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THE WHITE HOUSE
PRESS CONFERENCE
OF
JOHN T. DUNLOP
NEUTRAL COORDINATOR OF THE
PRESIDENT'S LABOR-MANAGEMENT COMMITTEE
THE BRIEFING ROOM

2:40 P.M. EST

MR. HUSHEN: We have Dr. John Dunlop, the coordinator of the Labor-Management Committee, to give you a briefing on this recommendation that the committee has made to the President.

Dr. Dunlop.

MR. DUNLOP: Thank you.

I was enjoying a peaceful life on some other problems and I was asked to come down and not brief you, but answer some questions that anyone may have about the statements that the White House released this morning, I understand, growing out of the work of our committee.

These statements speak very much for themselves, and I am just really here to answer any questions that you may have, and I think I ought to just leave it at that.

Q Did you really mean 1975 returns? That is the major question that we had that we talked about.

MR. DUNLOP. The intent of the committee, as it states, is that the reduction in individual income taxes be effective January 1, 1975. That means that as soon as the legislation would be passed, withholdings would immediately take place of a reduced nature and that they would be retroactive to January 1, 1975.

Q Dr. Dunlop, what we want to know is when you get ready to pay your tax bill for 1974, if the law has been passed, would you deduct it off that income tax you file in April, or would this be after you have filed?

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MR. DUNLOP: That kind of question I think we did not consider, and it would be up to perhaps the Internal Revenue people to work out. I would have thought that insofar as you had Uncle owing you some money by, let's say, the first, suppose the statute were signed by the first of April or some such time as that, then you would have an amount of withholding which was in excess of that required under the new statute from January to that date, and I presume that the Treasury would provide that you could deduct that in that sense, yes.

Q Dr. Dunlop, news reports today have it that the President is planning to recommend a 10 percent rebate on 1974 taxes. If that should turn out to be the case, how would that affect this proposal for a \$15 billion tax reduction in 1975?

MR. DUNLOP: I do not know because I have no knowledge of what you describe --

Q In terms of economic impact. Should the rebate be in fact given, would that change the economic circumstances under which the proposal for a \$15 billion tax break would come about?

MR. DUNLOP: The committee's discussion was not based upon the presumption of a change in the 1974 tax rates. The committee's discussion was based upon what it thought was an appropriate stimulus to the economy at this point.

We expressed neither favor nor disfavor with the suggestion that you are talking about. It was not before us.

Q Sir, would this be a one-year plan or two or permanent or what?

MR. DUNLOP: That is a fair question. You will notice that the language does not say either temporary or permanent. I think the intent of the committee was that the tax changes proposed should go into effect.

The committee was aware that in the course of this upcoming Congress sometime in the next couple of years there would be hopefully a set of legislation dealing with tax reform and the duration of this whole matter could at that time be considered, but it specifically did not wish to label the matter as a temporary affair.

Q Dr. Dunlop, President Ford has had this report, we are told, for about a week now and he released it just 24 hours before he is to tell us when he is going to disclose his new economic program. Does that lead you to the conclusion that he is going to adopt much of this for his economic program?

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MR. DUNLOP: I have absolutely no knowledge about that subject. I have not participated in any of the discussions of the economic policy group or Economic Policy Board on the subject of taxes. All I can tell you is that the committee met on the 30th as a continuation of its earlier meeting on the 18th of December, and that at the end of the day a summary of this recommendation was transmitted to the President, who at that time was in Colorado.

I had no discussion about the question of whether he intends to adopt it or not. I would hope his thinking would be influenced by the committee's recommendation.

Q Dr. Dunlop, the committee went into considerable detail on its tax proposals, but did not on its energy proposals. What was the reason for that?

MR. DUNLOP: It went into quite a lot of detail, I think, on the energy matter. It was much less specific in some respects, I would say. Partly, the committee did not perhaps take the time to go into that kind of detail, it was more interested in laying down general ideas about the energy matter.

We did not have the kind of specific numbers. Perhaps also the committee was more anxious and felt there was much greater need for an immediate attention to these economic initiatives and that clearly some of these energy matters insofar as they related to tax matters might lay over until after this initial stimulus to the economy could take place, although we had no detailed discussion of that point. We wanted to get the economic stimulus.

Q Were such mandatory measures as rationing and increase in excess tax discussed and rejected by the committee? Is that the reason for their absence?

MR. DUNLOP: We did not discuss those in detail. I think it is fair to say that some things might not appear in the energy statement because had they been pursued, there would be no basis of an agreement.

The committee has long adopted the principle that it would explore subjects and if it felt that it was basically fruitless for it to seek agreement on a problem, it would not do so, but if it felt that continued examinations of facts and continued discussion could produce an agreement, it would pursue it. That is what happened in these two areas.

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Q Doctor, can you explain, sir, if you have a reduction in individual income taxes effective January 1, 1975, how does that create increased purchasing power this year? Wouldn't most of the impact be next year?

MR. DUNLOP: No.

Q Could you explain that?

MR. DUNLOP: Let me be very specific about it. In the committee's view, it is important to introduce into the economy a larger stream of purchasing power, particularly as the statement says for low and middle income people, but the personal tax reduction that is here proposed would, of course, apply across the board.

They would constitute a much larger percentage of low and middle incomes, as you can figure out.

If that means each week more money is in the take-home pay after taxes of the household, immediately the household begins to inject a larger stream of money into the purchases of the community. The household has more money to spend on food, on clothing, on automobiles, on making commitments to buy durable consumer goods.

It was the view of the members of the committee, and I pass no judgment on any other proposal, but it was the view of the committee that that was likely to be more stimulative on a continuing basis than a stimulus that constitutes a kind of so much a week at one time because you don't quite know what is going to happen to those one-shot kinds of stimulus, whereas a continuous stimulus would provide the household with some notion that it was going to have more money out of which to make purchases over the long run.

That was the thinking of the committee.

Q Dr. Dunlop, on the committee's proposal to speak to the \$375 maximum per return, is that \$375 absolute top maximum or is that \$375 plus the \$70 tax?

MR. DUNLOP: No, that is an aggregate of \$375 tops.

Q So, if you have five exemptions, then he would get another \$25?

MR. DUNLOP: The \$375 is a top that is controlling.

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Q Dr. Dunlop, the investment tax credit, is 12 percent higher than has ever been adopted? The present 4 to 7 percent, how does that break out. Is most of it in 4 percent or 7? Tell us what you can about that.

MR. DUNLOP: I am not a specialist in that area, but insofar as we discussed it in the committee, my understanding essentially in rough popular terms is that we do have a lower 4 percent rate with respect to utilities.

The proposal was to raise the utility rate to the general rate. That is what the phrasing which says "across the board" is designed to mean. The utilities will be brought up with the others.

I do think that 12 percent is a higher rate than has previously been talked about -- representing as the whole statement is a fully agreed upon statement within the committee -- recognizing the need to develop business stimulus from investment as well as from higher purchasing power through personal income tax reductions.

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Q Dr. Dunlop, there are proposals here for cutting taxes for people who pay taxes. What sort of help would be envisioned for people who pay no taxes at all?

MR. DUNLOP: You are talking at the low end of the scale, I take it.

Q Yes.

MR. DUNLOP: I want to be clear.

I think it is correct to say the committee did not specifically address that question.

Q Dr. Dunlop, to go back a moment, in other words what you are saying is that the committee felt it was preferable to change the withholding schedule, it was preferable to do that than to have a rebate of some kind of income taxes?

MR. DUNLOP: Well, what I said was that the committee addressed itself to the question of 1975 primarily. We did not address ourselves to the question of 1974 taxes. We felt that a continuing reduction was likely in our view to be more effective than one which was essentially a one-shot proposition.

Q Dr. Dunlop, did the committee, if I read this correctly, decide that the President's voluntary program on energy conservation was sufficient?

MR. DUNLOP: We did not reach that conclusion.

Q Dr. Dunlop, you said that in your view it might be retroactive to January 1.

MR. DUNLOP: Well, not in my view. The text of it says effective January 1.

Q What happens to the withholding taxes that would have been reduced, the withholding taxes between January 1 and the time this thing is adopted?

MR. DUNLOP: I thought I had covered that point earlier. I suppose that the correct answer is that the person could take that and we didn't discuss that. That is, I would assume that would have to be worked out in the regulations of the Bureau of Internal Revenue but there are several obvious alternatives. One is that the amount could be taken as an offset perhaps to the 1974 tax bill that was due and in that sense it is a kind of a one-shot proposition for the period from January 1 up until say the first of April. Thereafter, it is the continuing impact that we are interested in.

Q Doctor, what is your reaction to a 10 percent tax rebate on 1974 returns versus what you proposed?

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MR. DUNLOP: I have no comment about that because I have not studied it.

Q Dr. Dunlop, can you tell us why you think the White House chose to release your recommendations now so long after their being submitted?

Then one more question. What do you see the role of your committee being in the near future after this? What follows?

MR. DUNLOP: Well, I really have no basis to speculate as to the timing of the release. The committee has a rule in these matters, which I may add is a rule from earlier labor-management committees into the 1960s, so it is not a specially designed rule at the present time; namely, that any release of the committee's work would be in charge of the chairman or coordinator, and I hold that role, and that the individual members of the committee would themselves not release statements. That is one of our rules.

The other is that sometimes our statements you may say are designed as advice to the parties in collective bargaining, sometimes they are advice to other people. This was a statement obviously directed to the President, and the committee in this case said that the control of the publicity -- the committee recommended to the President that he release it but that the timing of it and the final decision on it should be his since it was directed specifically to him. I cannot tell you any more about that than that.

Now the second part of your question was, what does the committee intend to go on to? The committee has talked about a number of items on its agenda and these two problems have specifically taken a great deal of our time in the meetings we have held up to now. Just to be precise about that, we held a meeting on the 11th of November. We held another meeting on the 18th of December where we asked the President if he would be willing to let us comment, if he would invite comments on the key economic issues for the message forthcoming, and he very much encouraged us to do that so we held a meeting on the 30th and that is how these two subjects were wrapped up at that time.

I do not now have a date for the next meeting of the committee nor a scheduled agenda. There are a number of issues that interest us which we have talked about but we have not agreed to put any particular item at the top of our list.

Q Dr. Dunlop, there is nothing in the committee recommendations about inflation as the continuing problem. Can we assume then that the committee has told the President in effect that the battle against recession is now of overriding importance as compared to any continuing fight on inflation?

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MR. DUNLOP: I think that would be an unfair inference. The committee has talked about the inflation problem a great deal. It takes me away from these two statements. In several industries, I am -- particularly in construction -- very much active, as you may know, with respect to trying to put together another committee to improve the performance of collective bargaining in that industry and in some other sectors.

I do think it is fair to say that the committee's view is that at this point it is felt that its most urgent recommendation and one on which it might help the President in persuading the Congress to act quickly and to act in this range was the subject of economic incentives, and because we wish to be helpful to him and express our views to him on it we concentrated on getting this done. No, we have not in any sense felt that the other problem was of no importance or that it had all been solved, and I am continuing to work both within the committee and in separate industries on the problem.

Q What if you had a situation, sir, where you got this proposal through but you also had the tariff and increased taxes on oil that raised consumer prices and you had other actions taken that in effect took the same money out of the consumer pockets?

MR. DUNLOP: We did not discuss that situation.

Q What would that do, sir? Not as a matter as an expert but could you tell us?

MR. DUNLOP: I am not here to testify as an expert about economic policy, I am here as the coordinator of the Labor-Management Committee explaining its actions.

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Q Mr. Dunlop, on the duration, would you not have to at least go one year because of the tax year involved? There would have to be at least one year of this.

MR. DUNLOP: Well, you are going back to your earlier question, aren't you?

Q Right.

MR. DUNLOP: The committee was of the view that it did not wish to label this as temporary, and I think one should expect that it is the committee's view that this should continue, so to speak, indefinitely, knowing full well that the Congress is likely in the next two years to take up the subject of reform -- indeed, this statement specifically urges the Congress to do so, and that may very well be a subject on which our committee may wish also to make some recommendations. And at that time, the question that you ask it seems to us is appropriate to raise.

Q It would have to be at least a year for tax purposes?

MR. DUNLOP: It may very well be two.

Q Mr. Dunlop, to clarify one point -- this 12 percent investment tax credit is actually a bigger boost for the utilities than it is for other industries because they are not at a lower level, is that correct?

MR. DUNLOP: That is correct, and we made that recommendation knowingly with the view that we think the utilities have special difficulties and a special need. As a matter of fact, if you will look at the energy statement, you will see that there is incorporated in the energy statement a reference to the utilities which recognizes that special tax arrangements may be appropriate in the utilities, and this economic incentive statement is a demonstration of that.

Q Sir, although I understand you didn't discuss the tax cut in terms of the possible revenue raising energy measures, the committee is recommending a net stimulus of \$20 billion by these two measures, isn't it?

MR. DUNLOP: Well, your use of the word "net" is putting words in my mouth and the committee's mouth. It was the intention of the committee to provide a stimulus to the economy, in its view, in the form and in the amount which is fairly specifically indicated in the statement.

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We did not, as I have said to you, discuss various kinds of offsets. You mentioned one possible one, and there are others as you can imagine. We did not in any way discuss that subject.

Q Isn't this the first time the labor people have come out for investment tax cuts?

MR. DUNLOP: You ought to ask them, but I think your impression is correct.

Q Why change?

MR. DUNLOP: What?

Q Could you describe why they changed?

MR. DUNLOP: Mr. Meany is perfectly able to speak for himself.

Q I thought the coordinator was supposed to handle all this.

MR. DUNLOP: But you are asking me now not about the committee, you are asking for one segment of the committee.

Q I see.

Q Why don't you give us both segments?

Q If I could follow that, Mr. Dunlop, on the committee's discussion of this, was this a quid pro quo? Did the discussion go this way: labor wants individual taxes cut, business wants investment tax credit and we will give and take? Was there some negotiation, or were both groups just for it?

MR. DUNLOP: Well, I think I can answer that question by saying, with eight labor fellows and eight management fellows, you may assume that it was necessary to have a couple of meetings of discussion in order to find an area of accommodation.

Q As an individual, now, would you personally level with us?

MR. DUNLOP: I am listening all the time.

Q Would you be personally, now, unhappy with a 10 percent rebate on the 1974 return? Not as a member of the committee, now, but as someone who studied it.

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MR. DUNLOP: I insist that that is a question that is beyond what I came here to answer and talk about, and it is not my custom to change my roles. I will not answer it.

Q Not even as a private citizen?

MR. DUNLOP: Not as a private citizen -- today I am working for the Government.

Q Mr. Dunlop, is there any probability that you will be working for the Government on a full-time basis in the near future?

MR. DUNLOP: I know of no reason for thinking so.

THE PRESS: Thank you, sir.

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(AT 3:04 P.M. EST)