for the most part, with the basic principles and approaches that the Better Communities Act represents. But we have still had no action. Cities and towns that have counted on having this legislation in effect in the next fiscal year now face an uncertain future. I urge the Congress to move ahead as quickly as possible on the Better Communities Act -- and I pledge every effort to work out our remaining differences so that our cities and towns will not be deprived of this essential Federal assistance.

RURAL DEVELOPMENT

As part of my attempt to develop a coordinated, comprehensive policy for rural development, over \$12 billion has been invested in rural development during the five years since this Administration entered office. Annual Federal funding for rural development has been tripled during the last five years. These funds have been spent on:

- Rural Housing - More than \$7.7 billion has been provided through 487,000 housing loans.

- Electrification and Telephone Systems - Over \$3 billion has been spent to bring service to 177,000 new rural consumers.

- Water and Waste Disposal - Some 8,500 loans and grants have provided rural communities with more than \$1.4 billion to finance water and waste disposal systems.

- Loans to Farmers - More than 489,000 loans totaling over \$4.2 billion have been made available.

During the past year we have increased our activity on behalf of the Nation's rural residents:

-- During 1973, the Rural Development Act was funded for the first time to provide over \$750 million in loans and grants to States, under procedures that give them a new flexibility in promoting rural industrialization and improving the quality of life in their rural communities according to their own priorities.

-- An interim rural housing policy was developed -- placing greater emphasis on purchasing and improving existing housing and making Farmers Home Administration programs more responsive to those with the greatest housing needs.

-- To ensure continuing priority attention to rural development needs by the Federal Government, I created a special Cabinet-level Rural Development Committee, and the post of Assistant Secretary of Agriculture for Rural Development was created.

As we look to the future patterns of national growth, it is vital that we not become so mesmerized with the problems of the cities that we fail to recognize the needs of rural America -- and it is equally vital that we recognize that the prosperity, the vitality and the character of rural America are essential cornerstones of our balanced growth as a Nation.

INCREASING FARM PROSPERITY

Five years ago, agriculture was a depressed industry:

- Large agricultural surpluses existed, depressing farmers' earnings and their incentive to produce a greater abundance.

- Government production controls further reduced any incentive for greater production -- in addition to costing the taxpayers over \$3 billion in payments to limit production.

- Farm income was low (\$14.7 billion) and the long hours worked by farmers earned them an average income 26 percent below the non-farm average. Farm families had been leaving the farm at an average rate of over 100,000 a year. Today, that picture has been dramatically altered:

- Instead of a glut of unsold agricultural products, there is eager bidding for increased output in markets that are bigger than ever before. Farm exports, which have set new records in each of the last four years, have strengthened the dollar in international money markets and have been a major contribution to the strengthening of our Nation's balance of payments position.

-- Farm production has reached new record levels in each of the last three years -- and a new record harvest appears to be forthcoming in 1974. Over 18% more acres were planted to winter wheat in late 1973 to be harvested next summer. Farmers' planting intentions for 1974 indicate similar record plantings of other basic crops in the Spring with big increases expected for corn, spring wheat and cotton.

-- The billions of dollars that farm price support programs used to cost the taxpayer every year have been reduced to nearly zero.

-- Farm income has reached new record levels. By 1973, the gap between farm income and non-farm income had closed from 26 to 17 percent. Net farm income was up from \$14.7 billion to (\$26.1 billion.) (\$25.5 billion) (Query: which figure is right -- rp)

The primary challenge for Federal agricultural policies now is to encourage greater production of agricultural goods -- which will mean more income for the farmer, greater international trading benefits for the Nation, and lower food prices for every American.

I am therefore asking the Congress to revamp the programs which still require restrictive Federal control over the production of some remaining farm commodities -- especially rice, peanuts, tobacco, sugar, and extra long staple cotton.

During this session, Congress will consider new legislation to replace the Sugar Act which expires at the end of this year. For 40 years, this country has lived with essentially the same sugar policy. In most of our post war history, this policy has resulted in an elaborately controlled program that has kept prices to consumers generally above the world market price. I believe the time has come when we need to reevaluate the basis for this policy and to work together to construct a program more in keeping with current realities and our need to free American producers and users from the heavy hand of excessive government management.

To further enhance agricultural activity, the Administration will also:

- Promote longer-run soil and water conservation practices.
- Consolidate the locations of local branches of Federal agricultural agencies -- specifically, the Agricultural Stabilization and Conservation Service, the Soil Conservation Service, the Farmers Home Administration, and the Federal Crop Insurance Corporation -- creating one-stop agricultural service centers on the local level to make things easier for the farmer and less costly for the Government.

-- Place high priority on directing agricultural research into those areas which will assure plentiful agricultural goods at reasonable prices, maintain our competitive advantage in world agricultural production, and to protect the land.

At my direction, Secretary Kissinger recently proposed to the United Nations that it convene a World Food Conference -- a concern made urgent by acute present food shortages in many parts of the world. This will be held in November 1974. It should prove of particular importance to the American farmer, whose extraordinary productivity has made this Nation the world's leading food exporter -- and whose own prosperity will continue to increase as we organize to meet more fully the needs of a hungry world.

INCOME SECURITY

One measure of a nation is the respect it returns to its elderly. Another is the way it cares for those in need. Both of these commitments are addressed in our programs for income security.

We can take pride in our progress, even while recognizing that on one crucial front -- welfare reform -- our principal task is still ahead of us.

In the past five years:

-- Cash benefits to the elderly under social security have risen from \$26 billion in FY 1969 to \$63 billion in FY 1975, primarily as the result of five benefit increases totalling almost 70 percent and reaching 29 million persons.

-- Food assistance to the needy has been increased more than fourfold.

-- Under our new program of Supplemental Security Income, initiated on January 1 of this year, the Federal Government will provide higher benefits to more than _____ million of the low-income aged, blind and disabled, on a uniform, nationwide basis in a way that respects their dignity.

A third of the Federal budget -- \$100 billion -- will be spent on income security programs in FY 1975, compared to the \$38 billion, or one-fifth of the budget, which they received just five years ago.

This is an impressive measure of the Nation's concern and commitment. However, too much of the money we are spending in such massive amounts is still not doing the job we have a right to expect.

As long ago as 1969, I called for a complete replacement of our discredited welfare system. I said then that "whether measured by the anguish of the poor themselves, or by the drastically mounting burden on the taxpayer, the present welfare system has to be judged a colossal failure."

Since then, Federal, State and local expenditures on welfare have totalled \$_____ billion; the Federal share alone has been \$_____ billion. Between 1969 and 1973, the number of families receiving Aid to Dependent Children -- the principal category of what is generally thought of as "welfare" -- increased from _____ to _____.

In 1973, for the first time in _____ years, and because of a vigorous new Federal initiative to press States into enforcing the rules more strictly, the welfare case load began to decline somewhat. But the welfare system remains what I called it when I again urged reform

in my State of the Union message three years ago: "a monstrous, consuming outrage -- an outrage against the community, against the taxpayer, and particularly against the children it is supposed to help."

As an example of its failure, recent studies have shown that fully 40 percent of the AFDC benefits being paid are either to persons ineligible, or incorrect in amount. This is not just the result of fraud, although there is some of that. It is not just the result of an excess of zeal by social workers, although there is some of that, too. It is primarily and overwhelmingly the result of a system which is so complex, so riddled with obscure, obsolete and incomprehensible regulations, that it defies fair and efficient administration. And this is only one program among many. To the complexity of the AFDC program, we must add the separate complexities of the Food Stamp program, the commodity distribution program, Medicaid, subsidized housing and a whole panoply of others -- all designed with the best of intentions to help the same low-income family, but each, for the most part, totally ignoring the existence of the others, and each administered differently in every one of the 50 States.

Any rationalization of the welfare mess must eliminate this proliferation of complexities and of overlapping programs.

Welfare programs should not exist as an end in themselves, but as a means by which families remain intact, and by which those in need can be encouraged to achieve self-sufficiency. We should measure our success not by the dollars we hand out, but by the number of Americans we help to work their way out of poverty and to live as productive members of our society.

In the final three years of my Administration, I plan to make a major new effort to replace the current maze of welfare programs with a system that works. This task will be complex and difficult, but we have no other alternative, save further waste -- both of dollars and lives. I welcome the evidence that thoughtful members of Congress, after careful study, have reached the same conclusion. I invite your active participation in these efforts.

While this effort goes forward, I will make every possible effort to improve the operation of the existing programs through administrative reforms, recognizing that a replacement system cannot be developed, enacted, and put into operation overnight. But, unless we move urgently to the development of a new system, efforts to improve the administration of the present programs will eventually be swamped by their basic structural flaws.

To help focus the discussions, I suggest that the new system should rest on the following five basic principles:

1. For those who are able to do so, it should provide both the opportunity to help themselves and strong incentives to do so.
2. It should be as simple as possible to administer, with clear, easy to understand rules, and decisions based, wherever possible, on objective criteria rather than the personal judgments of administering officials.
3. It should provide assistance in cash so that families, who know their own needs best, can make their own spending decisions.
4. Federal assistance should be provided on an equitable basis throughout the Nation.
5. It should not require an increase in the Nation's tax burden.

Starting from these basic principles, I believe we can develop a new system which will ensure that those who can help themselves do help themselves, and which will allow those who cannot help themselves to live with dignity and self-respect.

IMPROVING OUR PEOPLE'S HEALTH

In February 1971, I outlined to the Congress a new national health strategy to assure all Americans access to high quality medical care. Much has been accomplished toward that objective.

A little over a year ago, I took special satisfaction in signing into law the National Cancer Act, which enabled us to launch an accelerated effort to conquer this dread disease. In addition, biomedical research in other areas, such as heart disease, has been intensified -- and the total 1975 budget for biomedical research will exceed \$2 billion, more than double the total in Fiscal 1969.

We are also making headway toward increasing the Nation's supply of health manpower. During the last ten years, first year medical school enrollments have grown by more than 55 percent. The number of other health professionals has also grown dramatically. Just last month, I approved legislation along the lines I requested in 1971 to permit the Federal Government to support the demonstration of health maintenance organizations across the Nation. During both 1974 and 1975, \$125 million will be provided through health maintenance organizations to demonstrate the benefits of prepaid health care to our citizens.

Federal programs to finance health services to the aged, disabled, and low income persons have been greatly expanded. Since 1969, Medicare and Medicaid coverage has been extended to an additional 21 million aged, disabled, and low income Americans. The range of services covered under Medicare and Medicaid has also increased.

Consumer safety programs -- to assure safe food, drugs, cosmetic, and other consumer products -- have received a fourfold increase in Federal funding during the last _____ years.

Still, too many Americans fail to receive needed health care because of its costs. And too often, the costs of health care threaten our citizens with bankruptcy while the services that can prevent or cure disease are not utilized.

I shall soon submit legislation to the Congress to establish a National Health Insurance program to ensure that comprehensive health care is available to every American at a price he can afford. This program will:

-- Assure health insurance protection to millions of Americans who currently cannot obtain or afford the private health insurance coverage they need.

-- Provide nearly all Americans vastly improved protection against catastrophic illness.

-- Place a new emphasis on preventive health care.

-- Provide State and Federal subsidies for low income families, and for those whose special health risks would otherwise make them insurable only at exorbitant expense, or not at all.

My National Health Insurance proposal will build upon the strengths of the existing health system, rather than destroying it. It will create a new health partnership between individuals, employers, private insurance companies, State and local governments, and the Federal Government. It will require that employers offer a comprehensive health insurance plan to all their full-time employees, with the employer paying a major share of its costs. The role of private health insurance in financing health care would be expanded and the consumer's choice between competing health insurance plans would be enhanced. And its cost to the Federal Government will be manageable within the budget, without additional taxes. (Query: Can we say this without indulging in budgetary sleight-of-hand?) -- rp)

To guarantee that necessary and high quality care is received under Federal programs, we will be establishing Professional Standards Review Organizations to monitor the quality of care across the Nation. (Query: What program does this refer to? The Health Insurance plan? All health programs? -- rp)

There are a number of other health measures that I urge the Congress to enact expeditiously. These include:

- A Unified Health Planning and Regulatory Assistance Act, to help States to improve their planning and regulating of health services.

- New national health service scholarship legislation, to increase the number of Federal scholarships available to students in health professions, and also to help ensure that the Federal Government can meet its needs for physicians.

- A general expansion of the guaranteed student loan program, to provide adequate financial assistance to all professional and graduate students, including health professionals.

MATCHING WORKERS AND JOBS

Government has a profound responsibility not only to respect the dignity of work, but also to help ensure that jobs are available for those who want to work -- and that job training is available for those who want to learn productive skills. We owe this to our fellow citizens who are seeking jobs; and, as a Nation that lives by productive effort, we owe it to ourselves.

In attempting to provide manpower services, however, we have learned a great deal through more than a decade of trial and error.

Since the enactment of the Manpower Development and Training Act of 1962, the Federal Government has been packaging combinations of manpower services -- on-the-job training, classroom training, work experience, job counseling and placement, and related activities -- into separate programs. It has engaged some 10,000 contractors throughout the country to operate these programs. The result has been a confusing spiderweb of intertwined services in each community. This situation has defied any concerted effort to consolidate resources into well-directed attacks on local manpower problems. Predictably, the many evaluations of these programs over the last decade have not been able to show that

they have effectively increased the employability of those participating. In short, for all their good intentions, they have failed both the country and the job seeker.

Now we have at last entered a new and more promising era. One of the most significant legislative achievements of 1973 was the Comprehensive Employment and Training Act (CETA), which transfers from the Federal Government to States and localities significant control over the design and operation of programs to improve the employability of the unemployed and the underemployed. This does not mark a diminution of the Federal commitment to manpower development. Instead, it marks a realistic evaluation of the best way to meet the particular needs of each community and each job-seeker. CETA is a landmark of the New Federalism. It is also a landmark on the way to better manpower programs.

State and local governments will now be able to use Federal funds to provide the combination of manpower services best suited to their own local needs.

With their new program flexibility, States and localities will now be able to devote special attention to employment problems with particular local impact -- as, for example, those that might arise in certain areas as a result of the present energy shortage. In my new Budget, I have

included an additional \$250 million for CETA in the current fiscal year, and \$300 million in the year beginning July 1, for distribution to areas with high unemployment. I especially urge approval of this additional funding.

Proposals that I made to the Congress last year, and on which I again urge action, include:

-- The establishment of minimum vesting, funding, and fiduciary standards for private pension programs, so that workers could have greater assurance of receiving the pensions they expect and deserve when they retire. I urge that we work together to resolve speedily the remaining disagreements over specific provisions, and to enact responsible legislation which increases employee protection without burdening employers to such an extent that existing plans are jeopardized or new ones discouraged.

-- Extension to State and local governments of the law forbidding employment discrimination against older workers.

-- Improvement of the Federal-State unemployment insurance program, to increase the proportion of the unemployed worker's normal wage that he could receive, to extend coverage to farmworkers, and to

prohibit payment of benefits to strikers while assuring benefits to non-participants unemployed as a result of a strike.

These general improvements to unemployment insurance could be augmented by a special extension of benefits targeted on those specific areas of the country which are subjected to especially heavy impacts from the energy shortage. With this special program added to those available under the comprehensive manpower legislation, local areas would be able to meet their temporary problems.

I recognize that it takes time to put general unemployment insurance reforms into effect, and pockets of high unemployment may occur due to the current energy shortage. The special extension I propose is designed to meet such situations.

I continue to support legislation to raise the minimum wage. Higher prices have eroded the purchasing power of workers receiving the minimum wage. But we must be careful to guard against enacting a bill with sharp increases or coverage extensions that would adversely affect the same low-income workers the minimum wage was created to help.

IMPROVING EDUCATION

Out of my own experience, I have formed a deep commitment to the importance of education. I believe that State and local governments should strengthen their roles as the primary sponsors of our education programs. But the job of the Federal government is extremely important.

The Federal government should lead in seeking to assure equal access to a high quality education for all Americans, and in bringing about renewal and reform of all of our education programs.

Since 1969, we have raised Federal spending for education from \$4.4 billion to \$7.6 billion -- an increase of 73%.

In special messages to the Congress on education during 1970, 1972, and just last week, I set forth five major proposals to achieve these goals. They were:

-- A new program of student assistance to insure -- for the first time in the Nation's history -- that no qualified person is barred from attending college by lack of money.

-- A National Institute of Education, to be the focal point for educational research and development aimed at increasing our knowledge of how to help students to learn.

-- A National Foundation for Higher Education, to encourage innovation in learning beyond high school.

-- An Emergency School Aid program to assist desegregating school districts.

-- A thorough reform of the programs for Federal support of elementary and secondary education through a consolidation of the myriad separate categorical grant programs in order to move more educational decisions to the State and local levels where they belong.

The first four of these basic proposals were enacted, in whole or in part, and a great deal has already been accomplished through them. As for the fifth, reform of Federal funding for elementary and secondary education, I believe that there is now also an opportunity to achieve the basic thrust of that proposal.

College Student Assistance

The Basic Opportunity Grants Program has served as the primary vehicle in my effort to establish the principle that no qualified student should be denied a college education because of lack of funds. This program provides individual grants of up to \$1,400 and is aimed at helping the neediest students as its first priority. Funds have also

been available through the College Work Study Program, direct student loan revolving funds, and the Guaranteed Student Loan Program with additional capital generated by the Student Loan Marketing Association. Together, in the current school year these programs are providing financial aid to _____ college students, an increase of _____ in the past five years.

Based upon the success of these programs -- and the correctness of their purpose -- I recommend that in the next fiscal year we increase the reach of this program by fully funding the Basic Opportunity Grants, and that we provide this funding in a way that lets college students decide for themselves where they want to spend their educational dollars.

Since the presently established student assistant programs are targeted to help the neediest, and because the costs of higher education have risen dramatically, many middle income students are finding it increasingly difficult to make ends meet. I therefore also recommend that the limit on total borrowing be increased so that professional and other graduate students will be able to find adequate student loans. As the volume of Student Loan Marketing Association funding increases, more credit should be made available for this program as well.

Educational Research and Development

When I originally proposed the creation of a National Institute for Education, I suggested that providing equal opportunity for quality education means, in part, increasing our knowledge about how students learn and then changing the way we teach them. For too long we have followed the dictates of a belief that bigger educational programs must be better, that money can solve our educational problems. The National Institute for Education can help us in marshalling our scarce educational resources and in ways which will have the best chance of getting results. It has already begun to provide the kind of leadership in educational research and development which I felt was needed.

In 1975, the Institute will:

- continue to probe for the causes of the problems many children have in learning essential skills, such as reading and mathematics.
- furnish State and local agencies with proven techniques to solve the educational problems of their youth;
- find ways to increase the effectiveness of teachers and educational materials, and

-- help lead students to a better understanding of the relationship between the school and the world of work. Toward this end, the Institute has taken on the responsibility of implementing the Career Education objective which I set forth two years ago.

Educational Innovation Beyond High School

While the National Federation for Higher Education which I proposed in 1970 was not established, the Fund for the Improvement of Post-secondary Education was enacted. The Fund is now providing support for the development and demonstration of more effective approaches to college level education. Our initial assessment leads me to believe that the Fund will, in the years to come, become the focus for innovation in higher education.

Assisting School Desegregation

Since 1972 and the passage of the Emergency School Assistance Act, \$467 million in Federal funds have been provided to local school districts:

- to assist the process of elementary and secondary school desegregation,
- to encourage voluntary programs to overcome minority group isolation, and

-- to assist in meeting the educational needs of children who, because of racial isolation, have not had an equal educational opportunity.

I believe that by the 1975-76 school year, the bulk of the problems incident to "de jure" segregation will have passed. However, to provide assistance to those other school districts which may still be required to take special desegregation measures as the result of court rulings, I have budgeted an additional \$75 million for 1975. In addition, the Federal Government will continue to provide Civil Rights education advisory activities to local districts to assist them in meeting any remaining problems.

Busing

I have often expressed my opposition to the use of forced busing for purposes of achieving racial balance. I have proposed legislation which will dictate reasonable limits on the use of forced busing as a remedy in cases of de jure segregation. I have opposed the consolidation of school districts in an effort to achieve racial balance in the larger district. Such plans have only led to more busing and the eventual disappearance of the neighborhood school. The end result of an excessive

reliance on forced busing and the imposition of arbitrary ratios has been an increasing concentration of the poor and minorities in our central cities and the serious weakening of the very school systems which must serve them. In the end their education, the improvement of which was the basic objective in the first place, has suffered, rather than benefitted.

I shall continue to support the passage of anti-busing legislation which will provide a hierarchy of remedies for desegregation, and which places busing as a last resort -- tightly circumscribed even then. I will continue to support provisions in that legislation for reopening busing orders and plans which are in excess of the limits prescribed in the new law so that they can be made to conform, and I will continue to work with the Congress to revise my proposals in light of recent court decisions and events in this area.

Funding Elementary and Secondary Education

I am encouraged by the interest the Congress has continued to show in legislation which follows the concepts put forward in my Better Schools Act proposal. I believe that meaningful compromise is now possible, and that we can at last reform and consolidate Federal grants for elementary and secondary, vocational and adult education.

I hope that the Congress will include four basic elements in any reform:

- Consolidation of existing categorical grant programs.
- Granting greater decision-making authority to State and local educational agencies.
- Greater equity in the distribution of Federal funds to the States for the education of disadvantaged children.
- Reform of the Impact Aid Program to concentrate support in those districts where the Federal presence has substantially decreased the tax base, rather than those in which it has increased the tax base.

Working together, I am confident that we can put those basic principles into operation for the benefit of our educational system.

Upon enactment of improved legislative authorities for elementary and secondary, vocational and adult education, I will propose FY 1974 supplemental appropriations to provide funding for the 1974-75 school year. Such funding would place most elementary and secondary education grant programs on a forward-funded basis, and would let State and local agencies know how much they will receive while plans for the next school year are being made.

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As I noted in my Education message sent to the Congress last week, I also recommend additional support for several other educational programs -- some old and some new. These include:

-- An additional increase in aid to black colleges and other developing institutions during FY 1975. In the past five years we have already quadrupled Federal funds for these important educational institutions.

-- Continuation and extension of the Head Start program, our single largest child development program. In 1975, Head Start will reach 282,000 disadvantaged youth year-round, as well as some 78,000 pre-schoolers during the summer -- and it will extend its activities to include handicapped youth.

-- The consolidation of eight discretionary authorities for Education of the Handicapped into four broad programs: a Resource Implementation program to help teachers to identify learning problems, a Professional Development program to provide teachers with special skills to overcome learning barriers, an Innovation and Development program to provide new methods and materials for teaching, and a Special Centers and Services program to accelerate progress in de-institutionalizing severely handicapped children.

[Note: Something on busing? --rp]

BETTER HOUSING FOR ALL

As I have stated many times, this Administration will not waver from the Federal commitment first outlined in the Housing Act of 1949: "a decent home and a suitable living environment for every American family." While our Nation has made tremendous strides toward that objective in the quarter century since it was first enunciated, those very strides have carried us into new terrain, requiring new responses.

All measures point to an inescapable conclusion: very substantial progress has been made in providing better housing for all Americans. For example, in the three decades 1940-1970, the proportion of Americans living in houses with more than one person per room dropped from 20 percent to 8 percent and the proportion of our housing considered "dilapidated" fell from over 18 percent to less than 5 percent.

The state of America's housing will continue to depend on the state of America's economy more than on any other factor. Special policies aimed at housing can help. But the forces which will do the most to shape the future of housing in America will be the forces of the marketplace: families with sufficient real income and sufficient confidence to create an effective demand for better housing on the one hand, and builders and credit institutions able to respond to that demand on the other.

In recent years, housing production in America has reached unprecedented levels. While still continuing at a substantial rate, many are predicting a decline in housing production for the coming year. To improve the present conditions in home mortgage market I recently authorized a reduction in the maximum allowable interest rate for insured mortgages by the FHA and VA and a \$6.6 billion building program that will assist the construction of 200,000 housing units by providing below market interest rate mortgages.

These actions should have a significant impact on housing production. If the anticipated results are not achieved I will unhesitatingly recommend further action to insure that this vital part of our national economic life continues its service to the Nation.

Even as good housing has become a reality for most Americans, it is clear that important problems still exist. Two are especially significant. First, we face problems in providing adequate housing credit. Second, too many low income families have been left behind: They still live in substandard, overcrowded and dilapidated housing --

and we must help them meet their needs. In an effort to address these problems, during the past five years:

-- Over two million units of subsidized housing for low and moderate income families have been approved, more than during the previous 33 years of Federally subsidized housing programs.

-- Over \$_____ billion has been committed to improving and modernizing existing public housing.

-- Subsidies to local housing authorities have grown from \$33 million in 1969 to \$280 million in 1973.

-- Nearly 3-1/2 million families have benefitted from FHA mortgage insurance.

-- Finally, we are now completing a major program -- Operation Breakthrough -- aimed at demonstrating how Government and industry can cooperate to develop new systems for mass producing housing at reasonable costs.

In order to increase the availability of housing, I urge passage during this Session of two key measures I have already proposed:

-- The Financial Institutions Act to enable savings and loan associations to compete more effectively for funds during periods of tight money, as well as to encourage increased investment in housing

through a tax credit on income earned from residential mortgages. It would also allow home buyers to pay market level interest rates and still be eligible for Federal mortgage insurance, thereby doing away with the present system of charging points on mortgage loans and reducing the cost of buying a home.

The Housing Act of 1973 would ease the present tight mortgage credit situation and make homeownership easier in the long term. This legislation would authorize experiments of a dramatic new approach -- direct cash assistance -- for addressing the housing problem of low-income American families. In many areas of this country, the housing problem of low-income families is not a shortage of houses, new or used, it is a lack of money to purchase the existing housing. I intend to continue to press for a longer term solution -- one which goes to the root of the problem -- lack of sufficient income -- and one which permits the free housing market mechanisms to work in as efficient a way as possible. Additionally, our legislation would improve the operation of our existing public housing projects, by helping them move to a more effective, efficient and self-sufficient basis of operation.

COMBATING CRIME

Over the past five years I have had no higher domestic priority than rolling back the tide of crime and violence which rose in the 1960s, and caused so many Americans to fear for their safety. I am therefore especially pleased to be able to report that we have turned the corner on crime:

-- After 17 years of continuous and often dramatic increase, crime in 1972 registered its first overall decline. Although in 1973, it again registered a slight increase, it still held below the level of 1971. Now that the momentum of increase has been broken, I am confident that we can look forward to a reduction in the years ahead.

-- Serious crime in our largest cities was actually reduced by 13 percent between 1971 and 1973.

-- In Washington, D.C., where the Federal Government has special law enforcement responsibilities, the crime rate has been cut in half since 19__.

-- Indictments and convictions of organized crime racketeers have more than tripled since 1969, thanks in large measure to the 1970 Organized Crime Control Act and to expanded Federal interagency strike

forces. In addition, of course, the mass riots, urban terrorism and burnings of the 1960s that led many to question whether our cities would survive have become a thing of the past.

These indications of success mean not that we should slacken our anti-crime effort, but that we should intensify it. Key elements of our strategy to do so -- which will require the cooperation of the Congress -- include:

-- Increased Federal assistance to State and local law enforcement agencies. For the next fiscal year, I propose funding through the Law Enforcement Assistance Administration of \$886 million -- up from \$60 million in 1969.

-- Comprehensive improvement of Federal correctional programs. Already 15 new correctional institutions have been built or are under construction. My 1975 budget request of \$250 million will represent a tripling of 1969's budget levels.

-- Creation of an additional Federal judgeship to assure speedier disposition of criminal cases. Legislation to accomplish this is now before the Congress.

-- Increasing the resources available to the U.S. Attorneys' offices throughout the Nation -- which they need because of their success over the

last 3 years in increasing by 28 percent the number of criminal convictions.

-- A new effort to deal more effectively with the problems caused by the increase in the number of illegal aliens entering this country. Legislation to achieve this is also before the Congress.

-- Restoration of the Death Penalty under the Federal Criminal Code for several especially heinous specific crimes which result in the death of innocent victims -- for example, as a result of hijacking, kidnapping, or bombing.

-- Comprehensive reform of the Federal Criminal Code. Last year I submitted a proposal which was based upon the work started seven years ago by the Congressionally-appointed National Commission on Reform of Federal Criminal Laws.

One of the most basic of the rights we cherish in America is the right of privacy. With the advance of technology, that right has been increasingly threatened. The problem is not simply one of setting effective curbs on spying, but even more fundamentally one of limiting the uses to which essentially private information is put, and of recognizing the basic proprietary rights each individual has in the information concerning himself.

Privacy, of course, is not absolute; it may conflict, for example, with the need to pursue justice. But where conflicts occur, an intelligent balance must be struck.

One/^{part}of the problem is that as technology has greatly increased the ability of government and industry to gather and disseminate information about individuals, safeguards to ensure the privacy of individuals and communications have not kept pace. Another part of the problem is that agreed definitions and standards for the rights of privacy have not been developed.

Therefore, I have ordered an extensive Cabinet-level review -- which will be undertaken this year -- of both government and industry practices as they relate to the right of privacy, of the conflicts that arise and the balances that must be struck between legitimate needs for information and the right of privacy, and of measures -- including legislation, as appropriate -- that can be taken to ensure that in meeting those needs the right is safeguarded.

ENDING DRUG ABUSE

During the decade of the '60s, increasing thousands of our young people each year turned to heroin and other drugs in search of "new highs" and "synthetic solutions" to the problems of life. In this retreat from reality, the Nation's drug problem grew dramatically. Our proudest cities were being destroyed by fear as addicts turned to crime and violence to support their habits.

Each drug arrest or overdose death was also the culmination of a personal tragedy for the families concerned. During my campaign for the Presidency in 1968 hundreds of distraught parents implored me to take whatever steps were necessary to bring the drug problem under control.

I am pleased to be able to report that since then, tremendous progress has been made:

-- During the last five years Federal spending on drug treatment and enforcement has increased tenfold.

-- Better drug law enforcement, at home and abroad, has caused an unprecedented heroin shortage throughout much of the country.

-- Enough treatment capacity has now been created so that virtually all addicts can get medical help and counselling and avoid the path of crime.

-- Our medical indicators all suggest that we have now "turned the corner" and have begun to win the war against this menace -- and that we have at last succeeded in reducing both the total number of heroin addicts and the number of new addicts.

Nevertheless, the drug battle is far from over.

For the sake of the next generation -- our children's children -- I am determined to keep the pressure on -- to ensure that the heartening progress made to date is translated into a lasting victory over heroin and other drugs.

As enforcement efforts meet with success in one area of the world, pressure increases on other trafficking routes. To meet these new threats, we expect to step up our support of joint drug enforcement programs with other nations threatened by international drug traffic. I have also directed that plans for increased vigilance at our own borders be put into effect.

In the treatment area, we are intensifying our efforts to encourage hard core addicts to enter treatment.

To provide added incentive for those not motivated to seek help on their own, I have directed Federal agencies to expand their support for local programs which direct addicts charged with crimes into treatment pending trial and sentencing.

Continued progress will also require help from the Congress:

-- I will shortly recommend severe new penalties for heroin traffickers and those engaged in illegal distribution of other illicit drugs. This will supplement my proposals currently pending before the Congress.

-- The Psychotropic Convention, a key international treaty regulating manufactured drugs worldwide, has -- after 2-1/2 years -- still to be ratified. Affirmative action in this Session is of the utmost importance.

Acceptance of both of these measures will enable us to maintain the encouraging momentum established during the last four years.

I am recommending a 20 percent increase in drug enforcement outlays and for next year, I will continue to give high priority to drug treatment and rehabilitation programs to help speed the return of ex-addicts to productive lives in society.

By taking these steps, we can lay the groundwork for a twenty-first century free from the personal and social tragedy of drug abuse.

HELPING DISASTER VICTIMS

Seldom is swift and effective government action needed so urgently as when a natural disaster strikes.

Since taking office, I have had to declare ____ major disasters in ____ States and in ____ territories. In recent years, Federal assistance available to victims of disaster has been greatly expanded, and we have also pressed an intensive and largely successful effort to provide this aid more equitably and expeditiously.

Since more than 90 percent of all property damage resulting from natural disasters is caused by floods, I was especially pleased by Congress' approval last year of the Flood Disaster Protection Act, which significantly expands and improves the national flood insurance program.

However, more remains to be done if we are to meet adequately our basic humanitarian responsibility to those who fall helpless and innocent victims to nature on the rampage. Therefore, I have also proposed a Disaster Preparedness and Assistance Act, which places new emphasis on the essential element of prevention, while also increasing the role of State and local officials in allocating Federal disaster funds and cutting the tangle of red tape by providing for the

automatic release of Federal funds when major disasters strike.

It also includes generous grant features for those disaster victims unable to repay government loans, as well as providing grants to help communities restore damaged public facilities.

That natural disasters will continue to strike is certain; the only uncertainties are where and when. As a generous and compassionate Nation, we should be prepared to give the victims of these disasters the prompt and effective help they so desperately need.

THE RIGHTS OF WOMEN

Both men and women have become increasingly aware of the pattern of sometimes blatant but often subtle discrimination to which women are subject. Some of this discrimination can be erased by existing law; some requires new law; some would be rectified by the Equal Rights Amendment, now nearing ratification by the required three-fourths of the States. It is my hope that the Equal Rights Amendment will be ratified speedily so that equal justice under our laws will become a reality for every American.

One of the primary goals of this Administration is to ensure full equal employment opportunity for women. We have sought this through means which will open to women jobs that previously were reserved for men, often simply by habit or custom. Specifically, we have moved vigorously both to enforce the law and to lead by example -- by insisting on equal employment and promotion opportunities within the Federal service, by promoting more women into the professionally critical areas of middle management; and by continuing our special recruiting drive to bring more women into the highest levels of government. We will continue to pursue this goal with vigor. This is especially appropriate as we approach 1975, which has been declared International Women's Year by the United Nations.

One especially invidious form of sex discrimination in particular is ripe for correction now through new legislation: the discrimination that often denies women equal access to credit. In an economy that increasingly operates on credit, this is not only wrong but intolerable.

The Congress already has before it a proposal to ensure that credit is extended to all persons on an equitable basis, irrespective of their sex. This Administration strongly supports this proposal and is sending to the Congress amendments which we believe will strengthen it even further. I urge prompt consideration and passage of this vital legislation.

HELPING OUR VETERANS

Twenty-nine million Americans living today have given military service to their country. As a group, veterans are among our most productive citizens. They have higher incomes, more education, and better health than non-veterans of the same age.

We should all be proud of the veterans' contributions -- and also concerned for those veterans and veterans' families who remain in need.

Last year I was able to sign into law two landmark measures affecting veterans and their dependents. The Veterans Health Care Expansion Act of 1973 provides significantly improved and expanded medical and nursing care to veterans, and extends hospital and medical care benefits to certain survivors of those whose deaths were due to service and to certain dependents of veterans who are totally disabled due to service. [Query: Does this mean all of these or only some of these? ..rp] The National Cemeteries Act of 1973 consolidated most of the honored burial grounds for veterans and established the National Cemetery System within the Veterans Administration. It also made important improvements in related benefits and services. Based upon a study authorized by the Act, I shall submit further proposals for improvement of the cemetery system, including an equitable network of Federal regional cemeteries and new supports for State initiatives.

For unemployed Vietnam veterans, a vigorous Administration program has mobilized Federal, State, and local governments, industry, educational institutions, and voluntary organizations to find jobs and training opportunities. As a result, the unemployment rate for Vietnam veterans was cut from 11 percent in early 1971 to 4 percent by late 1973. Nearly five million returning veterans will have been placed in jobs and training through this fiscal year.

For those veterans disabled in military service, total compensation payments will have risen from \$2.1 billion in 1969 to \$3.2 billion in 1975. Vocational rehabilitation programs have prepared some forty-six thousand severely disabled veterans for a civilian career. Since 1969, the service-disabled insurance program has provided \$886 million of additional insurance protection for the families of disabled veterans at standard rates.

Medical care in VA hospitals and clinics has been greatly improved and expanded since my pledge early in 1970 to assure top quality medical care for the Nation's veterans. Ten new or replacement hospitals have been activated and five more replacement hospitals are being designed and constructed; 16 outpatient clinics have been added; and 663 new specialized medical services have been established. The staffing of VA hospitals has been increased dramatically, raising by over 30 percent the ratio of staff to patients.

In this Session of the Congress, I will propose new legislation to benefit veterans in three vital areas -- health, pensions, and education.

My proposals for National Health Insurance, described elsewhere in this Message, will provide additional health benefits for veterans and their families.

My pension proposals will benefit some 1 million veterans and 1.3 million veterans' survivors in economic need resulting from disability, age, or loss of a breadwinner. VA pensions, which have been increased by 27 percent since 1969, already go a long way toward meeting their needs, but the pension structure itself is fraught with inequities and anomalies. Veterans and their wives in greatest need still are paid substantially less than they would receive from welfare. Widows on pension receive far less than veterans with the same income. There is no automatic adjustment to make sure that pension benefits keep pace with the cost of living. My proposals will permit current recipients of veterans pensions to continue receiving benefits under existing law, with automatic cost-of-living increases. They will also make up the difference between the resources available to a veteran and his dependents and a minimum standard of need. These steps would be consistent with the Supplemental Security Income provisions which took effect January 1, but at higher rates and with more liberal eligibility criteria.

The 1.3 million Vietnam veterans now in training require additional help if their GI Bill allowances are to keep up with rising costs. I shall therefore propose that GI Bill benefits be raised by an average of 8 percent. The Administration's special action program for veterans jobs and training will have as its goal for 1974 the placing of an additional 1.2 million veterans. There remain sizable numbers of educationally disadvantaged veterans and service-disabled veterans who have never taken advantage of Federal training opportunities and who are unemployed. I have directed that, as a matter of high priority, the Federal Government's efforts to reach these veterans be intensified and that they be counselled and encouraged to use the program and services available.

EQUAL OPPORTUNITY FOR MINORITIES

[Note: The language here is from the first draft. OMB and Domestic Council are working on it. It needs work. --rp]

This Administration is proud of its efforts to secure equal opportunity for the members of America's minority groups. I am personally very proud of the success those efforts have already achieved, and determined to build on that success in the future.

Setting an example as an Equal Opportunity Employer in the past five years, the Federal Government has increased the proportion of minority group members among its civilian employees from _____ to _____; in the same period of time, the number of minority group members in the Government's middle and upper grade level jobs has (doubled? tripled?).

-- In the armed forces, more than 850 minority-group cadets are now enrolled in the military academies; and whereas prior to 1971 only four minority group members had ever achieved general or flag rank in the armed forces, now sixteen serve on active duty as generals and admirals.

-- Federal aid to minority business enterprises -- one of the cornerstones of the Administration effort to open new economic horizons for minority group members -- has nearly tripled since 1970.

-- Civil rights enforcement activities have continued at a vigorous level, with their funding increased.

-- Since 1969, combined Federal expenditures on civil rights activities and minority economic development programs have increased from less than \$1 billion to \$3.5 billion.

-- (Get sample figures on economic progress nationally, including jobs, job training, etc.) (Has housing improved?)

-- Five years ago 68 percent of all black children in the South were still attending all-black schools. Now that figure has been reduced to 8 percent, and the dual school system has been virtually eliminated.

[Query: Haven't we got something pending, or something to propose? --rp] [Anything on Spanish-speaking? --rp]

The real story lies not in these figures themselves, but in the facts and the attitudes they represent. They represent, not flamboyant promise, but rather a quiet determination to work toward not just the symbols but the substance of equal opportunity, and to build foundations that will last: in particular, the foundation of economic independence, and of a basic faith in the equal dignity of mankind.

JUSTICE FOR AMERICAN INDIANS

For too many years the American Indians -- the first Americans -- have been the last Americans to receive the rights and opportunities to which they are entitled. This Administration has taken the initiative to change that.

Just as an upwelling of national conscience a decade earlier demanded an end to delay in achieving justice for black Americans, so in the 1970s has an upwelling of national conscience demanded justice for the first Americans. This heightened public concern has made possible substantial advances for the cause of Indian rights and Indian opportunity.

For its part, the Federal Government must put behind it the role of autocratic manager of Indian reservations. We shall continue to encourage Indians and their own tribal governments to play an increasing role in determining their future; and we are particularly determined to defend the natural resources rights of Indian people.

The last five years have seen historic steps in Federal Indian policy. In 1971, we worked closely with Indian leaders to achieve a settlement of Alaska Native claims, a settlement consistent with America's sense of fairness and also indispensable to the growth and development of all of Alaska.

We returned lands taken away long ago from the Taos Pueblo at Blue Lake. We returned lands wrongfully taken from the Yakima people. Seeing that the Menominee people had been involuntarily terminated but had kept their land and their tribal structure together, Congress enacted and I signed the bill which restored the Menominee tribe to trust status. And in the courts, we are forcefully asserting Indian natural resources rights, as in protecting Indian rights in Pyramid Lake.

One measure of our attempt to foster a better, more humane policy is the level of funding for Federal Indian programs -- over twice what it was five years ago or about \$1.6 billion.

Today, Indian tribes participate in general revenue-sharing, will benefit directly from the new manpower bill and will share in the assistance authorized by the proposed Responsive Governments Act. The Comptroller of the Treasury has recently granted a charter to the American Indian National Bank, the first of its kind in the Nation's history.

Federal spending in health services for Indian people has increased since 1969 from \$107 million to \$284 million, an increase of 160 percent. There is now a lower infant death rate, less pneumonia, less influenza, and less tuberculosis.

Within the Executive Branch, a new Office of Indian Rights has been established in the Department of Justice, an Office of Native American Programs is functioning in the Department of Health, Education and Welfare, and a new Associate Commissioner for Indian Education will be named shortly by the Secretary of HEW.

The Congress has shared in these accomplishments, in a spirit of bi-partisan cooperation. I hope that I will soon have on my desk two more enactments on which Congressional action is progressing: to speed Indian economic development and to upgrade the Commissioner of Indian Affairs to an Assistant Secretary. However, still awaiting Congressional action are three proposals I submitted over three-and-one-half years ago:

- to permit turning over to Indian tribal governments the management and control of Indian programs;

- to create an Indian Trust Counsel with authority to safeguard Indian natural resources rights;

- to help ensure that funds for Indian education actually reach Indian children.

Last year I also proposed the Indian Tribal Grants Act, which would provide greater local control over Federally assisted reservation programs. This, too, is awaiting Congressional action.

Looking forward, I shall ask that the Bureau of Indian Affairs make specific plans to accelerate the transfer of significant portions of its programs to Indian tribal management, although I repeat my assurances that, while accelerated, these transfers will not be forced on Indian tribes not willing to take them on.

SOTU Message
2nd Draft-1/25/74

DISTRICT OF COLUMBIA

Last Christmas Eve, when I signed the new Home Rule Bill into law, the Nation's Capital reached an historic milestone. If the voters of the District accept the bill in the forthcoming referendum, the city will soon have its first elected mayor and city council in 100 years. In addition to giving the citizens of our Nation's Capital the right to elect their own officials and a greater role in decisions affecting local affairs, the Act also transfers to the District functions now carried out in Federal agencies which should rightfully be under local control.

In order to complete this shift to local responsibility, I urge the Congress to take action on the bill to transfer St. Elizabeth's Hospital from the Federal Government to the District. Action on this legislation will strengthen the structure of the City's mental health programs and enable it to serve more effectively those citizens in need. I also urge action on pending legislation to create the District of Columbia Development Bank, which would go far towards broadening the resources available to assist private enterprise in undertaking projects which will add to the economic base of the District. Such activities can increase the desirability of living in the District of Columbia and add to the earning power of its citizens, and will thus give additional meaning to the recently enacted self-government measure.

THE BICENTENNIAL

As we near the celebration of America's bicentennial, which officially begins in March 1975, the tempo of preparations has picked up. A sound organizational framework has now been established, with the approval by Congress last year of a new American Revolution Bicentennial Administration. Each of the 50 states, the District of Columbia and the four territories has also established its own Bicentennial Commission to plan and coordinate local Bicentennial projects. Some 370 counties, cities, towns, villages and tribal units have been recognized as Bicentennial Communities, and some 600 applications for this designation are currently being reviewed. A master calendar of Bicentennial events, projects and ceremonies is being prepared and maintained by the Bicentennial Administration, to assist in planning and coordinating throughout the Nation. On the Federal level, I have created the Domestic Council Committee on the Bicentennial. This Cabinet-level Committee has approved the goals for Federal participation in the Bicentennial, established an Interagency Bicentennial Task Force, and approved 277 Bicentennial projects of the Departments and Agencies. Other nations are actively responding to

the "invitation to the world" that I issued on July 4, 1972 to participate with us in this celebration which is, uniquely, not ours alone, but one which draws on the heritage of every nation from which people have come to our shores.

AMERICAN REVOLUTION BICENTENNIAL

As we prepare to celebrate the Bicentennial, we shall commemorate our achievements. We shall honor our leaders of vision and remember those whose contribution was momentary and who do not appear in the pages of recorded history. We shall take stock of our shortcomings and resolve to overcome them. We have, therefore, tried to ensure that Federal Bicentennial activities reflect the diversity which is ours alone, and which is appearing in community Bicentennial planning across the country.

The new American Revolution Bicentennial Administration will play only one part in this process. Completing the development of National park sites of revolutionary significance is only one part. Supporting cultural activities relating to the Bicentennial through the National Endowments for the Arts and Humanities is only one part. Taking the treasures and expertise of our national institutions, like the Smithsonian, to the citizens of America is only one part. We do not celebrate a government, but, rather, we shall celebrate a people and their vitality which, over time, shape our destiny.

IMPROVING THE ENVIRONMENT

Our Nation and the world have made imposing strides during the first few years of serious attention to the problems of the environment. Building upon a well-justified national concern, we created institutions, developed policies and strategies, and expanded the understanding of the pressing problems of environmental degradation. We established the necessary preconditions for future success.

Now we are entering the second phase of environmental action. It may prove to be a more difficult period.

In this second phase, we will be looking at our environmental problems in new ways, which are more complex and far-reaching than those to which we have been accustomed. Our attention will be drawn not only toward the interaction of our different environmental goals -- clean air, clean water, and good land use -- but also toward the interaction of environmental goals with other national objectives in areas such as energy and economic growth.

The years since this Administration took office have been years of unparalleled progress in Federal environmental action. In the short span of five years this Nation has begun to come to grips with a broad

range of complex challenges. We no longer take our air, water and land for granted, and instead have crossed the threshold of commitment to solving our environmental problems, not just for ourselves but for future generations of Americans as well.

The decisions we have made have not been easy. Those we have yet to make will be even more difficult. But I believe that we now view our surroundings -- the air we breathe, the water we drink, the land upon which we live and play and work -- with a healthy new respect. I take great pride in the fact that this Administration has initiated so many of the landmark natural resources and environmental initiatives that are woven into the fabric of American life today. I take great pride in the record we have compiled in organizing for environmental action, controlling pollution, protecting our natural heritage, and improving the world environment.

The new measures enacted into law during the past five years have included air quality legislation, strengthened water quality and pesticide control legislation, new authorities to control noise and ocean dumping, regulations to prevent oil and other spills in our ports and waterways, and legislation establishing major new parks, recreation and wilderness areas.

Organizing for Action

On the organizational front, the National Environmental Policy Act of 1969 has provided a basis for the reform of programs and decision-making processes in our Federal agencies and has given citizens a greater opportunity to contribute to environmental decisions. In the same year, I established the Environmental Protection Agency and the National Oceanic and Atmospheric Administration to provide more coordinated and vigorous environmental management. In the same year, I appointed the first Council on Environmental Quality.

Controlling Pollution

The first results of our vigorous anti-pollution efforts are now being seen and felt.

In our major cities, levels of dangerous sulfuroxides and particulates have declined, and pollutants from automobiles have been reduced. Water pollution is being conquered, assisted by a massive Federal investment of over \$14 billion in municipal treatment plants. Misuses of pesticides are now under control, and major sources of noise are being regulated.

During these five years, Federal agencies have acquired over 800,000 additional acres for preservation for future generations, many of them near our heavily-populated urban centers. Two newly designated areas are located at the Nation's gateways -- New York and San Francisco. The gateways will bring together existing parks, military reservations, and private lands to provide a full range of recreation experiences to the people of these major metropolitan areas.

The Legacy of Parks program, which I initiated in 1971, is designed to bring parks to the people. To date, 400 separate parcels of under-utilized Federal lands in all 50 States have been turned over to State and local governments for park and recreational use. This program has made almost 60,000 acres, valued at almost \$200 million, available to the people -- again many of them near congested urban areas. We will continue to expedite transfer of additional surplus properties to State and local governments for park and recreation use.

Improving the World Environment

On our small planet, pollution knows no boundaries. World concern for the environment is as necessary as it is encouraging. Many significant international actions have been taken, and the United States can be proud of its leadership.

These actions have included the signing of international conventions to protect endangered species of wildlife, to regulate ocean dumping, to extend the national park concept to the world, and to control marine pollution.

A United Nations Environment Program was established last year. With it, the UN Environment Program Fund came into being, fulfilling a proposal I had made in 1972.

Under the US-USSR Environment Agreement, which I signed in Moscow in May, 1972, Soviet and American scientists and environmentalists have been working together in active cooperation against serious environmental problems.

Also, I am establishing a National Commission for the Observance of World Population Year, 1974, to promote the appropriate observance in the United States of 1974 as World Population Year and to seek a better understanding of the cause, nature, scope and consequences of population growth, both national and international, and the relationship of this to the quality of human life.

The Challenge Ahead

As part of this Administration's continuing effort to conserve outdoor recreation areas, my new budget will propose full funding

of the Land and Water Conservation Fund for 1975, at \$300 million I have proposed a change in the formula for allocating funds to the states that would encourage the development of more recreational sites closer to where people live and work.

This year we have the unique opportunity and responsibility to determine the future use of enormous land areas in America's last great frontier -- Alaska. Last month, in accordance with the Alaska Native Claims Settlement Act, I transmitted to the Congress recommendations that would add 83.47 million acres in Alaska to the National Park, National Forest, Wildlife Refuge and Wild and Scenic Rivers Systems -- including additions of 32.26 million acres to the National Park System and 31.59 million acres to the National Wildlife Refuge System, which double the current acreage in each system. The National Forest System would be expanded by 18.8 million acres and 20 Alaskan rivers would be added to the National Wild and Scenic River System. If the Alaska frontier is thoughtlessly developed, it will be gone forever. But we now have the opportunity to make considered judgments as to the appropriate use of these outstanding Alaskan lands for the American people of all future generations.

This Session of the Congress has before it 17 major natural resources and environment proposals that I have previously submitted, and on which I again recommend action. These include:

-- Department of Energy and Natural Resources: While I discuss this reorganization elsewhere in this message, I consider it of cardinal importance from the standpoint of our environmental and national resources activities, in order to ensure that these complex and interrelated issues receive an appropriately wide policy overview and administrative coordination.

-- National Land Use Policy: Adoption of the National Land Use Policy Act is a high priority of my Administration. I first transmitted such a proposal to the Congress in 1971. This legislation would provide grants in aid and technical assistance for developing and implementing land use programs. It would lodge basic responsibility for land use decisions with the States -- and would encourage them to meet that responsibility, and to strike an enlightened balance between the needs of economic development and the needs of environmental protection. Although there has been no law enacted, I note that the Senate has passed legislation incorporating some of the policies that I proposed.

-- Coastal Wetlands: These environmentally vital wetlands are increasingly threatened by development. My proposed Environmental Protection Tax Act would amend Federal tax laws to discourage their unwise use, and to enhance further our opportunities for sound land use planning within the coastal zone.

-- Wilderness: Traditionally, we have looked westward for our wilderness areas. Last year, however, I proposed that 16 Eastern areas be designated as "wilderness" and that 37 others be studied for possible wilderness designation.

-- Historic Preservation: Increasingly, Americans are coming to recognize the value of our irreplaceable historic and architectural heritage. I have proposed an Environmental Protection Tax Act to discourage the demolition of historic structures and to encourage their rehabilitation.

-- Big Thicket National Biological Reserve: The Big Thicket area of east Texas is a biological crossroads unique in the United States. I urge the Congress to consider my proposal to preserve key segments of the Thicket, in a Big Thicket National Biological Reserve.

-- Big Cypress National Fresh Water Reserve: Protection of the Big Cypress Swamp in Florida is essential to the preservation of the water supply in the Everglades National Park. I have recommended legislation which would authorize the acquisition of over 500,000 acres.

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-- Big Cypress National Fresh Water Reserve: Protection of the Big Cypress Swamp in Florida is essential to the preservation of the water supply in the Everglades National Park. I have recommended legislation which would authorize the acquisition of over 500,000 acres.

-- Public Land Management: The Secretary of the Interior needs authority to protect the environmental values of our public domain lands. I again urge that he be given that authority.

Controlling Pollution: Three of my legislative proposals aimed at controlling pollution have not yet received final Congressional action:

-- Toxic Substances: New chemicals with unknown environmental effects come into use each year. Authority to test these substances and to restrict their use in the event of danger is essential while still permitting the orderly marketing of needed chemicals in a timely fashion.

-- Hazardous Wastes: Disposal of wastes on land is increasing due to advances in industry and technology and because of controls on air and water pollution. In some cases, these wastes can be hazardous to human health and other forms of life. My proposal provides for national standards for treatment and disposal of hazardous waste with primary regulatory responsibility resting with State governments. Direct Federal regulation would be provided for a limited group of the most hazardous wastes. Any regulation of non-hazardous wastes would remain the sole province of State and local agencies.

-- Safe Drinking Water: The water we use in our homes must not endanger our health. Federal standards would provide health protection by limiting contaminants in drinking water. My proposal would place primary enforcement, monitoring, and financing responsibilities with the States, and require water suppliers to inform citizens of any situation in which Federal health standards are not met. This would be greatly preferable to legislation on safe drinking water now being seriously considered by the Congress which would require unnecessary Federal standards on operating treatment plants, generate a domineering Federal enforcement role, and create several new subsidy programs.

SCIENCE AND TECHNOLOGY

One of the great strengths of this Nation has been its science and technology. In times of national peril we have turned to the men and women in the laboratories and at the drawing boards to apply their knowledge to new challenges.

Once again, in the current energy crisis, we are calling upon them to respond. I have recently sent to the Congress, as part of a broadly-based program to address our energy needs, a \$1.8 billion energy research and development initiative. A look at the broad scope of this effort tells a great deal about our confidence in the capabilities of the nation's scientists and engineers.

We are calling on them to accelerate the development of reactor power systems, to increase greatly our effort on systems that will use our abundant supplies of coal in ways that are environmentally less damaging, to improve technology for harnessing natural energy sources such as the sun and the heat of the earth's core. At the same time, we are asking them to explore new ways of conserving the energy that we use - such as improved electrical transmission and distribution, more efficient alternatives for automotive propulsion, and development of more efficient appliances and other energy consuming devices.

With the aid of science and technology, we can and we shall meet the challenge of energy self-sufficiency.

But energy is not the only national concern requiring advances in science and technology. We are also calling for a significant increase in the Federal support for R&D in order to deal with many other needs. This reflects a recognition of the vital role that science and technology must play if we are to achieve the quality of life which I believe is possible for every American. We have learned over the past two decades that science and technology alone will not yield these results. We must couple science and technology with human values so that science can work for man and not against him.

We expect much from science and technology. We must not forget that our continued expectations depend upon extending our fundamental base of new knowledge. We have been a nation that explores the very outer limits of man's environment from the vastness of outer space to the mysteries of the fundamental constituents of all matter. In applying science to the service of man we shall continue to support the basic research that will provide the foundation necessary to address future needs.

LEADERSHIP IN SPACE

Fifteen years ago President Eisenhower signed the Space Act, opening the door on a new era of human enterprise. Today space is an integral part of human life.

The realistic exploration and exploitation of the space environment makes a unique contribution to man's understanding of his universe and to our abilities to manage our civilization wisely.

Last month, after a two-year 600 million mile voyage, Pioneer 10 made man's first contact with the planet of Jupiter. That mission is continuing -- on a path that will take it out beyond the solar system. Next year we will launch Viking to land on Mars, where it will search for life on our sister planet. Later we will investigate Venus, with probes to its surface and a research observatory in orbit above its atmosphere. In March, Mariner 10 will reach Mercury, another first. We are exploring our planetary system on a broad front; and we are also continuing the study of the stars and galaxies with specialized astronomy satellites.

Nearer to earth, our space accomplishments have also been impressive. We now are monitoring and measuring the Earth's own environment with the new earth resources technology satellite, enabling us to use space capabilities to improve the management of scarce resources. Already many of our intercontinental communications are by satellite; this year new commercial satellites will also be used for domestic telephone, telegraph, and television services.

We are undertaking satellite programs to find geothermal power sources and to monitor the dynamic behavior of the oceans.

We now have permanently opened space to man. Our Skylab astronauts have proved what men can do for us in space, and the solar research they are conducting is contributive to our understanding of this ultimate energy source for man.

The long-term future of space is intimately tied to a keystone project, the reusable Space Shuttle. Under development now for two years, the Shuttle will provide us flexible, rapid, and economic access to space for all the classes of human activity that require it: scientific research, utilization of space for direct returns to the

society and economy, and exploration of our expanding physical and intellectual frontiers. The Shuttle program is moving well; a major milestone last year was Europe's decision to develop with its own resources the Spacelab as an integral element of the Shuttle program. The world is committed to a future that relies on space systems and capabilities; the United States must and will continue to maintain its leadership in this realm.

AMERICA AND THE WORLD

We must recognize that our domestic goals are not separable from our international goals, in a world of rapidly growing interdependence of nations and peoples.

When this Administration took office, it was apparent that the world had changed in fundamental ways, requiring new directions.

We needed to move from two decades of hostile confrontation between the two major nuclear powers, and to achieve specific agreements that would form the foundation of a stable and peaceful world.

We needed to adjust to the fact of a change from nuclear superiority to approximate strategic balance with the Soviet Union and to construct a new national security policy that combined continued American military strength with new initiatives in international arms control.

We needed to move away from a generation of hostility between the United States and the People's Republic of China to a situation in which one-fourth of the world's population was no longer outside the framework of international cooperation.

We needed to revitalize our partnerships with our friends and allies in Western Europe and Japan, recognizing their growing strength and self-reliance, both politically and economically and reflecting our important common goals.

We needed to end our military involvement in the Vietnam war to lift the dark clouds of that war from our policies abroad and our domestic health in a way that preserved a responsible American role in the world and permitted healing of our wounds at home.

During the past five years we have made striking progress.

This Nation is now at peace for the first time in more than a decade. Our troops have been withdrawn from a decade of painful involvement in the war in Southeast Asia.

We have begun the process of building a normal relationship with the People's Republic of China.

A climate of detente increasingly characterizes our relations with the Soviet Union. It met a severe test during the Middle East war last October, and we successfully avoided a major power confrontation. Since then, American diplomatic leadership and initiative have helped pave the way for seeking a final settlement in the long-troubled Middle East, first by the ceasefire of October 22, next by the Six-Point

Agreement in November to consolidate the ceasefire, then by the Geneva Peace Conference, which began in December, and most recently by the agreement on disengagement of Egyptian and Israeli military forces. These steps are only the beginning of what will be broadened efforts to find a lasting settlement of the area's problems.

Our allies and friends increasingly are accepting responsibility for their own defense, and building their capability to deter aggression or to defeat aggressors .

Peace and increasing security have coincided with progress toward world monetary reform and with improvement in American trade performance that led to a trade surplus in 1973 after two years of deficits.

An increasingly rigid and outmoded international monetary system which overvalued the dollar and impeded our foreign trade has been abandoned, and members of the International Monetary Fund are now working toward fair and lasting reform of the world's financial adjustment mechanism.

The great world markets of the USSR and China -- more than a billion persons strong -- are now and must remain accessible to American

exports, thereby providing jobs for American workers and farmers. Major trading partners share our aims to persevere in seeking further reduction of trade barriers, and greater freedom of trade in the world. While of obvious value in itself trade will also help former adversaries to establish constructive working relationships of mutual benefit.

To preserve the progress which has been made, and build a better future upon it, eight requirements are clear:

First, we must not permit ourselves to be lulled into a false sense of security and unilaterally give up the military strength which makes lasting detente possible.

Since this Administration took office, outlays for the Department of Defense have been reduced by over 1/3 -- measured in constant dollars -- and military personnel have been cut from 3.5 million to 2.2 million. In contrast, while we have been prudently cutting back, Soviet defense expenditures have been increased, and their military manpower has been raised from 3.4 million in 1968 to 3.7 million today.

The Soviets continue to pursue a major military hardware development program. Four separate land-based ICBM systems are being developed, a capability to launch multiple independently targeted

reentry vehicles has been demonstrated, and a vigorous naval shipbuilding program is continuing unabated. They are developing new tanks and aircraft.

The Middle East war last October demonstrated how rapidly and dramatically a serious threat to world peace can develop. Movement of sizable Soviet combat forces into that area would have sharply affected the balance of strength in the world. It is not enough to rely upon the good intentions of potential adversaries. We and our allies must maintain the military strength to deter any effort to change the world balance of power.

Because of the vital importance of maintaining strong and ready military forces, I will recommend a substantial increase in the 1975 budget for the Department of Defense. These increases are essential to assure the continued readiness of our military forces and to preserve present force levels in the face of rising costs.

We trust that relaxation of tensions will continue, and that detente will widen, but we must be prepared if it does not. Today there is a balance of forces with our potential adversaries. We must preserve that balance by maintaining force levels and weapons systems which preserve a sufficient deterrent.

Second, we must continue to pursue our commitment to a major effort to bring about a just and lasting peace in the Middle East -- one that recognizes the security of all countries in that region and the legitimate aspirations of all of its peoples. A hopeful beginning has been made, and we will not flag in our efforts to help the parties move from the beginning to long-term reconciliation.

Third, we must create a new framework of international cooperation on energy problems within which both consumer and producer nations can work together to meet their respective interests and to avoid severe and irreparable damage to world prosperity and stability. As a first step, the foreign ministers of the major consuming nations will meet here in Washington on February 11, and I hope that consumer and producer representatives will be able to meet at an early date to consider new mutually beneficial arrangements.

Fourth, we must persevere in our effort to revitalize our major alliances both in Europe and with Japan. We have made notable progress on a Declaration of Principles re-defining these relationships in the light of changed world conditions. Much needs to be done, however, to ensure that this essential aspect of our foreign policy remains as alive in the new era as in the past.

Fifth, we must overcome the tendency to express relief at our military extrication from Southeast Asia by "washing our hands" of the whole affair. Instead, we must provide those ravaged lands the economic assistance needed to stabilize the structure of society and make future peace more likely. Continued grant military aid also will be required to maintain strong, self-reliant forces in Southeast Asia as a condition for achieving a firm structure of peace in South Vietnam, Laos, and Cambodia, as well as Southeast Asia as a whole. We must also continue to insist on full compliance with the terms of the agreements reached on Indochina, including full accounting for all our men missing in Southeast Asia.

Sixth, we must persevere in our negotiations with the Soviet Union to place further limits on strategic arms competition, and with the Warsaw Pact nations to reduce forces in Europe on a mutual and balanced basis. Negotiations are now underway to achieve those objectives.

Seventh, we must continue to reduce the reliance of other nations on American forces and assistance. As friendly countries progress economically, they can purchase arms and equipment heretofore provided by U.S. grant military aid. Grant and credit resources will

be needed, however, to provide for an orderly transition to self reliance. Similarly, any further adjustment of U.S. forces deployed abroad must be made in a manner that will not undercut the stability we have so painfully achieved.

Eighth , we must persevere in international monetary, investment and trade negotiations. Much remains to be done and the stakes are incalculably high. Avoiding the economic and political disruptions associated with international monetary turmoil and restrictive trade and investment practices increases in importance as international interdependence grows. The changed international energy situation has introduced a new complexity and uncertainty to the structure of economic relations throughout the world. Not only U.S. jobs, prices, and incomes, but also the general pattern of international cooperation are at stake.

Prompt passage of the pending Trade Reform Act is essential to the trade negotiations and to a satisfactory conclusion of the monetary talks. That Act will establish authority to bargain for reduced tariffs, which lower prices for American consumers and increase export opportunities, and to negotiate the reduction or elimination of the multitude of non-tariff barriers to trade. At the same time, we will be negotiating internationally agreed standards for the protection of domestic industry from excessive or unfair competition. We will also

provide improved assistance to American firms or workers displaced by import competition in order to assure that all benefit from the gains from trade.

The current negotiations to reform the international payments system under the auspices of the IMF are also designed to assure an increasing opportunity for nations to trade and invest profitably. The U.S. has presented a plan which would:

- assure that surplus as well as deficit countries would share equally in the burdens of adjustment;
- provide objective indicators for measuring the need to adjust balance-of-payments positions;
- increase the role of Special Drawing Rights while providing individual countries with flexibility to hold their international reserves in the form most satisfactory to them.

These improvements will have to be supplemented by accommodation of the system to the increased payments flows and prospective reserve accumulations occasioned by higher oil prices. If, however, the other nations share with us the will to preserve a healthy and growing world economy, on which both oil-producing and oil-consuming countries are dependent, a mutually acceptable solution to this problem will be achieved. For all countries, in particular the United States, the new

system will mean an end to prolonged balance-of-payments problems, as well as the need for special programs to rectify them. It will also expand our freedom to pursue domestic economic goals without undue concern with balance-of-payments constraints.

Finally, we must strengthen our resolve and maintain our determination to meet our responsibilities as the world's most prosperous nation to help those less fortunate countries in their own struggle to free themselves from the tyranny of poverty. Just as we are committed to that resolve for our own citizens, we cannot fail to be concerned for other nations who need our support to help themselves. We live in an interdependent world. No nation in it will be fully secure or prosperous until all nations are. This condition will not come about tomorrow, or even in this generation. But failure to continue with the job now will only compound both our present problems and those which our children and grandchildren will inevitably have to face. Our obligation is thus both to present and future generations of Americans as well as to the rest of the world. Let history record that this generation of Americans was not found wanting in its recognition and acceptance of its clear responsibilities.

It is our hope, here in the Western Hemisphere, that we can go forward together with our nearest neighbors in facing and solving the problems that face us all. We shall be attentive also to the needs of the countries of Africa and Asia.

The problems we face -- of burgeoning populations, of diminishing per capita food production, of growing energy needs -- all of these and more are problems for all of mankind. And we shall be consulting and working with the developing nations as well as with those fortunate enough to share with us high levels of prosperity and strength.

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 focus of my energies, 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 prosperity and individual well-being that an upward-looking America rightly expects and anticipates. 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.

I remarked at the outset of this message that "one of the continuing challenges facing us in the legislative process is that of the timing and spacing 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 our lifetimes, which in turn provide an opportunity we may never have again to lay a solid enough structure for peace to last a lifetime and more. It is this opportunity that we have seized, and that I am determined to pursue.

Continued advances on the domestic front are essential to maintaining the strength -- not only militarily, not only economically, but also the strength of spirit and character -- that will enable America to play in the world the role that it must if these hopes of a secure and lasting peace are to be achieved. But by the same token, we must remember that such a peace is essential if our children are to have the freedom to enjoy the benefits of an abundant life -- or indeed, if they are to have life itself. We cannot, we must not, slacken in our efforts to construct such a peace.