

# Excerpts From Text of State of the Union

Special to The New York Times

WASHINGTON, Jan. 30—  
Following are excerpts from the text of the 30,000-word written State of the Union Message that was submitted to Congress by President Nixon tonight:

To the Congress of the United States:

In discussing my legislative recommendations for this Congressional session, 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, given the level of revenues that would be generated by the existing tax structure at full utilization of our resources.

¶Increases in Federal spending should be kept to a minimum, but the budget should be flexible enough to be used, if necessary, to maintain jobs and prosperity.

¶It is essential that we break the old habit of regarding any Federal program, once established, as permanent; we must 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:

—First, we not only break the back of the energy crisis, but also, through Project Independence, lay the foundation for our future capacity to meet America's energy needs from America's own resources—at reasonable prices and with adequate environmental protection.

—Second, we take another giant stride toward lasting peace in the world—not only by continuing our policy of negotiation rather than confrontation where the great powers are concerned, but also by helping toward the achievement of a just and lasting settlement in the Middle East.

—Third, we will check the rise in prices, without administering the harsh medicine of recession, and move the economy into a period of steady growth at a sustainable level.

—Fourth, we establish a new system of comprehensive health insurance that makes high quality health care available to every American in a dignified manner and at a price he or she can afford.

—Fifth, we continue to build a new era of achievement and responsiveness in state and local government, by cutting the strings of too tight Federal control that



The New York Times/William E. Sauro

President Nixon last night proposed measures to deal with the energy crisis. Above: Car at an Exxon station in Hasbrouck Heights, N. J., as month-end supplies ran low.

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Message to Congress by the President

have bound the hands of state and local officials in community and economic development programs.

—Sixth, we make a crucial breakthrough toward better transportation by strengthening the ability of local communities to deal with their transportation problems.

—Seventh, we reform our system of Federal aid to education to provide it when it is needed, where it is needed, and so that it will do the most for those who need it most.

—Eighth, we make an historic beginning on the task of defining and protecting the right of personal privacy.

—Ninth, we start on a new road toward reform of a welfare system that bleeds the taxpayer, corrodes the community and means those it is meant to assist.

—And tenth, together with the other nations of the world, we establish the economic framework within which Americans will share more fully in an expanding trade and prosperity in the years ahead, with more open access to both markets and supplies.

## Meeting Our Energy Needs

Even with the full cooperation of most Americans, however, we will still face real challenges—and genuine shortages—and in the months and years immediately ahead. To meet these challenges, we must change our patterns of energy consumption and production, we must press forward with the development of reliable new energy sources, and we must adjust to the fact that the age of unlimited supplies of cheap energy is ended.

Irrespective of the possibility of restoring the flow of Middle East oil, we must act now to ensure that we are never again dependent on foreign sources of supply for our energy needs. We must continue to slow the rise in our rate of consumption, and we must sharply increase our domestic production.

Those measures which I request be given the highest priority are the following:

—A special energy act which would permit additional restrictions on energy consumption and would postpone temporarily certain

Clean Air Act requirements for power plants and automotive emissions;

—A windfall profits tax which would prevent private profiteering at the expense of public sacrifice;

—Unemployment insurance for people in areas impacted by serious economic dislocation; and

—Mandatory reporting by major energy companies on their inventories, their production and their reserves.

I am also asking that the Congress quickly establish the Federal Energy Administration

And the Energy Research and Development Administration to provide the appropriate organizational structure for administering the national energy policy, as we work toward the establishment of a Department of Energy and Natural Resources.

### The Nation's Economy

#### The World Economy

During the past three years the United States has reached an unprecedented level of material prosperity.

The major policy decisions we took in 1971 contributed significantly to this prosperity—both here and in other countries.

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

#### International Trade Barriers

There are still many unnecessary barriers to trade which need to be lowered or removed. This is why I call upon the Congress with special urgency to complete action on my proposed Trade Reform Act, in order to provide the authority we will need to negotiate effectively for reductions in barriers to trade, to improve the trading system, and to manage trade problems at home more effectively.

Our markets must increasingly be open to imports from developing countries—a condition that would be significantly facilitated by enactment of the Trade Reform Act. It also means that the Congress must continue to authorize and appropriate our fair share of both bilateral and multilateral economic assistance, including a substantial contribution to the International Development Association which helps the poorest countries.

We must get world oil prices down from levels that are arbitrary and exploitative. We must also cooperate to ensure that the international and domestic economic policies of the advanced countries do not compound the economic disturbances created by the current emergency but rather that we do all that can be done to contain and limit those disturbances.

#### The Domestic Economy

Inflation has been a continuous problem for nearly a decade, and it got worse in 1973.

It is true that a lower level of economic activity would reduce demand and thus lower the pressure for higher prices. However, the cost of such a policy in terms of increased unemployment would simply be unacceptable.

By the same token, I also reject the notion that we should totally ignore inflation and concentrate solely on stimulating higher levels of employment. This policy would also involve too high a cost since it would unleash a further acceleration of the inflation rate.

In developing my economic

policy for 1974, I have chosen what I believe is a sound middle road: To cushion the economic slowdown we expect during 1974 without providing additional stimulus for inflation.

I will continue to watch the wage-price situation closely and to pursue a policy of gradual, selective decontrol except in particularly troublesome areas.

Another most pressing economic problem—and a major contributor to inflation—is the energy crisis.

To a large extent, our flexible, adaptable economy will solve the longer run energy problem through the normal workings of the marketplace. As energy prices reach somewhat higher levels than the bargain rates of the past, conservation will be encouraged while domestic energy production will be expanded.

One example of normal market forces at work has been the recent shift to smaller cars with better gas mileage. Over the next few years we can also expect to see an expansion of coal production and new output of oil and natural gas.

Nevertheless, we will still have to import some of the oil we will need in the immediate future. It is essential, therefore, that we seek a more reasonable price for oil in the world market.

It is also imperative that we review our current and prospective supplies of other basic commodities. I have therefore directed that a comprehensive report and policy analysis be made concerning this crucial matter so that governmental actions can be properly anticipated and help avoid other damaging shortages.

#### Perspective in 1974

We expect, therefore, that during the early part of this year output will rise little if at all, unemployment will rise somewhat and inflation will be high. Our objective, however, is to turn this situation around so that later in the year output will be rising more rapidly, while unemployment will stop rising and will then decline, and the rate of inflation will slow.

#### Role of the Federal Budget

For fiscal year 1975, my budget recommends total spending of \$304.4-billion, an increase of \$29.7-billion over the current year. The increase is being held to the minimum level necessary—nearly 90 per cent of the increase is unavoidable under existing law. The budgeted increase in relatively controllable outlays is only 4.2 per cent.

Federal receipts should reach \$295-billion during fiscal year 1975, an increase of \$25-billion. The projected budget deficit is \$9.4-billion. Under conditions of full employment, however, Federal receipts would be substantial-

ly higher and there would instead be a moderate budget surplus.

The Congress devoted considerable effort in 1973 to developing a mechanism for coordinating its individual spending decisions with the budget as a whole. I continue to support this effort, although I have been troubled by some of the extraneous amendments which have been added to some of the measures for achieving this goal. I urge the Congress to enact workable budget reform in this legislative session.

#### Tax Reform

I look forward to work with the Congress during the next few months not only to simplify our tax laws themselves, but also to simplify the tax forms that individuals fill out

and to distribute the income tax burden more equitably.

#### A Healthy Agricultural Economy

To further enhance agricultural activity, the Administration will:

—Promote longer-run soil and water conservation practices.

—Consolidate the locations of local offices 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 protect the land.

#### Income Security

I do not intend to resubmit a new version of the Family Assistance Plan.

In the development of my proposal, I will be guided by five principles:

(1) All Americans who are able to work should find it more rewarding to work than to go on welfare.

(2) Cash Assistance is what low-income people need most from the Federal Government.

(3) We need to focus Federal help on those who need it most.

(4) The new system should be as simple as possible to administer, with rules that are clear and understandable.

(5) This new approach should not require an increased tax burden for any of us.

#### Improving Our People's Health

In the budget that I will submit to the Congress next Monday I plan to ask for an additional \$100-million above last year's request of \$500-million for the expanded attack on cancer.

As one of my major new initiatives for 1974, I shall soon submit to the Congress a comprehensive health insurance proposal which would:

—Make available health insurance protection to millions of Americans who currently cannot obtain or afford the private health insurance coverage they need.

—Provide all Americans with castly 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 uninsurable or insurable only at exorbitant expense.

#### **Improving Education**

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 fiscal year 1975.

#### **Busing**

I shall continue to support the passing of legislation which makes busing only a last resort—tightly circumscribed even then. I will also continue to work with the Congress to revise my proposals in light of unfolding 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 proposed Better Schools Act.

I hope that the Congress will include four basic elements in this 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.

#### **Nonpublic Schools**

I continue to support legislation which permits tax credits for parents who pay to send their children to nonpublic schools.

#### **Helping Our Veterans**

Veterans now in training require additional help if their G.I. bill allowances are to keep pace with rising costs. I shall therefore propose that G.I. bill benefits be raised by an average of 8 per cent.

I have also set a 1974 goal for the Government of placing an additional 1.2 million veterans in jobs or job training.

#### **Justice for American Indians**

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 accept them.

#### **The Rights of Women**

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 a particularly grievous practice.

#### **Protection Against Crime and Invasions of Privacy**

I call upon the Congress to act expeditiously in reforming our Criminal Code, to make it both more workable and more responsive to the demands of our complex society (and)

—Restoration of the death penalty under the Federal criminal code for several especially heinous specific crimes which result in the death of innocent victims.

#### **Ending Drug Abuse**

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

#### **National Land Use Policy**

Adoption of the National Land Use Policy Act, first proposed in 1971, remains a high priority of my Administration.

#### **Community Development**

I once again urge passage of the Better Communities Act, a \$2.3-billion bill which would give local officials new flexibility and provide greater effectiveness in the expenditure of Federal community development funds. This legislation would consolidate seven categorical grant programs into a single program. Funds would be distributed on the basis of need, and then local communities could decide for themselves what projects should come first. Thus, we could eliminate a mountainous volume of red tape and allow local government to play a larger role in determining their own destinies.

#### **Better Housing for All**

In order to increase the availability of housing for all families, 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.

—The Administration's proposed Housing Act which would ease the present tight mortgage credit situation and make home ownership easier in the long term.

#### **Improving Transportation**

The energy crisis had made urgent what once seemed only necessary: The building of a transportation system that permits all Americans to travel efficiently and at reasonable cost. My hope that 1974 will be the year when we make major advances by enacting two critical transportation bills.

One of these proposals will mark the largest Federal commitment ever to the improvement of public transportation. This bill would increase Federal assistance for metropolitan areas by nearly

50 per cent over the level of fiscal year 1974.

As a second major transportation initiative this year, I shall propose that we modernize the regulatory system governing railroad operations. It would also provide \$2-billion in Federal loan guarantee authority to finance improvements in rights-of-way, terminal and rail plant facilities, and rolling stock, where necessary, which would be a major step in our effort to improve the nation's railroad system.

### **The New Federalism**

In the remaining three years of this term I shall continue to take every sound 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.

### **Making Government Work Better**

Of special concern today is the reorganization of the Government to meet the energy crisis. I have by executive order already established the Federal Energy Office to serve as a focal point for energy actions taken by the Government.

But that office lacks a statutory base and does not have sufficient authority to do the full job. That is why I have asked the Congress to establish the Federal Energy Administration and I once again urge it to act on this matter. Reorganizing that this country should no longer remain dependent upon foreign energy sources, I have also urged the creation of an Energy Research and Development Administration to develop the necessary technology to tap new domestic sources of energy and a separate nuclear energy commission to carry on the regulatory activities presently assigned to the Atomic Energy Commission.

### **Campaign Reform**

For several years it has been clear that reforms were needed in the way we elect public officials. The intense public focus placed on the campaign abuses of 1972 has not generated sufficient support for this issue that we now have an opportunity to make a genuine breakthrough.

In light of the delay, I

have now decided to submit a comprehensive set of Administration proposals on campaign reform for consideration by the Congress during this session. While I do not believe mine will be the only workable proposals, I do hope they will lead to meaningful debate and reform in this critical area. To that end, I look forward to working with the Congress in a long-overdue effort to clean up the Federal election process.

### **America and the World**

When this Administration took office, it was apparent that the world had changed in fundamental ways, and that America's foreign policy had to change in equally fundamental ways.

We needed to end our military involvement in the Vietnam war.

We needed to adjust to the changes in the strategic situation between the Soviet Union and the United States.

We needed to end a quarter century . . . of hostility between the United States and the people's republic of China.

We needed to adjust our partnerships with Western Europe and Japan.

We needed to alter the world monetary system.

During the past five years we have made striking progress in meeting each of these needs.

### **Continuing Responsibility in Vietnam**

The United States is at peace for the first time in more than a decade. But peace must be something more than the absence of the active engagement of American forces in conflict.

We must guard against the tendency to express relief at our military extrication from Southeast Asia by "washing our hands" of the whole affair. Men and women are still dying there. West ill have a responsibility there.

### **Building New Relationships**

We will pursue our relations with the Soviet Union in the climate of détente established two years ago in Moscow. During the fateful weeks of the Middle East war last October, the strength of our détente was severely tested. Since then, American diplomatic leadership and initiative have played a central role in the search for a final

settlement in the long-troubled Middle East.

### **Strengthening Our Free World Partnerships**

As our relationships with old adversaries are changing, so are our relationships with old friends. Western Europe and Japan have put behind them the postwar struggle to rebuild their economies, re-order their societies and re-establish their political force. Our past role in their success cannot be the sole basis for a continuing relationship. We must instead adjust our relationships to recognize their new economic capacities and their international political objectives. This is a cornerstone of the structure of peace we are seeking to build.

With our closest neighbors, here in the western hemisphere, we shall continue to seek additional ways of working cooperatively to solve the problems which face the Americas.

### **International Trade and Commerce**

We have moved from a position of virtual economic hegemony in the world to a new role in a more interdependent world economy. We must create an equitable and efficient system of integrating our own economy with that of the rest of the world.

The markets of the U.S.S.R. and China are now accessible, thereby providing jobs for American workers. Our major trading partners in Western Europe and Japan share our interest in further reducing international trade barriers and increasing world trade. The rigid and outmoded international monetary system which over-valued the dollar and impeded our foreign trade has been decisively altered.

We must also strengthen our resolve as the world's most prosperous nation to help less fortunate countries.

### **Maintaining a Strong Defense Force**

But as we work for peace, we must be conscious that the opportunity to build a structure of peace came because our arms have served as a deterrent to war. We must maintain that deterrent.

This year, I will recommend a substantial increase in the 1975 budget for the Department of Defense. These increases are necessary to improve the readiness of our armed forces.