

Chapter 4

A Legislative Program for 1960

THE 1960 PROGRAM for promoting high employment, production, and income is intended to supplement and reinforce the large body of pertinent laws already administered by the Federal, State, and local governments. It also takes account of the pervasive influence on economic growth and well-being of the institutions and practices of the private sector of the economy. Thus it is consistent with the concept of the Employment Act—that responsibility for economic advance in our free society is shared by the Federal Government with other political divisions and the private economy. The specific proposals have been shaped with a view to their appropriateness in the current economic context and with due regard to the longer-range challenges and opportunities noted in Chapter 1.

FEDERAL FINANCES

In view of present economic conditions and prospects, a Federal budget that not merely balances expenditures with revenues but achieves a significant surplus for debt retirement is clearly the fiscal plan most appropriate for promoting the purposes of the Employment Act. Such a plan has been transmitted by the President to the Congress for the fiscal year 1961.

In addition to making adequate provisions for defense, for meeting the obligations of our international leadership, and for supplying other needed services, the proposed budget would make an essential contribution to the strengthening of our national economy by yielding a \$4.2 billion surplus of receipts over expenditures. By helping to restrain inflationary pressures, such a budgetary surplus would be a significant factor in promoting steady and vigorous economic growth. It would help meet demands for savings in credit and capital markets and thus facilitate and make less costly the financing of private and State and local investment projects important to economic growth and well-being. It would greatly facilitate the economical and noninflationary management of the Federal debt. It would also reinforce confidence at home and abroad in the United States dollar, and contribute in this way not only to the strength of our economy but also to the economic health of the entire free world.

Attainment of the projected surplus in the fiscal year 1961 will depend in part on economic conditions in the next year and a half. However, favorable action by the Congress on certain tax and postal rate pro-

posals and on recommended expenditures is also needed to assure this highly desirable budgetary outcome.

The Congress has been requested to extend the corporate income tax at the present rate for another year; to postpone for an additional year the reduction of excise taxes on alcohol, tobacco, automobiles, and automobile parts and accessories that is now scheduled for June 30, 1960; and to postpone for a year the repeal of the tax on local telephone service and the reduction of the tax on transportation of persons, likewise scheduled for June 30, 1960. The Congress has also been requested to make certain corrective amendments in the tax laws applicable to cooperatives; to preclude unintended and excessive percentage depletion allowances for mineral products, if this problem is not satisfactorily resolved through litigation pending before the Supreme Court; to tax as ordinary income any gain realized by the sale of depreciable personal property used in business, to the extent of the depreciation deductions previously taken on the property; to defer the taxation of income earned in less developed countries of the world; to increase the aviation fuel tax to $4\frac{1}{2}$ cents per gallon; and to impose a tax of $4\frac{1}{2}$ cents per gallon on jet fuel. To assure construction of the interstate highway system at a high rate and on a self-supporting basis, the Congress has been asked to increase the highway fuel tax by $\frac{1}{2}$ cent per gallon and to continue the tax at $4\frac{1}{2}$ cents per gallon until June 30, 1964. This action would obviate diversion of excise taxes from the general fund. In addition, favorable action by the Congress has been requested on an adjustment of postal rates. The effect of the recommended rate increases would be to reduce the deficit on postal operations by about \$550 million and to contribute, by this amount, toward the attainment of the desired surplus.

Expenditures in the fiscal year 1961 are estimated at \$79.8 billion, an increase of \$1.4 billion above the estimate for the current fiscal year. Some of this increase will occur under commitments already made in accordance with existing laws; some would be incurred under recommendations made to the Congress in the budget for fiscal 1961. A considerable part of the rise involves programs that directly support our economy's capacity for growth. Among these are programs for the development of land and water resources; for the promotion of research, education, and science; for the construction of physical facilities in the field of health; for urban renewal; for the expansion and improvement of highway and air transportation; and for aid to other nations of the free world.

A major proposal has been made to the Congress for legislative action in the field of public debt management. This proposal is of particular importance in view of the large amount of the public debt, now more than \$290 billion, and its heavy cost, involving interest payments in the fiscal year 1960 estimated at \$9.3 billion. Specifically, the Congress is requested to remove the $4\frac{1}{4}$ percent ceiling on the interest rate which can be paid on United States Government securities with a maturity of more

than 5 years. Events since this request was first made have underscored its importance for minimizing the hazard of creating inflationary pressures through public debt transactions; for giving greater latitude in the conduct of monetary and credit policies conducive to the growth and stability of the economy; and for financing the debt as economically as possible.

Also, to permit the financing of seasonal increases in the Federal debt during the fiscal year 1961, it is necessary to enact a temporary debt limit that is somewhat higher than the present permanent limit of \$285 billion. A proposal to this effect will be made to the Congress prior to the expiration on June 30, 1960 of the present temporary limit of \$295 billion.

COMPETITION

The importance of vigorous competition to the promotion of economic growth is recognized in the Employment Act, which calls upon the Federal Government to pursue policies for economic expansion in ways that foster free competitive enterprise. To strengthen competition, some improvement is needed in the existing body of antitrust laws.

Four specific legislative actions recommended last year are again requested of the Congress. The first would require that antitrust agencies be notified when firms of significant size engaged in interstate commerce propose to merge. The second would authorize the Federal Trade Commission to seek preliminary injunctions in merger cases where a violation of law is likely. The third would strengthen Federal law governing bank mergers accomplished through the acquisition of assets. The fourth would grant the Attorney General power to issue civil investigative demands under which the necessary facts may be elicited when civil procedures are contemplated in antitrust cases. This recommendation, which was acted upon favorably last year by the Senate, is urgently needed to strengthen the investigative authority of the Attorney General.

SMALL BUSINESS

Federal policies and programs to benefit small business, which also contribute to the competitive quality of our enterprise economy, have evolved along lines marked out by recommendations of the Cabinet Committee on Small Business and by various laws.

The Small Business Administration (SBA) provides a wide variety of services to eligible firms and individuals. For example, it supplies loan funds, for periods up to ten years, to small businesses unable to obtain financing from other sources on reasonable terms. Under this program, SBA in 1959 approved a total of 4,533 loans, amounting to \$217 million, to small business concerns; \$186 million was to be supplied directly by SBA and the remainder by private financial institutions under participation arrangements. Second, in cooperation with the Defense Department and civilian procurement agencies, SBA reserves certain proposed Government

procurements for competitive bidding exclusively by small businesses. These "set-asides" amounted to \$1.1 billion for the 11 months through November 1959. As a result of them, contracts amounting to \$860 million were awarded to small firms in the first 11 months of 1959, contrasting with \$771 million in the full year 1958 and \$557 million in 1957. Third, with the concurrence of the Attorney General and the Chairman of the Federal Trade Commission, SBA approves the formation of small-business pools to assist enterprises in overcoming handicaps attendant upon a small scale of operations in carrying out production and research and development contracts. Fourth, SBA publishes and distributes information on management and technical subjects and has developed a program of courses in cooperation with educational institutions to acquaint owners and managers of small concerns with more efficient methods of planning, organizing, and conducting business operations. Fifth, SBA awards grants to universities, colleges, and State agencies, for research on problems of small businesses; these grants in 1959 totaled \$1.9 million. Finally, loans are being made under the authority provided in the Small Business Investment Act of 1958 for long-term loans to State and local development corporations for the ultimate benefit of small business concerns; by the end of 1959, these loans amounted to some \$4 million.

The use of the new powers granted by the Small Business Investment Act of 1958 to license and help finance investment companies that specialize in providing equity capital or long-term loans to eligible small concerns was promptly initiated by the Small Business Administration. Some 61 such companies are now licensed, with a present total capitalization of \$40 million, of which \$5.5 million has been committed by SBA.

Experience so far suggests that the specifications set down in the Small Business Investment Act as to the types of securities that may be purchased by small business investment companies are perhaps too rigid. Accordingly, proposals have been made to the Congress for amendments to the Act to provide the needed flexibility. Long-term financing by small business concerns would also be assisted by favorable Congressional action on a request, repeated again, for an amendment to the Securities Act of 1933 to increase from \$300,000 to \$500,000 the maximum amount of a corporate security issue for which the privilege of simplified Regulation A filings may be accorded.

AGRICULTURE

Federal expenditures for agriculture and agricultural resources in the fiscal year 1960 are expected to total \$5.1 billion. Of this amount, some \$1.6 billion is for the support of research, conservation, marketing, and similar services, and for loan programs; and \$3.5 billion is for price and income stabilization. A sizable portion of the latter amount is absorbed by interest charges, storage and transportation costs, and disposal losses on excess stocks of farm commodities.

To the extent possible under present legislation, administrative actions were taken in the past year to help bring about a better adjustment between agriculture's greatly expanding capacity to produce and the demand for farm products, to improve farm incomes, and to reduce the heavy cost of agricultural programs to the Federal Government. More emphasis is being placed on the development of markets for farm products at home and abroad, on efforts to support prices at levels that will more nearly balance production with potential demand, on the removal of cropland from production, and on the development of the nonagricultural resources of marginal, low-income farm areas.

Several actions taken in these directions during 1959 were of special importance. First, support prices for cotton were adjusted as individual producers were given, for the first time, a choice between (1) continuing compliance with tightly restrictive acreage allotments, with prices supported at 80 percent of parity, and (2) freedom to plant up to 40 percent beyond the allotment, with prices supported at 65 percent of parity. Second, under existing legislation, corn producers abolished their acreage allotments by referendum late in 1958 and thereby put into effect a single schedule for price support at 90 percent of the three-year average market price with a minimum price support level of 65 percent of parity. Third, support prices for several commodities, including rye, oilseeds, dry beans, and feed grains other than corn, were reduced under discretionary authority of the Secretary of Agriculture. A number of these commodities are selling at prices above support levels. The support prices for tobacco were increased under mandatory provisions of the law. Fourth, under the law, efforts were continued for the disposal abroad, without disrupting ordinary commercial markets, of as large a volume as possible of stocks of the Commodity Credit Corporation. This action was aided by a renewal of the International Wheat Agreement and by a lowered price and an increased export subsidy for cotton. Fifth, in accordance with legislation, the acreage reserve portion of the Soil Bank was terminated after the 1958 season, but the Conservation Reserve was increased from 9.9 million acres in 1958 to 22.4 million in 1959. Sixth, the Rural Development Program was strengthened with the establishment, by Executive Order, of an interdepartmental committee responsible for the coordination of policies and actions of all participating Federal agencies and for the acceleration of activities under the Program. Finally, under a newly enacted law, benefits under price support loans for 1960 were limited for a number of crops to \$50,000 per producer, unless acreage is reduced 20 percent below the 1959 amount or the part of the loan in excess of \$50,000 is repaid within 12 months.

Additional agricultural legislation is urgently needed, however, in view of the continuing high program costs borne by the Federal Government and the continuing accumulation of surpluses of farm products. Such legislation should assist an orderly transition toward eventual balance between

production and demand for farm products, so that the restrictive limitations to which agriculture is subject under present law may be removed.

The Conservation Reserve Program should be expanded, provided certain conditions are fulfilled, and adapted to the correction of specific commodity problems on a regional basis. Legislation is proposed to extend through the 1963 crop year authority, which expires after the 1960 crop year, to bring additional land into the Conservation Reserve; and to expand the program by increasing the basic limitation on the total payments in any calendar year from \$450 million to \$600 million. It is planned under the proposed legislation to add about 9 million acres to the program during the 1961 crop year, thus bringing the total to about 37 million acres. Together with this expansion in acreage in the Conservation Reserve, realistic price support programs are needed, especially for wheat.

Specific authority will be requested for the Secretary of Agriculture to give special consideration, in allocating Conservation Reserve funds, to those States and regions in which curtailment of production of wheat or other surplus commodities is consistent with long-range conservation and production-adjustment goals. The future authorization for the Conservation Reserve Program should not be increased above the 1960 level unless needed price-support legislation is enacted for wheat. Federal policy on cost-sharing should be concentrated in the future on conservation measures that foster needed shifts to less intensive uses of cropland; and cost-sharing assistance should be eliminated for practices which increase output of agricultural commodities already in excess supply.

New obligational authority of \$10 million is requested for the Great Plains Conservation Program, the same as for the fiscal year 1960. Under this Program, conducted in designated counties of the ten Great Plains States, the Federal Government provides technical assistance to farmers who enter into long-term contracts to make needed adjustments of land use on their farms, and it shares in the cost of making such adjustments.

The Sugar Act, which expires on December 31, 1960, should be extended early in the present session of the Congress.

Limitation on price support for certain crops grown on newly irrigated or drained land should be extended for another three years.

The Congress should again consider the amendments to the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480) proposed last year to make more effective the program for surplus disposal abroad.

Favorable action by the Congress is also requested on pending legislation to place the loan program of the Farmers Home Administration on a revolving-fund basis and to make other improvements in the laws affecting this activity.

The Rural Electrification Administration (REA) continues to provide additional electric power generating capacity and heavier transmission and distribution facilities. At present, 96 percent of all farms have central

station electric service, and more than one-half of REA's power is sold to nonfarm customers. The latter comprise over 80 percent of the new customers served. Legislation is proposed under which REA's borrowings from the Treasury would be at an interest rate not in excess of the average rate paid by the Treasury on recently issued long-term marketable obligations, and REA would charge that rate plus one-fifth of one percent on future electric and telephone loans. Also, pending legislation should be enacted to place REA's operations on a revolving-fund basis.

NATURAL RESOURCES

The Federal Government has traditionally pursued policies designed to assure an adequate supply of raw materials for current economic activity and also to conserve and develop resources for future needs. Significant advances in geological and geophysical exploration methods have led to the discovery of new bodies of ore. Another area of Federal activity is participation in the construction, maintenance, and operation of water projects. These projects meet various needs, often simultaneously—human consumption, irrigation, flood control, power generation, navigation, and recreation. Expenditures for such purposes are expected to rise to \$1.2 billion in the fiscal year 1961. The Congress is requested to enact a pending proposal for establishing a consistent basis on which non-Federal beneficiaries will share the costs of protection against floods.

Additional programs are being conducted by the Federal Government to improve the water supply, which is a major problem in many parts of our country. Encouraging progress is being made in research on techniques of converting brackish and sea water into fresh water. Important research advances have also been made in water conservation techniques. The Congress will be requested this year to strengthen the enforcement provisions of Federal legislation for control of water pollution. Increasing attention is being directed also to local needs for limiting air pollution.

Sound management of timber resources is another aspect of Federal concern in the development of natural resources. The Government seeks not only to improve timber stands in national forests and on other public lands, but also to promote conservation practices on private woodlands. More than \$200 million is being spent annually on Federal programs concerned with forest resources, in addition to outlays for soil conservation on farms, a part of which is also directed to improving forest resources.

In recent years, increasing amounts of Federal funds have been spent annually for the conservation, development, and wise use of recreational and fish and wildlife resources. Intensive efforts are being made to accommodate an ever-increasing number of visitors to national parks, expected to reach 80 million by 1966. In this connection, enactment has been

requested of a pending proposal for the preservation of certain undeveloped shoreline areas for public use.

Federal assistance is also being provided for the enlargement and diversification of the Nation's mineral reserves. Mapping surveys, field appraisals, and research programs on extraction methods and product utilization contribute directly to these ends. Other contributions are being made, for example, through the schedule of depletion allowances in the Internal Revenue Code and the mandatory limitation of imports of petroleum and petroleum products. Legislation will again be recommended for a long-range program to conserve helium gas, for contract authority on coal research, and for revision of the fee schedule for noncompetitive oil and gas leases on public lands.

RESEARCH AND DEVELOPMENT

The annual investment of sizable amounts of Federal funds in research and development programs has served significantly to enlarge the scientific and technological potential of the Nation. These outlays, which have increased rapidly in recent years, exceed those made by business firms and nonprofit institutions for the improvement of the technical base of our society. According to revised compilations recently reported by the National Science Foundation and the Bureau of the Budget, Federal research and development obligations for the fiscal year 1960 exceed \$8.1 billion; they were \$7.9 billion for the fiscal year 1959 and \$5.9 billion for fiscal 1958. Estimates of expenditures for the same three periods are somewhat lower—\$7.5 billion, \$6.6 billion, and \$4.5 billion.

The predominant share of the Federal funds for research and development is devoted to military projects; but, even so, the benefits obtained from them by the civilian economy have been, and will remain, impressive. The billions of dollars spent annually for procurement and construction under programs of the Department of Defense and the Atomic Energy Commission likewise have a peacetime value apart from their immediate contribution to the Nation's security. Many areas of defense spending that will continue to influence civilian technology may be cited—for example, the development and production of aircraft and missiles, data-processing machines, electronic communication and control equipment, high-energy fuels, unconventional devices for generating electrical energy, solar furnaces, and metallic and other materials meeting strict performance requirements under stress and at extreme temperatures.

The peacetime usefulness of atomic energy is also being demonstrated in both research and production. Thus, more than 2,000 patents have been released for public use without payment of royalties. Civilian nuclear power reactors are being developed for eventual economic use in the United States and abroad. Research is being conducted in the realms of high-energy physics and controlled thermonuclear fusion. Radioisotopes are being used in agricultural research and various industrial processes.

Through bilateral agreements, participation in the International Atomic Energy Agency, cooperation with regional atomic energy organizations, and international conferences and exchanges of visits, efforts are being made to widen these opportunities for the constructive application of nuclear energy.

By far the greater part of the Federal research and development budget supports projects that are performed extramurally by profit and nonprofit organizations under contract. Accordingly, many of the benefits of new knowledge are diffused quickly and widely. Thus, some companies acquire patents and know-how that serve, and will continue to serve, productive purposes that range far beyond the objectives of the original research projects. Employees acquire new skills and specialized experience, and the backgrounds of participating teachers, doctors, and other professional workers are also enriched. In the fiscal year 1960, extramural projects will account for about \$6 billion of the Federal obligations for research and development. The corresponding figure for the fiscal year 1959 is \$5.5 billion, and for the fiscal year 1958, \$4 billion.

The civilian economy is deriving technological advantages not only from Federal expenditures for research, procurement, and construction but also, of course, from the multibillion-dollar annual research outlays of business firms and other private organizations. Various Federal legislative provisions have been designed to encourage business participation in private research ventures. Among these are Section 174 of the Internal Revenue Code of 1954, which permits business expenditures for research to be deducted from taxable income, and Section 9 of the Small Business Act of 1958, which encourages small business concerns to engage in joint research and development efforts.

Federal support of basic research in the physical, biological, and social sciences has been expanded in recent years, and an increasing proportion of the funds for such research is being channeled into educational institutions, including research centers administered by colleges and universities. The amount obligated for basic research in the fiscal year 1960, as in 1959, is close to \$500 million, an increase of almost one-half over the total for 1958.

EDUCATION AND HEALTH

In our Nation, responsibility for education and training and for health services has traditionally been borne by local and State governments and by private groups. The Federal Government supplements these efforts, however. In the current fiscal year, its expenditures for the promotion of education will total \$549 million. Indeed, Federal support for public education dates from the Ordinance of 1787; another landmark is the land grant college system, which will soon celebrate its 100th anniversary. Federal interest in health may be traced to 1798, when the Public Health Service was established; the first food and drug law was enacted over half a century ago.

The efforts in these fields at all levels of government—local, State, and Federal—and by private groups are impressive, and they are expanding rapidly. In the last ten years, total public and private expenditures for education have almost tripled, reaching \$22 billion in 1959; the number of teachers in elementary and secondary schools has increased by 450,000, and their average compensation has risen by 71 percent.

Public and private expenditures for health and medical care have almost doubled during this period—from more than \$12 billion to about \$24 billion. Annual Federal expenditures for health and medical programs rose from about \$700 million to \$1.5 billion, and State and local expenditures increased from \$1.7 billion to well over \$2.5 billion.

Yet, as noted in Chapter 1, increased public and private efforts in education and health will be required to meet the needs of a growing population and labor force. During the next five years, the population aged 14 to 24 will increase by nearly 1,400,000 annually, compared with 625,000 per year from 1955 to 1960. The Nation's educational institutions will have to prepare to accommodate far greater numbers of high school, college, and graduate students. State and local governments will have to redouble their programs to provide teachers and equipment for secondary and higher education. The assurance of an adequate supply of doctors and other health personnel will require an expansion of medical training facilities. Since the growth of the seasoned labor force of persons over 25 years of age will be small, in contrast to the increase in the number of younger and less-experienced persons who will be seeking employment, business firms will find it advisable to expand job-training programs.

For its part, the Federal Government has already been providing large-scale support for education programs administered by the Department of Health, Education, and Welfare, the National Science Foundation, the Atomic Energy Commission, and other agencies. Under the National Defense Education Act of 1958, Federal contributions are being made to student loan funds; matching grants are being provided for equipment needed in teaching science, mathematics, and foreign languages; and assistance is being given to teacher training in foreign languages, graduate study in all fields, including science and mathematics, and guidance counseling and testing services. Other programs include graduate and faculty fellowships, institutes for college and high school teachers of science and mathematics, traineeships, and grants for research and equipment. In the current school year, about 100,000 college students, almost three times as many as last year, are expected to make use of the loan funds established under this Act.

Expenditures for education and training of veterans, currently requiring nearly \$450 million, will amount to a little more than \$300 million in the fiscal year 1961. For ex-servicemen having service-connected disabilities, however, a necessary program of vocational rehabilitation will be recommended to the Congress.

As noted, programs for raising standards of health throughout the Nation have been given large and increasing Federal support in recent years. These programs include the research conducted at the National Institutes of Health, research grants to medical schools and research institutions, and grants to States for the construction of hospitals and other health facilities. They will entail Federal expenditures approaching \$600 million in 1961, about double the amount spent for these purposes in the fiscal year 1953.

Finally, a program involving Federal expenditures of nearly \$1 billion in the fiscal year 1961 serves veterans eligible for hospitalization and other medical benefits under existing law.

PERSONAL SECURITY

The efforts of Government to foster sustainable inflation-free economic growth are its principal contribution to strengthening the foundations of personal security for all Americans. An expanding economy offers opportunities for better jobs and self-advancement, for good homes, and for greater independent financial provision against the hazards of life. As indicated in Chapter 1 of this Report, Americans have scored impressive improvement in recent years in individual security and well-being. Nevertheless, as earlier Economic Reports have pointed out, a dynamic, urban economy also presents hazards to personal security that in some instances may be met inadequately or not at all by individual efforts. By helping individuals overcome these hazards, Government strengthens the foundations of personal security; and, by improving morale and efficiency and helping to maintain incomes in times of economic slack, it further enhances the economy's capacity for healthy growth.

Existing programs for promoting personal security and welfare should be adjusted in certain respects. First, improvements are needed in the Federal-State unemployment insurance system. The scope of this system, under which some \$2.4 billion was paid in 1959 (exclusive of benefits for Federal employees, veterans, and railroad employees), should be extended to employers of one or more persons, to nonprofit institutions, and to Federal instrumentalities that are not now covered. It is also recommended that the Federal-State system be extended to Puerto Rico, which now has its own unemployment insurance law, and that the provisions of the District of Columbia law be brought up to the standard recommended for all States. Under the present Federal-State system, the responsibility for the amount and duration of benefits rests with the States. In general, benefits have lagged behind the rise in wages, and it is again recommended that the States increase their benefits to make the great majority of covered workers eligible for payments equal to at least half their regular earnings; and that the States increase the maximum duration of benefits to 26 weeks a year for all eligible workers who remain unemployed that long.

The heavy unemployment benefit payments during the last recession strained the finances of several State unemployment funds. Three of these States secured \$213 million in loans from the Federal Unemployment Account. Three other States were eligible for such advances. It is possible that the funds of a few additional States would be in a precarious financial condition if another recession should occur in the next few years unless their finances are improved. This problem is under study by the Secretary of Labor.

The proceeds of the present Federal unemployment tax barely suffice to finance the administration of the Federal-State employment security system as it stands today. Steps should be taken to provide additional funds for administration as the system expands and also to rebuild the Federal Unemployment Account which is virtually exhausted.

Amendments are needed to remedy serious defects in the legislation enacted in 1958 to protect the interests of the Nation's working men and women in private pension and welfare plans, under which funds amounting to more than \$30 billion have been accumulated. Corrective legislation was proposed in the last session of the Congress to allow the Secretary of Labor to make necessary interpretations of the law and to enforce compliance. The proposal also contained provisions necessary to deal with such crimes as bribery and embezzlement. Both of these amendments are again recommended to the Congress.

The Congress is again requested to extend the coverage of the Fair Labor Standards Act to several million workers not now receiving its protection. While such a law does not deal with the fundamental causes of low incomes, it may help safeguard the economic interests of workers at the fringes of competitive labor markets.

To enhance the progress being made toward equalizing economic opportunity for all citizens, certain legislative improvements are required in programs that lie within Federal jurisdiction. Favorable consideration is again requested for legislation to revise the outmoded provisions of the 8-hour laws applying to Federal and certain federally assisted construction projects, and to carry out the principle of equal pay for equal work without discrimination because of sex. The Congress should also establish a statutory commission on equal job opportunities under Government contracts.

Efforts to reduce the hardship and loss occasioned by occupational accidents, which amount to nearly 2 million each year, should be intensified by employers and by State and local governments. Where necessary, the States should improve workmen's compensation systems with respect to benefits, administration, and provision for rehabilitation.

Nearly 14 million persons are currently receiving benefits under the Federal program of old-age, survivors, and disability insurance, compared with 12.4 million at the end of 1958 and 11.1 million at the end of 1957. Old-age benefits exceed \$112 per month, on the average, for a retired worker and his wife; aggregate benefits amounted to \$10.3 billion in 1959,

compared with \$8.6 billion in 1958. The liberalization of benefit amounts in 1958 and an increase in the number of beneficiaries caused the rapid rise in total benefit payments. The provision of benefits for permanently disabled workers and their dependents, which became effective in 1957, has added more than 400,000 persons to the rolls. The average monthly benefit for a disabled person exceeded \$88 in 1959. The public assistance programs, to which the Federal Government now contributes more than \$1.8 billion of the funds expended annually, distributed more than \$3.6 billion to needy persons in the fiscal year 1959, compared with \$3.3 billion in 1958.

Programs designed to return handicapped persons to remunerative employment are administered by all States. The Federal Government supports State programs with grants averaging about 60 percent of total State agency expenditures. Federal grants in support of rehabilitation and rehabilitation research and training totaled \$58 million in the fiscal year 1959. In that year, 81,000 persons were rehabilitated, compared with less than 56,000 in 1954 and the long-range objective of at least 200,000 persons annually.

AREA ASSISTANCE

Although the number of labor market areas in the United States with a substantial surplus of labor beyond current requirements has been reduced significantly as economic activity has expanded, many communities continue to suffer from substantial and persistent unemployment. Assistance to these communities is available through a number of Federal agencies, whose activities in this connection are coordinated through an interdepartmental Committee To Coordinate Federal Urban Area Assistance Programs, as well as from State and local groups. In 1959, the Office of Area Development of the Department of Commerce, which carries the principal responsibility for providing Federal assistance, aided an increasing number of area development groups in their efforts to strengthen the economic bases of their communities. Technical assistance furnished by the Office included counseling on methods used by various communities to solve their development problems, on community industrial foundations and industrial parks, and on State and local financing plans for promoting economic development.

The Department of Labor aids community organizations in connection with manpower aspects of economic development and with on-the-job training. Financial assistance to business concerns is furnished through the Small Business Administration. The "set-asides" of defense contracts for concerns located in areas of substantial labor surplus help to bolster economic activity in particular communities.

Legislation is needed, however, to supplement and strengthen these efforts to help areas of persistent unemployment create new job opportunities. Such legislation should stimulate and complement the efforts of communities to help themselves, should promote maximum participation by private

financial institutions and by State and local agencies, should encourage the creation of new job opportunities rather than the mere transference of jobs from one area of the country to another, and should encompass technical aid for the economic diversification of rural low-income areas and single-industry communities.

A recommendation has already been made to the Congress for a program that meets these specifications. It would provide for Federal participation in loans to business concerns, for financial assistance to State and local development groups, and for technical assistance to local groups seeking to strengthen their regional economies.

HOUSING AND HOME FINANCING

The past year was an exceptionally active one in the home building and home financing industries. Some 1,340,000 new private dwelling units were started, of which 440,000 were financed under mortgages either insured or guaranteed by the Federal Government. The funds that flowed into this use in 1959 are estimated at \$15 billion, a record amount, despite the increasingly intensive competition of other financing requirements.

The role of the Federal Government in home financing has assumed great importance—in terms of the impact on housing and home financing markets and in respect of the burden on the Federal budget. Thus, the Federal National Mortgage Association now holds a portfolio of \$5.6 billion of mortgages and utilizes \$2.7 billion of Treasury funds for this purpose. Under the Urban Renewal Program, nearly \$250 million has already been paid out in grants as the Federal share of clearing city areas for redevelopment, and some \$1.1 billion of additional funds will ultimately be paid to the cities under existing contracts and reservations of funds. Nearly \$675 million has already been paid out under the public housing program in annual contributions to local housing authorities; and the Federal Government is obligated to make annual contributions for the next several decades to repay \$3.5 billion of outstanding indebtedness, together with interest, under contracts for projects completed or under construction. Loans of about \$700 million have been disbursed to colleges and universities under the college housing program, and about \$460 million of commitments and reservations for additional loans are outstanding. The Veterans Administration has employed \$1 billion of Treasury funds for direct loans to veterans for the purchase of homes.

Under present law, the Federal Housing Administration's program for the insurance of home improvement and modernization loans will expire on October 1, 1960, unless extended. This program, under which some \$12.4 billion of loans have been insured since its inception in 1934, should be made permanent. Also, the present ceiling on VA interest rates is again restricting the ability of veterans to avail themselves of this form of home-purchase financing. The Congress should accordingly place this

program on the same basis, with respect to maximum interest rate requirements, as FHA programs. The maximum permissible interest rate on armed service housing loans insured by FHA should also be adjusted to permit such loans to be made at rates above the present 4½ percent ceiling.

FOREIGN ECONOMIC RELATIONS

Stronger efforts must be made at this time to expand United States exports of goods and services. Fiscal and monetary policies designed to restrain inflation provide a solid basis for such efforts, but more needs to be done to strengthen the competitive position of our exports. In this connection, the Federal Government should encourage intensified use of Department of Commerce facilities for disseminating foreign trade information to exporters and potential foreign buyers of American products; strengthen the commercial activities of our Foreign Service; increase the number of our trade missions to other countries; and arrange for more extensive United States participation in trade fairs abroad.

These steps should make more effective the efforts of private businesses to increase foreign sales. Expansion of exports should be a major aim of American business in the coming year. To take full advantage of expanding market opportunities abroad, businessmen will have to price competitively, sell aggressively, adapt and design products to meet the needs of foreign buyers, and offer adequate credit and service facilities.

Markets for United States products were significantly expanded last year, particularly toward the end of the year, by the reduction of quantitative restrictions on dollar imports by many of our trading partners abroad, as described in Chapter 2 of this Report. The United States intends to continue encouraging the removal of remaining restrictions on imports from the dollar area. These efforts, which are expected to result in a further expansion of United States export opportunities, will be made in such international forums as the General Agreement on Tariffs and Trade and the International Monetary Fund, as well as through bilateral consultations with foreign governments.

It is hoped that the industrial countries, consonant with their growing financial ability, will increase their long-term lending to less developed countries, and this subject is being actively discussed with the governments concerned. For its part, the United States will continue vigorously with its plans to aid the economic growth of less developed countries. The efforts of many of these countries have already been fruitful, and the groundwork is being laid for more rapid advances in the future. In many instances, however, the level of living in the less developed countries remains very low.

The efforts of the United States to aid less developed countries to improve their productivity and level of living will be channeled through institutions that have served in the past, including both the Development Loan Fund and the Export-Import Bank (which has just observed its twenty-

fifth anniversary), and through appropriate new institutions. The Inter-American Development Bank, which came into existence late last year, will begin operations shortly. This institution, which brings together the United States and the countries of Latin America, manifests the enduring interest that the United States has in the economic progress of its neighbors.

The formation of the International Development Association will also be pursued actively during the year. It is expected that funds for the initial United States subscription will be requested during the year.

FEDERAL STATISTICS

Significant steps have been taken in recent years to achieve an improved and better integrated program of Federal statistics on the Nation's economy. Important additional improvements are proposed for the coming fiscal year.

The 1961 budget for current statistical programs provides for a net increase of about \$2.5 million over 1960 appropriations. This increased appropriation would make it possible (1) to provide better crop and livestock estimates, based on experimental work previously undertaken, (2) to improve retail trade statistics, (3) to initiate a monthly survey of the service trades and a quarterly survey of State and local government finances, and (4) to carry forward work initiated this year, within the framework of the national income and product accounts, for a table of interindustry purchases and sales and for real output estimates by major industries.

In the area of social statistics, provision is made for obtaining data from health examinations of a scientifically selected random sample of the population, as part of the national health survey program initiated in 1957. Improvements in statistics on education and on marriages and divorces are also planned.

Provision is also made for the continuation of work on the periodic censuses and on the five-year project to revise the consumer price index. The 1961 budget recommends funds for tabulating and processing economic and demographic data collected through the 18th Decennial Census, and for final publication of the results of the 1958 Censuses of Business, Manufactures, and Mineral Industries. The major appropriations for these censuses were made last year. Funds are also included for preparatory work on the 1962 Census of Governments.

A consumer expenditure survey will be undertaken as an integral part of the revision of the consumer price index. This index, along with additional needs for price information, is being studied by a Price Statistics Review Committee, which will make recommendations concerning these programs by October 1960.

Improvements are also being made in the statistics on wages and salaries for different occupations and in different industries and labor markets; on fringe benefit costs; and on current wage rate changes.

COMBINING PRIVATE ACTIONS WITH PUBLIC POLICIES

This chapter has presented the major legislative proposals of a 1960 program to supplement and reinforce existing Federal laws that contribute to our Nation's capacity for inflation-free economic growth. In accordance with the language and the spirit of the Employment Act, this program acknowledges that the State and local governments and the private sector of the economy have vital roles to play in the achievement of such growth. Indeed, in the present economic circumstances, when opportunities for vigorous expansion are abundantly evident, these roles should be encouraged to the fullest extent, while the Federal role should become more restrained.

The current economic setting is favorable for the enactment of proposals of long-run significance for sound growth and greater well-being. Accordingly, the 1960 program looks to a modification of farm programs and includes proposals for enhancing the competitive character of our economy, for improving the effectiveness of various Federal lending and loan insurance programs, for extending and strengthening present provisions for personal security and welfare, for helping to provide new job opportunities in areas with high and persistent unemployment, and for establishing a new international agency to assist the less developed countries of the free world.

At the present time, the Federal Government could make its greatest contribution to inflation-free economic growth through financial policies that help create an environment favorable to the exercise of maximum private initiative. The major step in creating such an environment would be the achievement of the recommended budget surplus for debt retirement in the fiscal year 1961. The effectiveness of this policy would be heightened by removal of the interest rate limitations that currently inhibit the noninflationary management of the Federal debt. Following the budget balance now in prospect for the fiscal year 1960, and complemented by the policies of the independent Federal Reserve System, these elements of the 1960 program would make important contributions to sustainable economic growth.

Fiscal and monetary policies gain strength from each other and are powerful instruments for preventing the development of inflationary pressures which can endanger the healthy growth of our economy. But there is need to supplement these Government policies with appropriate private actions, especially those affecting profits and wages. Our markets must be sufficiently flexible to allow downward as well as upward adjustments in individual prices if we are to achieve greater stability in the general level of prices. Achievement of this desirable result is unlikely unless the national average of increases in wage and salary rates and related labor benefits remains within the limits of national productivity gains. Under such a standard, price reductions in sectors of the economy where productivity is advancing especially rapidly would offset increases that might be warranted elsewhere.

The general wage-productivity-price relationship emphasizes the importance of private actions favorable to the acceleration of productivity gains. The achievement of widely shared and sustainable increases in economic rewards, without inflation, must rest on a solid foundation of productivity advance. Accordingly, it is important for management and labor to cooperate for more complete attainment of the productivity potentials afforded by continuing technological progress.

In our free economy and under our system of shared responsibility, we do not rely on Government alone for the achievement of inflation-free economic growth. On the contrary, the attainment of this objective requires a blending of suitable public policies and private actions, both of which rest upon an informed public opinion. To enhance public awareness of the damage that could be done by inflation and to support Government's efforts to restrain inflationary forces, the Congress should amend the Employment Act of 1946 to make reasonable price stability an explicit goal of national economic policy. Although this goal may already be implied in the declared objectives of the Act, such an amendment would express more firmly our national determination to curb inflation. The amendment that has been proposed by the Administration is limited to a change in the language of the Act's declaration of policy. Such an amendment would help accomplish the desired purpose without causing changes in our economic institutions that might be inimical to the freedoms we now enjoy.