

A portrait of Jimmy Carter, the 39th President of the United States. He is shown from the chest up, wearing a dark blue suit jacket, a light blue dress shirt, and a dark tie with red and white stripes. He has short, graying hair and is looking slightly to the right of the camera with a neutral expression. In the background, the American flag is visible on the left, and a gold-colored curtain is on the right.

***JIMMY
CARTER***

***JIMMY CARTER'S
FOURTH STATE
OF THE UNION
ADDRESS***

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Jimmy Carter

Jimmy Carter's Fourth State of the Union Address

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To the Congress of the United States:

The State of the Union is sound. Our economy is recovering from a recession. A national energy plan is in place and our dependence on foreign oil is decreasing. We have been at peace for four uninterrupted years.

But, our Nation has serious problems. Inflation and unemployment are unacceptably high. The world oil market is increasingly tight. There are trouble spots throughout the world, and 52 American hostages are being held in Iran against international law and against every precept of human affairs.

However, I firmly believe that, as a result of the progress made in so many domestic and international areas over the past four years, our Nation is stronger, wealthier, more compassionate and freer than it was four years ago. I am proud of that fact. And I believe the Congress should be proud as well, for so much of what has been accomplished over the past four years has been due to the hard work, insights and cooperation of Congress. I applaud the Congress for its efforts and its achievements.

In this State of the Union Message I want to recount the achievements and progress of the last four years and to offer recommendations to the Congress for this year. While my term as President will end before the 97th Congress begins its work in earnest, I hope that my recommendations will serve as a guide for the direction this country should take so we build on the record of the past four years.

RECORD OF PROGRESS

When I took office, our Nation faced a number of serious domestic and international problems:

- no national energy policy existed, and our dependence on foreign oil was rapidly increasing;
- public trust in the integrity and openness of the government was low;
- the Federal government was operating inefficiently in administering essential programs and policies;
- major social problems were being ignored or poorly addressed by the Federal government;
- our defense posture was declining as a result of a defense budget which was continuously shrinking in real terms;
- the strength of the NATO Alliance needed to be bolstered;
- tensions between Israel and Egypt threatened another Middle East war; and
- America's resolve to oppose human rights violations was under serious question.

Over the past 48 months, clear progress has been made in solving the challenges we found in January of 1977:

almost all of our comprehensive energy program have been enacted, and the Department of Energy has been established to administer the program; confidence in the government's integrity has been restored, and respect for the government's openness and fairness has been renewed;

the government has been made more effective and efficient: the Civil Service system was completely reformed for the first time this century;

14 reorganization initiatives have been proposed to the Congress, approved, and implemented;

two new Cabinet departments have been created to consolidate and streamline the government's handling of energy and education problems;

inspectors general have been placed in each Cabinet department to combat fraud, waste and other abuses;

the regulatory process has been reformed through creation of the Regulatory Council, implementation of Executive Order 12044 and its requirement for cost-impact analyses, elimination of unnecessary regulation, and passage of the Regulatory Flexibility Act;

procedures have been established to assure citizen participation in government;

and the airline, trucking, rail and communications industries are being deregulated;

critical social problems, many long ignored by the Federal government, have been addressed directly;

an urban policy was developed and implemented to reverse the decline in our urban areas;

the Social Security System was refinanced to put it on a sound financial basis;

the Humphrey-Hawkins Full Employment Act was enacted;

Federal assistance for education was expanded by more than 75 percent;

the minimum wage was increased to levels needed to ease the effects of inflation;

affirmative action has been pursued aggressively; more blacks, Hispanics and women have been appointed to senior government positions and to judgeships than at any other time in our history;

the ERA ratification deadline was extended to aid the ratification effort;

and minority business procurement by the Federal government has more than doubled;

the Nation's first sectoral policies were put in place, for the auto and steel industries, with my Administration demonstrating the value of cooperation between the government, business and labor;

reversing previous trends, real defense spending has increased every year since 1977;

the real increase in FY 1980 defense spending is well above 3 percent and I expect FY 1981 defense spending to be even higher; looking ahead, the defense program I am proposing is premised on a real increase in defense spending over the next five years of 20 percent or more;

the NATO Alliance has proven its unity in responding to the situations in Eastern Europe and Southwest Asia and in agreeing on the issues to be addressed in the review of the Helsinki Final Act currently underway in Madrid;

the peace process in the Middle East established at Camp David and by the Peace Treaty between Egypt and Israel is being buttressed on two fronts: steady progress in the normalization of Egyptian-Israeli relations in many fields, and the commitment of both Egypt and Israel, with United States' assistance, to see through to successful conclusion the autonomy negotiations for the West Bank and Gaza;

the Panama Canal Treaties have been put into effect, which has helped to improve relations with Latin America; we have continued this Nation's strong commitment to the pursuit of human rights throughout the world, evenhandedly and objectively;

our commitment to a worldwide human rights policy has remained firm;

and many other countries have given high priority to it;

our resolve to oppose aggression, such as the illegal invasion of the Soviet Union into Afghanistan, has been supported by tough action.

I. ENSURING ECONOMIC STRENGTH ECONOMY

During the last decade our Nation has withstood a series of economic shocks unprecedented in peacetime. The most dramatic of these has been the explosive increases of OPEC oil prices. But we have also faced world commodity shortages, natural disasters, agricultural shortages and major challenges to world peace and security. Our ability to deal with these shocks has been impaired because of a decrease in the growth of productivity and the persistence of underlying inflationary forces built up over the past 15 years.

Nevertheless, the economy has proved to be remarkably resilient. Real output has grown at an average rate of 3 percent per year since I took office, and employment has grown by 10 percent. We have added about 8 million productive private sector jobs to the economy. However, unacceptably high inflation— the most difficult economic problem I have faced— persists.

This inflation— which threatens the growth, productivity, and stability of our economy— requires that we restrain the growth of the budget to the maximum extent consistent with national security and human compassion. I have done so in my earlier budgets, and in my FY '82 budget. However, while restraint is essential to any appropriate economic

policy, high inflation cannot be attributed solely to government spending. The growth in budget outlays has been more the result of economic factors than the cause of them.

We are now in the early stages of economic recovery following a short recession. Typically, a post-recessionary period has been marked by vigorous economic growth aided by anti-recessionary policy measures such as large tax cuts or big, stimulation spending programs. I have declined to recommend such actions to stimulate economic activity, because the persistent inflationary pressures that beset our economy today dictate a restrained fiscal policy.

Accordingly, I am asking the Congress to postpone until January 1, 1982, the personal tax reductions I had earlier proposed to take effect on January 1 of this year.

However, my 1982 budget proposes significant tax changes to increase the sources of financing for business investment. While emphasizing the need for continued fiscal restraint, this budget takes the first major step in a long-term tax reduction program designed to increase capital formation. The failure of our Nation's capital stock to grow at a rate that keeps pace with its labor force has clearly been one cause of our productivity slowdown. Higher investment rates are also critically needed to meet our Nation's energy needs, and to replace energy-inefficient plants and equipment with new energy-saving physical plants. The level of investment that is called for will not occur in the absence of policies to encourage it.

Therefore, my budget proposes a major liberalization of tax allowances for depreciation, as well as simplified

depreciation accounting, increasing the allowable rates by about 40 percent. I am also proposing improvements in the investment tax credit, making it refundable, to meet the investment needs of firms with no current earnings.

These two proposals, along with carefully-phased tax reductions for individuals, will improve both economic efficiency and tax equity. I urge the Congress to enact legislation along the lines and timetable I have proposed.

THE 1982 BUDGET

The FY 1982 budget I have sent to the Congress continues our four-year policy of prudence and restraint. While the budget deficits during my term are higher than I would have liked, their size is determined for the most part by economic conditions. And in spite of these conditions, the relative size of the deficit continues to decline. In 1976, before I took office, the budget deficit equalled 4 percent of gross national product. It had been cut to 2.3 percent in the 1980 fiscal year just ended. My 1982 budget contains a deficit estimated to be less than 1 percent of our gross national product.

The rate of growth in Federal spending has been held to a minimum. Nevertheless, outlays are still rising more rapidly than many had anticipated, the result of many powerful forces in our society:

We face a threat to our security, as events in Afghanistan, the Middle East, and Eastern Europe make clear. We have a steadily aging population and, as a result, the biggest single increase in the Federal budget is the rising cost of retirement programs, particularly social security. We face other important domestic needs: to

continue responsibility for the disadvantaged; to provide the capital needed by our cities and our transportation systems; to protect our environment; to revitalize American industry; and to increase the export of American goods and services so essential to the creation of jobs and a trade surplus.

Yet the Federal Government itself may not always be the proper source of such assistance. For example, it must not usurp functions if they can be more appropriately decided upon, managed, and financed by the private sector or by State and local governments. My Administration has always sought to consider the proper focus of responsibility for the most efficient resolution of problems.

We have also recognized the need to simplify the system of grants to State and local governments. I have again proposed several grant consolidations in the 1982 budget, including a new proposal that would consolidate several highway programs.

The pressures for growth in Federal use of national resources are great. My Administration has initiated many new approaches to cope with these pressures. We started a multi-year budget system, and we began a system for controlling Federal credit programs. Yet in spite of increasing needs to limit spending growth, we have consistently adhered to these strong budget principles:

Our Nation's armed forces must always stand sufficiently strong to deter aggression and to assure our security. An effective national energy plan is essential to increase domestic production of oil and gas, to encourage conservation of our scarce energy resources, to stimulate conversion to more abundant fuels, and to reduce our trade

deficit. The essential human needs for our citizens must be given the highest priority. The Federal Government must lead the way in investment in the Nation's technological future. The Federal Government has an obligation to nurture and protect our environment—the common resource, birthright, and sustenance of the American people.

My 1982 budget continues to support these principles. It also proposes responsible tax reductions to encourage a more productive economy, and adequate funding of our highest priority programs within an overall policy of constraint.

Fiscal restraint must be continued in the years ahead. Budgets must be tight enough to convince those who set wages and prices that the Federal Government is serious about fighting inflation but not so tight as to choke off all growth.

Careful budget policy should be supplemented by other measures designed to reduce inflation at lower cost in lost output and employment. These other steps include measures to increase investment—such as the tax proposals included in my 1982 budget—and measures to increase competition and productivity in our economy. Voluntary incomes policies can also directly influence wages and prices in the direction of moderation and thereby bring inflation down faster and at lower cost to the economy. Through a tax-based incomes policy (TIP) we could provide tax incentives for firms and workers to moderate their wage and price increases. In the coming years, control of Federal expenditures can make possible periodic tax reductions. The Congress should therefore begin now to evaluate the

potentialities of a TIP program so that when the next round of tax reductions is appropriate a TIP program will be seriously considered.

EMPLOYMENT

During the last four years we have given top priority to meeting the needs of workers and providing additional job opportunities to those who seek work. Since the end of 1976:

almost 9 million new jobs have been added to the nation's economy total employment has reached 97 million. More jobs than ever before are held by women, minorities and young people. Employment over the past four years has increased by: 17% for adult women 11% for blacks, and 30% for Hispanics employment of black teenagers increased by more than 5% , reversing the decline that occurred in the previous eight years.

Major initiatives launched by this Administration helped bring about these accomplishments and have provided a solid foundation for employment and training policy in the 1980's. In 1977, as part of the comprehensive economic stimulus program:

425,000 public service jobs were created A \$1 billion youth employment initiative funded 200,000 jobs the doubling of the Job Corps to 44,000 slots began and 1 million summer youth jobs were approved— a 25 percent increase.

In 1978:

the Humphrey-Hawkins Full Employment Act became law the \$400 million Private Sector Initiatives Program was begun a targeted jobs tax credit for disadvantaged youth