

Chapter 5

A Legislative Program To Help Achieve National Economic Goals

THE LEGISLATIVE PROGRAM for the coming year, which is presented here, is designed to help discharge the responsibilities of the Federal Government under the Employment Act of 1946. It takes account of present and foreseeable economic conditions and seeks to reach an appropriate balance among our national economic goals. The proposed measures would strengthen the foundations on which sustainable economic growth and national security are based, help moderate fluctuations in our economy, aid in countering a resurgence of inflationary pressures, and assist in the sound development of the free world economy.

First, the program recognizes the economic impact of the fiscal policies of Government. It takes particular note of the far-reaching effects of the activities under which the Federal Government makes loans directly to individuals, business concerns, local governments, and other groups, or insures or guarantees loans made to them by private lenders. Second, it proposes steps to improve our store of technical knowledge and productive skills, the better to meet the problems of our time. Third, it suggests measures to enhance the competitive character of our system of private enterprise, with emphasis on strengthening the economic position of small business concerns. Fourth, it suggests ways of giving to individuals greater protection against economic hardships, of promoting integrity in labor-management relationships, and of improving industrial relations. Fifth, it proposes the extension of certain agricultural laws and the revision of others, to facilitate long-needed adjustments. Sixth, it proposes means for widening and strengthening our economic ties with other nations. And, finally, it suggests measures for improving the economic information needed by private and public groups to follow and analyze economic developments and to provide a sounder basis for policy decisions.

GOVERNMENT FINANCES

The Federal Government's fiscal operations are of such size and character that the policies followed in these matters cannot fail to exert a powerful influence on economic conditions. Fiscal policies can contribute significantly to the attainment of national economic objectives or can impede their accomplishment. It is crucial, therefore, that they

be attuned to the times and so designed as to promote the long-run as well as the immediate economic welfare of the Nation.

The budget provides an integrated view of the planned fiscal operations of Government. It also provides a basis for considering the impact of fiscal operations on the economy. In determining budget policy, four objectives are uppermost: to make adequate provision for needed services; to provide these services efficiently; to promote suitable relationships among Federal, State, and local governments; and to make the maximum contribution to economic growth and stability.

Because the provision of services by Government requires that income be claimed that would otherwise be used privately, the first of these objectives means, in a broad sense, that the amount of income which is taken in taxes, the sources from which taxes are drawn, and the way tax receipts are spent should be such as to maximize Government's contribution to national welfare. Constant vigilance is needed to get the work of Government done at the lowest cost consistent with the desired level of performance, which is the essence of the second stated objective, but vigilance is needed also to assure that the income which Government takes in taxes makes a greater contribution to well-being when spent publicly than it would if used privately. Efficiency in this broad economic and social sense requires wise judgment in selecting the activities on which the revenues of Government are to be spent and in allocating the burden of taxation.

The third objective—a suitable relationship among the various levels of Government—has been affected by the increasing scope and complexity of our economic life, a desire to conduct various programs on a uniform basis, a succession of national emergencies, and the existence of a highly productive Federal revenue system. These circumstances have tended to direct more functions to the Federal Government, with the consequence that a continuing re-evaluation of the distribution of governmental functions and of the revenues for financing them is necessary.

During the past year, a Committee of ten Governors and seven Federal officials, including three Cabinet members, has been developing recommendations and plans under which certain functions now performed at the Federal level may be undertaken by the States, with an appropriate transfer of revenue sources presently used by the Federal Government. The first results of this constructive work are described in Progress Report No. 1 of the Joint Federal-State Action Committee, issued December 5, 1957. Where necessary, legislative proposals to carry out these recommendations will be transmitted to the Congress.

The continuing work of the Committee is expected to yield additional suggestions. Its efforts will also help establish clearer definitions of responsibility for emerging problems.

The balance between Federal budget expenditures and receipts in the calendar year 1957 was broadly favorable to the attainment of the fourth goal of fiscal policy, namely, to help create conditions conducive to economic

growth and stability. Although Federal expenditures were somewhat higher than in the preceding year, some surplus of receipts over outlays helped moderate inflationary pressures.

The need to accelerate important portions of our defense program requires that the Congress make certain supplemental appropriations early in the calendar year 1958 and authorize the Executive Branch to make certain transfers of funds under existing appropriations. The acceleration of our defense program, which these steps will facilitate, will result in some increase of Federal outlays in the fiscal year 1958. And readjustments currently taking place in the economy suggest that receipts will be somewhat lower than was estimated earlier. Present indications point, therefore, to a small excess of outlays over receipts for the fiscal year as a whole.

Budget estimates reflect the interaction between economic developments and the Federal Government's receipts. With the anticipated resumption of economic growth, receipts in the fiscal year 1959 are expected to be enough higher than in fiscal 1958 to provide a small surplus over the somewhat increased level of projected expenditures. The prospective surplus is a narrow one, however, and insufficient to permit the reductions in the corporate income tax rate and in the excise taxes on automobiles and parts, cigarettes, distilled spirits, wines, and beer scheduled to take effect on July 1, 1958. It is recommended, therefore, that these tax rates be extended by legislative action for an additional year.

The statutory limit on the public debt returned to \$275 billion at the beginning of the fiscal year 1958. At that time, the debt subject to this restriction was slightly over \$270 billion. The usual excess of cash payments over receipts in the first half of the fiscal year resulted in an increase in the public debt outstanding, and at the end of December the debt subject to limit was less than one-half billion dollars under the ceiling.

It has been possible to conduct the Federal Government's fiscal operations within this statutory restriction only by the most careful economy and by drawing down Treasury cash balances to uncomfortably low levels. This extremely narrow margin has imposed serious problems of fiscal administration on the Federal Government, not the least of which is the lack of flexibility needed for efficient management of the public debt. Financial demands upon the Treasury will be severe also during the second half of the calendar year 1958. The higher rate of expenditures dictated by our national security requirements, the seasonal pattern of Treasury receipts, and the need for greater operating flexibility requires a less restrictive debt limit. Legislation providing an appropriate temporary increase will be requested of the Congress.

FEDERAL CREDIT PROGRAMS

Increasing attention has been directed recently to the numerous programs under which the Federal Government lends money directly to individuals, local governments, business concerns, and other groups, or underwrites, either by insurance or by guarantee, credit extended to them by private

lenders. These Federal programs fall into four broad categories: programs under which direct loans and loan insurance are provided for housing; direct loan and loan insurance programs for farm people; programs of financial aid for business concerns; and programs under which loans are extended to foreign firms or governments and international agencies. Some programs were designed originally to fill gaps in private credit markets; others were created to achieve certain social objectives; and still others were designed to meet specific defense needs or to support the foreign policy of the United States.

All of these programs involve the credit of the Federal Government in one way or another. They also tend to swell Government expenditures, though they are by no means fully reflected in Federal budget totals. Insured and guaranteed loans do not appear in budget expenditures at all, except for the relatively minor administrative costs and the losses which have been associated with them; and, in most cases, direct loan programs result in net expenditures only to the extent that disbursements under new credits exceed repayments of loans previously made and by the amount of the administrative costs involved. But whether reflected in the budget or not, Federal credit programs, both individually and in the aggregate, have a significant and widely diffused impact on the economy. They influence the volume of credit extended, the uses for which it is available, and the interest rate and other terms on which it can be obtained. It is important, therefore, that the programs be administered in such a way that the burden which they place on the Federal budget is minimized, consistent with program objectives; that they supplement, rather than compete with, private credit agencies; and that they make their maximum contribution to the stability of the economy and to its capacity for sustainable growth.

Federal credit programs could fulfill their statutory objectives and promote the stability and growth of the economy more effectively if the heads of the various agencies had wider discretionary authority to set the terms on which funds are available to qualified borrowers under Federal insurance or guarantee of private loans. Congress should give favorable consideration to legislation that will accomplish this result. Existing statutory limitations are sometimes so restrictive as virtually to nullify program objectives. A prime example is the VA Home Loan Guaranty Program. Because of the currently uneconomic level of its statutory maximum interest rate, this program has been drastically curtailed before its scheduled expiration date, so far as new guaranty commitments are concerned. Home mortgage loans are not currently available from private sources at the statutory maximum of 4½ percent, in view of the higher yields that can be earned on other investments of comparable quality. Other programs that have been seriously retarded in obtaining necessary financing from private investors include the armed services housing, rental housing, and management-type cooperative

housing loans insured by the Federal Housing Administration. The National Housing Act should be amended to adjust the interest rate limitations in Sections 207, 213 and 803, which have become impediments to the intended operation of these programs.

Wider discretionary authority would make it possible to administer programs so as to encourage the use of private funds under loan insurance or guaranty arrangements, rather than to employ direct public funds. This would substantially reduce the burden of credit programs on the Federal budget and eliminate a type of subsidized public competition with private financial facilities. Also, the use of Federal insurance or guaranty programs, rather than those under which loans are extended directly, should be encouraged by the Congress through legislation making it explicit that Federal credit is available directly only when financing cannot be secured from private sources at reasonable rates.

Proposals will be made for the adjustment of the statutory maximum interest rates on certain direct loan programs. These adjustments are needed to reduce the burden which the programs involved place on the budget and to bring the charges available to qualified borrowers under the programs into reasonable alignment with rates that must be paid in private markets.

Much can be done to harmonize the policies of Federal credit programs with the general economic and credit policies of Government through exchanges of views among Federal credit agencies and other divisions of the Executive Branch. The Advisory Board on Economic Growth and Stability provides the nucleus of a group to facilitate interagency consultation on program policies and practices.

A number of specific proposals relating to housing and home financing should be enacted by the Congress. These proposals would increase the availability of funds to prospective home owners and would facilitate the construction of dwelling units both for sale and for rent. Thus, they would increase the effectiveness of Governmental programs in improving the Nation's housing resources.

The requirement that charges, fees, and discounts on federally insured or guaranteed home loans must be regulated by Government has proved to be a serious impediment to the free flow of funds into mortgage loan investments. This provision of the Housing Act of 1957 has served in practice to handicap the families it was designed to protect. It should be repealed.

The Congress should also eliminate the requirement that mortgages acquired by the Federal National Mortgage Association (FNMA) under its special assistance programs be purchased at par. This requirement, coupled with statutory maximum interest rates on insured and guaranteed loans that are lower than market rates on comparable investments, has forced FNMA to buy mortgages at unreasonably low yields and in amounts larger than would otherwise be necessary, with a corresponding burden on the Federal

budget. The par purchase requirement tends strongly to discourage private financing at present interest rates.

In view of the increased costs of homes, a proposal will be made to increase to \$30,000 the maximum size of loan that may be insured by the Federal Housing Administration (FHA) under Sections 203 and 220 of the National Housing Act. Favorable action on this proposal will make the already very useful FHA program even more effective in promoting wider home ownership and improved housing.

The increasing scale of activities of FHA in the home mortgage insurance programs will require a higher statutory limit on the amount of outstanding insured loans. This action should be taken well in advance of the exhaustion of FHA's insuring authority in order to assure the continuity of this important aid to home financing.

Finally, recommendations will be made to realign Federal, State, and local relations in the Urban Renewal Program in the light of experience gained during recent years.

SCIENCE AND EDUCATION

The security and well-being of our people depend upon timely and adequate investment not only in physical structures, equipment, and weapons, but also in knowledge and skills. Indeed, without satisfactory provision for the intangible capital accumulated through research and education, it would be impossible to design, to construct, or to use effectively the implements essential to our survival and progress.

Most of the scientific and educational needs of our dynamic economy are met routinely. However, new and stern challenges to the security of the free world, both immediate and long-run, call for greater efforts to strengthen the technical base of our military preparedness and to improve the quality of our school system. If we allow a gap to develop and persist in favor of the communist bloc, our influence in the struggle for peace may be seriously diminished. Our economy must be able to meet threats that are subtle and emerging, as well as those that are obvious and imminent. There is no cause for complacency in the fact that a rival power, making impressive contributions to science and technology, at the same time denies its people the common freedoms, adequate housing, and other basic amenities of life. On the contrary, the ability of a dictatorial regime consistently to subordinate the freedom and welfare of its population to the pursuit of military might and foreign economic penetration is a circumstance that requires vigilant attention.

Impatience to meet the Soviet challenge in its new dimensions of science and education should not blind us to the true nature of the threat or induce us to take inappropriate countermeasures. Our aim is to assure the continuing superiority of the free world's military and economic defenses, and to retain the confidence of uncommitted peoples. This aim can be achieved, not by distorting the Nation's scientific programs and educational system, but by promoting their rapid growth and improvement in needed

directions, without sacrificing either the balance necessary for the rounded life in a free society or the capacity to meet new contingencies that may arise.

Above all, it would be unwise and unrealistic to assume that the expanding Soviet challenge can be successfully met merely by enlarging Federal appropriations. Some additional funds are needed and are being requested. But it will be even more necessary to enlist the interest and to marshal the energies of individuals and private groups throughout the Nation. In a free society, an enlightened public attitude toward science and learning is essential if the quality and capacity of schools, colleges, and universities are to be improved. Broad remedial action must be taken by citizens, community organizations, schools, foundations, business firms, labor groups, professional societies, the press, and State and local governments.

Two Committees appointed by the President have been at work since April 1956 on problems of technical manpower and higher education. Their reports deserve the widest possible study.

One report, issued by the President's Committee on Scientists and Engineers in October 1957, emphasizes contributions that can be made by community and other essentially non-Federal programs. It indicates how the present corps of scientists and engineers may be utilized more effectively and how young people may be encouraged to prepare for scientific and engineering careers. It notes the importance of providing adequate technical and clerical assistance to professional workers, raising the quality of education in science and mathematics, and encouraging talented students to continue their studies. It also proposes measures for elevating the economic status of teachers, upgrading teacher qualifications, revising school curricula, providing better guidance and counseling services, improving college facilities, enlarging the contributions of junior colleges and intermediate technical institutes, and stimulating public interest in education.

The other report, issued by the President's Committee on Education Beyond the High School in July 1957, makes similar recommendations and certain additional ones. It stresses the need for making teaching careers more attractive, proposes assistance to capable students through scholarships and counseling, points to the importance of planning for the expansion and diversification of educational facilities at the college level, suggests modes of financing higher education, and sketches a role it deems appropriate for the Federal Government in the achievement of these objectives.

Science and education already receive considerable support from the Federal Government. Huge sums are devoted annually to research and development undertakings in many fields, including national defense, atomic energy, health, agriculture, and mineral resources. These funds, allocated to basic as well as applied research, benefit thousands of business firms, private and public institutions of higher learning, and other non-Federal organizations. As conventionally reckoned, they amounted to \$3 bil-

lion in the fiscal year 1957 and will exceed this total by a substantial amount in the current fiscal year. Moreover, when fuller account is taken of certain research-connected military expenditures, these sums are more than doubled. Thus, the funds programmed by the Department of Defense for the fiscal year 1958 for research and development, according to the usual definition, amounted to \$1.8 billion; but this figure is raised to well over \$5 billion when the definition is broadened to include supplementary items.

Federal encouragement of basic or general-purpose research is exemplified by the activities of the National Science Foundation, for which substantially enlarged appropriations are being requested for the fiscal year 1959. This agency makes grants to universities and other institutions for the conduct of fundamental investigations in mathematical, physical, medical, biological, engineering, and other sciences. It aids the training of scientific manpower through graduate fellowships and science-teacher institutes. It also finances experimentation to improve science teaching.

The Federal Government assists science and education in many other ways. It sponsors numerous activities to help establish a civilian atomic energy industry on a commercial basis. It trains groups to man private domestic projects and to aid the nuclear programs of friendly nations. The Defense Department conducts education and training programs that raise the technical qualifications of in-service personnel. Like research contracts, military procurement contracts make a large contribution toward raising the level of skills in the civilian labor force and increasing their variety.

In recent years, the Administration has sought legislation to help State and local agencies construct elementary and high schools. Although its proposals were not enacted, the effort underscored the national interest in providing an increasing number of classrooms. First reports for the 1956-57 school year indicate that the rate of construction of school buildings continued at a high level, and that the classroom shortage was reduced. It is not too early for our people to begin thinking of ways to accommodate the large numbers of students who will be entering the colleges and universities in the next few years.

Several legislative steps are needed to help improve the Nation's resources of knowledge and skills. The Congress is being asked to authorize funds that would be made available on a temporary basis to the States for the improvement of instruction in science and mathematics, for the identification and encouragement of able high school students through testing and improved counseling and guidance services, and for college scholarships. Other provisions of this temporary program include the strengthening of State departments of education in the fields of science and mathematics, broader support of graduate education, improvement and expansion of the teaching of foreign languages in colleges and universities, and improvement of State statistics on education.

The Congress is requested, as in last year's Economic Report, to authorize a temporary assistance program for the expansion and modernization of

medical and dental teaching facilities. These would complement the research facilities for which legislative provision has already been made. In the health field, it is not practicable to separate training from research.

SMALL BUSINESS AND THE COMPETITIVE SYSTEM

The variety of ways in which the Federal Government assists small business concerns is described in a report, "Federal Policies and Programs that Benefit Small Business," published on September 23, 1957. This report was prepared by the Cabinet Committee on Small Business, established by the President in 1956. The Committee's task is to follow the fortunes of small business concerns and to recommend legislative and administrative actions that would aid them.

In its First Progress Report, dated August 7, 1956, the Committee made recommendations in respect of taxation, financing, competition, procurement, technical assistance, and Government reports. These recommendations were described in last year's Economic Report. Those that could be given effect by the Executive Branch within the framework of present law—such as the elimination of certain administrative impediments to Government procurement from small business concerns—have been acted upon. Other proposals require changes in the law. Such changes were enumerated and recommended by the President in a letter to the Chairman of the Committee on Ways and Means of the House of Representatives, dated July 15, 1957. In the field of taxation, it was recommended that Congress extend accelerated depreciation formulas to purchases of used property up to \$50,000 in any one year; grant closely held corporations the option to elect the tax status of partnerships; grant taxpayers the option of paying estate taxes over periods of up to 10 years where an estate consists largely of investments in closely held businesses; and allow an ordinary loss deduction, up to some maximum amount, instead of a capital loss deduction, on original investments in the stock of small companies. A broad reduction of the tax burden carried by small concerns, whether incorporated or not, cannot be achieved until budgetary conditions warrant cutting taxes generally. Although such a cut cannot be proposed at present, the changes in our tax laws outlined above promise to remedy, with a minimum loss of revenue to the Government, important specific handicaps under which small business firms now operate, and the Congress is requested to act favorably on them.

The difficulties which small business concerns face in obtaining adequate financing on satisfactory terms would be lessened by favorable Congressional consideration of the proposal to increase, from \$300,000 to \$500,000, the maximum amount of a corporate security issue that is exempt from the full registration requirements of the Securities and Exchange Commission. Because of the Commission's power to limit or condition by appropriate rules the privileges of Regulation A filings, which would be extended by this proposal, this change could benefit small concerns without weakening the protections for the investor which our securities laws are designed to provide and which must continue unimpaired.

Legislation should be enacted to remove the limitation on the life of the Small Business Administration (SBA) and to increase suitably its authorization for making business loans and disaster loans. Business loans approved by the SBA totaled about \$160 million in the fiscal year 1957. In addition, SBA helps small concerns obtain procurement awards, and it offers important management counseling services. This work can be done most effectively by an agency having assured continuity of functions.

The Board of Governors of the Federal Reserve System is currently engaged in a study which should help assess the adequacy of existing private facilities for financing small business.

A further means by which Government can promote the proper interests of small business concerns, and of the community in general, is by eliminating barriers to open and fair competition. This requires vigorous enforcement of the antitrust laws. Certain improvements in these laws should be made.

The recommendation has been made in previous Economic Reports that notice to the antitrust agencies should be required when businesses of significant size that are engaged in interstate commerce propose to merge. Such a law would facilitate antitrust enforcement by providing an automatic notification to the responsible agencies of merger plans.

Other measures also are needed to strengthen the administration and enforcement of the antitrust laws and to foster a competitive environment: Federal regulation should be extended to bank mergers accomplished through the acquisition of assets; in antitrust cases, the Attorney General should be empowered to issue civil investigative demands for the production of necessary documents without the need of grand jury proceedings; cease-and-desist orders issued by the Federal Trade Commission for violations of the Clayton Act should be made final unless appealed to the courts; and the Federal Trade Commission should be authorized, in merger cases where it believes violation is likely, to seek a preliminary injunction.

Proposals for certain changes in our laws regarding labor-management relations are made in a later section of this chapter. These proposals would tend to eliminate practices that are inimical not only to the proper interests of the community generally, but also to the long-run interests of employees. Favorable action on these proposals by the Congress would yield significant benefits to small business concerns.

PERSONAL WELFARE

The primary means by which Government can help improve the welfare and security of the family and the individual is by following policies that foster stable economic growth. General prosperity has made it easier in recent years for our people to acquire homes and other property, and to protect themselves against the hazards of life through savings and insurance.

The capacity of the economy to provide opportunities for steady employment at good wages is promoted by Federal programs that strengthen labor

standards and help maintain the incomes of older people, of families bereft of breadwinners, and of persons experiencing unemployment or other severe personal misfortune. The improvement of these programs along lines set out in previous Economic Reports is desirable as a means of promoting general economic stability as well as personal welfare.

The Federal-State programs of unemployment compensation provide a major defense against personal hardship and an important means for helping sustain personal income, and thus consumption expenditures, during periods of economic readjustment. As pointed out in an earlier section of this Report, payments to individuals under unemployment insurance systems have helped significantly to cushion the impact on total personal income of the decline of wage and salary payments in the closing months of 1957.

The past four Economic Reports have recommended changes designed to strengthen unemployment insurance systems, and some progress has been made. More than 43 million people, or 83 percent of all nonagricultural wage and salary workers, are now covered by unemployment compensation, compared with only 37 million in 1954. In many States, weekly benefits have been increased and their duration extended; yet coverage, size of benefits, and duration still fall short of recommended standards. It is again suggested that the States increase maximum benefits so that the great majority of the covered workers will be eligible for payments equal to at least half their regular earnings, and that States which have not already done so lengthen the maximum term of benefits to 26 weeks for every person who qualifies for any benefit and who remains unemployed that long.

Recommendations made in last year's Economic Report are already pending before the Congress for legislation extending the coverage of unemployment insurance to employees of firms employing under 4 workers and to employees in Puerto Rico. This important means for sustaining personal incomes would be strengthened further if the States which have not yet done so would provide coverage for approximately 5 million State and local government employees who still lack protection under the system.

Unemployment insurance in the District of Columbia should measure up to the standards that are recommended for all States and have been adopted in several. Enactment of legislation to this end is requested.

Workmen's compensation systems, which are mainly the responsibility of the States, are a second means for safeguarding personal welfare. Occupational accidents result in about 2 million injuries and deaths a year, bringing tragedy and hardship to individuals and families and needlessly impairing the Nation's manpower resources. Efforts to develop and enforce adequate safety standards and to encourage safe practices should be intensified by State and local governments and by employers, and the States, where necessary, should improve workmen's compensation systems with respect to benefits, administration, and provision for rehabilitation. A special responsibility of the Federal Government in this area of personal welfare could be discharged more fully if legislation were

enacted enabling the Secretary of Labor to prescribe and enforce safety standards for longshoremen. Enactment of such a law is recommended.

Temporary disabilities not related to the work of employees often result in unusual expenses at the very time that income is cut off. Four States have insurance programs to deal with this problem, and health and welfare plans of employers have become increasingly numerous. Nevertheless, protection against this form of personal hardship is still inadequate. It is hoped that the remaining State and Territorial jurisdictions will establish programs to provide nonoccupational temporary disability insurance.

Another major safeguard of personal welfare is provided by the old age, survivors, and disability insurance programs, which now cover more than 90 percent of all employed persons in the Nation. The 1954 and 1956 amendments to the Social Security Act extended coverage under these programs to about 840,000 additional persons, liberalized the provisions governing the eligibility of older women for benefits, and provided benefits for totally and permanently disabled workers aged 50 or over. These changes, coupled with the increase in the number of persons eligible for benefits, account for the increase in payments to an annual rate of \$7.2 billion in 1957, from \$5.5 billion in 1956. Benefits because of permanent disability of persons 50 to 64 years of age are now being paid to 140,000 persons at an annual rate of more than \$120 million. More than 600,000 women aged 62 to 64 are drawing benefits amounting to about \$27 million a month at recent rates.

Recommendations in last year's Economic Report are already pending before the Congress for legislation extending the Fair Labor Standards Act to additional groups of workers needing its protection and to enact the principle of equal pay for equal work without discrimination on account of sex. Favorable consideration by the Congress is requested for legislation to strengthen the Federal 8-hour laws for the benefit of workers subject to Federal wage standards on Federal and federally assisted construction and other public works.

Earlier Economic Reports recommended a Federal program to stimulate sound economic development in areas of persistent unemployment. Legislation previously recommended to provide an Area Assistance Administration in the Department of Commerce, to extend loans, research grants, and technical assistance to such areas, should be enacted.

Labor-management relations and the trade unions through which workers bargain collectively with employers must be kept free of Government domination. Nonetheless, Government has a responsibility to maintain a framework of laws to protect the basic rights of the individual, promote integrity in labor-management relationships, and make for better industrial relations. In keeping with this responsibility, a program of legislation is being proposed to the Congress. This program will require, among other things, periodic public reports on private employee welfare and pension

funds, on financial dealings between employers and employee representatives and their agents, on general union finances, and on union organization and structure. It also calls for modifications of the law governing secondary boycotts and picketing, and provides that the States have jurisdiction in labor-management disputes in which the National Labor Relations Board declines to exercise authority.

AGRICULTURE

American agriculture is basically strong. The transformation in farm technology has been raising output per man-hour more rapidly in agriculture than in manufacturing. Family farms remain the dominant form of agricultural operation, and the proportion of farms that are owner-operated has never been higher. Although the average size of farm is rising, a key feature of modern technology is that it permits a larger enterprise to be successfully managed by a farm family. Electricity, the tractor, the automobile, and the truck have helped to lighten the burden of farm work and to relieve the isolation of rural living. Recent declines in the number of farms have been heaviest among those too small to provide an adequate level of living from agriculture alone. Greater mobility, and the movement of industry into the countryside, have widened the range of economic opportunities open to rural people. Farm families have notably improved their levels of living during the last decade and a half, and this improvement continued even when income from farming alone was declining.

Many of the Federal programs undertaken on behalf of farm people have made important contributions to this long-term progress. Gains in agricultural productivity owe much to research and extension services. The Rural Electrification Administration has played a major role in raising the proportion of farms having central station electricity service from 11 percent in 1935 to 95 percent today. A variety of credit facilities have been developed for farm operators; farmers own more than half the capital of the Farm Credit System and participate extensively in its management. In 1957 farm operators became eligible to receive benefits under old age, survivors, and disability insurance. The regulation of markets and dissemination of current market news serve the interests of producer and consumer alike. However, in three areas especially, farm programs are in need of reconsideration: the disposal of accumulated surpluses, the operation of agricultural price supports, and direct measures of production adjustment.

The high cost of carrying commodity stocks, and the persistent tendency for current production to outrun commercial demands, continue to require emphasis on programs for disposal of surplus stocks. During the past several years, an impressive volume of commodities has been successfully moved into consumption in this country and abroad. Although constructive ends have been incidentally served, surplus disposal on a large scale gives rise to serious dangers. When disposal is made overseas, damage to other exporting countries is an ever-present risk.

The Agricultural Trade Development and Assistance Act of 1954 has financed a large volume of agricultural exports. It has also furthered our foreign policy objectives. Title II of the Act has facilitated emergency food assistance to foreign countries. Sales for foreign currencies under Title I of the Act have contributed to mutual security and to economic development programs in underdeveloped countries. Titles I and II should be extended for one year beyond the current expiration date of June 30, 1958, and the present limit on permissible expenses and losses of the Commodity Credit Corporation under Title I should be raised by \$1.5 billion. Operations under this temporary legislation require frequent review. Carry-overs of certain commodities are already being reduced to levels that raise mandatory price supports through statutory escalator formulas even while supplies remain seriously out of balance with commercial requirements. Past and prospective shipments under various surplus disposal measures must not be allowed to stimulate the production of continuing surpluses.

Measures designed to direct our surpluses into domestic consumption outside commercial channels have also been helpful. Distributions to schools, institutions, and needy persons, together with direct financial grants for the school lunch and special milk programs, now amount to about \$400 million a year. The advantages of sustaining milk consumption among children of school age, especially in low-income communities, are of sufficient importance to warrant the extension of the special milk program beyond the present expiration date of June 30, 1958.

Government expenditures on agriculture and agricultural resources in fiscal 1958 are estimated at about \$5 billion—about one-quarter of the total for all purposes other than national security and interest on the public debt. The figure has doubled since 1954, largely because of mandatory price-support operations under existing legislation. Through June 30, 1957, direct price support had been extended by the Commodity Credit Corporation on \$3 billion worth of 1956 crops. This was 15 percent below the previous year's rate, but still involved one-half the rice produced, one-third of the upland cotton, and one-fourth of all wheat. In the past several years, and despite some reduction in support levels, new price-support acquisitions have been running about 20 percent as large as total farm marketings of all price-supported commodities. Losses realized in disposing of commodities during the fiscal years 1955-57 totaled \$4 billion, chiefly from operations in wheat, dairy products, cotton, and corn.

In a statement to the Chairman of the Senate Committee on Agriculture and Forestry on May 2, 1957, the Secretary of Agriculture made three key points: production controls have been ineffective in reducing over-all agricultural output; abundant agricultural products cannot successfully be priced as if they were scarce; and present legal formulas governing price supports and acreage allotments are proving obsolete. In view of agriculture's advancing productivity and the importance of enlarging commercial markets, changes are required in the method of determining price supports

on basic crops and dairy products. The rigid escalator formulas governing price supports at levels between 75 and 90 percent of parity, should be eliminated. Price supports for wheat, corn, cotton, rice, tobacco, peanuts, and dairy products should be determined administratively, within a range of from 60 to 90 percent of parity, in accordance with guidelines already established by law for almost all other agricultural commodities. It is also recommended that the National Wool Act be extended beyond March 31, 1959.

The achievement of statutory price objectives has been premised on appropriate adjustments of output by growers. Yet there is little support, among farmers or in the Congress, for controls that would be severe enough to implement current price objectives, except possibly for tobacco. Acreage allotments for corn have become largely inoperative and should be eliminated. Within the limits of general statutory principles, the Secretary should be given discretionary authority to increase allotments of other basic crops now governed by legal formulas.

The Acreage Reserve Program has temporarily contributed to a reduction of output of certain crops, by voluntary means, without loss of net income to growers but at a high cost to the Treasury. This Program should be permitted to expire at the end of the 1958 crop season. Longer-term contracts under the Conservation Reserve Program promise to be more useful in promoting agricultural adjustments and the conservation of natural resources. If we are to avoid moving toward tighter restraints on production, it is imperative that the stimulus to current output should be less than that now supplied by various Government programs. At the same time that the Conservation Reserve Program is strengthened, consideration should be given to further consolidation of the Federal Government's widespread activities in soil and water conservation.

The Commodity Credit Corporation Advisory Board should be enlarged; its members should require confirmation by the Senate; and its powers should extend to advising the Secretary of Agriculture in the exercise of the wider discretionary authority requested for determining both acreage allotments and price support levels, as well as related matters.

The Commission on Increased Industrial Use of Agricultural Products, appointed pursuant to Public Law 540 of the 84th Congress, made a number of useful suggestions for widening the markets for existing farm products and for developing new crops. While unrealizable hopes must be guarded against, more funds can usefully be diverted to research and promotion in this area within the limits of present statutory authority and without the creation of a new administrative agency in the Executive Branch.

The Federal Government assumes certain responsibilities in assisting farm people who are hit hard by natural disaster and those who are handicapped by chronically low incomes. Although drought in the Great Plains is no longer a matter of immediate concern, important recommendations conveyed in the Presidential Drought Message of March 5, 1957 should be

implemented at an early date. In particular, the distribution formula under Title I of the Bankhead-Jones Act should be revised so as to permit allocation of a larger amount of loan funds to areas in acute need; and States should be required to contribute at least 25 percent of disaster-relief costs in certain emergency programs.

The Rural Development Program is a long-range program. It enlists private and public cooperation to raise levels of living in low-income rural areas. Among these efforts are improved vocational education, more effective employment and public health services, and the encouragement of local industrialization as well as better farming. The soundness of this approach is widely accepted and the results being attained warrant continued support of this program by the Congress, but it requires no new legislation at this time.

FOREIGN ECONOMIC POLICY

Now more than ever the United States must ensure that its foreign economic policy is soundly conceived in the interest of the Nation as a whole and is adequate to the changing needs of the times. Gratifying gains have already been achieved in the scope and freedom of international trade and financial transactions. Important legislative steps remain to be taken in the field of foreign economic policy if we are to deal successfully with the problems confronting us.

The keystone of our foreign trade policy is the Trade Agreements Act, shortly up for renewal. Under that Act, as extended from time to time by the Congress, trade barriers against United States goods have been reduced on a wide front. The most important results are embodied in the General Agreement on Tariffs and Trade, to which 37 countries accounting for more than 80 percent of world trade are now signatories. Through the General Agreement we have secured conditions conducive to the increase of our exports. We have succeeded not only in reducing tariffs against our goods but also, owing in large part to the multilateral obligations provided by the General Agreement, in greatly reducing the quantitative controls abroad which were so prevalent before and, for a time, after the war.

While the national interest demands a growing two-way flow of trade, certain recognized safeguards have been established. These include "escape clause" relief for industries which have experienced, or are threatened with, serious injury as a result of tariff concessions on imports. To assist him in the consideration of Tariff Commission investigations in such cases, and to advise on the administration of the trade agreements program generally, the President has established the Trade Policy Committee at the Cabinet level with the Secretary of Commerce as Chairman.

The preservation and extension of the benefits obtained from widening the channels of world trade will depend heavily on the direction taken by American trade policy in the next year. The decisions made will have a significant bearing on the economic fortunes and policies of our trading

partners, and particularly on the success of the steps being taken toward closer integration in Western Europe through the Common Market now starting among six countries and through the Free Trade Area under negotiation for the region as a whole. It is basic to our interests and to those of the larger community of nations that these new groups pursue policies favoring the expansion of international trade and that they contribute effectively to the economic growth and unity of the free world.

To meet these needs, three major elements are required in our trade agreements program. First, the Trade Agreements Act should be extended for five years from the date of its expiration on June 30, 1958. This action would confirm our continued adherence to the principles which the Act embodies, and would enable the United States to carry on necessary negotiations in behalf of our export trade during the crucial formative period which lies ahead in Western Europe.

Second, additional authority is needed to make tariff concessions to enable us to conduct trade negotiations successfully. Congress will be requested to authorize the reduction of any duty existing on July 1, 1958, by 5 percent per year over a 5-year period, or by an equivalent total amount in not less than three stages with a maximum of 10 percent in any one year. The President would also be authorized, alternatively, to reduce any rate of duty by 3 percentage points *ad valorem*, without any yearly reduction exceeding 1 percentage point, or to reduce any rate to 50 percent *ad valorem*, if the existing duty is in excess of that amount, without any yearly reduction exceeding one-third of that difference. The negotiation of tariff reductions would remain subject to the safeguards now in the Act, and additional safeguards would be provided to permit prompter and more effective relief to domestic industries through escape clause proceedings.

Third, we need a formally constituted center to serve as the administrative organ for the General Agreement. Such a center would provide a more effective means for reviewing developments affecting trade and for considering disputes arising out of undertakings among signatories to the General Agreement. The Congress is requested to help constitute this center by enacting legislation authorizing United States membership in the Organization for Trade Cooperation.

In addition to the trade agreements program, the Congress will have before it certain other measures relating to our foreign trade. These include the extension of the Export Control Act, which expires on June 30 of this year; bills amending certain provisions concerning customs administration in the Tariff Act of 1930; and amendments to the Antidumping Act of 1921, designed to improve the administration of the Act, which have been approved by the House of Representatives and are awaiting action by the Senate. Favorable action is needed on all of these measures.

The various measures of United States assistance to, and cooperation with, other countries have played a significant role in strengthening national

economies abroad. Direct United States Government loans and grants and the investment guaranty program have assisted economic recovery and development abroad since the war. United States expenditures overseas for military and other purposes have increased the foreign exchange resources of many countries. Technical assistance to foreign countries has been provided by the United States, both through our own bilateral programs and through the United Nations. Some of the largest agreements under Public Law 480 have benefited industrially less-developed countries.

Much assistance has also been obtained from private sources and international agencies. Private capital has been invested abroad in increasing volume, carrying with it the benefit of American managerial and technical experience. Public and private funds have been channeled through the International Bank for Reconstruction and Development and its affiliate, the International Finance Corporation. The International Monetary Fund has played a key role in helping countries take actions to strengthen their currencies and in assisting them to overcome temporary foreign exchange difficulties.

Our Mutual Security Program is designed to strengthen the nations whose independence and welfare are essential to our own. This calls not only for military assistance but for economic support also, since some countries cannot, without such support, make the military effort needed in the common interest. Further, it would be illusory to aim only at strengthening military security in a narrow sense. A large part of the world's population—the most rapidly growing part—has so far experienced little improvement in material welfare. Many of these peoples are now emerging into political independence, and we should not lose the opportunity, through appropriate programs of assistance, to strengthen their confidence in the possibilities of economic growth under free institutions. Some other highly developed countries are able to participate in this endeavor. An additional reason for welcoming the new moves toward greater economic integration in Western Europe is that they should increase the foreign resources available for this purpose.

For the fiscal year 1959, an additional appropriation will be required for the Development Loan Fund which was authorized in 1957 to facilitate financing economic development projects in underdeveloped countries. The amount that will be requested is needed to permit effective operation of the Fund. Appropriations requested for technical assistance will include an increase in our contribution to the United Nations program in this field.

An increase is being requested in the lending authority of the Export-Import Bank. The Bank's activities in financing exports are directly helpful in promoting production and employment in the United States economy as well as in assisting the economic development of foreign countries. The Bank has the widespread support of our banking and foreign trade communities, and its funds are often loaned jointly with private capital, thus reducing the demand for public funds.

FEDERAL ECONOMIC STATISTICS

A well-coordinated system of Federal statistics is essential for recording the Nation's economic activity, correctly appraising its economic performance, and formulating appropriate public and private policies. Such a statistical system must provide timely and reasonably complete information on economic trends and interrelations. It must have continuity and be sufficiently flexible to take account of the changes that characterize a dynamic economy.

Taken as a whole, Federal economic statistics are good; but in view of the public and private needs for more and better information, numerous deficiencies in them should be remedied. Accordingly, the Congress will be asked to provide funds for the fiscal year 1959, for the first step of a program intended to make our economic information more nearly adequate to our growing and changing requirements. This first step is described in Appendix C to this Report. In designing it, use was made of the special studies prepared over a number of years by university, business, labor, Government, and other experts. The work of the Subcommittee on Economic Statistics of the Joint Economic Committee of the Congress has been especially helpful. The additional funds requested are small in comparison with the total cost of present statistical programs. Yet with these funds a significant contribution can be made toward improving existing statistics and filling gaps in our knowledge of the workings of our economy.