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FORD ASKS SLASH IN TAX, MATCHED BY SPENDING CUT

Would Pare Outlays $28-Billion As 'First Step' to Balance the Federal Budget in 3 Years

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WASHINGTON, Oct. 6—President Ford proposed tonight to put $11-billion in additional tax reductions into effect next year and to make permanent, with significant changes, the $17-billion of antirecession tax cuts enacted last March.

However, he said his support for the tax package was conditional upon a Congressional commitment to reduce total Federal spending by $28-billion in the next fiscal year.

In a televised speech, the President said his proposal,

Text of President's address appears on Page 24.

which would benefit both individuals and businesses, would constitute "the biggest single tax cut in our history."

However, the $28-billion figure represents a reduction from the permanent tax rates established in 1972, but not from the temporary rates signed into law last March. Unless Congress acts, the temporary tax rates will expire on Dec. 31.

In his speech, Mr. Ford said that he would not hesitate to veto any tax cut enacted by Congress if Congress did not also take steps to set a ceiling on its spending. He asked Congress to pledge the whole Federal expenditures to $395-billion in the next fiscal year, ending Oct. 1, 1977.

Thrust of Proposal

Saying it was his aim to reverse a "horrendous spending growth," Mr. Ford warned, "If we don't slow it down, Federal spending next year could easily jump to more than $420-billion."

"I want these actions to be a first step—and they are a crucial first step—toward balancing the Federal budget within three years," the President said.

Earlier, at a briefing for reporters, several of Mr. Ford's economic advisers conceded that the chief thrust of the President's combined tax and spending cut proposal was to halt the rapid growth of the Federal budget.

Alan Greenspan, chairman o the Council of Economic Ad visers, conceded that the im pact would have an essential ly "neutral" impact on th economy in terms of speedin up the recovery.

As explained by the Presi dent, the proposed tax packag will do the following for indi vidual taxpayers:

¶Raise the personal tax ex emption from $750 to $1,000.

¶Make the standard deduc tion for single taxpayers a fla $1,800 and for married couple $2,500.

¶Lower basic personal in come rates by varying amount

For business, the Presiden proposed a 2 per cent reduc tion in corporate tax rates from the present 48 per cen maximum to 46 per cent and permanent continuation of in creased investment tax credit contained in the current tem porary law.

"If companies and plants ar to regain their footing and t hire more employes in the fu ture, they must have greate incentives for investment," th

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President said when describing the new tax credits for business. "In order to create jobs, — good jobs — this country must build new plants and equipment and we must have a growing economy."

Describing the impact of his proposed tax cuts for individuals, the President gave as an example "a typical family of four earning $14,000 a year." Such a family, he said, "would get a permanent tax cut of $412 — a 27 per cent reduction."

However, the President's example represents a reduction from the tax rates prevailing in 1974. The actual reduction from current taxes, judging from tables issued by the White House, would only be about half that amount for the typical family described by the President.

The new maximum standard deductions for individuals replace a $300 "low income allowance" designed to help the working poor. No such provision appears in the President's new proposal which, on its face, does not contain any special provisions for lower income families.

Mr. Greenspan said that the maximum savings under the new proposal would go to families earning about $25,000 a year.

The tables issued by the White House show that a family of four earning $5,000 a year would get no reduction at all from current tax rates under the President's proposal although it would have a reduction of $98 compared to the 1972-1974 tax rates.

A family of four earning $50,000 a year, the highest income the tables go to, would receive a $390 reduction from current taxes, equivalent to a $510 reduction from the 1974 rate.

The President did not specify what programs he believed Congress should cut to reach the $395-billion level. Nor did he indicate in what form he would take the pledge from Congress to adhere to that level.

But he made it clear that he would reject the tax cut without a spending ceiling.

"If we allow politics as usual to prevail in the Congress, there will be a temptation to overwhelmingly approve the tax cuts that I am proposing," he said in his speech. "That must not happen. I will go forward with the tax cuts that I am proposing only if theer is a clear affirmative decision by your representatives in the House and Senate that they will hold spending next year to $395-billion."

The pressures on Mr. Ford to support extension of the tax cut were considerable. For one thing, the economy, while in the process of recovering from the worst downturn since the Great Depression of the nineteen-thirties, is still not regarded as in robust health.

In its midyear report, published last week, the Democratic majority on the oJint Economic Committee of Congress raised questions about the stability of the recovery and said that a continuation of the current tax cut as well as an additional tax reduction was necessary to sustain growth and reduce unemployment.

Moreover, Mr. Ford will soon be facing a fight to retain hfs Presidency—assuming he is nominated by the Republican party. A tax increase is not normally considered good politics in an election year, but that is what a failure to extend the current tax cut would amount to.

Another reason for the President to recommend extension of the tax cut is that his Administration is seeking changes in the tax law that would make it more attractive to invest capital in business.

To give a tax "break" to business while taking one away from individuals would be a difficult if not impossible task in the view of many familiar with the way Congress functions.

But there were also heavy pressures on the President to oppose a continuation of the tax cut, which was adopted this year to stimulate spending and investment and thereby help push the economy out of the deep recession into which it had sunk.

One source of such pressures was from Presidential advisers who are concerned about the continued inflation besetting the economy and their concern that an additional tax stimulus would spur that trend.

Administration officials have said repeatedly that they were troubled by the current high budget deficit and prospects of continuing high deficits. which, they said, could create severe fiscal problems throughout the economy.

There also were political considerations that could cause Mr. Ford to oppose an extension of the tax reduction. He needs the support of Republican conservatives to win the party's nomination. He has been traveling around the country stressing fiscal stringency in appearances before Republican audiences. To support a new tax cut that could add to the Federal budget deficit might erode some of the self-image Mr. Ford has been creating.

When he signed the original tax bill last March, the President said that he was doing so reluctantly because he had no choice but to "take or leave it" in a time of economic difficulty for the nation.

One provision of that bill, a tax rebate of up to $200 to individual taxpayers was not an issue in the current debate over an extension. There was little public support for a second rebate, and few observers expected the President or Congress to endorse such an action.

In answering reporter's questions in Omaha last week, the President indicated that he might recommend an extension of the tax cut if Congress agreed to hold Federal spending within a specified limit.

When signing the original tax cut, the President also said he was "drawing the line" on additional spending.

The President met with his economic advisers today and over much of the weekend as he prepared for his decision. Ron Nessen, the White House press secretary, said today that Mr. Ford had also spoken with "a few key members of Congress."