

43-BILLION DEFICIT

President Voices Hope for New Growth and Balanced Books

By EDWIN L. DALE Jr.
Special to The New York Times

WASHINGTON, Jan. 21 — President Ford sent Congress today proposed reductions of \$20 billion in Federal programs and promised additional tax reduction if Congress accepted his plan.

The President's budget for the fiscal year 1977, which starts next Oct. 1, counts on

Text of the budget message and related explanatory articles, Pages 24-27.

these cuts in estimating spending at \$394.2 billion. The estimate for receipts is \$351.3 billion, leaving a deficit of about \$43 billion.

Balanced Budget Foreseen

The President said in his message to Congress:

"The combination of tax and spending charges I propose will set us on a course that not only leads to a balanced budget within three years but also improves the prospects for the economy to stay on a growth path that we can sustain."

The Administration's forecast for the economy this year, now considered in the budget as required by law, was broadly in line with the "consensus" of private forecasts. It projected continued recovery from the recession, a modest reduction of unemployment to an average of 7.7 percent of the labor force, and further progress in slowing inflation, to a pace of 5.9 percent in 1976 for consumer prices.

These were some highlights of the budget:

¶ Defense spending would rise about \$10 billion and would exceed \$100 billion for the first time.

¶ The Social Security tax rate on employers and employees would rise at the start of next year to close an emerging gap between outlays and receipts.

¶ The budget proposes to consolidate into "block grants" to the states, with few strings attached, about 60 present Federal programs in the areas of health, education, child nutrition and social services.

Apart from numerous changes in present programs designed to curb spending now and save more in the future, the budget would phase out several recession-born programs, including public service jobs and extended unemploy-

Continued on Page 26, Column 1

Continued From Page 1, Col. 8

ment benefits.

Experience of recent years shows that partly because of what Congress does or refuses to do, partly because of unforeseen developments in the economy, and partly for other reasons such as mistaken estimating of receipts and outlays, final budget totals proposed by Presidents have invariably turned out to be far different from the estimates made in the January budget. Typically, the deficit has been much bigger than estimated.

The budget estimated the deficit in the current fiscal year, ending June 30, at \$76 billion, or about \$25 billion more than when the budget for this year was presented a year ago. When he signed the antirecession tax reduction bill late last March, the President pledged to hold the deficit to \$60 billion, but this could not be achieved.

There will be an estimate deficit of \$16.1 billion for the "transition quarter" from July 1 to Sept. 30. This is a bridge, for this year only, between the old system when the fiscal year began July 1 and the new one, ordered by the Congressional Budget Reform Act of 1974 when the fiscal year begins Oct. 1.

Old Program Renewed

Most of the President's proposed reductions in the new budget require affirmative action by Congress to change existing law. They are in such areas as Social Security, Medicare, food stamps, housing subsidies, child nutrition and veterans' benefits.

This means that if Congress does nothing about these requests—as mainly happened last year on a similar but small list—spending will rise above the President's estimate of \$394 billion.

The tax reductions that the President proposed if his spending targets were met were essentially a reiteration of a package he first unveiled last October. Probably the key item is an eventual increase in the exemption for each taxpayer and dependents from \$750 to \$1,000.

Mr. Ford told his budget briefing, "We are at a critical point in our history, a point where we can either allow Federal spending and Federal deficits to mushroom and allow our economic foundations to erode, or on the other hand we can decide to restrain the growth of Federal spending and restore the vitality of our private economy."

This theme, supported by the budget's reduction proposals, is expected to be the keystone

of the President's campaign for re-election this year.

Total Federal outlays under the President's program would rise 5.5 percent from the current fiscal year, which would be a little less than half of the average annual growth in Federal spending in the last 10 years.

By far the largest percentage increase in the budget is in the field of energy, mainly various aspects of energy research. Apart from defense, there are also sizable increases in outlays in a few other areas, such as mass transit grants and water pollution grants, which chiefly reflect the "momentum" of programs started in the relatively recent past rather than a higher level of new commitments.

Social Security shows a typically large increase of about \$10 billion, reflecting ever-larger benefit rolls and an automatic cost-of-living increase due next July 1. Unlike last year, the President proposed no limitation, or "cap," on the amount of this increase.

He did, however, propose a change in the law affecting Federal civilian employee and military retirement to eliminate an extra "bonus" of an annual increase of 1 percent beyond the percentage rise in the cost of living.

There would be no change in Social Security benefits apart from several "fringe" proposals, which could have a sizable effect for a limited number of persons. However, the President did propose to correct what is almost universally recognized as a flaw in the law that could lead unintentionally to large benefits 15 or 20 years from now.

The flaw arose in the drafting of the legislation in 1972 that tied benefits to the cost of living. Last year's report of the Social Security advisory committee unanimously recommended that it be corrected, though the committee divided on a number of other issues.

Although there was obvious restraint throughout the budget, some programs received moderate increases, including such areas as the effort to reduce the number of illegal aliens, cash grants to needy college students, Indian health programs and the National Science Foundation.

The President kept weare out of his new system of "block grants" for other social-type of programs, and he again put off proposing any major welfare reform. But he did ask Congress for new authority to alter benefit levels and formulas for welfare and related programs, with Congress having the right of veto over any change.