
Appendix A
REVIEW OF 1961-62 LEGISLATIVE AND
ADMINISTRATIVE ACTIONS TO
STRENGTHEN THE ECONOMY

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Review of 1961-62 Legislative and Administrative Actions to Strengthen the Economy

The present Administration and the 87th Congress adopted a variety of measures to speed recovery and promote continued economic expansion and growth during the past 2 years. The major economic actions taken in 1962, with the exception of defense, and several 1961 measures which affect the economy significantly, are described in Part 1 of this Appendix. Other measures taken during 1961 to foster economic recovery and growth are listed in last year's Economic Report (pp. 97-107). Part 2 of this Appendix lists additional legislative and administrative actions of importance to the U.S. economy which were taken during 1962.

Part 1. Major Policy Actions in 1961 and 1962

TRADE EXPANSION ACT OF 1962

The Trade Expansion Act of 1962, signed by the President on October 11, 1962, is the most important development in U.S. tariff legislation since the Trade Agreements Act of 1934. The major features of the Act provide new authority to reduce tariffs and new programs of adjustment assistance to firms and workers.

The new Presidential authority for tariff reduction includes:

1. General authority to decrease by 50 percent any rate of duty existing on July 1, 1962 and to modify other types of import restrictions;
2. Special authority to negotiate with the European Economic Community (EEC) for reductions up to 100 percent in duties on (a) goods for which the EEC and the United States together furnish more than 80 percent of the free world's exports, and (b) agricultural goods, if the President determines such reduction will help to maintain or expand U.S. exports;
3. Special authority to reduce by more than 50 percent, or to eliminate, duties on tropical agriculture or forestry products not produced in significant quantities in the United States, provided that the EEC makes a comparable nondiscriminatory commitment;
4. Special authority to reduce or to eliminate duties of less than 5 percent ad valorem.

To administer tariff negotiations authorized by the Act, provision is made for the appointment of a Special Representative for Trade Negotiations. The Act also provides for the establishment of a Cabinet-level inter-agency trade committee to advise and assist the President in carrying out the mandate of the Act.

If increased imports arising primarily from tariff concessions granted under this or any prior Act are causing serious injury to an industry, two types of adjustment assistance are provided. One is the traditional authority to readjust tariffs or impose quotas; the other provides for direct assistance to firms and workers in injured industries. Upon proper certification and for a limited time period, technical, financial, and tax assistance will be provided for such firms, and trade readjustment allowances up to 52 weeks may be given affected workers. In addition, similar assistance is provided firms and workers injured as a result of imports, without a finding of injury to the industry.

In addition to the above provisions, the Act contains a number of other important features: requirements for public notification and for public hearings when articles are being considered for trade concessions; reservation of certain articles from negotiations, notably those on which an escape clause action is in effect; provisions for withdrawing trade agreement concessions in the event of unreasonable import restrictions being imposed by foreign countries; requirements for carrying out the negotiated tariff reduction in stages.

NEW DEPRECIATION GUIDELINES

The new guidelines and procedures for determining depreciation of equipment, announced by the Treasury in 1962, constitute a fundamental reform that will provide a major stimulus to our continued economic growth. They represent a new and simplified method of computing depreciation, as well as a general shortening of the useful lives of depreciable assets, primarily machinery and equipment. No change has been made in the useful lives for buildings. The new depreciation guidelines will increase the cash flow position of corporations as well as the rate of capital recovery, and will provide more realistic allowance for obsolescence. The new depreciation rates, however, must be validated by a firm's replacement practices.

The suggested new asset lives automatically permit a more rapid write-off for approximately 70 to 80 percent of the machinery and equipment presently in use. For machinery and equipment used in manufacturing, allowable asset lives are 32 percent shorter, on the average, than were allowed under the old guidelines.

The amount of depreciation which can be taken in 1962 under the new guidelines is estimated at \$32.0 billion. This represents \$4.7 billion, or 17 percent, more than the amount which corporate and noncorporate tax-

payers would have claimed on their 1962 tax returns under the previous procedure. Not all of this amount will actually be claimed. The revenue loss, without account being taken of any offsetting revenue gains resulting from the stimulation to economic growth, is estimated at over \$1.0 billion for 1962.

REVENUE ACT OF 1962

The Revenue Act of 1962, in conjunction with the depreciation reform outlined above, will give to U.S. industry a tax treatment on new investment in machinery and equipment which is more comparable to the tax policies applying to its chief foreign competitors. An additional stimulus to domestic investment is created by the removal of unwarranted tax inducements to investment abroad. The Act also contains many provisions to make the tax law more equitable.

Investment Credit

A tax credit is granted for investment in depreciable machinery and equipment used in the United States. The credit generally allowable is 7 percent of qualified investment (3 percent for certain public utilities). The amount of the credit may offset, in full, tax liability up to \$25,000 and one-fourth of the tax liability above this figure. A 3-year carryback and a 5-year carryforward are provided for unused credits. The credit computation applies to the full cost of property with an estimated useful life of 8 years or more, two-thirds of the cost of property with an estimated life of 6 to 8 years, and one-third of the cost of property with an estimated life of 4 to 6 years. All investment in eligible new property, and up to \$50,000 a year of investment in eligible used property, may qualify for the credit. The depreciation basis of the property is reduced by the investment credit allowed.

Reporting Requirements on Dividends and Interest Payments

The Act requires payers of dividends and interest to file with the Internal Revenue Service information returns on payments of \$10 or more to any person in a calendar year. Payers must furnish similar information to the recipients of such payments.

Entertainment Expenses

Entertainment expenses in general are not to be allowed unless they are incurred under circumstances conducive to the actual transaction of business or directly precede or follow legitimate and substantial business discussions. The cost of maintaining entertainment facilities (yachts, hunting lodges, country club dues, etc.) is allowed only if the particular facility is used more than 50 percent of the time in furtherance of the taxpayer's trade or business. Only the part of the cost directly related to the active conduct of the taxpayer's trade or business is deductible. No deduction is allowed for the cost of business gifts in excess of \$25 a year to any one individual.

Deduction is denied for the vacation portion of combined business and vacation travel where the total travel exceeds a week's time and where the vacation portion exceeds 25 percent of total travel time. The new Act requires strict substantiation, not only of the amount of entertainment expenses but also of the business nature.

Mutual Thrift Institutions

For mutual thrift institutions, deductions for bad debt reserves are limited to 60 percent of retained income or to an amount necessary to build up those reserves to 3 percent of their qualified real property loans.

Taxation of Cooperatives

The Act provides for current taxation of the income of cooperatives either at the cooperative level or the patron level. The patron is subject to current taxation on patronage dividends when at least 20 percent of the dividend has been paid in cash and the remainder is a qualified allocation. Qualified allocations either must be redeemable in cash at face value within 90 days at the option of the patron or must be paid to a patron who has consented to pay the current tax.

Sale of Depreciable Property

Gains from the sale of depreciable personal property and certain machinery and equipment sold after December 31, 1962 are taxable as ordinary income to the extent of depreciation taken after December 31, 1961. The Act permits salvage value of up to 10 percent of the cost of the original asset to be disregarded in determining allowable depreciation deductions.

Mutual Fire and Casualty Insurance Companies

Mutual Fire and Casualty Insurance Companies are to be taxed on their underwriting income as well as on their investment income. However, the tax is deferred for a period of 5 years upon a portion of each year's underwriting income, and for an additional indefinite period upon one-eighth of each year's underwriting income.

Appearances with Respect to Legislation

Deductions are granted for all ordinary and necessary business expenses associated with legislative activities of direct interest to the taxpayer that require appearances before legislative bodies and before legislators at all government levels. Costs (including dues) incurred because of communication with organizations that have the same legislative interests as the taxpayer are also deductible. Expenditures in support of specific candidates for public office are not deductible, nor are expenditures to influence the general public on legislative matters, elections, or referendums.

Provisions on Foreign Income

1. Income earned abroad by foreign corporations in which U.S. shareholders own 50 percent or more of the outstanding stock ("controlled foreign corporations") and which derive "tax haven" income will, for

U.S. shareholders, be taxable in the current tax year even though actual distribution of the "tax haven" earnings is deferred until the future.

2. Profits derived abroad by foreign subsidiaries of U.S. corporations in industrial countries and distributed as dividends will be taxable at the full domestic corporation income tax rate less a tax credit for income tax payments made abroad.

3. Tax advantages granted to investment companies created abroad are removed.

4. The exemption from U.S. tax that had been accorded the earned income of U.S. citizens establishing their residence abroad is now restricted.

5. A tax at ordinary rates is imposed on profits from future sales of U.S. patents by U.S. corporations to their foreign subsidiaries.

6. U.S. beneficiaries are taxed on all distributions of income received by them from foreign trusts created by U.S. grantors.

AREA REDEVELOPMENT ACT OF 1961

The Area Redevelopment Act, signed on May 1, 1961, provides a wide range of Federal assistance to areas with substantial and persistent unemployment and underemployment:

1. Long-term, low interest loans for commercial and industrial enterprises;
2. Loans and grants for community facilities;
3. Liberalization of urban renewal assistance;
4. Technical assistance to help hard-hit areas to plan economic expansion;
5. Job retraining programs.

By December 31, 1962, locally organized citizens groups in 730 redevelopment areas and 37 Indian reservations in 48 States, American Samoa, Puerto Rico, Guam, and the Virgin Islands had prepared and submitted over-all plans for their long-range economic development.

The Area Redevelopment Administration (ARA) in the Department of Commerce, which is in charge of the program, assisted these groups in various ways: providing a staff of field specialists who worked with State and local leaders to outline needed actions and to organize local development organizations; identifying new directions for local economic growth and new job opportunities; informing national and foreign industry leaders of the market and industrial opportunities in these areas.

Under the coordinating features of the Area Redevelopment Act, the varied resources of many Federal agencies have been utilized systematically in these programs. By the end of 1962, a total of 559 projects in 46 States and territories—involving a Federal investment of \$71 million—had been approved by ARA, to help to create more than 26,500 direct jobs in new or expanding industries and some 19,000 indirect jobs in supporting industries, trades, and services; and to help to train nearly 15,000 jobless workers in

117 different occupations. In addition, 400 loan and grant applications, valued at more than \$200 million, are being reviewed currently.

Under the Rural Area Development program organized in more than 1,700 rural communities, 640 projects have been developed which have created more than 20,000 new jobs.

PUBLIC WORKS ACCELERATION ACT OF 1962

On September 14, 1962, the President signed the Public Works Acceleration Act, authorizing \$900 million of public works projects, to create employment in areas of persistent and substantial unemployment. The program makes possible the initiation and speed-up of capital improvement projects in areas eligible for assistance under the Area Redevelopment Act and in other areas which failed to share in the over-all recovery from the 1960-61 recession and which have experienced substantial unemployment—more than 6 percent in 9 out of the last 12 months.

Congress appropriated \$400 million to initiate this program on October 24, 1962 and the Federal agencies involved moved quickly to approve projects that could be launched speedily, completed in a reasonable period, and provide employment in hard-hit areas. Responsibility for coordination was given to the Area Redevelopment Administration.

Within 2 months after the President's approval on October 24 of the first allocation of \$165 million, the Federal agencies had approved specific projects totaling \$115 million for local and State projects and \$44 million for direct Federal projects. This was in keeping with the intent to give first priority to local and State projects, which call for matching funds. The initial projects under the first allocation were designed to generate more than 200,000 man-months of on-site labor, plus additional jobs in a wide variety of supporting industries.

The aim was to have the widest possible distribution, with the result that, under the first allocation, 1,392 projects were approved in more than half of the areas eligible for assistance under the program. Funds were divided among the States, with emphasis on areas with the largest amount of unemployment. On December 17, the President approved a second program allocation of \$198 million.

MANPOWER DEVELOPMENT AND TRAINING ACT OF 1962

The Manpower Development and Training Act of 1962 requires the Federal Government, through the Secretary of Labor—

1. To maintain a regular appraisal of the manpower resources and requirements of the Nation;
2. To develop and apply the information and methods needed to deal with the problems of unemployment resulting from automation and technological changes and of other types of persistent unemployment;

3. To develop information on the supply of and demand for the Nation's human resources;
4. To establish a system of detecting in advance the impact of technological developments and shifts on supply or demand;
5. To develop Federal programs deemed necessary;
6. To report regularly on the Nation's manpower needs, resources, utilization, and training.

A program of testing, counseling, and training provides direct remedial action for unemployed and underemployed workers who lack the skills to secure appropriate full-time employment. Through the joint efforts of the Department of Health, Education, and Welfare, the State employment services, and the State vocational education agencies, the Department of Labor has, in the short time that the Act has been in operation, approved 430 training projects for more than 16,000 workers.

HOUSING ACT OF 1961 AND SENIOR CITIZENS HOUSING ACT OF 1962

Housing Act of 1961

This Act includes:

1. A \$2 billion increase in capital grant authorizations for urban renewal;
2. Insurance and purchase of long-term, low-interest mortgages on rental and cooperative housing for moderate income families;
3. Approximately 100,000 additional units of low-rent public housing;
4. Increased authorization for direct, low-interest loans for housing for the elderly;
5. Authority for the Federal Housing Administration (FHA) to insure long-term home improvement and rehabilitation loans;
6. Additional funds for the Federal National Mortgage Association (FNMA) special assistance programs of mortgage purchases;
7. An extension of the FHA insurance program for middle-income families to permit an increase in the maximum mortgage period to 40 years in certain cases and to make other changes to ease housing credit;
8. New programs of assistance to localities for the acquisition of permanent open space land and for mass transit;
9. Additional aid for urban planning, community facilities, and housing research.

Senior Citizens Housing Act of 1962

This Act provides:

1. Authorization to increase from \$125 million to \$225 million loans to nonprofit corporations, cooperatives, or public agencies;
2. Authorization for an additional \$50 million to make direct loans to the rural elderly for new or used housing;

3. Authorization of a \$50 million revolving fund for direct loans to sponsors of nonprofit rental housing for the rural elderly;
4. Insured loans for rental housing for the elderly in rural areas.

**SOCIAL SECURITY AMENDMENTS OF 1961 AND
PUBLIC WELFARE AMENDMENTS OF 1962**

Important extensions in social insurance were made by the passage on June 30, 1961, of the Social Security amendments. Under this legislation, an additional \$815 million became available to social insurance beneficiaries in the first 12 months of the program. The following changes were made:

1. Lowering of retirement age for men from 65 to 62, on a voluntary basis, with a reduction of benefits;
2. Increasing the minimum insurance benefit paid to retired workers from \$33 to \$40 a month;
3. Broadening the program to include approximately 160,000 retired persons who would not otherwise have qualified for benefits;
4. Increasing by 10 percent benefits to the aged widow;
5. Increasing the amount a worker may earn without losing benefit payments.

The Public Welfare Amendments of 1962 provide the most extensive improvement and redirection of Federal-State public assistance and child welfare programs since 1935. This legislation stresses the rehabilitation of families on public welfare by establishing programs intended to assist families in becoming self-supporting. By emphasizing the training of professional workers, the amendments are intended to stimulate an increase in the supply of qualified public welfare workers needed to attain the objective of the law.

The amendments also include:

1. An increase from 50 to 75 percent in the Federal share of the cost of rehabilitation services and a monthly increase of about \$4 a person in the Federal share of the assistance payment to the aged, blind, and disabled;
2. The extension for 5 years of Federal aid to dependent children where either parent is unemployed (the Act also includes authority to make payments under community work and training programs);
3. An option for States to submit a single plan for assistance to the aged, blind, and disabled, and medical assistance for the aged.

To encourage new approaches to public welfare problems, the Secretary may approve special State pilot or demonstration projects.

FOOD AND AGRICULTURE ACT OF 1962

On September 27, the President signed into law the Food and Agriculture Act of 1962. The principal provisions are noted below:

Land-Use Adjustment

Provision is made for continued Federal administration of the agricultural conservation program. The Act also includes authority for the Secretary of Agriculture to carry out long-range conservation plans with individual farmers and ranchers through agreements for up to 10 years, and to provide assistance in amounts not to exceed \$10 million for any calendar year, except that for the calendar year 1963 he may provide assistance in an amount not to exceed an additional \$15 million, for lands previously covered by conservation reserve contracts.

The Act provides for loans or loan insurance by the Farmers Home Administration for the development of recreational facilities. Also, the Watershed Act is amended to add recreational development to those purposes eligible for cost sharing.

Assistance to local organizations in developing municipal and industrial water supply for future use also is authorized.

Agricultural Trade Development

Agreements for long-term dollar credit sales under Title IV of Public Law 480 were liberalized to permit private as well as government trade.

Commodity Programs

1963 feed grain program. For the 1963 crop of corn, grain sorghum, and barley, producers can participate voluntarily by reducing their 1959-60 base acreage by at least 20 percent and up to 50 percent.

1963 wheat program. The Act continues the national allotment of 55 million acres and a voluntary diversion program. Producers who do not exceed their allotment will be eligible for price support at \$1.82 a bushel, and they can also participate in the diversion program. If they divert at least 20 percent of their wheat allotment to conservation uses, they will be eligible for diversion payments not to exceed 50 percent of the value of the normal production on the diverted acreage, and for payment-in-kind at a rate of 18 cents a bushel on the normal production of the acreage devoted to wheat.

1964 feed grain program. Without subsequent legislation, corn price supports will be between 50 and 90 percent of parity and at a level that the Secretary determines will not add to Commodity Credit Corporation stocks of corn for 1964 and succeeding crop years. Price supports for other feed grains will be related to corn. No provision is made for acreage diversion after 1963.

Long-range wheat program. The permanent wheat provisions of the Act eliminate the 55-million acre national allotment, and authorize the

Secretary to estimate the requirements for wheat in any year and to announce an acreage allotment large enough to meet those requirements.

Through a marketing certificate program, price supports are provided at between 65 and 90 percent of parity on wheat used for food in the United States, and on a share of exports to be determined by the Secretary. Additional wheat produced will be supported at a level related to its feed value and the world wheat price. If more than one-third of the producers voting in a referendum oppose the program, the price support will be at 50 percent of parity to cooperators.

FOREIGN ASSISTANCE ACT OF 1962 AND FOREIGN AID AND RELATED AGENCIES APPROPRIATION ACT OF 1962

The 1962 legislation is resulting in a change in the composition of U.S. foreign economic assistance programs in that appropriations for long-term development lending will comprise, for the first time, more than half of the total funds available. Emphasis is also placed on the encouragement of private investment in the less developed countries through an expanded use of investment guarantees.

The active interest of this Administration in the accelerated social and economic development of Latin America is reflected in an appropriation, under the Alliance for Progress program, of \$525 million for long-term development loans and grants to Latin American countries. The Alliance for Progress program was also put on a long-term basis through the authorization of development loans extending through 1966.

Part 2. Additional Legislative and Administrative Actions Taken in 1962

FISCAL AND MONETARY ACTIONS

Tax on Transportation of Persons

Effective November 16, 1962, the transportation tax on tickets of railroads and bus lines was removed, and the tax on air travel was reduced from 10 percent to 5 percent.

Self-Employed Individual Tax Retirement Act

This Act encourages the establishment of qualified voluntary pension plans and/or bond purchase plans by self-employed individuals for themselves and their employees. The provisions are effective as of January 1, 1963.

Margin Requirements on Stock Purchases

On July 10, 1962, the Federal Reserve Board reduced the margin requirements on stock purchases from 70 percent to 50 percent of the purchase price.

Reserve Requirements Against Time Deposits

In October and November, 1962, the Federal Reserve Board reduced reserve requirements against time deposits from 5 percent to 4 percent for member banks of the Federal Reserve System.

Federal Debt Structure

Largely through advance refunding, the Treasury undertook significant actions to improve the structure of the debt. As a result, the total supply of under-1-year debt instruments increased \$1.4 billion; 1-5 year debt decreased \$3 billion; and over-5-year debt increased almost \$9 billion.

EMPLOYMENT MEASURES

Equal Employment Opportunities

During 1962, 117 national and international unions pledged themselves to cooperate in furthering the goals set forth in Executive Order 10925 requiring Federal agencies and firms performing government contracts to provide equal opportunities regardless of race, creed, color, or national origin. On July 23, 1962, the President directed all Federal agencies to provide equal opportunities to women in job placements and promotions.

Temporary Extended Unemployment Compensation Program

The Temporary Extended Unemployment Compensation Program, which came to a close on June 30, 1962, provided benefits to nearly 2.8 million unemployed workers who had exhausted their State benefits between April 8, 1961 and June 30, 1962.

Employment Service

The United States Employment Service undertook a reorganization program to deal more effectively with major labor market problems. In the 42 large metropolitan areas where reorganizations were well under way, there were 22 percent more job placements in fiscal 1962 than in the preceding year; in the nonreorganized areas, the gain was only 14 percent.

Welfare and Pension Plans Disclosure Act

The 1962 Amendments to this Act strengthened the protection afforded the beneficiaries of welfare and pensions plans by authorizing the Secretary of Labor to make investigations, to compel compliance with the reporting and disclosure requirements of the original Act, and to issue binding interpretations of the law.

Work Hours Act of 1962

This Act specifies a uniform 8-hour workday and a 40-hour workweek, with overtime compensation of one and one-half times the basic rate of pay, for work performed by laborers and mechanics under certain Federal and Federally assisted contracts.

Protection of Domestic Farm Workers

The Administration took action during 1962 to protect domestic farm workers from the competition of large numbers of Mexican workers. Guarantees of a minimum hourly wage rate for domestic and foreign farm workers hired by employers of foreign workers were established in 24 States. Employment of domestic farm workers has risen as a result, the number of foreign workers has decreased, and there has been a general rise in wage rates.

FOREIGN TRADE AND BALANCE OF PAYMENTS

Export-Import Bank Programs

During fiscal 1962, the Export-Import Bank inaugurated two new programs to facilitate the financing of U.S. exports. One is a program for export credit insurance issued by the Foreign Credit Insurance Association (FCIA), a cooperative venture with over 70 major insurance companies, which covers 85 percent of losses due to credit risk and 85 to 95 percent of losses due to political risk. More than 1,000 insurance policies, covering nearly \$500 million in liability on export credits, have been issued since the FCIA began operations last February. The other is a program of guarantees to commercial banks and other financial institutions, covering credit risks on the longer maturities and the political risks on all maturities of export paper financed without recourse to the exporter.

Export Expansion

The President established the position of National Export Expansion Coordinator within the Department of Commerce to coordinate all the activities of the Government directed toward expanding our exports. U.S. producers' interest in foreign markets will be stimulated by 34 Regional Export Expansion Councils collaborating with the regional offices of the Department of Commerce. Permanent U.S. trade centers abroad are to be established—those in London, Bangkok, and Frankfurt have already been opened—and U.S. participation in foreign trade fairs is to be increased.

U.S. Travel Service

Pursuant to legislation enacted in 1961, the U.S. Travel Service was established in the Department of Commerce to encourage travel to the United States. This Service has established travel centers in nine foreign countries. In 1962, the number of travelers from overseas was 20 percent greater than in 1961.

Government Expenditures Abroad

Government expenditures abroad are subjected to continuing close scrutiny. The need for expenditure overseas rather than in the United States must be justified. Efforts are being made to return to the United States much defense procurement, and the Agency for International Development

is attempting to have 80 percent of the expenditures resulting from all new commitments made in the United States.

Increased Purchases by Our Allies of American Military Equipment

The net impact of government expenditures on the balance of payments was further reduced by offset agreements negotiated with some of our allies; Germany and Italy have undertaken to offset all or part of our estimated military expenditures in their countries by increased purchases in the United States of defense materiel.

Encouragement of Foreign Investment in the United States

The Department of Commerce established an Office of International Investment in the United States. An investment program is being carried out in close coordination with the activities of the Area Redevelopment Administration, since it is hoped that foreign investment can be increasingly directed toward areas requiring redevelopment.

Advance Repayment of Debt

Advance repayments of debts owed to the U.S. Government were negotiated with three European countries. In 1962, these countries made advance repayments in excess of \$600 million.

Additional Resources for the International Monetary Fund

Legislation enacted in October permits the United States, together with nine other countries, to participate in an arrangement whereby the currency resources of the International Monetary Fund may be increased by borrowing amounts of up to \$6 billion in order to strengthen the international monetary system.

Exchange Stabilization

Early in 1962, the Federal Open Market Committee of the Federal Reserve System decided to supplement Treasury operations in the foreign exchange markets by means of activities for the System's own account. Foreign exchange for these operations was acquired primarily through "swap" arrangements (whereby equivalent currency claims on and liabilities to another central bank can be created by mutual agreement); such arrangements totaled nearly \$1 billion in 1962.

Foreign Currency Securities

The Treasury expanded its foreign exchange operations and for the first time issued medium-term, nonmarketable, foreign-currency-denominated securities, which serve to tap sources of foreign capital and to provide foreign exchange for Treasury operations.

Official Foreign Time Deposits

Legislation was enacted in October 1962 to exempt official foreign time deposits from interest ceilings. This step permits U.S. commercial banks to compete with banks in other countries for such deposits and is a limited step toward reducing pressures on U.S. reserves.

HOUSING

Prevention of Discrimination

On November 20, 1962, the President signed an Executive Order directing all agencies in the Executive Branch of the Government to prevent discrimination based on race, color, creed, or national origin in housing and related facilities built or purchased with Federal aid.

Additional Housing Actions

In 1962, the following additional housing actions were taken:

1. FHA improved the attractiveness to lenders of FHA-insured long-term home improvement and rehabilitation loans;
2. FNMA improved its ability to provide a degree of liquidity for mortgage investors by relaxing the restrictions on the periods of time within which mortgages have to be offered for purchase after their initiation;
3. A program of special assistance mortgage purchases was established for housing constructed on restricted Indian lands;
4. At various times during 1962, additional funds were allocated by the President for special assistance mortgage purchases for urban renewal and related housing, for cooperative housing, for low-interest rate moderate-income family housing, and for housing for the elderly.

AIDS TO BUSINESS AND CONSUMERS

Small Business

In 1962, the limitation on the revolving fund of the Small Business Administration was increased from \$1,200 million to \$1,666 million. In September 1962, the Small Business Administration and the American Bankers Association jointly announced a new bank participation program for secured term loans. For the fiscal year 1962, the President established, and the Defense Department achieved, a 10-percent increase in the share of military procurement contracts awarded small business concerns.

Communications Satellite Act of 1962

This Act provides for the establishment, ownership, and operation of a commercial satellite system with public participation and Federal regulation to ensure continued U.S. leadership in international communication.

Consumer Advisory Council

This Council was established to advise the Government on issues of broad economic policy, on government programs protecting consumer needs, and on the flow of consumer research material to the public. Special representatives in 22 Departments and Agencies concerned with consumer activities have been appointed to serve as liaison with the Council.

Drug Amendments of 1962

This Act gives the Food and Drug Administration additional authority to protect the public health by assuring the safety, effectiveness, and reliability of drugs, by standardizing drug names, and by clarifying and strengthening existing inspection of drug manufacturing establishments and laboratories.

Cotton Textile Arrangement

A long-term cotton textile arrangement was negotiated with other major cotton textile manufacturing nations.

TRANSPORTATION

Federal Aid to Highways

The Federal-Aid Highway Act of 1962, approved on October 23, authorizes increased grants of \$950 million for 1964 and \$975 million for 1965 for Federal aid to primary, secondary, and urban highway programs.

Aircraft Loan Guarantees

Authority for making aircraft loan guarantees was extended for 5 years, and the maximum limit for any one borrower was increased from \$5 million to \$10 million.

Policies on Mergers

At Presidential request, an interagency committee, including the Attorney General, the Secretaries of Commerce and Labor, and the Chairman of the Council of Economic Advisers, undertook the formulation of Administration criteria and policies on mergers in the transportation industries.

Transportation in Densely Populated Areas

The President appointed an interagency committee to study transportation problems and to develop government policy on transportation facilities in the densely populated area between Washington, D.C., and Boston, Massachusetts.

HEALTH, EDUCATION, AND WELFARE

Health Clinics for Domestic Migratory Farm Workers

Federal project grants are authorized to help States and localities to develop health clinics and services for domestic migratory farm workers.

Migration and Refugee Assistance Act of 1962

This Act authorizes the President or his designee to assist refugees from Western Hemisphere countries for purposes including the following: health and educational services; training for employment; transportation and resettlement; and establishment and maintenance of projects for employment or refresher professional training.

Educational Television

A grant program was established, authorizing the appropriation of \$32 million over a 5-year period beginning in the fiscal year 1963, to assist in the construction of educational television facilities.

VETERANS' BENEFITS

Insurance Dividends

Special and accelerated veterans' insurance dividends totaling \$328 million were announced by the President on November 22, 1962. Payment is to be made in January 1963.

Disability Compensation and Rehabilitation Benefits

Effective July 1, 1962, veteran disability compensation rates were increased, to adjust for changes in the cost of living. In the first year, expenditures on this account will total \$98 million. Rehabilitation benefits for severely disabled ex-servicemen were extended to cover those who serve in peacetime.

NATURAL RESOURCES AND AGRICULTURE

Inventory of Research Activities

At the President's request, an inventory was made of Federal research activities in 1962 in each of the major fields of natural resources, and the activities were evaluated. Continuing effort is being made within the executive branch to maintain and enhance our knowledge and technology in the resource fields.

Water Resources

New policies, standards, and procedures were recommended for the formulation and evaluation of plans for water resources development by the Departments of the Interior, Agriculture, the Army, and Health, Education, and Welfare. These recommendations were approved by the President in May 1962.

Outdoor Recreation

As a result of the recommendation of the Outdoor Recreation Resources Review Commission, the Bureau of Outdoor Recreation was established in the Department of the Interior to provide a focal point for outdoor recreation programs. The Bureau is charged with collecting and interpreting current data on recreation, assisting States on outdoor recreation matters, and developing a national plan for outdoor recreation. A Recreation Advisory Council, consisting of the heads of Federal agencies concerned with recreation, was established to facilitate coordination among the agencies.

Air Pollution

The Air Pollution Act was extended to June 30, 1966, and the Surgeon General of the Public Health Service was given explicit authority to conduct special studies of the problem of automobile-exhaust fumes.

Peaceful Uses of Atomic Energy

During 1962, the Atomic Energy Commission (AEC), in conjunction with the Corps of Engineers, conducted a nuclear explosion to investigate possible earth excavation uses of atomic energy. In addition, five new civilian atomic power plants were activated in the United States, two of which were built wholly with private funds. Congress also authorized the AEC to participate in an arrangement whereby a non-Federal group will use the steam from the AEC's new production reactor at Hanford, Washington to generate electric power.

Electric Power

During 1962, the Federal Power Commission initiated a national power survey which includes long-run plans for meeting national demands for electric power during the 1970's. In addition, planning studies are being conducted on regional inter-connections of Federal and other power systems by the Department of the Interior.

Oil Import Quota

By Presidential Proclamation of November 30, 1962, quotas for imports of liquid hydrocarbons east of the Rocky Mountains, except for residual fuel oil to be used as fuel, were shifted from a demand basis to a basis related to domestic production. Imports, including those under quota and exempted overland imports, are limited to 12.2 percent of the previous year's domestic production. Formerly, quota imports were 9 percent of estimated demand for the quota period.

International Wheat Agreement

This Agreement was extended for 3 years, until 1965, and the maximum price for wheat was increased by 12.5 cents a bushel, to \$2.025.

Food Stamp Program

The pilot food stamp distribution program begun in 1961 was extended from 8 to 18 areas in 1962.

Sugar Act

Important amendments were made to the Sugar Act of 1948, to take account of the loss of Cuba as a major supplier of sugar for the U.S. market. Part of Cuba's former quota was allocated to domestic producers, and part was allocated to foreign suppliers. Also, part was held open for Cuba if, in the future, the importation of sugar from that country is resumed; until that time, the quota is available without premium to other exporting countries on a global basis.

