

copy 2

HOLD FOR RELEASE

HOLD FOR RELEASE

HOLD FOR RELEASE

January 7, 1948.

CONFIDENTIAL: The following message of the President on the State of the Union, scheduled for delivery to the Congress today, January 7, 1948, MUST BE HELD IN STRICT CONFIDENCE and no portion, synopsis or intimation is to be given out or published until delivery has begun.

EXTREME CARE MUST BE EXERCISED TO AVOID PREMATURE PUBLICATION OR RADIO ANNOUNCEMENT.

The same caution applies to all newspapers, radio commentators and news broadcasters, both in the United States and abroad.

CHARLES G. ROSS
Secretary to the President

MR. PRESIDENT, MR. SPEAKER, MEMBERS OF THE 80th CONGRESS:

We are here today to consider the state of the Union.

On this occasion, above all others, the Congress and the President should concentrate their attention, not upon party but upon country; not upon the things which divide us but upon those which bind us together — the enduring principles of our American system, and our common aspirations for the future welfare and security of the people of the United States.

The United States has become great because we, as a people, have been able to work together for great objectives even while differing about details.

The elements of our strength are many. They include our democratic government, our economic system, our great natural resources. But these are only partial explanations.

The basic source of our strength is spiritual. For we are a people with a faith. We believe in the dignity of man. We believe that he was created in the image of the Father of us all.

We do not believe that men exist merely to strengthen the state or to be cogs in an economic machine. We do believe that governments are created to serve the people and that economic systems exist to minister to their wants. We have a profound devotion to the welfare and rights of the individual as a human being.

The faith of our people has particular meaning at this time in history because of the unsettled and changing state of the world.

The victims of war in many lands are striving to rebuild their lives, and are seeking assurance that the tragedy of war will not occur again. Throughout the world new ideas are challenging the old. Men of all nations are re-examining the beliefs by which they live. Great scientific and industrial changes have released new forces which will affect the future course of civilization.

(OVER)

The state of our Union reflects the changing nature of the modern world. On all sides there is heartening evidence of great energy -- of capacity for economic development -- and even more important, capacity for spiritual growth. But accompanying this great activity there are equally great questions -- great anxieties -- great aspirations. They represent the concern of an enlightened people that conditions should be so arranged as to make life more worthwhile.

We must devote ourselves to finding answers to these anxieties and aspirations. We seek answers which will embody the moral and spiritual elements of tolerance, unselfishness and brotherhood upon which true freedom and opportunity must rest.

As we examine the state of our Union today, we can benefit from viewing it on a basis of the accomplishments of the last decade and our goals for the next. How far have we come during the last ten years and how far can we go during the next ten?

It was ten years ago that the determination of dictators to wage war upon mankind became apparent. The years that followed brought untold death and destruction.

We shared in the human suffering of the war, but we were fortunate enough to escape most of war's destruction. We were able through these ten years to expand the productive strength of our farms and factories.

More important, however, is the fact that these years brought us new courage and new confidence in the ideals of our free democracy. Our deep belief in freedom and justice was reinforced in the crucible of war.

On the foundations of our greatly strengthened economy and our renewed confidence in democratic values, we can continue to move forward.

There are some who look with fear and distrust upon planning for the future. Yet our great national achievements have been attained by those with vision. Our Union was formed, our frontiers were pushed back, and our great industries were built by men who looked ahead.

I propose that we look ahead today toward those goals for the future which have the greatest bearing upon the foundations of our democracy and the happiness of our people.

I do so, confident in the thought that with clear objectives and with firm determination, we can, in the next ten years, build upon the accomplishments of the past decade to achieve a glorious future. Year by year, beginning now, we must make a substantial part of this progress.

Our first goal is to secure fully the essential human rights of our citizens.

The United States has always had a deep concern for human rights. Religious freedom, free speech and freedom of thought are cherished realities in our land. Any denial of human rights is a denial of the basic beliefs of democracy and of our regard for the worth of each individual.

Today, however, some of our citizens are still denied equal opportunity for education, for jobs and economic advancement, and for the expression of their views at the polls. Most

serious of all, some are denied equal protection under our laws. Whether discrimination is based on race, or creed, or color, or land of origin, it is utterly contrary to American ideals of democracy.

The recent report of the President's Committee on Civil Rights points the way to corrective action by the Federal Government and by state and local governments. Because of the need for effective Federal action, I shall send a special message to the Congress on this important subject.

We should also consider our obligation to assure the fullest possible measure of civil rights to the people of our Territories and possessions. I believe that the time has come for Alaska and Hawaii to be admitted to the Union as States.

Our second goal is to protect and develop our human resources.

The safeguarding of the rights of our citizens must be accompanied by an equal regard for their opportunities for development and their protection from economic insecurity. In this Nation the ideals of freedom and equality can be given specific meaning in terms of health, education, social security and housing.

Over the past twelve years we have erected a sound framework of social security legislation. Many millions of our citizens are now protected against the loss of income which can come with unemployment, old age, or the death of wage-earners. Yet our system has gaps and inconsistencies; it is only half-finished.

We should now extend unemployment compensation, old age benefits, and survivors' benefits to millions who are not now protected. We should also raise the level of benefits.

The greatest gap in our social security structure is the lack of adequate provision for the Nation's health. We are rightly proud of the high standards of medical care we know how to provide in the United States. The fact is, however, that most of our people cannot afford to pay for the care they need.

I have often and strongly urged that this condition demands a national health program. The heart of the program must be a national system of payment for medical care based on well-tried insurance principles. This great Nation cannot afford to allow its citizens to suffer needlessly from the lack of proper medical care.

Our ultimate aim must be a comprehensive insurance system to protect all our people equally against insecurity and ill-health.

Another fundamental aim of our democracy is to provide an adequate education for every person.

Our educational systems face a financial crisis. It is deplorable that in a Nation as rich as ours there are millions of children who do not have adequate schoolhouses or enough teachers for a good elementary or secondary education. If there are educational inadequacies in any State, the whole Nation suffers. The Federal Government has a responsibility for providing financial aid to meet this crisis.

In addition, we must make possible greater equality of opportunity to all our citizens for an education. Only by so doing can we insure that our citizens will be capable of understanding and sharing the responsibilities of democracy.

(OVER)

The Government's programs for health, education and security are of such great importance to our democracy that we should now establish an Executive department for their administration.

Health and education have their beginning in the home. No matter what our hospitals or schools are like, the youth of our Nation are handicapped when millions of them live in city slums and country shacks. Within the next decade, we must see that every American family has a decent home. As an immediate step we need the long-range housing program which I have recommended on many occasions. This should include financial aids designed to yield more housing at lower prices. It should provide public housing for low-income families, and vigorous development of new techniques to lower the cost of building.

Until we can overcome the present drastic housing shortage, we must extend and strengthen rent control.

We have had, and shall continue to have, a special interest in the welfare of our veterans. Over 14 million men and women who served in the armed forces in World War II have now returned to civilian life. Over two million veterans are being helped through school. Millions have been aided while finding jobs, and have been helped in buying homes, in obtaining medical care, and in adjusting themselves to physical handicaps.

All but a very few veterans have successfully made the transition from military life to their home communities. The success of our veterans' program is proved by this fact. This Nation is proud of the eagerness shown by our veterans to become self-reliant and self-supporting citizens.

Our third goal is to conserve and use our natural resources so that they can contribute most effectively to the welfare of our people.

The resources given by nature to this country are rich and extensive. The material foundations of our growth and economic development are the bounty of our fields, the wealth of our mines and forests, and the energy of our waters. As a nation, we are coming to appreciate more each day the close relationship between the conservation of these resources and the preservation of our national strength.

Yet we are doing far less than we know how to do to make use of our resources without destroying them. Both the public and private use of these resources must have the primary objective of maintaining and increasing these basic supports for an expanding future.

We must continue to take specific steps toward this goal. We must vigorously defend our natural wealth against those who would misuse it for selfish gain.

We need accurate and comprehensive knowledge of our mineral resources and must intensify our efforts to develop new supplies and to acquire stockpiles of scarce materials.

We need to protect and restore our land -- public and private -- through combatting erosion and rebuilding the fertility of the soil.

We must expand our reclamation program to bring millions of acres of arid land into production, and to improve water supplies for additional millions of acres. This will provide new opportunities for veterans and others, particularly in the West, and aid in providing a rising living standard for a growing population.

We must protect and restore our forests by sustained-yield forestry and by planting new trees in areas now slashed and barren.

We must continue to erect multiple-purpose dams on our great rivers -- not only to reclaim land, but also to prevent floods, to extend our inland waterways and to provide hydroelectric power. This public power must not be monopolized for private gain. Only through well-established policies of transmitting power directly to its market and thus encouraging widespread use at low rates can the Federal Government assure the people of their full share of its benefits. Additional power -- public and private -- is needed to raise the ceilings now imposed by power shortages on industrial and agricultural development.

We should achieve the wise use of resources through the integrated development of our great river basins. We can learn much from our Tennessee Valley experience. We should no longer delay in applying the lessons of that vast undertaking to our other great river basins.

Our fourth goal is to lift the standard of living for all our people by strengthening our economic system and sharing more broadly among our people the goods we produce.

The amazing economic progress of the past ten years points the way for the next ten.

Today 14 million more people have jobs than in 1938.

Our yearly output of goods and services has increased by two-thirds.

The average income of our people, measured in dollars of equal purchasing power, has increased -- after taxes -- by more than 50 per cent.

In no other ten years have farmers, business men and wage earners made such great gains.

We may not be able to expand as rapidly in the next decade as in the last, because we are now starting from full employment and very high production. But we can increase our annual output by at least one-third above the present level. We can lift our standard of living to nearly double what it was ten years ago.

If we distribute these gains properly, we can go far toward stamping out poverty in our generation.

To do this, agriculture, business, and labor must move forward together.

Permanent farm prosperity and agricultural abundance will be achieved only as our whole economy grows and prospers. The farmer can sell more food at good prices when the incomes of wage earners are high and when there is full employment. Adequate diets for every American family, and the needs of our industries at full production, will absorb a farm output well above our present levels.

Although the average farmer is now better off than ever before, farm families as a whole have only begun to catch up with the standards of living enjoyed in the cities. In 1946, the average income of farm people was \$779, contrasted with an average income of \$1,288 for non-farm people. Within the next decade, we should eliminate elements of inequality in these living standards.

(OVER)

To this end our farm program should enable the farmer to market his varied crops at fair price levels and to improve his standard of living.

We need to continue price supports for major farm commodities on a basis which will afford reasonable protection against fluctuations in the levels of production and demand. The present price support program must be re-examined and modernized.

Crop insurance should be strengthened and its benefits extended in order to protect the farmer against the special hazards to which he is subject.

We also need to improve the means for getting farm products into the markets and into the hands of consumers. Cooperatives which directly or indirectly serve this purpose must be encouraged — not discouraged. The school lunch program should be continued and adequately financed.

We need to go forward with the rural electrification program to bring the benefits of electricity to all our farm population.

We can, and must, aid and encourage farmers to conserve their soil resources and restore the fertility of land that has suffered from neglect or unwise use.

All of these are practical measures upon which we should act immediately to enable agriculture to make its full contribution to our prosperity.

We must also strengthen our economic system within the next decade by enlarging our industrial capacity within the framework of our free enterprise system.

We are today far short of the industrial capacity we need for a growing future. At least \$50 billion should be invested by industry to improve and expand our productive facilities over the next few years. But this is only the beginning. The industrial application of atomic energy and other scientific advances will constantly open up further opportunities for expansion. Farm prosperity and high employment will call for an immensely increased output of goods and services.

Growth and vitality in our economy depend on vigorous private enterprise. Free competition is the key to industrial development, full production and employment, fair prices and an ever improving standard of living. Competition is seriously limited today in many industries by the concentration of economic power and other elements of monopoly. The appropriation of sufficient funds to permit proper enforcement of the present anti-trust laws is essential. Beyond that we should go on to strengthen our legislation to protect competition.

Another basic element of a strong economic system is the well-being of wage earners.

We have learned that the well-being of workers depends on high production and consequent high employment. We have learned equally well that the welfare of industry and agriculture depends on high incomes for our workers.

The Government has wisely chosen to set a floor under wages. But our forty-cent minimum wage is inadequate and obsolete. I recommend lifting the minimum wage to seventy-five cents an hour.

In general, however, we must continue to rely on our sound system of collective bargaining to set wage scales. Workers' incomes should increase at a rate consistent with the maintenance of sound price, profit and wage relationships and with increasing productivity.

The Government's part in labor-management relations is now largely controlled by the terms of the Labor-Management Relations Act of 1947. I made my attitude clear on this Act in my veto message to the Congress last June. Nothing has occurred since to change my opinion of this law. As long as it remains the law of the land, however, I shall carry out my Constitutional duty to administer it.

As we look ahead we can understand the crucial importance of restraint and wisdom in arriving at new labor-management contracts. Work stoppages would result in a loss of production -- a loss which could bring higher prices for our citizens and could also deny the necessities of life to the hard-pressed peoples of other lands. It is my sincere hope that the representatives of labor and of industry will bear in mind that the Nation as a whole has a vital stake in the success of their bargaining efforts.

If we surmount our current economic difficulties, we can move ahead to a great increase in our national income which will enable all our people to enjoy richer and fuller lives.

All of us must advance together. One-fifth of our families now have average annual incomes of less than \$850. We must see that our gains in national income are made more largely available to those with low incomes, whose need is greatest. This will benefit us all through providing a stable foundation of buying power to maintain prosperity.

Business, labor, agriculture and Government, working together, must develop the policies which will make possible the realization of the full benefits of our economic system.

Our fifth goal is to achieve world peace based on principles of freedom and justice and the equality of all nations.

Twice within our generation, world wars have taught us that we cannot isolate ourselves from the rest of the world.

We have learned that the loss of freedom in any area of the world means a loss of freedom to ourselves -- that the loss of independence by any nation adds directly to the insecurity of the United States and all free nations.

We have learned that a healthy world economy is essential to world peace -- that economic distress is a disease whose evil effects spread far beyond the boundaries of the afflicted nation.

For these reasons the United States is vigorously following policies designed to achieve a peaceful and prosperous world.

We are giving, and will continue to give, our full support to the United Nations. While that organization has encountered unforeseen and unwelcome difficulties, I am confident of its ultimate success. We are also devoting our efforts toward world economic recovery and the revival of world trade. These actions are closely related and mutually supporting.

(OVER)

We believe that the United States can be an effective force for world peace only if it is strong. We look forward to the day when nations will decrease their armaments. Yet so long as there remains serious opposition to the ideals of a peaceful world, we must maintain strong armed forces.

The passage of the National Security Act by the Congress at its last session was a notable step in providing for the security of this country. A further step which I consider of even greater importance is the early provision for Universal Training. There are many elements in a balanced national security program, all inter-related and necessary, but Universal Training should be the foundation for them all. A favorable decision by the Congress at an early date is of world importance. I am convinced that such action is vital to the security of this Nation and to the maintenance of its leadership.

The United States is engaged today in many international activities directed toward the creation of lasting peaceful relationships among nations.

We have been giving substantial aid to Greece and Turkey to assist these nations in preserving their integrity against foreign pressures. Had it not been for our aid, their situation today might well be radically different. The continued integrity of those countries will have a powerful effect upon other nations in the Middle East and Europe struggling to maintain their independence while they repair the damages of war.

The United States has special responsibilities with respect to the countries in which we have occupation forces: Germany, Austria, Japan and Korea. Our efforts to reach agreements on peace settlements for these countries have so far been blocked. But we shall continue to exert our utmost efforts to obtain satisfactory settlements for each of these nations.

Many thousands of displaced persons, still living in camps overseas, should be allowed entry into the United States. I again urge the Congress to pass suitable legislation at once so that this Nation may do its share in caring for homeless and suffering refugees of all faiths. I believe that the admission of these persons will add to the strength and energy of this Nation.

We are moving toward our goal of world peace in many ways. But the most important efforts which we are now making are those which support world economic reconstruction. We are seeking to restore the world trading system which was shattered by the war and to remedy the economic paralysis which grips many countries.

To restore world trade we have recently taken the lead in bringing about the greatest reduction of world tariffs that has ever occurred. The extension of the provisions of the Reciprocal Trade Agreements Act, which made this achievement possible, is of extreme importance. We must also go on to support the International Trade Organization, through which we hope to obtain world-wide agreement on a code of fair conduct in international trade.

Our present major effort toward economic reconstruction is to support the program for recovery developed by the countries of Europe. In my recent message to the Congress, I outlined the reasons why it is wise and necessary for the United States to extend this support.

I want to reaffirm my belief in the soundness and promise of this proposal. When the European economy is strengthened, the product of its industry will be of benefit to many other areas of economic distress. The ability of free men to overcome hunger and despair will be a moral stimulus to the entire world.

We intend to work also with other nations in achieving world economic recovery. We shall continue our cooperation with the nations of the Western Hemisphere. A special program of assistance to China, to provide urgent relief needs and to speed reconstruction, will be submitted to the Congress.

Unfortunately, not all governments share the hope of the people of the United States that economic reconstruction in many areas of the world can be achieved through cooperative effort among nations. In spite of these differences we will go forward with our efforts to overcome economic paralysis.

No nation by itself can carry these programs to success; they depend upon the cooperative and honest efforts of all participating countries. Yet the leadership is inevitably ours.

I consider it of the highest importance that the Congress should authorize support for the European recovery program for the period from April 1, 1948, to June 30, 1952, with an initial amount for the first fifteen months of \$6.8 billion. I urge the Congress to act promptly on this vital measure of our foreign policy -- on this decisive contribution to world peace.

We are following a sound, constructive and practical course in carrying out our determination to achieve peace.

We are fighting poverty, hunger and suffering.

This leads to peace -- not war.

We are building toward a world where all nations, large and small alike, may live free from the fear of aggression.

This leads to peace -- not war.

Above all else, we are striving to achieve a concord among the peoples of the world based upon the dignity of the individual and the brotherhood of man.

This leads to peace -- not war.

We can go forward with confidence that we are following sound policies, both at home and with other nations, which will lead us toward our great goals for economic, social and moral achievement.

As we enter the new year, we must surmount one major problem which affects all our goals. That is the problem of inflation.

Already inflation in this country is undermining the living standards of millions of families. Food costs too much. Housing has reached fantastic price levels. Schools and hospitals are in financial distress. Inflation threatens to bring on disagreement and strife between labor and management.

Worst of all, inflation holds the threat of another depression, just as we had a depression after the unstable boom following the first World War.

(OVER)

When I announced last October that the Congress was being called into session, I described the price increases which had taken place since June, 1946. Wholesale prices had increased 40 per cent, and retail prices had increased 23 per cent.

Since October prices have continued to rise. Wholesale prices have gone up at an annual rate of 18 per cent. Retail prices have gone up at an annual rate of 10 per cent.

The events which have occurred since I presented my ten point anti-inflation program to the Congress on November 17 have made it even clearer that all ten points are essential.

High prices must not be our means of rationing.

We must deal effectively and at once with the high cost of living.

We must stop the spiral of inflation.

I trust that within the shortest possible time the Congress will make available to the Government the weapons that are so desperately needed in the fight against inflation.

One of the most powerful anti-inflationary factors in our economy today is the excess of Government revenues over expenditures.

Government expenditures have been and must continue to be held to the lowest safe levels. Since V-J day Federal expenditures have been sharply reduced. They have been cut from more than \$63 billion in the fiscal year 1946 to less than \$38 billion in the present fiscal year. The number of civilian employees has been cut nearly in half — from 3 3/4 million down to 2 million.

On the other hand, Government revenues must not be reduced. Until inflation has been stopped there should be no cut in taxes that is not offset by additions at another point in our tax structure.

Certain adjustments should be made within our existing tax structure that will not affect total receipts, yet will adjust the tax burden so that those least able to pay will have their burden lessened by the transfer of a portion of it to those best able to pay.

Many of our families today are suffering hardship because of the high cost of living. At the same time profits of corporations reached an all-time record in 1947. Corporate profits totaled \$17 billion after taxes. This compared with \$12.5 billion in 1946, the previous high year.

Because of this extraordinarily high level of profits, corporations can well afford to carry a larger share of the tax load at this time.

During this period in which the high cost of living is bearing down on so many of our families, tax adjustments should be made to ease their burden. The low-income group particularly is being pressed very hard. To this group a tax adjustment would result in a saving that could be used to buy the necessities of life.

I recommend therefore that, effective January 1, 1948, a cost of living tax credit be extended to our people consisting of a credit of \$40 to each individual taxpayer and an additional credit of \$40 for each dependent. Thus the income tax of a man with a wife and two children would be reduced \$160. The credit would be extended to all taxpayers, but it would be particularly helpful to those in the low-income group.

It is estimated that such a tax credit would reduce the Federal revenue by \$3.2 billion. This reduction should be made up by increasing the tax on corporate profits in an amount that will produce this sum -- with appropriate adjustment for small corporations.

This is the proper method of tax relief at this time. It gives relief to those who need it most without cutting the total tax revenue of the Government.

When the present danger of inflation has passed we should consider tax reduction based upon a revision of our entire tax structure.

When we have conquered inflation, we shall be in a position to move forward toward our chosen goals.

As we do so, let us keep ever before us our high purposes.

We are determined that every citizen of this Nation shall have an equal right and equal opportunity to grow in wisdom and in stature and to take his place in the control of his Nation's destiny.

We are determined that the productive resources of the Nation shall be used wisely and fully for the benefit of all.

We are determined that the democratic faith of our people and the strength of our resources shall contribute their full share to the attainment of enduring peace in the world.

It is our faith in human dignity that underlies these purposes. It is this faith that keeps us a strong and vital people.

This is a time to remind ourselves of these fundamentals. For today the whole world looks to us for leadership.

This is the hour to re-dedicate ourselves to the faith in mankind that makes us strong.

This is the hour to re-dedicate ourselves to the faith in God that gives us confidence as we face the challenge of the years ahead.

- - - - -