



Project for a Prosperous America

Thomas F. Murphy, Chairman

March 5, 1978

Congressman Al Ullman, Chairman
House Ways and Means Committee
U. S. House of Representatives
Washington, D. C. 20515

Dear Congressman Ullman:

Thank you for allowing submission of this written testimony on behalf of Project for a Prosperous America, an organization which brings together representatives of labor and business to work together on economic issues.

Labor and business don't see eye to eye on every issue - but one thing we do agree on is that the direct business of labor and management is providing employment. To provide enough jobs for everyone who needs them, we must have economic growth.

The simple fact is when there aren't enough jobs, it's because business isn't producing enough.

And that takes capital.

The number of people in the labor market is growing every year; and,

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because of inflation, it takes more capital to create new jobs than ever before. And the economy is not growing fast enough to provide those jobs.

That's why I think it would be wrong to call legislation which helps to create capital, which encourages investment in new plants and facilities, which makes it possible for business to grow, expand, and produce more goods - "special interest" legislation.

It is in the public interest to put people to work.

And it is in the enlightened self-interest of every American to create a stable, healthy, productive economy.

As a labor leader, it is certainly in my enlightened self-interest. I'm a building trades man. Our people need the jobs created by business expansion. Our people can't afford so-called "no-growth" policies.

That's why I think Congressman Ullman is taking a step in the right direction by proposing legislation which would begin to phase out the double taxation of corporate dividends, thereby creating capital for business growth and expansion.

You don't have to be an economist to know that if you tax investment heavily, you discourage investment. Look at what our competitors in the world market are doing. Other Western industrial nations - Japan, France, West Germany, and the United Kingdom - have already reduced or eliminated taxes on corporate dividends. Some also provide other incentives for investment; some even subsidize investment. And while they take those steps to encourage capital investment, the U. S. discourages it by not only taxing dividend income twice, but by taxing dividends at higher rates than other income. This is just another of the pressures which affects our dollar abroad.

We have got to rid ourselves of the notion that every tax incentive is a loophole. Sometimes it is an incentive.

March 6, 1978

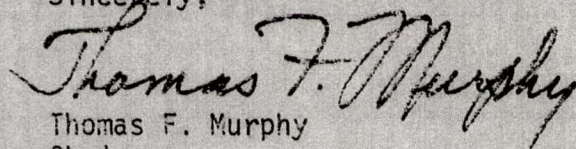
Economists say that eliminating the double taxation of dividends would make investments in stocks more attractive, would increase the market value of stocks, and would increase the amount of equity capital available, which is a prerequisite for creating the facilities required to remove the high unemployment levels that presently exist.

That brings me to another side of this question that you might not have considered. Working people, through pension funds and insurance policies, own one-third of the equity capital in this country; and that percentage is increasing every year. Twenty-five million people own stock directly. One hundred fifteen million people own stock indirectly, through their pension funds.

Building trades pension funds, for example, have millions in investments, many of them stocks. If the stock market is strong, our pension funds are strong. Reducing the double taxation of dividends would increase the value of our holdings, and the pension funds that our members depend on for retirement would be stronger.

So I support Congressman Ullman's legislation. I would be less than honest if I didn't say, that while I am as patriotic as the next person, my main interest as a labor leader is in what's good for our people. I have fought management on many issues before - and will again across the bargaining table and on the Hill. But when it comes to the basic question of economic growth and providing jobs, I think we have to get together. That's what Project for a Prosperous America is about.

Sincerely,



Thomas F. Murphy
Chairman

TFM:rm