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POLICY RESOLUTIONS

ADOPTED NOVEMBER 1963
BY THE
FIFTH CONSTITUTIONAL CONVENTION



AMERICAN FEDERATION OF LABOR
CONGRESS OF INDUSTRIAL ORGANIZATIONS

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the federal government to gather information on technical changes, actual conditions and the welfare of the American people to assure that the benefits of its actions are not lost and its dangers avoided. We also urge the government to assist unions and employers with a mutual assistance service that would request, in developing labor-management programs, the assistance of specific plants, companies and

the all-out war on the shameful conditions of poverty of an additional segment of the population. We urge the government to develop a framework for solving these problems, including the assistance needed to assist low-income families in obtaining adequate opportunities to education, including extension of coverage of health insurance; an increase in the federal minimum wage; reduced retirement benefits, reduced retirement insurance for the aged under the Social Security Act; employment compensation systems for low-income families; and other measures, including higher education for low-income families.

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the government from the pricing policies of government-owned or administered-price industries. Only the federal government is needed. Only the federal government's antitrust commission is needed. Only the federal government's antitrust commission is needed. Only the federal government's antitrust commission is needed.

of payments difficulty must be overcome by expansionary policies to sustain full employment. The economy is necessary for the dollar and is the only way to solve the problem of payments issue. Direct action, at least for a temporary period, is needed. Only the federal government is needed. Only the federal government is needed. Only the federal government is needed.

ment of federal restrictions, for a temporary period, on the flotation of foreign stocks and bonds in U. S. money markets, which result in substantial dollar outflows. At the same time, the U. S. should continue its policy of attempting to maintain and to increase America's sizeable export surplus. We urge the government to take a strong and positive lead in working for the development of a new international monetary mechanism, which could eventually reduce potential international pressures on the American dollar.

TAXES

Tax policy at all levels of government—federal, state and local—affects not only the individual citizen but the destiny of the nation as a whole. The amount of taxes collected will in part reflect how well the American people can meet their needs—their needs for public education, for welfare services, for defense of free societies, and the whole range of human necessities which the individual cannot provide for himself.

The American labor movement has always been keenly concerned about the fairness of the way in which these taxes are collected and in the use of the tax power for the common good.

In the last year, the Kennedy Administration has sought to use the power to tax in a new way, a way in which to meet one of the most crucial problems facing the nation. This problem is the continuing, indeed the growing, high level of unemployment.

Each year, for six years, about four million or more men and women in the United States have sought jobs they could not find and many more have been forced to work short time. Each of the post-Korean recessions has brought a higher "normal" level of unemployment as an aftermath. And each new development in technology and automation reduces the number of jobs that would otherwise be available.

For this reason, the AFL-CIO and other groups, as well as President Kennedy, have called upon the Congress to enact a tax cut for low- and moderate-income families to increase substantially the consumer purchasing power of the nation.

We have pointed out that higher consumer purchasing power is essential to increase the total demand for goods and services, which in turn will cause business to produce more goods and services, thereby creating new jobs for unemployed Americans.

Others argue that taxes on business and higher-income groups should be reduced, to produce funds for investment. But this argument ignores the fact that the investment tax credit of 1962, plus administrative changes last year that allow liberalized depreciation set-asides, have already granted business the equivalent of a \$2½ billion cut in taxes.

It also ignores the fact that the flow of cash to corporations (profits after tax plus depreciation set-asides) has been growing ever larger over the last five years. Even after paying out substantial dividends, the retained cash-flow of non-financial corporations, from 1958 through 1962, has been \$8 billion greater than their total investment in new plant and equipment. Moreover, in 1963, profits, dividends and retained cash-flow are all at record highs.

Despite the availability of all these funds for capital investment, unemployment remains intolerably high. And the need for a tax cut for low- and moderate-income groups to stimulate job growth thereby requires the highest priority.

The tax cut bill passed by the House of Representatives will have a helpful impact on job creation. Over \$5 billion in tax reduction would go to families with incomes under \$10,000. About 1½ million families with the lowest incomes would go off the tax rolls entirely due to a proposed new minimum standard deduction. Other features of the bill would also help working people. Overall, it would increase consumer purchasing power considerably.

In the House, conservatives demanded as a price for cutting taxes a parallel freeze on federal expenditures. The AFL-CIO and other liberal groups opposed this effort and defeated it.

We pointed out that the suppression of federal expenditures would deny the expanding population needed public services and would negate the benefit tax reductions would bring. Federal expenditures also produce consumer purchasing power, perhaps even more directly than tax reductions. To now suppress expenditures would take jobs out of the economy while tax reduction was putting them in.

While the House-passed tax bill has many advantages, even more should be done to put a greater portion of the tax cut into the spending stream, rather than into the savings of high-income individuals or into the cash reserves of wealthy corporations. Therefore, in testimony before the Senate Finance Committee, the AFL-CIO has urged a lesser top rate cut for corporations than the House bill proposes, a greater cut in the first-bracket rate for individuals and a higher minimum standard deduction to aid more lower-income taxpayers. We also urged that the moderate loophole-closing proposals of President Kennedy be enacted. In addition we asked that the House cut in the capital gains tax and liberalization of the investment credit be firmly rejected. We also asked that the proposed tightening of the sick-pay exclusion be made more equitable.

These things should be done to increase the job-creating potential of the bill—the sole justification for tax reduction at this time.

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But beyond the pending tax bill, the AFL-CIO has long-range tax objectives, many of which, as a practical matter, cannot be met in this session of the Congress. All of the vast variety of tax loopholes that now particularly favor high-income groups and make a mockery of the apparent progressivity of our federal income tax must ultimately be closed. Further, the principles which guide us in urging changes in the federal tax structure also lead us to urge that state and local taxes be levied increasingly on a progressive basis, a basis which recognizes that not only equity, but the welfare of the nation as a whole, requires that those best able to bear the burden of taxation shall bear a proportionately greater burden than those least able to pay. Therefore, be it

RESOLVED: The AFL-CIO applauds President Kennedy for his use of tax policy as part of an overall effort to restore full employment. We fully share his view that lower tax rates with full employment will ultimately bring in far more federal revenue than continued high tax rates, rising unemployment and a stagnant economy. His proposal for a substantial tax cut, to help achieve employment and production growth, is both timely and courageous.

While we strongly endorse tax reduction, it is our view that the House-enacted bill should be modified by the Senate to increase its contribution to the creation of jobs. Towards this end, more of the tax cut should be allocated to the millions of moderate- and low-income families whose increased spending is essential if adequate production and job growth is to be generated. Adoption of the AFL-CIO proposals will further this objective and also will make the distribution of the overall tax burden more equitable. What is more, adoption of our proposals will not add to the net cost of tax reduction.

The AFL-CIO has no illusion that a tax cut alone can achieve full employment. Other measures—both public and private—are also needed to spur production, create badly needed jobs, and provide the improved public services on which national well-being and economic growth also depend.

If the effort in the House to make tax reduction conditional on the freezing of federal expenditures had been successful, the result would have been disastrous. Vitally important federal programs conceived to help jobless workers and the nation, by putting the unemployed to work providing needed public improvements of long-term worth, would have been in jeopardy. In addition, with our population growing by more than 3 million every year, essential public services for civilians must not be undermined.

To now clamp artificial limits on public expenditures because of tax reduction, would defeat the effort to spur job growth. If

public spending is arbitrarily suppressed—without regard to public service needs, at a time when expansion of the public sector of the economy is also essential to create jobs—the benefits expected from tax reduction will be nullified.

Finally, the AFL-CIO will continue to seek to shape our tax system—at the local, state and federal levels—in a manner which more fairly reflects the ability of American families to meet their fair share of public service costs.

At the federal level, this particularly requires the closing of all of the loopholes that now undermine the individual income tax, essentially to the advantage of the wealthy. It should be recalled that, before World War II, the federal tax law favored "earned income" from wages and salaries. Today this situation is reversed. Those who enjoy capital gains profits from stock market and real estate transactions, interest payments on state and local bonds, stock options, income from dividends, mineral-depletion allowance write-offs and many other forms of unearned income have been granted special loopholes that minimize their tax obligation. The split-income provision of the individual income tax further reduces the tax payments of the wealthy. Even the transfer of vast sums to others, by gift and on death, can now be accomplished by legal tax evasion devices that make taxation based upon ability to pay a sham.

This situation makes a mockery of the progressive rate structure of our federal tax laws. While wage and salary workers pay taxes at the fixed statutory rate—and withholding insures the collection of what is due—tax shelters make these rates fictitious for the favored few. Moreover, these loopholes deprive the Treasury of hundreds of millions of dollars of needed revenue every year. Even worse, they undermine the people's confidence in the federal tax structure and in the integrity of those who write our tax laws.

What is more, the continued use of many federal excise taxes, mostly initiated as emergency measures during World War II, should now be discontinued. These levies are based on consumption and have no relationship to ability to pay.

At the state and local levels, where sales, property and payroll taxes are increasingly the major revenue source, even a pretense of taxation based upon ability to pay seems to have been abandoned. Nonetheless, the AFL-CIO will continue to strive both to mitigate the impact of these regressive taxes by modifying their worst features and to prevent their greater use. At the same time, we will urge greater dependence on progressive income and profits taxes to meet the cost of state and local public services.

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greatest share of the tax burden of the nation. But we have the right and the obligation to insist that this burden be more fairly levied.

REDUCTION OF WORKING HOURS

This has been the decade of unemployment. An enormous toll in wasted resources and human suffering has been exacted. Clearly, this is not a mild and temporary condition, but rather a chronic ailment of serious and growing proportions. For 72 consecutive months, unemployment has remained at five percent or more of the labor force. There is no evidence in present trends and developments that a substantial improvement will occur, unless there are major changes in government and private policies.

For ten years, the American economy has been increasingly unbalanced. Automated machinery makes possible production of more goods with fewer workers. Rapid and radical technological change has been encouraged and partly subsidized by the government. But little has been done to create new job opportunities for those displaced by the new technology or for the expanding labor force. Moreover, in private industry, most of the employment increase—slow as it was—came in part-time work.

The problem is simply stated: America's ability to produce is increasing at an unprecedented rate. But much of her manpower, machines and factories stand idle because potential consumers lack purchasing power.

Sales do not match productive ability. Machines replace men. Employers schedule overtime work instead of hiring additional workers. And the problem worsens, for the labor force has begun to increase at a faster rate than in the '50s and it will grow at a rapid pace—about fifty percent faster than in the previous ten years—during the remainder of this decade.

In the face of these cold facts, today's rate of economic expansion obviously will not produce full employment in the foreseeable future.

Positive, bold and expansionary economic measures are vital to the solution of this problem.

The AFL-CIO, for this reason, has persistently urged the government to adopt tax, expenditure and monetary policies which stimulate demand and create jobs for all who want to work.

However, Congressional complacency and the failure of the Administration to push bold, new economic policies demonstrates that government programs, alone, will not measure up to the formidable growth requirements for full employment in the near future.

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In the last year, the Kennedy Administration has sought to use the power to tax in a new way, a way in which to meet one of the most crucial problems facing the nation. This problem is the continuing, indeed the growing, high level of unemployment.

Each year, for six years, about four million or more men and women in the United States have sought jobs they could not find and many more have been forced to work short time. Each of the post-Korean recessions has brought a higher "normal" level of unemployment as an aftermath. And each new development in technology and automation reduces the number of jobs that would otherwise be available.

For this reason, the AFL-CIO and other groups, as well as President Kennedy, have called upon the Congress to enact a tax cut for low- and moderate-income families to increase substantially the consumer purchasing power of the nation.

We have pointed out that higher consumer purchasing power is essential to increase the total demand for goods and services, which in turn will cause business to produce more goods and services, thereby creating new jobs for unemployed Americans.

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Despite the availability of all these funds for capital investment, unemployment remains intolerably high. And the need for a tax cut for low- and moderate-income groups to stimulate job growth thereby requires the highest priority.

The tax cut bill passed by the House of Representatives will have a helpful impact on job creation. Over \$5 billion in tax reduction would go to families with incomes under \$10,000. About 1½ million families with the lowest incomes would go off the tax rolls entirely due to a proposed new minimum standard deduction. Other features of the bill would also help working people. Overall, it would increase consumer purchasing power considerably.

In the House, conservatives demanded as a price for cutting taxes a parallel freeze on federal expenditures. The AFL-CIO and other liberal groups opposed this effort and defeated it.

We pointed out that the suppression of federal expenditures would deny the expanding population needed public services and would negate the benefit tax reductions would bring. Federal expenditures also produce consumer purchasing power, perhaps even more directly than tax reductions. To now suppress expenditures would take jobs out of the economy while tax reduction was putting them in.

While the House-passed tax bill has many advantages, even more should be done to put a greater portion of the tax cut into the spending stream, rather than into the savings of high-income individuals or into the cash reserves of wealthy corporations. Therefore, in testimony before the Senate Finance Committee, the AFL-CIO has urged a lesser top rate cut for corporations than the House bill proposes, a greater cut in the first-bracket rate for individuals and a higher minimum standard deduction to aid more lower-income taxpayers. We also urged that the moderate loophole-closing proposals of President Kennedy be enacted. In addition we asked that the House cut in the capital gains tax and liberalization of the investment credit be firmly rejected. We also asked that the proposed tightening of the sick-pay exclusion be made more equitable.

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the disposal of funds for capital investment. The need for a high rate of return is high. And the need for the government to stimulate job growth is a high priority.

Some of the Representatives will propose to reduce taxes by over \$5 billion in tax revenues under \$10,000. About 10 million incomes would go off the tax rolls. The new minimum standard deduction would also help working families and consumer purchasing power.

It is argued as a price for cutting expenditures. The AFL-CIO has fought and defeated it.

Some of the federal expenditures are needed for public services and the new tax cuts would bring. Federal tax cuts would bring purchasing power, perhaps a 10% increase. To now suppress expenditures while tax reduction

There are many advantages, even the portion of the tax cut into the savings of high-income families of wealthy corporations. The Senate Finance Committee has a 10% rate cut for corporations. The House cut in the first-bracket tax rate and the new minimum standard deduction. We also urged that the President Kennedy be given the House cut in the capital gains tax and that the investment credit be firmly established and the tightening of the sick-

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While we strongly endorse tax reduction, it is our view that the House-enacted bill should be modified by the Senate to increase its contribution to the creation of jobs. Towards this end, more of the tax cut should be allocated to the millions of moderate- and low-income families whose increased spending is essential if adequate production and job growth is to be generated. Adoption of the AFL-CIO proposals will further this objective and also will make the distribution of the overall tax burden more equitable. What is more, adoption of our proposals will not add to the net cost of tax reduction.

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Finally, the AFL-CIO will continue to seek to shape our tax system—at the local, state and federal levels—in a manner which more fairly reflects the ability of American families to meet their fair share of public service costs.

At the federal level, this particularly requires the closing of all of the loopholes that now undermine the individual income tax, essentially to the advantage of the wealthy. It should be recalled that, before World War II, the federal tax law favored "earned income" from wages and salaries. Today this situation is reversed. Those who enjoy capital gains profits from stock market and real estate transactions, interest payments on state and local bonds, stock options, income from dividends, mineral-depletion allowance write-offs and many other forms of unearned income have been granted special loopholes that minimize their tax obligation. The split-income provision of the individual income tax further reduces the tax payments of the wealthy. Even the transfer of vast sums to others, by gift and on death, can now be accomplished by legal tax evasion devices that make taxation based upon ability to pay a sham.

This situation makes a mockery of the progressive rate structure of our federal tax laws. While wage and salary workers pay taxes at the fixed statutory rate—and withholding insures the collection of what is due—tax shelters make these rates fictitious for the favored few. Moreover, these loopholes deprive the Treasury of hundreds of millions of dollars of needed revenue every year. Even worse, they undermine the people's confidence in the federal tax structure and in the integrity of those who write our tax laws.

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At the state and local levels, where sales, property and payroll taxes are increasingly the major revenue source, even a pretense of taxation based upon ability to pay seems to have been abandoned. Nonetheless, the AFL-CIO will continue to strive both to mitigate the impact of these regressive taxes by modifying their worst features and to prevent their greater use. At the same time, we will urge greater dependence on progressive income and profits taxes to meet the cost of state and local public services.

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many federal excise taxes, as during World War II, as are based on consump- to pay.

les, property and payroll ie source, even a pretense eems to have been aban- continue to strive both to taxes by modifying their reater use. At the same n progressive income and d local public services.

tion, the wage and salary ill continue to bear, the

greatest share of the tax burden of the nation. But we have the right and the obligation to insist that this burden be more fairly levied.

REDUCTION OF WORKING HOURS

This has been the decade of unemployment. An enormous toll in wasted resources and human suffering has been exacted. Clearly, this is not a mild and temporary condition, but rather a chronic ailment of serious and growing proportions. For 72 consecutive months, unemployment has remained at five percent or more of the labor force. There is no evidence in present trends and developments that a substantial improvement will occur, unless there are major changes in government and private policies.

For ten years, the American economy has been increasingly unbalanced. Automated machinery makes possible production of more goods with fewer workers. Rapid and radical technological change has been encouraged and partly subsidized by the government. But little has been done to create new job opportunities for those displaced by the new technology or for the expanding labor force. Moreover, in private industry, most of the employment increase—slow as it was—came in part-time work.

The problem is simply stated: America's ability to produce is increasing at an unprecedented rate. But much of her manpower, machines and factories stand idle because potential consumers lack purchasing power.

Sales do not match productive ability. Machines replace men. Employers schedule overtime work instead of hiring additional workers. And the problem worsens, for the labor force has begun to increase at a faster rate than in the '50s and it will grow at a rapid pace—about fifty percent faster than in the previous ten years—during the remainder of this decade.

In the face of these cold facts, today's rate of economic expansion obviously will not produce full employment in the foreseeable future.

Positive, bold and expansionary economic measures are vital to the solution of this problem.

The AFL-CIO, for this reason, has persistently urged the government to adopt tax, expenditure and monetary policies which stimulate demand and create jobs for all who want to work.

However, Congressional complacency and the failure of the Administration to push bold, new economic policies demonstrates that government programs, alone, will not measure up to the formidable growth requirements for full employment in the near future.