

Text of President's

Special to The New York Times

WASHINGTON, Jan. 21—Following is the text of President Ford's Budget Message for the fiscal year 1977:

To the Congress of the United States:

The Budget of the United States is a good roadmap of where we have been, where we are now and where we should be going as a people. The budget reflects the President's sense of priorities. It reflects his best judgment of how we must choose among competing interests. And it reveals his philosophy of how the public and private spheres should be related.

Accordingly, I have devoted a major portion of my own time over the last several months to shaping the budget for fiscal year 1977 and laying the groundwork for the years that follow.

As I see it, the budget has three important dimensions. One is the budget as an element of our economic policy. The total size of the budget and the deficit or surplus that results can substantially affect the general health of our economy—in a good way or in a bad way. If we try to stimulate the economy beyond its capacity to respond, it will lead only to a future whirlwind of inflation and unemployment.

Test of Responsible Policy

The budget I am proposing for fiscal year 1977 and the direction I seek for the future meet the test of responsible fiscal policy. The combination of tax and spending changes 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. This is not a policy of the quick fix; it does not hold out the hollow promise that we can wipe out inflation and unemployment overnight. Instead, it is an honest, realistic policy—a policy that says we can steadily reduce inflation and unemployment if we maintain a prudent, balanced approach. This policy has begun to prove itself in recent months as we have made substantial headway in pulling out of the recession and reducing the rate of inflation; it will prove itself decisively if we stick to it.

A second important dimension of the budget is that it helps to define the boundaries between responsibilities that we assign to governments and those that remain in the hands of private institutions and individual citizens.

Over the years, the growth of govern-

ment has been gradual and uneven, but the trend is unmistakable. Although the predominant growth has been at the state and local level, the Federal Government has contributed to the trend, too. We must not continue drifting in the direction of bigger and bigger government. The driving force of our 200-year history has been our private sector. If we rely on it and nurture it, the economy will continue to grow, providing new and better choices for our people and the resources necessary to meet our shared needs. If, instead, we continue to increase government's share of our economy, we will have no choice but to raise taxes and will, in the process, dampen further the forces of competition, risk and reward that have served us so well. With stagnation of these forces, the issues of the future would surely be focused on who gets what from an economy of little or no growth rather than, as it should be, on the use to be made of expanding incomes and resources.

Reversing Long-Term Trend

As an important step toward reversing the long-term trend, my budget for 1977 proposes to cut the rate of Federal spending growth, year to year, to 5.5 percent—less than half the average growth rate we have experienced in the last 10 years. At the same time, I am proposing further permanent income-tax reductions so that individuals and businesses can spend and invest these dollars instead of having the Federal Government collect and spend them.

A third important dimension of the budget is the way it sorts out priorities. In formulating this budget, I have tried to achieve fairness and balance:

☞between the taxpayer and those who will benefit by Federal spending

☞between national security and other pressing needs;

☞between our own generation and the world we want to leave to our children;

☞between those in some need and those most in need;

☞between the programs we already have and those we would like to have;

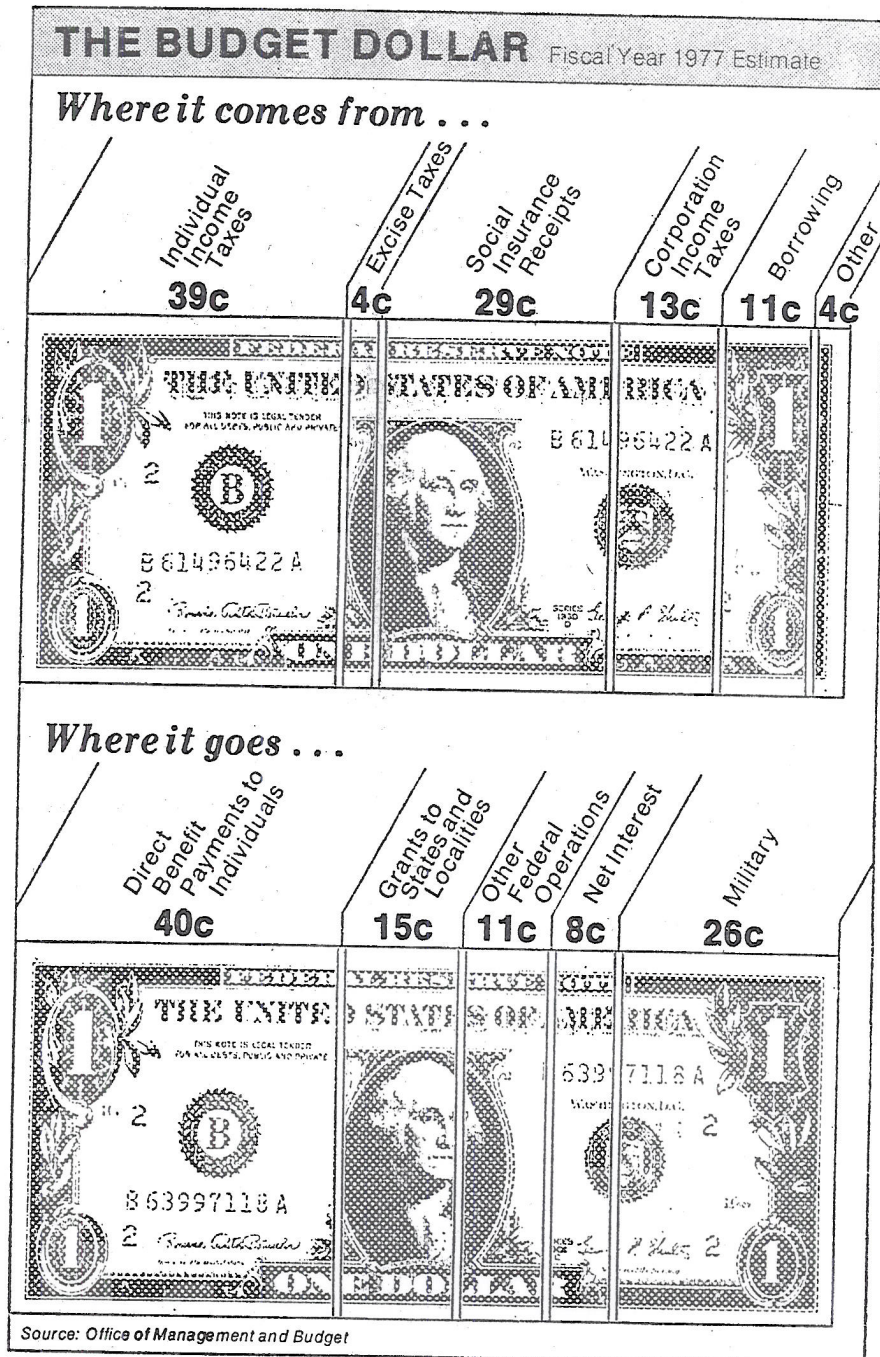
☞between aid to individuals and aid to state and local governments;

☞between immediate implementation of a good idea and the need to allow time for transition;

☞between the desire to solve our problems quickly and the realization that for some problems, good solutions will take more time, and

☞between Federal control and direc-

Budget Message for



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tion to assure achievement of common goals and the recognition that state and local governments and individuals may do as well or better without restraints.

Clearly, one of the highest priorities

for our Government is always to secure the defense of our country. There is no alternative. If we in the Federal Government fail in this responsibility, our other objectives are meaningless.

Accordingly, I am recommending a

the Fiscal Year 1977

significant increase in defense spending for 1977. If in good conscience I could propose less, I would. Great good could be accomplished with other uses of these dollars. My request is based on a careful assessment of the international situation and the contingencies we must be prepared to meet. The amounts I seek will provide the national defense it now appears we need. We dare not do less. And if our efforts to secure international arms limitations falter, we will need to do more.

Assuring our nation's needs for energy must also be among our highest priorities. My budget gives that priority.

While providing fully for our defense and energy needs, I have imposed upon these budgets the same discipline that I have applied in reviewing other programs. Savings have been achieved in a number of areas. We cannot tolerate waste in any program.

'Domestic Objectives'

In our domestic programs, my objective has been to achieve a balance between all the things we would like to do and those things we can realistically afford to do. The hundreds of pages that spell out the details of my program proposals tell the story, but some examples illustrate the point.

I am proposing that we take steps to address the haunting fear of our elderly that a prolonged, serious illness could cost them and their children everything they have. My Medicare reform proposal would provide protection against such catastrophic health costs. No elderly person would have to pay over \$500 per year for covered hospital or nursing home care, and no more than \$250 per year for covered physician services. To offset the costs of this additional protection and to slow down the runaway increases in federally funded medical expenses, I am recommending adjustments to the Medicare program so that, within the new maximums, beneficiaries contribute more to the costs of their care than they do now. My budget provides a full cost-of-living increase for those receiving Social Security or other Federal retirement benefits. We must recognize, however, that the Social Security trust fund is becoming depleted. To restore its integrity, I am asking the Congress to raise Social Security taxes, effective Jan. 1, 1977, and to adopt certain other reforms of the system. Higher Social Security taxes and the other reforms I am

proposing may be controversial, but they are the right thing to do. The American people understand that we must pay for the things we want. I know that those who are working now want to be sure that the money will be there to pay their benefits when their working days are over.

My budget also proposes that we replace 59 grant programs with broad block grants in four important areas:

¶A health block grant that will consolidate Medicaid and 15 other health programs. States will be able to make their own priority choices for use of these Federal funds to help low-income people with their health needs.

¶An education block grant that will consolidate 27 grant programs for education into a single flexible Federal grant to states, primarily for use in helping disadvantaged and handicapped children.

¶A block grant for feeding needy children that will consolidate 15 complex and overlapping programs. Under existing programs, 700,000 needy children receive no benefits. Under my program, all needy children can be fed, but subsidies for the nonpoor will be eliminated.

¶A block grant that will support a community's social service programs for the needy. This would be accomplished by removing current requirements unnecessarily restricting the flexibility of states in providing such services.

Urgently Needed Reforms

These initiatives will result in more equitable distribution of Federal dollars, and provide greater state discretion and responsibility. All requirements that states match Federal funds will be eliminated. Such reforms are urgently needed, but my proposals recognize that they will, in some cases, require a period of transition.

These are only examples. My budget sets forth many other recommendations. Some involve new initiatives. Others seek restraint. The American people know that promises that the Federal Government will do more for them every year have not been kept. I make no such promises. I offer no such illusion: This budget does not shrink from hard choices where necessary. Notwithstanding those hard choices, I believe this budget reflects a forward-looking spirit that is in keeping with our heritage as we begin our nation's third century.

GERALD R. FORD

January 21, 1976