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THE WHITE HOUSE

PRESS CONFERENCE
OF
WILLIAM E. SIMON,
SECRETARY OF THE TREASURY;
AND
L. WILLIAM SEIDMAN,
ASSISTANT TO THE PRESIDENT
FOR ECONOMIC AFFAIRS

THE BRIEFING ROOM

AT 11: 20 A.M. EST

MR. CARLSON: The President today is transmitting to Congress his tax message. You should have a fact sheet and the President's message.

Here to briefly summarize the message and answer your questions are Secretary of the Treasury, Bill Simon, and the Assistant to the President for Economic Affairs, Bill Seidman.

SECRETARY SIMON: Thank you, John.

Ladies and gentlemen, I just want to make a brief opening comment and then Bill and I and our tax experts from Treasury will be delighted to answer any questions that you might have.

First of all, I think it is important to understand the rationale and the principle behind this tax reduction proposal that we are putting forth today because there is currently much discussion going about, whether the economy requires so-called stimulus above that that is already inherent in our fiscal and monetary policies that are implicit in the budget that will be presented next week.

We are encouraged, as I guess everyone else is, that the economy now shows convincing signs of a continuing healthy, balanced expansion in our economy. Obviously, it experienced a politically unfortunate national pause that was not at all unusual, but difficult indeed to explain during the late summer and the Fall of 1976.

But in our opinion, at this time -- this has been pretty much consistent -- further increasing the deficit in order to stimulate the economy is unnecessary, is unwise and undesirable.

Accordingly, this tax message and the series of reduction proposals must be viewed as an overall approach which includes restraint on the growth of Federal spending.

The President's specific spending recommendations are going to be presented later on this month as you know. In part the reductions are based on the President's belief that the Congress should periodically counteract the growing

MORE

burden imposed by our tax system, because inflation and real economic growth constantly push tax payers into higher and higher income brackets, and by providing offsetting tax cuts while continuing to restrain the rate of growth in federal spending.

It is our view, as I said a moment ago, that a healthy balanced expansion is presently under way. Final sales, industrial production, capacity, utilization, housing starts, mortgage money, consumer confidence, the inflation rate continues its downward trend, leading economic indicators were up strongly last month; capital spending, while long deferred has been disappointing to some, McGraw Hill, Lionel Edie forecast significant gains in capital spending over the year ahead in real terms.

Importantly, the excesses and the imbalance that typically indicate the end of an economic expansion are not visible.

Obviously, unemployment remains too high. In the year ending November 1976 employment gained almost three million. But the labor force increased two and three-quarter million, which was over a million more than expected.

These numbers indicate that unemployment is going to unfortunately remain higher than normal, even with a continued healthy economic recovery.

You all have -- I believe you have -- a package of the tax proposals and Bill and I will be delighted to respond to any questions that you might have.

Q How much is the net tax cut proposed after you take into account the increased Social Security contribution?

SECRETARY SIMON: There is a table. Table I shows the change in tax liability in the President's proposals compared to the present law. Also, it shows the impact per income class later on in the tables, taking into consideration the increase in Social Security taxes, along with the tax reductions. And there is a slight increase at the lower end of this because we are recommending a removal of the earned income credit.

But in the median range the median family income today in the United States is approaching \$15,000. Even taking into consideration the increase in the Social Security tax, there would be a net reduction over the present tax laws.

Q Where is that net figure shown? I didn't see it in the table.

SECRETARY SIMON: Table 2.

Q Where? Is that the minus point 12 for Calendar 1977?

SECRETARY SIMON: That is correct.

Q Mr. Secretary, in the President's message he indicates that the proposal is quite similar to the one introduced in October of 1975. What makes him think the

Congress will be any more receptive to this proposal than it was then?

SECRETARY SIMON: We believe that our approach is the sound approach, as far as taxation is concerned; that the American people at all levels pay too much tax. Federal, State, and local taxes take about four months of the work effort of the American citizen today and we must reduce that burden.

We must also pay attention to the need for capital investment, of which we have spoken about increasingly. And this is the proper approach to make.

Q What will be the result of a rejection of this approach?

SECRETARY SIMON: I never presume failure or rejection until we have had an opportunity to debate, which indeed we are going to do.

Q Has anything changed, Mr. Secretary, this year over last that makes you think it will be enacted?

SECRETARY SIMON: At this time last year they were in the process of going through a comprehensive tax reform effort that was completed during 1976. So it is entirely reasonable to me to expect that they will take these tax proposals that we are making and consider those in the absence of the complications of the other tax bill which complicated, obviously, new proposals that would be made.

Q Mr. Secretary, are these cuts tied dollar for dollar to spending reductions?

SECRETARY SIMON: These cuts, when we made the dollar for dollar proposal, that was at a propitious time because we were doing the budget, et cetera. These are not per se the dollar for dollar, but quite implicit in the tax reductions is, as you will see next week when Jim Lynn unveils the budget for 1978, implicit is that we are trying to slow down the growth in Federal spending and return the decision-making back to the American people through a reduction in taxes. But it is not the "dollar for dollar".

MORE

Q Are you still going to be able to present a budget that will get you on a glide path to budget balance in two years?

SECRETARY SIMON: Well, I am not going to this morning preview the President's proposals. That will be done, I believe, on the 17th of this month; but you will see it pretty consistent with everything that we have been saying in the past two and a half years.

Q Mr. Secretary, you say these are substantially similar to the October 1975 proposals. Can you point out where they differ in any significant regard?

SECRETARY SIMON: Well, it isn't significant, but we did have a Tax Act that required us to change and in the fact sheet that was handed out to you, it will show you all of the specific proposals. I think that will clarify it in some detail, but basically, there is no significant change.

MR. SEIDMAN: It is the low income allowance and the standard deduction is the principal one that is different.

Q You are proposing to do away with it?

MR. SEIDMAN At this time, since we are including both the percentage deduction for the standard deduction as well as the low income allowance. Originally, we had just proposed a flat low income allowance for married and single people. This combines what is in the law now with our proposal.

Q Do you believe, is this designed primarily to stimulate the economy?

SECRETARY SIMON: No, sir. As I said at the outset, Mr. Levine, absolutely not. That additional stimulus at this time, in our judgment, is unwise, unnecessary, and undesirable.

Q Will that have the effect, nevertheless, of stimulating the economy by providing people with more purchasing power?

SECRETARY SIMON: Well, one can say that, and then we can get into the long, so-called Keynesian debate about money to be saved and money to be spent. I think that everyone who wishes to read interesting things in this, will be well told to read the Wall Street Journal editorial on this subject about money that is saved and what it means for capital investment.

Indeed, the confidence of the individual in his own personal balance sheet is improved through money in the bank. Whether it is spent or saved, one can argue about the lag, if you will, and its effects on the economy; but it is certainly positive and in that respect, yes.

Q Mr. Secretary, do you think now that the new budget is going to show anywhere near a \$10 billion cut in spending?

SECRETARY SIMON: Again, I am not going to preempt or preview the budget here this morning. You can -- and will, I am sure -- ask that question of Jim Lynn next week or two weeks from now when he comes to present the budget.

Q Can you give us any guidance?

SECRETARY SIMON: I think I gave the guidance before when I said that this proposal, coupled with the budget decisions that were made, are consistent with the slowdown in the growth in spending, although I could not say that it is absolutely the dollar-for-dollar proposal. I think you will find it is very consistent with that proposal.

Q Can you say, Mr. Secretary, what effect this will have on the potential fiscal '78 budget deficit?

SECRETARY SIMON: Again, because that is not the purpose of the briefing this morning. To preview, we will lay out the full five-year forecast when Jim Lynn comes before you in two weeks, and spell out what the deficits are going to be in the future and what our outlook is for the balance that we are attempting to achieve.

Q Mr. Secretary, you talked about the median income family before and you said it would end up being a net reduction in taxes. Can you tell us how much it would be?

SECRETARY SIMON: It is on your table. Which table is that? Table 13. Median income is approaching \$15,000 a year and it shows the proposed law, extended out to '79, and what the current law is. You can net that out and find that it is a net reduction for a median family income. Table 9 is better.

MR. SEIDMAN: Table 9 shows it without Social Security and Table 13 shows it with Social Security.

Q It is a net loss for people at the high income, in the scale I see and it is the same for low income people. Is that correct? The tax burden would remain the same in your low income, and would be reduced.

SECRETARY SIMON: Where there is a removal of the earned income credit, that would be a net loss, I am told. Is that correct, Harvey?

MR. GALPER: Right.

Q Mr. Secretary, in the President's statement, he says, "It is time to focus substantial tax relief on middle income taxpayers." Is this being done at a cost to the low income taxpayers? In other words, is there less relief for the lower income taxpayer?

SECRETARY SIMON: Well, you can say there is less relief than you might have designed in a package, but we feel that the middle income taxpayer has been neglected in the areas the President says, "between \$10,000 and \$30,000"; that the effects of inflation continue to push those in the lower brackets into the middle income brackets and they are never afforded the tax relief that is given, in my judgment and in most others that I know, for political reasons at the lower end, and there are not sound economic reasons to be doing this.

MR. SEIDMAN: If you look at Table 4, you will see the description by income classes, who gets the relief, and you will see it is primarily as the Secretary said, in the \$10,000 to \$30,000 area.

Q Mr. Secretary, maybe I am reading the tables wrong.

SECRETARY SIMON: That is easy.

Q But on Table 13, it looks as if in fact the people with the lowest incomes get no relief whatsoever. Is that accurate in '77 as compared to the proposed law?

SECRETARY SIMON: Essentially, they have received significant relief in the last two Acts of 1975 and 1976. The point is that it is the Social Security increase that does it on the low income. Their actual tax would be less, but, of course, their Social Security more.

In recommending the earned income credit that they received in 1975 and 1976, which we opposed at the time, it is a cash payment, as you know. It is a welfare program, not a tax program. We believe there should be comprehensive welfare reform and a proposal for earned income credit, which is a step in the direction of the negative income tax, should be postponed for that debate and not add the further complexities to the tax system that this legislation did enact.

Q But they are the only --

MORE

SECRETARY SIMON: But the important thing is not to confuse, which constantly it is, even though on a net basis one can argue about the Social Security tax and its fiscal impact on an individual or family. We are looking at the net dollars it takes. The Social Security problem is separate and distinct from the problem of our income tax system. The Social Security program is an earned right. It is an insurance program, not a welfare program.

For years we have been increasing the benefits with a double dip provision that exists on the doubling up of the increase in the benefits from wage increases as well as cost of living, and now we are seeing the end of the Social Security Trust Fund.

By the early 1980's the Social Security Trust Fund is going to be depleted. I know there are those that indeed wish to use "Treasury revenues" to pay for Social Security. The fact that we have no Treasury revenues, we only have Treasury deficits, doesn't seem to bother these people. But we must maintain the integrity of the Social Security system and provide the benefits as promised to future beneficiaries. This can only be done by paying for it.

Q Mr. Secretary, you say that this is definitely not a stimulative tax cut, you don't feel.

SECRETARY SIMON: I said the purpose of this tax reduction was not for stimulation and I was quite clear in my opening statement that I didn't want this to be confused with the current rhetoric that is dominating the discussion, the economic discussion in the papers these days, about "what size stimulus do we indeed need". This proposal is basically similar to the proposal that the President made in October of 1975, consistent with the belief that the American people and American businesses are overtaxed. And we must reduce the tax burden of the individuals in business for necessary capital formation. But at the same time we have to reduce the growth in spending. We can't have both, lower taxes and higher Federal spending, in a budget that just continues to increase, increase and increase beyond anyone's control year after year.

That is the underlying philosophy to this proposal, as opposed to those who would prefer to "stimulate the economy".

Q But in terms of practical effect on the economy, what is the difference between a \$15 billion package proposed by Governor Carter and ---

SECRETARY SIMON: Has he proposed a \$15 billion package?

Q That is the figure under discussion.

SECRETARY SIMON: I read that differently.

MR. SEIDMAN: The difference is in the size of the deficit. As I understand it, he is proposing to increase the deficit by that much and we are not proposing to increase the deficit by that much.

Q How much are you proposing to increase the deficit by?

MR. SEIDMAN: As the Secretary said, when you get to the expenditure side you will see that it follows generally the principle the President put down before, which was to hold down expenditures and reduce taxes.

Q But it will be something less than the \$12 billion involved in the package here, the extent to which you have increased the deficit. Is that right?

SECRETARY SIMON: I would say that the entire approach, as I said a few minutes ago, is consistent with the dollar for dollar. Although I couldn't accurately say. I could point it out as I did the last time. The last time, if my memory serves me, we were looking at a growth in Federal spending of \$53 billion.

We propose that that be cut \$28 billion down to \$25 billion. And we could point to the programs that we are going to cut the growth in spending by that like amount. It would be impossible to do that this time. Although the philosophy remains that we are slowing down the growth in spending to achieve balance in the future, but moving down toward giving tax relief to American people and individuals.

Q Mr. Secretary, I understand very little of this, but could you say whether what you are telling us now would forecast no pay raise for Federal employees? Because that would increase expenditures of Federal officials?

Q Federal officials?

Q Federal officials. Thank you.

SECRETARY SIMON: I don't know that the President has reached a decision on that yet.

MR. SEIDMAN: He hasn't.

SECRETARY SIMON: I don't believe he has.

Q Much of this will affect the current year's fiscal budget. Could you therefore tell us what the change on the Fiscal 1977 budget will be on the deficit as a result of these measures. It says to take effect immediately.

SECRETARY SIMON: I don't know that this says that.

Q Are you saying we should wait for the expenditure side? But that will only affect 1978. What about the current?

MR. SEIDMAN: It reduces revenues by \$4 billion.

Q \$4 billion?

MR. SEIDMAN: That is correct. It is the calendar year, not fiscal year.

MORE

Q About three-quarters of that then?

MR. SEIDMAN: Approximately.

Q So it will increase the deficit by about \$9 billion?

MR. SEIDMAN: Assuming you didn't do anything.

SECRETARY SIMON: Assuming you didn't do anything on the expenditure side, but we can't assume that.

Q That you will see for the current year?

SECRETARY SIMON: But that I think is already in the numbers in our budget. It was in the numbers in our budget because this proposal, again going back to one of the original questions, is dollar amount-wise, essentially the same thing that we have been consistently proposing. Reduction in spending coupled with this like amount, additional \$11 billion in increase in reductions.

Q Mr. Secretary, is there any correlation between this ---

SECRETARY SIMON: I will be right with you back there.

Q Is there any coordination between this tax cut proposal and the tax simplification project that is being worked on by Mr. Walker's staff?

SECRETARY SIMON: Basically tax proposals are worked on in the Treasury and basically they are worked on by the same people.

Q Would one tend to further simplification?

SECRETARY SIMON: Yes. Every proposal that the Treasury comes up with in the tax area aims at making the system more simple. We don't always achieve it, but it is always aimed in that direction and the whole notion of the earned income credit and the three very complex credits that are available as a result of the Tax Reduction Act of 1976 is a definite step towards simplification, but it is a darned small step, let me tell you.

Q Mr. Secretary, when you said that the further stimulation would be unwise and undesirable, was that predicated on the acceptance of this program, President Ford's? In other words, further stimulation beyond this proposed tax cut; is that what you meant?

SECRETARY SIMON: Again I don't relate in this program to stimulus, but I don't deny that obviously when enacted a tax reduction does provide stimulus. In my judgment, in the absence of this proposal, I would be opposed to additional stimulus other than is quite explicit in our present fiscal and monetary policy.

Q In other words, if this program did fail somehow, you would still be opposed to another stimulus program?

SECRETARY SIMON: I most certainly would.

Q Mr. Secretary, have you discussed this at all with Mr. Blumenthal or any members of the Carter transition staff?

SECRETARY SIMON: No, I have not.

Q How about with Republican Congressional leaders? Do you have any independent indication of support from them?

SECRETARY SIMON: I would assume that we would get the same support from our Republican leaders on the Hill as we received for similar proposals in the past year and a half.

Q But you haven't touched base with them on this?

MR. SEIDMAN: We have talked with them about it. They are doing some studying of their own, and that is the status of it at the moment.

Q That means again they are not endorsing this at this time?

SECRETARY SIMON: No. I wouldn't want to say that at all, because basically this is consistent with the proposal we have made in the past year and a half and there is no reason to believe that removing the tax burden from the American people in the way that we have designed here wouldn't be just as acceptable to them now as it has been.

MORE

Q Except that an election was held since then and some of them may not look at this in the same way.

SECRETARY SIMON: I don't know that we can call tax reduction politically unpopular. Do you?

Q Mr. Secretary, why did you not discuss this with the Carter people? Was there any request to discuss it?

SECRETARY SIMON: No, there was no request to discuss it. President Ford is President, by our Constitution, until January 20th, and this is consistent with the work that we perform in the Economic Policy Board and I saw no need to discuss this.

Q Did you inform them that you were presenting it today?

SECRETARY SIMON: No, I did not.

MR. SEIDMAN: The President informed them during the campaign. I mean it had been widely known that we are going to have a budget and we are going to have tax proposals and all the rest. If the founding fathers of this country meant to have no one running the country between November 2nd and January 20th, they would have spelled it out in the Constitution.

Q Mr. Secretary, I am not sure why the President is now being somewhat less specific about a dollar-for-dollar link here, as he has in the past. Is there a technical difficulty there?

SECRETARY SIMON: I am told as they are working the budget down, Art, to the final decisions and the final process that at the time we made that proposal before, it was propitious to tag it to the specific 28:28, down from 53 to 25.

Q But he did that then as a principle that I thought he was pretty firm on.

SECRETARY SIMON: Again, the principle is intact; but I cannot be specific and say it was done period, dollar for dollar; and I talked with Jim Lynn, because I asked him the very same question about this. It would be impossible for me, if I said yes, it is the same thing, okay, relate on the dollar for dollar, which dollars were cut to match this. That would be the difficult thing.

Q Are you going to when the '78 fiscal budget is announced?

SECRETARY SIMON: It is the 17th, I believe.

Q Are you going to announce at the same time? Is the President going to make a call for immediate cuts for the '77 fiscal year budget which might offset the effect of these on the current year?

SECRETARY SIMON: I don't get the one-shot question. What is that?

Q Is the President going to renew his call for full cuts in the current fiscal year?--

SECRETARY SIMON: Oh, I assume that those --

Q -- in order to balance off the decline in revenue that these measures would make?

MR. SEIDMAN: I don't think he proposes any additional changes that I know of.

SECRETARY SIMON: No,, not that I know of.

MR. SEIDMAN: That he has already called for.

Q Mr. Secretary, since this will provide an economic stimulus, as you acknowledge, but you feel that a stimulus is not necessary, what do you see as the inflation possibilities of a tax cut of this sort?

SECRETARY SIMON: Again, in an economy that is approaching \$2 trillion, as we are in the United States, the notion that a reduction in taxes of this magnitude is going to increase inflation, one has to make the assumption on what will be saved and what will be spent and where indeed the demand pressures are.

As far as inflation impact, I would not say that there would, in our judgment, be anything significant in that area at all. The fact of the matter is that this is again more of a philosophy of this Administration as opposed to those who wish to just increase spending. We are cutting down on the government presence by reducing spending and trying to get control on the budget and, at the same time, reduce the horrendous tax burden that is borne by the American people today.

One shouldn't look at always the short-run effects. That is one of the problems we have in economic policymaking in the United States Government and perhaps elsewhere as well. Our constant overreaction to one and two-month economic statistics lead to knee-jerk reactions and, indeed, stimulus that has shown us that it is quite counterproductive in the median and longer term. We have to avoid this and adopt longer term economic policies in the United States as to what the possible benefit is to proposals.

Q Mr. Secretary, since you said this will provide some stimulus anyway, can you give us some projections on what impact this will have on the economy or would have?

SECRETARY SIMON: Have we done that?

Q What will it do to unemployment?

MR. SEIDMAN: Since we propose that the expenditures and the income are going to be reduced approximately equivalent, if you are talking about fiscal policy and the result of that, it has no effect.

Q Are you saying then that the budget is going to be cut approximately by the same amount to make up for the tax cut?

MORE

MR. SEIDMAN: That is the objective. That is what the Secretary is saying.

SECRETARY SIMON: Even though it is not dollar for dollar, the point is you can have this argument all day, and I argue with the economists on this subject, the question you asked, Art -- and we could talk about "economic stimulus." Is there more stimulus from government expenditure or from the private sector when the individual gets more money and when savings occur and the rest?

Q Bill's answer would seem to imply yes.

SECRETARY SIMON: I think that a lot of economists would argue, and I happen to not share this view, that cut Federal spending \$10 billion, cut taxes \$10 billion, and it is a fairly neutral effect in the economy. I must admit I think that the dynamics of our economy are not subject to that simplistic analysis and that giving the individuals back the decision-making, the money to spend, to save, to invest, the confidence factor, all the rest, affects human behaviors in a lot of ways that defy analysis.

So I think there are positive effects. Perhaps in the median and longer term, indeed, positive effects.

MR. SEIDMAN: I agree with that. I am just saying it is a straight fiscal policy question..

MORE

SECRETARY SIMON: I can't prove it, but neither can I argue on the other side either because as we all know by now, or should, economics is not a science. It is an art.

Q I have a question about the employee stock ownership plan. Since Mr. Seidman had told some of us at the breakfast once that President Ford favored that concept, could you explain what it is about the present ESOP reduction or whatever it is, exemption that you don't like? Is it undesirable?

MR. SEIDMAN: Yes. The feeling of the Administration has been all along that that particular plan applied to too few people. It gave an advantage only to those who were particularly situated to take advantage of it, which were primarily large corporation employees, and that it was not the kind of plan which would achieve his objective. Therefore we have consistently felt that it was not the appropriate way to go at it.

SECRETARY SIMON: You remember what our original proposal was. We proposed the ESOP broadened stock ownership plan which enabled the individual to pick the stock in the company that he wished to invest in. In this plan, the individual is a "captive" and the stock of his own company is purchased for him, if he wishes to participate in this. Again you can assume he is and with the "all the eggs in one basket" that assumes much greater risk if indeed his savings are being channeled into the same company that he works for and being subject to involuntary investment in just a single stock in his company rather than having the ability to diversify and buy stock in many companies.

Q Mr. Secretary, I am confused about the timing of this. You are proposing to cut taxes by about \$12 billion in Calendar 1977, which implies a cut of about \$9 billion in the balance of Fiscal 1977. You are not proposing to touch the spending side of the Fiscal 1977 budget any further. That seems to have a net stimulus of \$9 billion in the balance of Fiscal 1977.

SECRETARY SIMON: I would like you to check this, Rudy. Can you respond to that? It is my understanding that that was cranked into the budget to begin with when we proposed the Fiscal 1977 budget. You will find numbers very similar to those already in the budget.

Q We are no longer talking about the budget document that was proposed a year ago. We are talking about the budget that has been enacted. It's not the same thing.

SECRETARY SIMON: Yes. That is correct. Is this in there, Rudy?

MR. PENNER: There are limits to how you can affect the 1977 budget and that is why, as Secretary Simon has said, we have had to move away from the exact dollar for dollar principle. But the overall 1978 budget will show considerable constraint.

Q But the 1978 budget doesn't begin until

October 1st, 1977.

MR. PENNER: That is correct.

Q The question still is what is the fiscal effect in the balance of Fiscal 1977?

MR. PENNER: It will increase the deficit in 1977 more than if you had no tax cut at all, obviously.

Q By \$9 billion.

Q If we start, Rudy, with the \$15.6 billion in the Congressional resolution for Fiscal 1977, their estimate of the deficit, wouldn't this increase the deficit, that deficit figure, if everything else was being held equal?

MR. PENNER: If everything else was held equal, obviously.

Q By \$12 billion and a half or by \$9 billion?

MR. PENNER: Something less than \$12 billion.

SECRETARY SIMON: If it was \$9 billion on a straight arithmetic basis, you are correct, but you are also assuming that they are going to enact it retroactively, and that they are going to enact it promptly. I don't know.

Going back to the 1975 experience, everybody agreed that we should have a tax reduction and it took us from January to June to get it out. Maybe this Congress will be different.

Q But your proposal is as of January 1st.

SECRETARY SIMON: Yes. We certainly will.

Q Mr. Secretary, was there any reference here to high income taxpayers, and is there a minimum tax proposal in this document?

SECRETARY SIMON: As you probably well remember, we made a proposal in 1973, in March, that would have closed effectively all of the loopholes through limitation on artificial accounting losses and also a minimum taxable income proposal that would have guaranteed that everyone indeed paid their fair share of tax.

The Congress rejected our approach to it and enacted instead an increase basically in capital gains which was an increase in the minimum tax they have now, which the President signed in the Tax Reform Act of 1976.

Our only area, if I remember correctly, in these proposals for the minimum tax is to remove the charity from the tax base of the minimum taxable income. This has been consistently our position. We would hope that that would be done. But that is our only reference to the minimum tax.

Q Secretary Simon, with the new administration coming in and with the Democratic Congress, isn't this really

MORE

kind of a declaration of President Ford's tax position rather than an independent indication that you have any genuine anticipation of this being considered and passed by the Congress?

SECRETARY SIMON: I don't know. We can all engage in what odds there are as far as our ability to have this enacted. I guess you would find lots of differences of opinion. Again, these are our tax proposals, just as the budget that is going to be presented are our budget proposals.

You will find there is no difference in philosophy or really the rough amounts of the proposal or the methods in which we are proposing that the taxes be reduced for individuals and business.

I would expect, as I have learned down here in Washington in four years, that if there is one thing that has to be done to get acceptance from the people it is to be repetitious. I think the pertinent example of that is the integration of corporate and personal taxes which we are once again recommending in this document.

I can remember going back to July of 1975 when I first proposed before the Ways and Means Committee the integration of corporate and personal taxes and seeing the headlines in some of our prominent newspapers the next day "Simon Proposes Tax Break for Big Business".

Upon analysis, I think wiser heads prevailed, and lo and behold, it even ended up in the Democratic Platform. I don't see that headline any more. So repetition does pay. When you have policies and a philosophy on a tax system that is consistent with the principles that have always guided this country, fine. It has to be repeated, and that is what we are doing. It is important because that is what President Ford and his Administration stands for.

MORE

Q Just to follow that, do you expect this to be discussed in the 1978 and 1980 campaigns?

SECRETARY SIMON: I don't know. If they have been enacted, no. If they haven't, you will not get me to change my mind on integration. But I would have to assume that integration is now an accepted idea, seeing as the Democrats --

Q I don't mean integration, I mean overall tax cuts.

SECRETARY SIMON: Of course, the integration business is really the foundation of our tax reduction proposals. It is the most expensive. It's the one that, in our judgment, does the most as far as capital formation is concerned. Obviously, Mr. Carter shares my view and the President's view.

Q Are you going to become Chairman of the Republican National Committee?

SECRETARY SIMON: No.

Q Are you going to run for Governor of New Jersey?

SECRETARY SIMON: No.

Q What are you going to do?

SECRETARY SIMON: I'm going to run for home and cover and life and return to the private sector after I take a vacation.

Q You're not going to participate in the Republican "Summit Conference"?

SECRETARY SIMON: Oh, gosh! I will be as active as anyone asks me to be in the Republican Party. I have expressed my concerns in the past and will continue to. I also happen to believe that the two-party system in the United States is extremely important and we have to broaden the base and rebuild the Republican Party and on to 1978 and 1980.

Q But your program is to remain active and stop short of becoming Chairman of the National Committee?

SECRETARY SIMON: I cannot accept that job on a "full time basis", because for four years I have been in this business and each time with my family going back to New Jersey. I will return to New Jersey too, but I will spend whatever time it would take to work on what I think to be critically important to the direction in which our country is headed.

Q Will you be going back to Salomon Brothers?

SECRETARY SIMON: I don't know. I have made no commitments and will not make any commitments until January 20th.

Q Thank you.

END

At 11:40 A.M. EST