

Chapter 4

Extending and Broadening Economic Progress

THE LEGISLATIVE PROPOSALS presented in this chapter and in the three preceding Economic Reports have been designed to implement the Employment Act by fostering, guiding, and complementing private economic activity. The accent and detail of these programs have varied according to economic conditions and prospects. But in every case they have been shaped by three common objectives: to strengthen our enterprise system, to enlarge our national resources, and to improve our level of living. The proposals put forward in this chapter seek to achieve the first of these objectives by maintaining sound public finances, improving private financial facilities, promoting thrift, strengthening competition, widening opportunities for small business, and strengthening economic ties with other countries. The second objective leads to proposals for increasing our public assets where needed, developing our human and natural resources, promoting agricultural adjustments, and assisting local areas that experience persistent unemployment. As steps toward the third goal, proposals are advanced for improving housing, health, and personal security. The program as a whole is designed to consolidate the economic gains already achieved and to strengthen the base for further progress.

MAINTAINING SOUND GOVERNMENT FINANCES

Expenditures of all Federal, State, and local agencies currently account for nearly one out of every five dollars spent on goods and services in the United States. This fact provides a measure of the magnitude of governmental demands in our economy, whether or not they involve a budgetary deficit, and emphasizes the importance of wise and responsible budget policy at all levels of government.

Three fundamentals of budgetary policy have guided the Administration in conducting the fiscal affairs of the Federal Government in the last four years. First, there is the strict discipline which the budget properly exercises over expenditures. While adequate provision must be made for essential services that Government is in the best position to provide, the test of essentiality should be firmly applied. This principle of budgetary policy leaves no room for operations of the Federal Government that are not truly necessary, or that can be performed better and more economically through private efforts or by State or local governments. A second major principle

of budgetary policy derives from the fact that large governmental expenditures inevitably place a heavy burden of taxes on the economy. This burden must ultimately be borne by the individual citizen, wherever and however the taxes are levied. Sound fiscal policy distributes the tax burden as fairly as possible and imposes the least possible restraint on those incentives—to work, to save, and to invest—that are basic both to our system of competitive enterprise and to the growth potential of the economy. A third aspect of fiscal management, which has rightly received increased attention in recent years, is that the financial affairs of Government should be so administered as to help stabilize the economy and to encourage sound growth. The principle of flexibility in fiscal policy calls for relating the budget as far as feasible to economic conditions, helping to counteract inflationary or deflationary tendencies as the situation requires.

These fundamentals of budgetary policy also provide sound guidance today. The present situation requires that Government expenditures be kept under close control. Increases should be limited to clearly essential needs, and reductions should be achieved wherever possible. In this way the Federal Government can avoid adding unnecessarily to the pressures to which the economy is already subject. The legislative proposals presented here have been formulated with this consideration in view. The Congress, also, should scrutinize with special care all suggestions for legislative action that would place additional burdens on the Federal budget.

In view of the budgetary outlook and prospective economic conditions, present tax rates should be continued so as to preserve a high level of revenue and to permit a further reduction of debt. The excise rates on automobiles and parts, cigarettes, distilled spirits, wines, and beer, and the tax rate on the income of corporations, should be retained at their present levels for another year. Certain proposals for tax adjustments for small business concerns are discussed in a later section of this chapter.

The maximum limit set by the Congress on the size of the Federal debt is now \$278 billion, but it will return to \$275 billion on June 30, 1957, in accordance with present law. The current outlook for budget surpluses available for debt retirement both this year and next, together with a steadily improving seasonal distribution of revenue, should permit the Treasury to operate within the \$275 billion ceiling during the fiscal year 1958. This will be true, however, only if expenditures are kept under close control by both the Executive and the Congress and if tax revenues come up to expectation.

The expenditures of State and local governments are now about half those of the Federal Government, and their recent rate of increase has been considerably higher. The principal objects of this increased spending are schools, highways, and the variety of community facilities required by population increase and the rapid growth of suburban areas. In view of the exceptionally high demands for the labor, materials, and equipment needed to carry out these projects, it is inevitable that not all of them

can go forward as rapidly, or on as large a scale, as may be desired. Financial considerations also may require some rescheduling of proposed projects, since State and local governments with large borrowing requirements have already encountered heavy competing demands in the capital markets. Some improvement in the ability of these governmental units to finance their projects would result from an amendment of the Internal Revenue Code to extend the "conduit principle" to regulated investment companies that hold their assets in State and local securities. The amendment, which would involve no loss of revenue, would permit regulated investment companies of this type to pass through to their stockholders the tax-exempt status of the income received on State and local securities. The Congress is requested to enact legislation to accomplish this result.

The Economic Report of January 1956 recommended that State governments review State and local debt limits and other legal restrictions on borrowing for public works. The pressures on debt limits have increased in the past year. In view of the heavy prospective capital expenditures required of State and local governments, and the fiscal capacities of these governments, existing legal limits on the amount of debt and interest rates may in some cases still not be realistic.

IMPROVING PRIVATE FINANCIAL FACILITIES AND PROMOTING THRIFT

The exceptionally heavy demands which economic expansion is placing on credit and capital markets have directed attention increasingly to questions concerning the adequacy of our financial facilities, and of the laws and regulations which govern their operation. Alert to these problems, the Senate Committee on Banking and Currency during the past year made an extensive and constructive investigation of Federal laws affecting financial institutions. The impact on the economy of monetary policies designed to restrain inflationary pressures has also become increasingly a matter of public concern. There is need at this time of a thorough study of recent changes in our financial structure and practices, covering the activities of public as well as private agencies, and of the legislative and administrative steps needed to improve our facilities for meeting credit and capital requirements and for exercising appropriate controls over credit. The State of the Union Message recommended that the Congress authorize a National Monetary and Financial Commission to perform this important task. The Commission should be composed of distinguished citizens of outstanding competence and experience in the range of questions to be studied.

Last year's Economic Report stated that the time was appropriate for the Congress and the Executive Branch to study the need for stand-by authority to set limits, whenever required by economic conditions, on the downpayment and maturity terms of instalment credit for the purchase of consumer durable goods. At the request of the President, the Board of Governors of the Federal Reserve System undertook a comprehensive study of the subject early in 1956. The full results of this study will shortly

become available. They will serve as a useful guide in determining whether legislative action is desirable.

The Congress is requested to give favorable consideration to proposals that will be made for strengthening the Securities and Exchange Commission's authority to prevent certain remaining types of abuses in the distribution and sale of securities. Securities legislation must be guided by twin objectives. It must afford adequate protection to the investor and at the same time facilitate the flow of investment funds into legitimate business undertakings. It is important in the latter connection to take due account of the needs of small and medium-sized concerns for capital, and particularly for venture capital.

If a vigorous rate of economic growth is to be realized without recourse to inflationary finance, the supply of savings must be sufficiently high to meet the heavy demands for funds for private, State, and local undertakings. The Federal Government is releasing funds for such purposes by a budgetary surplus and reduction of its debt. But the individual occupies a strategic position in the saving process. The most important contributions that the Federal Government can make toward encouraging individual thrift are to help sustain high levels of employment and income and to preserve the buying power of the dollar. Government can also help by making needed adjustments in the rate of return on savings, where maximum limits are set by law or by administrative action. The recent action of the Federal Reserve authorities and the Federal Deposit Insurance Corporation in raising the upper limit of interest rates on time and savings deposits at commercial banks was designed both to give positive encouragement to additional saving, and to place these forms of savings in a better competitive position relative to other forms.

STRENGTHENING COMPETITION

The capacity of our free economy to grow and to spread its benefits widely derives in large measure from the discipline provided by competitive markets. It is this discipline that converts the natural drive for self-advancement into a constructive social force and curbs the misuse of economic power. The preservation and strengthening of competition must, therefore, be a leading objective of public policy. It is not the role of Government to regulate the size of business as such, for large as well as small concerns serve socially constructive purposes in a competitive economy. The essential function of Government in this sphere is to foster a competitive environment in which all segments of business can share fairly in opportunities to realize their potentialities. Vigorous enforcement of the antitrust laws is basic to the attainment of this objective, for threats of encroachment on competition are always present and assume constantly changing forms. Accordingly, the agencies of Government charged with

enforcing the antitrust laws must be constantly alert and must have adequate means to discharge their responsibilities.

Both the Department of Justice and the Federal Trade Commission have in recent years increased the rate of filing new proceedings, many of which affect broad and vital areas of the economy. They have done much also to make Section 7 of the Clayton Act an effective antitrust weapon. The vigorous application of this law provides a strong deterrent to mergers, whether accomplished through the acquisition of assets or by the purchase of stock, that may tend substantially to lessen competition or to create a monopoly.

Steps have been taken by both agencies to expedite the disposition of antitrust cases and to follow up on compliance. The Justice Department has made effective use of prefiling negotiations and is making a continuing effort to secure enforcement in actions successfully terminated. Similarly, the Federal Trade Commission has screened over 2,000 cease-and-desist orders since August 1954, to bring their compliance up to date.

To perform their purpose fully, the antitrust laws require not only vigorous enforcement but adaptation to changing economic conditions. This fact was recognized by the appointment in 1953 of the Attorney General's National Committee to Study the Antitrust Laws, and by the enactment, in substance, of three of the Committee's proposals. Further recommendations were made last year in the Economic Report and in the Progress Report of the Cabinet Committee on Small Business. The Congress is urged to take favorable action on these proposals. First, to aid proper enforcement of merger and other antitrust statutes, the Attorney General should have the power, where civil proceedings are contemplated, to issue a civil investigative demand, thus making possible the production of necessary documents without the need of grand jury proceedings. Second, cease-and-desist orders of the Federal Trade Commission under the Clayton Act should be made final, unless appealed to the courts. Third, a series of interrelated measures would strengthen the Government's ability to deal specifically with mergers: requirement of advance notification of proposed mergers that are likely to have significant effect on competition; extension of Federal regulation to cover bank mergers by asset as well as by stock acquisition; application of the Clayton Act to mergers where either party is in interstate commerce; and authorization of the Federal Trade Commission, in merger cases where it believes violation is likely, to seek a preliminary injunction before a complaint is filed.

In the field of regulated industries we have departed to a degree from our traditional reliance on competitive market forces and substituted direct Government regulation as a means of protecting the public interest. The Presidential Advisory Committee on Transport Policy and Organization has made recommendations that would free common carriers from certain administrative limitations on their ability to compete. The National Committee to Study the Antitrust Laws called for Congressional inquiry to

determine whether greater application of antitrust laws to regulated areas might be warranted. The recommendations of these two groups deserve consideration by the Congress.

WIDENING THE OPPORTUNITIES FOR SMALL BUSINESS

An intensive and continuing study of the problems confronting small business is being made by the Cabinet Committee on Small Business, which was appointed by the President on May 31, 1956. The Committee is charged with the task of formulating recommendations for administrative and legislative actions to expand the opportunities of small firms to grow and prosper. While policies that strengthen competitive forces and foster stable economic growth are the surest means for improving the opportunities of small business in a free economy, specific measures are needed to deal with problems of special importance to this sector of the economy.

The first Progress Report of the Committee, which was submitted on August 7, 1956, made 14 recommendations for action. The substance of two of the Committee's recommendations, directed to the preservation and strengthening of competitive markets, was dealt with in the preceding section of this Report; others concern financing and technical assistance, taxation, procurement, and paperwork.

Small businesses, particularly those that are new and growing, frequently encounter difficulty in obtaining the amount and type of financing they need. Several Government programs help meet this problem. First, the Small Business Administration makes loans to qualifying small businesses unable to obtain funds on reasonable terms from private sources. It has performed this function as far as possible with the participation of private financial institutions. In 1955, the continuation for two more years of the Small Business Administration was approved, and its lending authority was strengthened. At this time the Congress is requested to extend the Small Business Act.

Second, the access of small and medium-sized businesses to the capital markets is facilitated by the provision of a simplified notification procedure for issues of securities that do not exceed \$300,000, and by the examination and processing of applications for such small issues by the Securities and Exchange Commission in its field offices. In view of the increased needs for capital which confront small business in a growing economy, the Cabinet Committee recommended that the Congress authorize the extension of these simplified procedures to issue of securities that do not exceed \$500,000. To avoid any lessening of protection to investors, the procedures should be allowed only to seasoned businesses and withheld from so-called "penny stocks." The Congress is urged to take favorable action on this Cabinet Committee proposal.

Small businesses have benefited materially from recent tax law changes—the expiration of the excess profits tax, the 1954 reduction of the personal

income tax, and the extensive revision of the Internal Revenue Code. However, the reliance of small concerns on self-financing is such that they are especially sensitive to the burden of taxation. Certain adjustments in the tax laws would ease their financing problems and help maintain their independent status. The Cabinet Committee on Small Business made a careful study of tax changes that would benefit small business concerns, and presented a number of recommendations for such changes. The Congress should give early consideration to those Cabinet Committee recommendations for tax relief that would involve only a minimum loss of revenue. Consideration of further changes should be deferred until such time as a general tax reduction is possible.

Efforts to widen the participation of small business in Government procurement must continue. Under Defense Department programs, small business suppliers are actively sought out and given an opportunity to compete for contracts on fair terms with larger companies. The Department has cooperated with the Small Business Administration in a joint set-aside program under which procurement contracts are screened for award to small business. In the past year this program was extended to various civilian executive agencies, following a successful pilot program conducted by the General Services Administration in 1955 in cooperation with the Small Business Administration. Also, the Defense Department, mindful of the limited opportunities for prime contracting open to such businesses as defense weapons become more complex, has initiated a program to stimulate subcontracting with small businesses.

Three additional recommendations on procurement programs, which were made by the Cabinet Committee on Small Business, have already been given effect by administrative action. First, a comprehensive review of procurement policies, procedures, and legislation, covering all departments and agencies, is being conducted by the General Services Administration. Second, regulations have been issued by those departments and agencies responsible for substantial amounts of procurement to assure prompt availability of progress payments and to make certain that the need for advance or progress payments will not handicap a qualified potential contractor in competing for procurement. Third, through amendment of its regulations, the Renegotiation Board has made it clear that subcontracting, especially with small concerns, is given favorable consideration in the determination of allowable profits, although the allowable profit to a prime contractor on subcontracted work may not be as large as on the work that he does himself.

The Federal Government can save small businesses time and money by reducing the paperwork required by its programs. In this connection, the Congress is requested to authorize the consolidation of wage reporting by employers for income tax withholding and old age and survivors insurance purposes. As recommended by the Cabinet Committee on Small Business, the Bureau of the Budget is reviewing the reports and statistics which small businesses must now maintain for, or supply to, Government,

in order to simplify them. This desirable objective must be weighed, however, against the need for better information on the economic position of small businesses.

The facilities of a commercial or industrial type that are owned and operated by the Federal Government compete in many cases with private enterprise, and particularly with small businesses. Each Government agency has been instructed to examine its activities of this type and to discontinue or curtail them wherever feasible and consistent with the public interest.

STRENGTHENING ECONOMIC TIES WITH OTHER COUNTRIES

A major objective of United States foreign economic policy continues to be to facilitate and increase the international flow of goods and capital on a nondiscriminatory basis. Since the volume of our imports and the amount of private funds available for investment abroad depend mainly on domestic prosperity, a stable and growing economy at home is an essential foundation for a sound structure of world trade. But positive measures are needed to help other nations participate in the growth and prosperity of the free world. Considerable progress has been made in this direction in the last four years, but important opportunities remain.

By multilateral reductions of trade barriers, the United States has promoted the nondiscriminatory flow of goods, while reserving the right to prevent serious injury to domestic industries. The authority initially granted by the Reciprocal Trade Agreements Act of 1934 was extended until June 30, 1958, with some modifications, by the Trade Agreements Extension Act of 1955. The 1955 legislation provided the President with certain new authority. Specifically, it permitted the reduction of tariffs on a reciprocal basis by as much as 5 percent a year for three years, and made possible the reduction, in annual stages, of rates in excess of 50 percent ad valorem to the 50 percent level. In accordance with this legislation, reciprocal tariff concessions involving approximately \$1 billion of United States exports and imports were negotiated with 21 foreign countries in 1956 under the General Agreement on Tariffs and Trade (GATT). In 1955, prior to the passage of the Trade Agreements Extension Act, the United States and 16 other countries concluded substantial tariff negotiations with Japan under the GATT, thereby bringing that country economically closer to the rest of the free world. The "escape clause" and "peril point" provisions of the Trade Agreements Act, which are designed to protect domestic industries against serious injury from tariff concessions, continue to serve as safeguards for domestic enterprise in a manner broadly consistent with trade liberalization.

Multilateral negotiations under the GATT have been more effective than bilateral negotiations in reducing trade barriers and discriminatory restrictions against our exports. To make the GATT an even more effective

instrument for removing discrimination against our exports, an administrative agency—the Organization for Trade Cooperation—is required. In order to enhance the advantages that the GATT now provides, Congress is requested to enact legislation authorizing United States membership in the Organization for Trade Cooperation.

The United States has provided large sums to assist the economic development of other countries through Government grants and loans and private investment. The last three Economic Reports have emphasized the desirability of encouraging private investment in countries seeking to expedite their development. Private investment is generally accompanied by technical and managerial services that are as necessary as capital funds but are often more difficult to obtain. At present, foreign tax inducements to attract capital are in some situations nullified by not allowing credit in determining United States tax liability for income taxes waived by the country in which the investment is made. The investment of private funds abroad would be facilitated by tax treaties which, subject to appropriate safeguards, recognize the laws of other countries designed to attract new investment.

The economic development of the free world has been materially aided by grants and loans extended by our Government. For the current fiscal year, \$1.8 billion was appropriated for nonmilitary assistance under the Mutual Security Program, including defense support, development assistance, technical cooperation, and other programs. Recommendations will be presented to the Congress to continue this assistance and to provide the flexibility needed to help meet the challenge of rapidly changing international conditions.

The Export-Import Bank has loaned substantial amounts to finance our exports and to assist economic development abroad. Private capital has been associated with many of these loans, thus augmenting the effectiveness of the Bank's operations. The authority of the Export-Import Bank to approve credits, which expires June 30, 1958, should be extended.

The International Bank for Reconstruction and Development and the International Monetary Fund, which rely in large part on the capital subscriptions and guarantees of the United States Government, increased their dollar transactions markedly in 1956. The lending activities of the Bank aid in the sound economic development of its member countries. The International Monetary Fund helps member countries meet temporary maladjustments in their balance of payments positions and promotes sound international financial policies and freer foreign exchange transactions. Recently, it provided funds to strengthen the reserve position of the United Kingdom.

United States customs procedures were simplified and inequities removed by legislation enacted in 1953 and 1956. In accordance with the 1953 law, a series of administrative actions has liberalized import invoice requirements.

The Customs Simplification Act of 1956 is intended to reduce burdensome delays and uncertainties by modifying the methods employed in the customs valuation of imported merchandise. On the basis of other legislation, the Tariff Commission is investigating ways to improve the present system of commodity classification and the customs rate structure.

Two promising moves now under study would further the economic integration of Western Europe. One is the establishment of a common market, without internal trade barriers, among the six continental nations comprising the European Coal and Steel Community. The second is the association of the United Kingdom with these countries and other continental nations in a free trade area. These moves, if brought to a constructive conclusion, should add much to the growing economic strength and political unification of the area, with substantial benefits to the United States and the entire free world.

The continued industrialization of Western Europe and of much of the rest of the world requires the expansion of economical sources of energy. Members of the European Steel and Coal Community are planning cooperative efforts in the field of atomic energy. Action should be taken by the Congress to authorize full participation by the United States in the work of the International Atomic Energy Agency of the United Nations, in order to extend our program of helping free-world nations share in the benefits of peaceful use of the atom.

ENLARGING PUBLIC ASSETS AND DEVELOPING NATURAL RESOURCES

Notable improvements have been made in the last four years in developing our natural resources and bringing the Nation's stock of public assets more nearly into line with the expanded private economy and the requirements of improved levels of living. The amount spent on public construction, including State and local but excluding military and industrial-type projects, increased steadily from \$7.8 billion in 1952 to \$11.6 billion in 1956. In percentage terms, this increase outstripped the growth in national output as a whole and exceeded the rise in private construction expenditures.

Three major public works programs, involving substantial Federal outlays, were initiated. First, work was started in 1954 on the St. Lawrence Seaway, which will extend ocean transport into the heart of the Nation. Construction of the United States sector of the Seaway proper is being financed through revenue bonds issued to the United States Treasury, while associated storage dams and power installations will be financed by non-Federal agencies. The construction costs of these associated projects will substantially exceed the outlays of the Federal Government. Second, the Upper Colorado River Basin project was authorized in 1956. By providing flood control, hydroelectric power, and water for irrigation and other uses, this project will eventually transform an undeveloped area, comprising parts of several States, into a major national productive asset. Third, few devel-

opments in our time offer greater promise for the Nation's future growth than the \$25 billion, 13-year program enacted by the Congress last year for a national system of interstate highways.

A number of other actions have been taken in the last four years to add to our public assets and improve our natural resources. Expenditures for flood control have been increased. Specific Federal grants have been authorized for assisting the construction of pollution abatement works and sewage treatment facilities and for upstream watershed protection. Federal loans have been authorized for small irrigation projects. The tax laws have been revised to encourage private expenditures for conservation. A start has been made on Mission 66, a ten-year program of major improvements in our national parks. A unit has been established within the Executive Branch to encourage and coordinate long-range public works planning at all levels of government. Urban planning has been strengthened through grants to the States for assisting small municipalities and metropolitan or regional agencies in this activity and through the expanded Urban Renewal Program. Provision has also been made for interest-free advances for planning local public works and for loans to construct public works, if financing on reasonable terms is otherwise unavailable. Priority for these loans is given to smaller communities. Sound principles have been developed for sharing the responsibility for improving public assets and natural resources among Federal and State and local governments. The Nation's mineral resource base has been strengthened by a number of Federal programs, including those of the Department of Interior for mapping, exploration, and research in mining methods and metallurgy.

Special efforts have been made in recent years to develop nuclear technology as a constructive resource. Progress was accelerated by the 1954 amendment of the Atomic Energy Act of 1946 and subsequent administrative actions of the Atomic Energy Commission. The new law has facilitated the advance of our international leadership along lines laid down in the "Atoms for Peace" proposal made to the United Nations in December 1953. Increasing use of radioisotopes is being made, here and abroad, in research, medical therapy, and industrial processes and operations. Government policy places particular stress on private development of large-scale reactors that use the heat of atomic fission in the generation of electricity at competitive prices. This new source of energy will acquire increasing significance as accessible and high-grade reserves of coal, oil, and gas are progressively consumed. Other nations not so well endowed as our own with relatively low-cost fossil fuels could benefit sooner from the availability of atomic energy. The possibility of developing thermonuclear (fusion) reactors for generating low-cost energy from abundant hydrogen is also being explored.

On the whole, there appears to be adequate incentive for participation by non-Federal interests in the development and application of nuclear technology. But if there is a lag in the construction of large-scale commer-

cial power reactors by these interests, it may be necessary to request funds at a later date for direct Federal construction.

The Congress is requested to authorize partial governmental insurance against industrial atomic hazards. If provision were made for Federal insurance of liability, in excess of the amounts covered by private companies, additional encouragement would be given to the private undertaking of extensive projects, including the construction and operation of commercial reactors.

Federal assistance in the development of public assets must be extended to help meet needs in certain areas of vital national interest. None of these is more important than the speedy expansion of school classroom facilities. The Congress was requested last year to enact a program of Federal assistance to help overcome the critical shortage of schoolrooms. This program was designed to supplement the already large efforts of State and local governments to the extent necessary to meet the backlog of these needs within five years, after which time full responsibility for school construction would revert to the State and local governments. The Congress is again urged to act on these recommendations. To make up for lost time, provision should be made for completing the program in four instead of five years.

The President's Advisory Committee on Water Resources Policy has reported on the problems of providing the rapidly increasing amounts of water required by population growth and economic expansion. It made certain organizational proposals, urged the development of more consistent policies of cooperation and cost-sharing with State and local governments and other interests, and stressed the importance of long-range, basin-wide planning. Recommendations for any legislation necessary to accomplish these purposes will be submitted to the Congress as they are developed.

The partnership principle, which encourages local leadership and participation in the development of water and power resources, should continue to receive close attention in current authorizations and appropriations. Federal responsibilities in specific projects should be so defined as to stimulate and facilitate cooperative efforts with State and local governments and private enterprise. Except for complex multipurpose projects of paramount national interest, for which local resources are clearly insufficient or in which local benefits cannot be clearly equated with local cost burdens, the partnership principle assures maximum benefits and speed of completion within appropriate limits of Federal participation. One such multipurpose development which the Congress is requested to authorize is the Fryingpan-Arkansas project. This undertaking would provide water, supplemental irrigation, and power in parts of several States.

The prospects for long-term population growth present a challenge to the numerous governmental units responsible for providing community facilities. Large increases in population may be expected to occur mainly in metropolitan areas, where they will intensify certain already familiar

difficulties of State and local governments. These difficulties include the division of authority among governmental units and a lack of jurisdictions furnishing area-wide services; the unequal distribution within metropolitan areas of taxable capacity relative to needs for public services; State constitutional and other restrictions on local taxing and borrowing powers; and inadequate provision for the preparation of long-range capital expenditure and revenue programs.

The main responsibility for resolving these difficulties lies with the State and local governments. Tangible evidence of an increasing awareness of this responsibility is provided by the recent report of the Council of State Governments. This report, prepared at the direction of the Governors' Conference, recommends specific approaches to solving the governmental problems of metropolitan areas. Also, a few metropolitan areas are preparing to consolidate their planning or service functions, and a number of private foundations and citizens' groups are working toward a better understanding of metropolitan problems. But still greater efforts are required to arrive at early practical solutions.

The Federal Government has taken steps to assist these efforts in accordance with the recommendations of the President's Commission on Intergovernmental Relations. Consideration is being given to the need for better coordination of Federal programs affecting urban areas. Ways of helping State and local governments plan more adequately for future growth are being explored. The initiative and major resources for solving the problems of urban growth must come, however, from the local government units and, basically, from an enlightened citizenry.

IMPROVING SKILLS AND TECHNOLOGY

Shortages of trained manpower exist in virtually every field. Although the supply of scientific, engineering, and other technical and skilled manpower has grown rapidly in recent decades, the demand has increased even more rapidly. Present limitations on the supply of trained manpower are traceable to many factors, including the low birth rates of the 1930's, the failure of many talented youths to complete high school or college, relatively long training periods, shortages of qualified teachers, and inadequacies of facilities and equipment for research and training. Current heavy demands for specialized personnel reflect the requirements of military and atomic programs, the increasing complexities of the underlying technology, and the expanding needs of private industry as good times sustain markets, encourage diversification of lines, and stimulate civilian application of defense-related innovations.

The intensity of current operations on the technological frontier is indicated by the magnitude of research and development expenditures. Although estimates vary according to definition, the magnitude is notable by reference to any standard. National Science Foundation figures show an

average annual expenditure of more than \$3 billion by the Federal Government in the fiscal years 1955-57, if certain admissible Department of Defense items not normally included are taken into account. A still broader definition would raise the 1957 estimate for the Department of Defense alone to \$5.2 billion. The 1954 revision of the Internal Revenue Code with respect to treatment of research expenditures encouraged the formalization and expansion of industry research programs. Since private outlays amount to about \$3 billion, the total annual national expenditure for research and development now ranges from about \$6 billion to about \$9 billion.

The Federal Government has taken many steps to meet its specialized manpower needs and to improve the supply in general. Various departments and agencies maintain training programs for essential skills, administer grants and fellowships, help provide necessary equipment and facilities, and make research contracts with universities, other institutions, and business concerns. The National Science Foundation is devoting increasing funds to the encouragement of education in the sciences. It pays particular attention to the development of personnel for the basic research on which applied science rests, and to the improvement of high-school and university teaching of sciences and mathematics. Efforts are being made to secure more effective use of scarce technical manpower in research undertakings that received Federal financial support. The services of the Department of Labor's apprenticeship and training programs are being strengthened and broadened.

Two Presidential Committees were established last year to deal with problems of improving our human resources. The Committee on Education Beyond the High School is focusing attention on the need for providing teachers and buildings for the expected rising tide of college enrollments and on ways of reducing the loss of talent that results from premature discontinuance of schooling by capable students. The National Committee for the Development of Scientists and Engineers is assessing the occupational shortages within its scope, exploring related problems, and enlisting the aid of interested organizations in working out solutions. Legislative recommendations may emerge from the work of these two Committees.

Federal actions have been directed not only toward alleviating the current manpower shortages in particular fields but also toward strengthening the Nation's basic educational system, which supports all subsequent instruction for working and living. In November 1955, a White House Conference on Education reviewed the many facets of the public school problem—the provision of qualified teachers, the development of appropriate curricula, and the supply of needed classrooms. The Conference was the culmination of a series of almost 4,000 State and local meetings attended by a half million citizens. Prompt action is requested on the program of Federal assistance for school construction recommended earlier in this chapter.

PROMOTING AGRICULTURAL ADJUSTMENTS

A persistent tendency toward excessive carry-overs indicates that full agricultural adjustment to peacetime conditions has not yet been accomplished. The Administration has made great efforts to move accumulated surpluses into consumption, at home and abroad, without seriously disturbing commercial markets. The disposal overseas of surplus stocks has received particular attention. This has involved direct and indirect export aids, sales for foreign currencies under bilateral agreements, and barter transactions. Although these programs have serious disadvantages, they have been helpful as short-run measures. Accordingly, it is recommended that Title I of the Agricultural Trade Development and Assistance Act be extended by the Congress for one year beyond the current expiration date of June 30, 1957, and the present limit on permissible losses under this program be raised \$1 billion. The short term of the extension and the limited dollar authorization would serve to emphasize the temporary nature of the program.

Greater progress must be made toward correcting the conditions that generate surpluses if costly Government acquisition and disposal programs are not to become permanent, if our relations with competing export countries are not to deteriorate, and if farmers' freedom of action is not to be increasingly curtailed. The approach through severe restrictions on acreage planted to the basic crops has been only partially successful. Statutory minimum allotments have prevented the full reductions in acreage warranted by carry-overs of wheat, cotton, and rice, and actual reductions have been considerably offset by increases in yields per acre. The diversion of considerable acreage from the basic commodities to other crops, notably feed grains, has caused surplus conditions to spread. A new approach to output adjustment was initiated in 1956 by the Soil Bank Act. Under this Act, growers of basic crops are encouraged to plant less than their full allotments and are compensated for part of the net income that they forego. While participation in the program was encouraging, its net contribution to reduction of output in 1956 was nominal. Most crops had already been planted when the law was enacted, and the yield prospects on much of the land placed in reserve had been reduced by drought.

The real test of the Soil Bank Program will come in 1957. Nearly 11 million acres of winter wheat land have already been placed in the 1957 acreage reserve, and participation by growers of other crops may raise the total to 25 million acres. A 1957 goal of 20 million acres has been set for the conservation reserve program, under which farmers may receive annual payments for transferring cropland to specified conservation uses and may be reimbursed for much of the initial cost incurred. If these targets are reached, 1 out of every 9 acres of cropland would be taken out of production. Output would not be reduced in the same proportion, however, since there will be a tendency to put relatively low-yielding land into the soil bank

while cultivation of the cropped acreage may be expected to be more intensive. Moreover, stocks carried over into the 1957-58 season will reflect the large 1956 harvest, and reductions attributable to the 1957 soil bank will not be fully evident until 1958.

In view of the gradual rise in crop yields and the rising productivity of the land withheld from current cropping, the soil bank may be expected to restrain output successively less in 1958 and 1959 than in 1957. One attempt to meet this problem is being made by means of premium payments for holding the same land in the soil bank for successive years. Any actions that would diminish the Program's immediate impact must be avoided. In order that growers of corn may have the opportunity of participating on reasonable terms, recommendations will be presented to the Congress for legislation along the lines of the program favored by a substantial majority of the corn growers who voted in the recent referendum.

Price supports are a valuable instrument for moderating excessive fluctuations in prices and fostering stability in farm income. But experience shows that they can be so used as to fail of their purpose and cause numerous difficulties. The Administration has been gradually moving away from supports at high, rigid percentages of parity originally introduced for the purpose of stimulating output in wartime. As we make progress in the essential task of reducing our huge accumulated surpluses, we must make sure that statutory formulas do not operate to stimulate unneeded production and thus generate new price-depressing surpluses. The modernized parity formula seeks to adjust the relationship among parity prices of individual commodities according to changing supply and demand conditions in the recent past. But the 10-year base for these adjustments is itself distorted by exceptional demand conditions after World War II and during the Korean conflict, as well as by the levels of support that have been in effect for a number of commodities during some of these years. For certain commodities, notably wheat and cotton, parity prices as now computed under statutory formulas appear clearly out of line by any economic standard.

The Secretary of Agriculture has been investigating possible revisions of the parity formula, as required by the Agricultural Act of 1956. Not merely the parity formula but also its application needs significant improvement, and the concept of parity itself requires the closest scrutiny, if these devices are to make the desired contribution to a prosperous, balanced, and free agriculture.

The special needs of two sectors of the farm community have recently called for new Government programs. First, emergency aid has been given to farmers and stockmen in the drought-stricken regions of the Great Plains. Since the beginning of 1953, more than \$800 million of Federal funds have been used for low-cost feed grain, subsidized hay and roughage, emergency credit, distribution of free food, cost-sharing in projects to control wind erosion, and support purchases of cattle products. In designated

counties, permission was granted to graze land placed in the soil bank. Benefits of a more permanent sort will be forthcoming from a program of conservation and land-use adjustments in the Great Plains, authorized by the Congress in 1956. The Administration will present recommendations to the Congress for further steps to deal with problems of land use and water shortage that have been accentuated by recent drought conditions.

Second, the Rural Development Program focuses on the 1 million farm families and 1,000 low-income counties in rural areas that have shared only partially in the general prosperity. The emphasis of this Program is on mobilizing local, State, and Federal agencies, private industrial and commercial enterprises, and civic groups in a joint effort to promote balanced economic growth in the communities involved. It is now in operation in some 50 pilot counties or trade areas. Progress will come in part through better farming, but education and vocational training, improvement of health and personal security, information on full-time job opportunities off the farm, and part-time farming supplemented by other employment, also have important roles to play.

AIDING LOCAL AREAS OF PERSISTENT UNEMPLOYMENT

The high employment levels of the last few years have facilitated economic adjustments needed to correct persistent unemployment conditions in various areas. Although the Federal Government makes its greatest contribution to the solution of local unemployment problems by following policies which promote stable growth for the economy as a whole, there are many ways in which it helps local areas with more or less chronic unemployment. In awarding Federal procurement contracts, preference has been given to businesses located in such areas. Also, defense facilities constructed in the areas are accorded special accelerated tax amortization privileges. Increased appropriations for the Office of Area Development in the Department of Commerce have made it possible to extend improved and augmented services to many such areas. The Department of Labor, through affiliated State agencies, has expanded community employment programs and services.

But greater efforts are needed to help certain localities strengthen their economic base. In some cases the forces responsible for persistent unemployment are so strong and so varied that they will yield only to comprehensive measures taken jointly by private groups, State and local governments, and the Federal Government. To supplement the efforts of local and State groups, which in a number of areas have already achieved marked success in stimulating sound economic development, an enlarged Federal program of aid to areas of persistent unemployment was proposed to the Congress in 1956. The program provided for Federal loans to pay for part of the cost of purchasing and developing land and facilities for industrial usage, for grants for research to help communities evaluate their resources and needs for economic development, and for an expanded program of technical assist-

ance through field consultation. In addition, the proposed legislation would assure better coordination of existing Federal programs so as to make them more useful in the revitalization of areas with longstanding unemployment. Under the proposed legislation an Area Assistance Administration would be established in the Department of Commerce to administer the expanded Federal services. The Congress is urged to enact legislation for this program, including the necessary appropriations.

IMPROVING HOUSING STANDARDS

Better housing and better neighborhoods are essential elements in the higher levels of living that our citizens continuously seek to achieve. A variety of Federal programs—including the insurance and guarantee of home purchase and improvement loans, insurance of loans on rental housing projects, and financial assistance to local governments for the rehabilitation of urban neighborhoods—aid citizens in realizing these ambitions. Two main principles guide the administration of these programs: they should strengthen rather than supplant private and local government efforts and should be limited to essential projects that citizens and business enterprises or local governments, by themselves, cannot adequately carry out. The soundness of these principles is manifested in the record volume of homes built by private enterprise in the last four years, in the improved quality of our stock of housing, in the more widespread ownership of homes, and in the progress in slum clearance and urban renewal.

Several steps taken since 1953 have improved the Government's housing and home financing programs. First, the Federal National Mortgage Association was reorganized in 1954 to provide for the use of private funds in this important facility. At the end of 1956, \$15 million of the Association's capital was held by private investors and \$770 million of its borrowed funds had been obtained in the private capital market. During the last year, the Association rendered notable service in assisting a home mortgage market that was subject to unusually heavy stress, and it continued to support certain special housing programs. Second, a Voluntary Home Mortgage Credit Program was established in 1954 to make private funds more readily available in remote areas and for minority groups, thereby reducing the need for direct Government lending. Through its services, over 26,000 loans totaling over \$230 million have been placed with private lenders. Third, the Urban Renewal Program of 1954 broadened the earlier provisions for Federal aid to slum clearance by authorizing assistance for the conservation and rehabilitation of urban areas. By the end of 1956 about 250 projects in both small and large cities had been approved for execution or final planning, and an additional 191 projects were in more preliminary stages. Federal grants of \$825 million disbursed or set aside for this purpose have been, or will be, augmented by local contributions to a total of about \$1.2 billion. Through projects now in advanced

stages, more than 9,000 acres of slums will be replaced by 75,000 new housing units and by major industrial, commercial, and other facilities.

To encourage private investment in the rebuilding and rehabilitation of blighted areas and in the provision of homes for persons displaced by public programs, Federal mortgage insurance on favorable terms was made available for residential projects in urban renewal areas and for persons displaced from such areas. Other important changes in the Federal mortgage insurance programs included the equalization of downpayment requirements on new and used houses, which aids private construction by improving the salability of existing homes, and provisions to help meet the growing need for more adequate housing for the elderly.

Several legislative changes in Federal programs are needed at this time. The effectiveness of the Federal mortgage insurance and guarantee programs has been seriously reduced of late, and home building has been impeded, by ceilings on interest rates for Government-underwritten loans that are below competitive market rates for comparable investments. This condition has tended to diminish the flow of funds into the federally-sponsored programs on which large numbers of home purchasers and home builders depend for low-downpayment and long-maturity mortgages. It was partly corrected by administrative action in December 1956 when the maximum interest rate on FHA-insured home loans was raised from 4½ percent to 5 percent. The Congress is requested to amend the Servicemen's Readjustment Act to permit a similar adjustment in the maximum interest rate on VA-guaranteed home loans. This action would improve the competitive position of veterans' home loans in the capital market, and increase the availability of credit for veterans desiring to exercise their right to benefits under existing legislation.

The Congress is also requested to review other restrictive ceilings on interest rates on Government-underwritten loans which are tending to defeat the purpose of encouraging private investment. Likewise, provisions controlling the interest rate on Federal loans for college housing should be amended to permit more frequent adjustments to the market yields on long-term Government securities, and to bring forth a larger participation of private capital in this rapidly expanding program.

To enable the Federal National Mortgage Association to continue purchases of mortgages in the secondary market, it is recommended that the Treasury subscription to the Association's capital stock be increased by \$100 million. Under existing law, this would add \$1 billion to the Corporation's authority to issue debentures and correspondingly augment its capacity to buy mortgages. The Congress will be requested to make additional authorizations for the purchase by the Association of mortgage loans under certain special-assistance programs.

Under legislation enacted last year, applications of World War II veterans for home loan benefits will not be accepted after July 25, 1958. The Con-

gress may wish to consider changes in the Federal Housing Administration's home mortgage insurance program to ease the adjustments in home building and financing that are likely to accompany the expiration of these entitlements and to unify the mortgage insurance facilities available to veterans and nonveterans.

The Voluntary Home Mortgage Credit Program, which has helped channel private funds into home loans in remote areas, should be extended beyond its scheduled expiration date of June 30, 1957.

Finally, the States can do much to improve the flow of funds into home mortgages. Outmoded foreclosure laws, which add unnecessarily to the risks and costs of mortgage lending, should be revised. Legal impediments to investment by out-of-state institutions in federally-underwritten home mortgages, which often result from undue restrictions on out-of-state corporations, should be removed. The investment of pension and welfare funds in such loans should be encouraged within prudent limits. The States are urged to give their early attention to these matters.

RAISING HEALTH STANDARDS

The Nation's material improvement has been accompanied by significant gains in health and life expectancy. Progress in diminishing disease, disability, and premature death has enhanced our capacity for work, for enjoyment of the fruits of effort and enterprise, and for discharge of the military obligations of citizenship. The struggle for better health and longer life is a continual one, however, and huge returns are still to be expected from relatively small outlays for additional research on crippling and killing diseases.

The contributions of the Federal Government toward the health of our people range over a wide area. The Public Health Service, through the National Institutes of Health, is supporting a greater volume of medical research than ever before. A law enacted in 1954 broadened a Federal-State construction program, to give greater emphasis to hospitals for the chronically ill, to nursing homes, and to diagnostic, treatment, and rehabilitation centers. In the same year, the Congress authorized expanded Federal support of a joint program with the States for restoration of the handicapped to more productive lives. In 1956, a three-year program of grants-in-aid was established for the construction of public and nonprofit health research facilities. The Water Pollution Act of 1956 provided for intensified pollution research, matching grants for construction of water-treatment works, and cooperation to resolve serious interstate pollution problems. In the same year, a program was enacted to help overcome the shortage of graduate and practical nurses and other needed health personnel. Another law provided for surveys to determine the extent and nature of illness and disability, to improve the information base for guidance of health research.

For the further advance of our health standards, the Congress is again requested to consider proposals for encouraging voluntary health insurance plans. One such proposal seeks to facilitate the improvement of voluntary plans by smaller health insurance companies and by nonprofit insurance associations through pooling arrangements. The Congress is also requested to authorize a temporary program of construction grants for expansion and improvement of training facilities at medical and dental schools. Such a program is needed to balance the legislative provision made last year for Federal financial assistance in the construction of health research facilities.

STRENGTHENING PERSONAL SECURITY

The maintenance of high levels of employment and income in recent years has been a powerful aid to Americans in making better provision for their own and their families' security. Because good times and a stable dollar are our best formula for accomplishing this result, Government makes its greatest contribution to the strengthening of personal security when it pursues policies that promote stable economic growth and price stability. But Government also contributes to the vigor and stability of the economy by measures designed to assure retirement and survivorship incomes and to alleviate certain severe forms of personal misfortune. The principal lines along which this can be done have been set forth in the Economic Reports of the last three years.

One set of proposals, aimed at reinforcing the Federal-State system of unemployment insurance, has resulted in important actions. During 1954 Congress extended the coverage of unemployment insurance to 1.4 million employees of firms with 4 to 7 persons on their payrolls and to 2.5 million Federal civilian employees. In the last three years, 38 States have raised weekly benefits, 12 have lengthened the potential duration of benefit payments, and 4 have extended coverage to firms with less than 4 employees.

Additional improvements are needed. First, benefits are still inadequate in relation to wages. It is again suggested that the States raise the dollar maximums so that the great majority of covered workers will be eligible for payments equal to at least half their regular earnings. Second, the duration of benefits is still inadequate in many States. It is again suggested that the States and Territories which have not yet done so lengthen the maximum term of benefits to 26 weeks for every person who qualifies for any benefit and remains unemployed that long. Third, important classes of workers are still not covered. It is recommended that the Congress extend unemployment insurance to the 1.8 million employees of firms with 1 to 3 persons on their payrolls who are still uncovered in many States, to ex-servicemen, and to employees in Puerto Rico. Also, the States are urged to include the 4.5 million persons who work for them or for their political subdivisions.

Important changes have been made in laws affecting the economic status of older persons. The Federal-State Employment Services are giving spe-

cial assistance toward finding employment for older persons, and the Department of Labor is studying the problem of enlarging their employment opportunities. The Social Security Amendments of 1954 expanded the number of jobs covered, raised benefits, and encouraged retired individuals to engage in some remunerative work. By the end of 1956, 9 out of every 10 workers were covered or eligible for coverage under old-age and survivors insurance; and roughly 45 percent of persons aged 65 or more were receiving benefits, aggregating about \$4.8 billion annually. Benefits of about \$800 million were paid in 1956 to 1.6 million children and their widowed mothers, and to about 300,000 women aged 62-64 who became eligible for retirement benefits under legislation that became effective in November of that year. The 1956 Amendments extended coverage to an additional 900,000 workers and to 3 million servicemen, liberalized provisions governing the eligibility of women for old-age benefits, and provided benefits for workers aged 50 and over who are totally and permanently disabled. In addition, by liberalizing the Federal grants that match State payments, the 1956 Amendments encouraged more generous public assistance and medical care for persons not adequately protected by social insurance. The Railroad Retirement Act was amended in 1956 to increase by almost 10 percent the payments to more than 400,000 beneficiaries of the railroad retirement program; and Civil Service retirement provisions were liberalized in important respects.

Private pension plans now cover about 13 million workers and provide benefits to about 920,000 retired workers. Steps should be taken to deal with two problems that arise in connection with these plans, as well as private welfare funds. It would be desirable for business firms to make it easier for a worker to terminate employment without losing part or all of his accumulated rights in a pension plan. To help protect the beneficiaries of private pension and welfare funds from loss through mismanagement, it is again recommended that Congress require Federal registration of private plans and the filing of reports on their administration and finances.

In addition to actions designed to help the unemployed and the aged, measures have been taken to improve the income status of individuals. Effective March 1, 1956, an amendment to the Fair Labor Standards Act raised the minimum wage to \$1.00 an hour, directly increasing the wages of 2 million covered workers. A number of administrative wage orders of the Department of Labor, specifying various minimum wage rates, were issued or became effective in 1956: for numerous Puerto Rican industries under the Fair Labor Standards Act; for substantial numbers of workers and industries under the Walsh-Healey Public Contracts Act; and for large numbers of Federal and federally-assisted construction contracts under the Davis-Bacon Act and related statutes. It is again recommended that the Congress and the States extend the coverage of minimum wage legislation to additional workers needing this protection.

Although progress is being made toward equalizing economic opportunity for all citizens, additional legislative steps are desirable. One such step would be the enactment by the Congress of the principle of equal pay for equal work without discrimination on account of sex.

Further improvements are needed in workmen's compensation insurance against disabilities suffered on the job; this insurance is mainly the responsibility of the States. The relevant laws have been liberalized in recent years, but those of many States still leave much to be desired in benefits, administration, and provision for rehabilitation. Although great strides have been made in safeguarding workers, occupational accidents still cause almost two million injuries and deaths a year. A proposal will be presented to the Congress for a new program to provide technical aid and limited financial assistance to States for promoting occupational safety.

Another problem requiring attention is the loss of income caused by temporary disabilities not related to the work of employees. For some years, four States have had insurance programs covering such contingencies, and many employers provide similar protection. A recommendation will again be presented to the Congress to provide temporary disability insurance benefits for employees in the District of Columbia. It is hoped that the States that have not as yet done so will take the necessary legislative steps to protect their workers against temporary off-the-job disabilities.

SOME CHALLENGES OF THE FUTURE

The proposals made in this chapter have been designed mainly with the needs of the near-term future in mind, but Government has an obligation also to look into the more distant future, although this can be done only imperfectly. Even long-established trends are subject to change, and there is much that cannot be foreseen at all; but certain factors that will influence our economy in the years ahead can be discerned with some confidence. Two of the most important of these factors are the growth and the changing age composition of our population.

Before and shortly after World War II, the consensus of experts was that the population of the United States would grow more and more slowly, reach a peak within a few decades, and then begin to decline. Actually, the population has grown in the last ten years at more than double the rate that prevailed in the 1930's. There have also been notable and diverse changes in the rates of population growth in different sections of the Nation. These changes and the increase in total population have already exerted profound influence on our economy. New challenges will arise in the future when the sharp increase in the number of births since 1940, and especially since 1946, is reflected in the size of significant age groups. The number of young people reaching their eighteenth birthday in the mid-1970's will be nearly double what it was in 1956. The population of college age can be expected to increase by something over 60 percent by 1970; but in that year enroll-

ments in the regular sessions of institutions of higher education are now expected to be more than double the present figure. The number of first marriages, which will be reflected in the rate of household formation, is likely to be substantially larger in the mid-1960's than at present and very much larger in the late 1960's and the 1970's. The actual size of the labor force is unpredictably affected by the decisions of individuals in choosing, or not choosing, to seek employment. Although the rates of labor force participation cannot be safely forecast, the number of persons available for work is certain to grow substantially.

These few examples of results that can be expected from the growth and changing age composition of our population suggest some of the challenges in the years ahead for public and private policy. Pertinent population data are presented and briefly discussed in Appendix C to this Report.

The extent to which the national output will be increased by the prospective enlargement of our population will depend in considerable part on our ability to maintain a high level of employment and continue our gains in productivity. Output per man-hour has increased over a long period at an average rate of about 2 percent annually; since World War II it has risen at an average of well over 3 percent a year. Productivity should continue to increase at customary or recent rates, but such a pace cannot be regarded as automatic and assured, without reference to any other factors. Enormous increases in the supplies of skilled manpower, mechanical energy, raw materials, and capital equipment will be needed if technological opportunities are to be realized, and if the demands of a vigorously growing population are to be satisfied at improved levels of living. These increases imply very large requirements for savings and investment.

The opportunities and potentials of our free economy in the next quarter-century are very great, even when conservatively appraised. So also are the responsibilities that must be borne by Government and by the citizen. The primary objective of Government must be to encourage balanced and sustainable economic growth in an environment favorable to the spirit of enterprise. This effort must be supported by private policies that will help assure the vigor of competitive enterprise and the achievement of steady economic growth without price inflation. Our success in meeting these responsibilities will go far to insure major further advances in the well-being of our people, and it can have profoundly beneficial significance for the peace and progress of the world.