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THE WHITE HOUSE

PRESS CONFERENCE
OF
JAMES T. LYNN
DIRECTOR OF THE
OFFICE OF MANAGEMENT AND BUDGET

THE BRIEFING ROOM

4:52 P.M. EST

MR. LYNN: There have been a number of comments with respect to the recent action by the Congress sustaining the President's veto on the override in the tax matter. I have seen some comments that this means that taxes will automatically go up January 1. I would have to say I think that is nonsense.

First of all, let me say let's make it clear what the President is trying to accomplish. He wants a tax cut. He believes it is high time the American people had a tax cut. He is not only for the amount of the tax cut that was presented to him in this bill, he wants a deeper tax cut. The deeper cut would give the average American family over \$225 more back out of their own earnings than the Congressional bill does.

Now on the other side, the President feels very strongly that we cannot have tax cuts without clear limitations on the growth of Federal spending. The time has come to moderate that growth. We believe that we can give the deeper tax cut to the American people that the President wants with a spending ceiling of \$395 billion for the next fiscal year. That would restrain growth to \$25 billion over what it is this year.

In other words, it is even \$25 billion more than the current year's budget provides, but it is some \$28 billion less than where those figures are going for 1977 unless restraint is applied.

We believe Congress should consider this matter now. We believe that the override shows that there is enough sentiment in the Congress agreeing with the President, that they should get down to business and give the clear indication of the American people that they, too, are for limiting Federal spending and giving a good tax cut to the American people now.

Q Mr. Lynn, why are you not prepared to come across with itemized budget cuts that Congress is asking for?

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MR. LYNN: We will be prepared to have the itemized budget cuts in the January budget. Let's bear in mind what the President is asking the Congress to do -- nothing more than the President did himself in October. He is not asking the Congress to decide what department gets what or what the priority should be of the expenditures. He is just saying, look, join with me in saying that \$395 billion is as far as we can go next year. That is an awful lot of money. And he is saying if you go with \$395 billion, we can give a tax cut to the American people, a tax cut that is bigger than the one you are proposing in the Congress -- as I said, the tune of \$225 more for the average American family.

Now, we would expect that next spring, when Congress gets the President's budget, they will go through the same process on the budget that I have been going through and the President has been going through on his budget, and that is they will be assessing the relative priorities and looking at the ways to make up the figures to arrive at and stay within a \$395 billion ceiling.

We are not asking Congress to set now what their priorities are within the total amount. We only want them to hold down the growth in spending to \$25 billion and \$25 billion itself is a lot of money.

Q Can I follow that up? What is your reaction to the contention of some Democrats that the President is hanging himself politically by vetoing the tax cut?

MR. LYNN: My reply to that would be nonsense. I think the American people want two things: They want to have a tax cut, they want to begin the process of getting Government off their back, they want to be able to spend more of their own money that they have earned rather than giving it to Governments to spend, on the one hand, and I think the American people are smart enough to know that, just like a family, you can't possibly have that kind of return of money from the tax system unless you slow down the rate of Federal expenditures, and I think the American people understand that.

I think the American people know that when you run the kind of deficits that we have been running in the past couple of years, you are guaranteeing double digit inflation, and it does not make any difference whether or not you cut taxes if you have big deficits because if you have big deficits, you are going to end up with tremendous inflation which is a form of tax on everything we buy at the grocery store, at the hardware store or any other rack we go to buy goods and services.

Q You say it is nonsense that the taxes will go up on January 1. What will be the situation on January 1 the way things stand now?

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MR. LYNN: I cannot believe that as Congress gives a little more consideration of this matter that they won't be willing to stay here and to work on this important business for the American people. I think tax cuts for the American people are important and I think the American people are entitled to know that their Federal Government is willing to give a signal now that we are going to have responsibility in Federal expenditures in fiscal year 1977.

Q Mr. Lynn, what would the President do if the Congress does not decide to stay here?

MR. LYNN: I think you are very well aware of the options that are available to him, but it seems to me that I should not engage in speculation at this point. I have every reason to hope that the Congress realizes this is an important enough matter that they will tend to this business before they go on a 30-day recess.

Q What is the law? Is it not that the tax is going to go up on January 1?

MR. LYNN: If you are saying that taxes would go up if nothing is done, that is true, the taxes would go up. But I am saying to you I cannot believe that the Congress of the United States will not face this issue and do the right thing, and that is a tax cut which the President wants as much if not more than anybody. As I said, he wants a deeper tax cut than the Congress wants but at the same time putting on the kind of spending ceiling we need to stop this runaway growth we have had.

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Q Mr. Lynn, the President said in his statement that he would accept a simple commitment from Congress that they would not over-spend, spend over ceiling. Now, what does that exactly mean? Is he demanding \$395 billion or will he take something else?

MR. LYNN: I believe his words were a clear commitment by the Congress to cut the growth of Federal spending, and that is what we are looking for. Now, we have made a proposal, we think a simple straightforward proposal of the \$395 billion ceiling which, although it would involve an increase of \$25 billion from this year's spending, it would be some \$28 billion, as we calculate it, less than where expenditures will go if we just let them go their merry way the way they have in the past.

Now Congress, if it does not like that formulation, undoubtedly can come up with others and, believe me, the President is looking for the concept, is looking for that clear commitment, as he said, and if there is another way of giving that clear commitment we would certainly consider it.

Q Jim, will the President demand a specific figure in such a commitment?

MR. LYNN: I think what we have to do is take a look at how this situation evolves. The simple figure that we have produced, we think, is a fair figure. I think what we ought to do is see what they come up with.

Q Wait a minute. Can you answer that yes or no as to whether or not he would accept a commitment without a --

MR. LYNN: I think that would be sheer speculation on my part because I have no idea what you mean.

Q You just came out of a meeting with the President. In other words, would the President accept a simple statement, a resolution from the Congress which said that they would make every effort to hold down Federal spending wherever possible in fiscal 1977?

MR. LYNN: I will stand on what I said before. I don't think I should answer these seriatim one after another and play "what if" with you today. I think Congress has very serious business before them.

Their issue right now is are they willing to give a clear commitment. This is not a matter of where they have come back with something equally strong or about as strong as what the President has proposed as the signal to the American people. What we have seen so far is avoidance almost like the plague of committing themselves to any kind of a ceiling or limitation or concept of limitation for next year.

Now one of the reasons for that, in my judgment, is they know as well as we know that whenever you moderate the growth and expenditures, someone is going to be dissatisfied and the only way you can satisfy everybody is to have the continued runaway growth that we have had before; and if that runaway growth continues, as I said, I don't see how we can accommodate tax cuts and at \$395 billion we can have deeper tax cuts than the Congress is proposing.

Q I don't mean to beg the issue but, obviously, they have told you quite clearly that they are not willing to go along with your proposal or anything really like it. You say you have every reason to believe that this can be worked out yet, and you refuse to say whether or not the President would accept an open-ended commitment from the Congress.

MR. LYNN: I am a lawyer by training and I have learned a long time ago I like to see the specific proposals before I comment on them, and I am afraid that question is so broad that it does not allow me to answer in any kind of a meaningful way.

I would like to add one thing, though, to your statement. You say they have given us a message. I read it the other way around. The President's veto was sustained which means to me that there are enough Members of Congress who know that the President is right in this regard that they are willing to act as a nucleus to try to come to an agreement on this important issue.

Q That is not quite right. You are talking about a minority of a third. That does not prove the President is right. That just proves that the rules don't work in this particular situation.

MR. LYNN: I would say the rules work very well. Time and time again in the history of this country a veto can be used constructively and I think the President did that here.

Q I would like to raise one question. I would like to know why you think Congress is going to get the President off the hook or bail him out on this tax cut?

MR. LYNN: This is not a matter of getting the President off the hook. This is a matter of the future of this country, whether we really do want to give tax cuts to the American people and, as I said, the President wants a deeper tax cut than Congress wants, and whether or not Congress is willing to face up now and tell the American people in light of a deficit for the current year that they are estimating at almost \$75 billion that once and for all we are going to get a handle next year on the growth of Federal spending. That is not getting the President off the hook. He is absolutely right on that issue.

Q Well, that may well be, but the facts of the case are that the President took action which may well result in higher taxes for the American people. Now, what makes you think the Democrats are going to come back and somehow save him on this issue and stop the higher taxes from going into effect?

MR. LYNN: I would like to hope that the Democrats will look at this issue, will look at the results that can otherwise obtain and will join with the President in giving the clear commitment that the President has asked for.

Q Mr. Lynn, what does the President want the American people to do with that \$28 billion if they get it?

MR. LYNN: That is the key point. He wants the American people to spend that money according to their own choice -- not the choice of Government officials who get that money through the tax structure.

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Q But does the President then argue if they all go out and many of them or even most of them go out and buy them another car and washing machine that this is somehow preferable to the manner in which the Federal Government might spend it, let's say, on social programs?

MR. LYNN: What we are saying in this regard is that we should not spend any more money in the Federal Government than we have to and that, on the other hand, there are ways, by getting rid of programs that don't work, to make room for those that do work by taking a hard look at the shape of programs, by looking at appropriation levels for various programs, that we can moderate growth to \$395 billion without doing any kind of violence to the social objectives that we all want to meet through the Federal Government or other Governments. That being so, we can tell the people that work every week, men and women, that you can have more of your own money to spend, and I, frankly, think that is right.

You said, what are they going to spend it on? They are going to spend it on the things they want to spend it on, and I think that is a good idea.

Q Just so that we can get this straight -- the other night when we asked you about all this, and in every opportunity that we have had to ask the White House spokesmen, we have been told that the President would not accept a generally stated resolution in which the Congress pledged to try to hold down Federal spending wherever possible. You are declining to answer that question at this point. Are you suggesting that the President's position has changed?

MR. LYNN: I am not suggesting at all that the President's position has changed. As he said in the message this morning after his veto was sustained, he said, "I am willing and waiting to sign legislation coupling a tax cut extension," which editorially I will say he wants, too. He wants to have tax cuts for 1976 with a clear commitment by Congress to cut the growth of Federal spending. My only point to you was I don't believe it appropriate for me to engage in debate with respect to what exact language would be the right language.

Q Nobody has any objections to that.

MR. LYNN: Let me explain why. I answer one question for you, then somebody asks a different question and somebody else asks a third question and here I am negotiating here rather than with the Congress.

Q I am just asking you a specific question. You still want a specific figure in any resolution, is that correct?

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MR. LYNN: I think that you have to have a figure in a resolution or something that would be the equivalent of a figure. What that might be, I don't know, and that is why I can't answer your question. I really can't answer your question.

It seems to me as of now that Congress is in a position to respond to the President who has already made his position clear on a dollar figure.

Q Mr. Lynn, Congressman Rhodes has proposed or suggested legislation whereby the present withholding rates would be extended through March 15. What does the President think of that idea?

MR. LYNN: I think the President's position was made clear by his statement after the veto override this morning. We believe this is the kind of matter that can be resolved before January 1, can be resolved before a time lapse into 1976, and, therefore, I don't think there is any necessity at this point to talk about extensions for a period of time into March 31.

THE PRESS: Thank you.

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(AT 5:08 P.M. EST)