

# Highlights of the First Budget of The Eisenhower Administration

## BUDGET HIGHLIGHTS

WASHINGTON (AP) — Highlights from the text of President Eisenhower's message to Congress on the budget for fiscal 1955: **FIRST GOP BUDGET** This new budget is the first prepared entirely by this administration. It provides adequately, in my judgment, for the national defense and the international responsibilities which we must undertake as a leader of the free world. On the success of this leadership depends our national security and prosperity.

**NATIONAL DEFENSE** The recommended budget continues the strengthening of our military posture; our progress in the development and production of atomic weapons; the expansion of our system of continental defense; assistance in the development of the military strength of friendly nations; and programs for rapid mobilization in an emergency should arise.

**ATOMIC ADVANCES** Authority is recommended for new and advanced work on the peacetime uses of atomic energy in the earnest hope that present international relations can be improved and the wonders of nuclear power can be turned gradually to the development of a more abundant life for ourselves and all mankind.

**TAX REDUCTION** The reductions in expenditures already accomplished, together with those now proposed, justify the tax reductions which took effect Jan. 1 and the further tax reductions I am recommending. An amount approximately equal to the savings is being returned to the public in tax reductions and tax revision.

**BOLSTERING PROSPERITY** These lower taxes will encourage continued high capital investment and consumer purchases. Despite the substantial loss of revenue caused by these reductions, we have moved closer to a balanced budget.

**ESSENTIALS, NOT "Desirables"** In preparing this budget the administration has directed its attention to essential activities and programs rather than to those which some might consider desirable and appropriate, at this time, for the federal government to undertake.

**FUTURE BENEFITS** But as we continue to reduce and eliminate the less desirable or unnecessary government expenditures, it will become possible to turn to other purposes which are the most desirable in terms of their benefits to all of the people.

**Partnership, Not Paternalism** This budget marks the beginning of a movement to shift to state and local governments and to private enterprise federal activities which can be more appropriately and more efficiently carried on in the way. . . . In those cases where federal participation is necessary, the effort of this administration is to develop partnerships rather than an exclusive and often paternalistic position for the federal government.

**THE BUDGET (IN BILLIONS OF DOLLARS)**

	(Truman's)	1954	1955
Receipts	68.0	67.6	62.7
Expenditures	77.9	70.9	65.6
Deficit	9.9	3.3	2.9

**1954's RECORD** The current estimates of the 1954 budget show that the requests for new appropriations were reduced about 12.5 billion dollars, new obligatory authority was reduced more than 11 billion dollars, and expenditures were reduced 7 billion dollars below the totals estimated in the 1954 budget document of the previous administration.

**1955's OUTLOOK** Similar reductions continue in the budget recommended for the fiscal year 1955. Recommended new obligatory authority is 4.4 billion dollars less than the current estimate for the fiscal year 1954, 15.5 billion dollars less than recommended for that year in the 1954 (Truman) budget document, and 23.9 billion dollars less than in 1953.

**SAVINGS** Thus, new obligatory authority has been reduced 15.5 billion dollars and estimated expenditures have been reduced 12.5 billion dollars since this administration took office.

**FIVE BILLION DOLLARS** Without tax reductions, a budget surplus was in sight for the fiscal year 1955. Together these tax reductions will total nearly 5 billion dollars.

**DEFICIT** We will still have a budgetary deficit of slightly less than 3 billion dollars for the fiscal year 1955, as now estimated. But we will continue determined efforts for economy to reduce that deficit during the 1955 fiscal year.

**MORE MORE MORE MORE MORE CASH SURPLUS** Furthermore, despite the loss of cash revenue from the tax reductions and revisions, the total cash transactions of the government with the public are now estimated to show a small cash surplus for the fiscal year 1955. (The cash accounts consider social security contributions as government receipts.)

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ceipts; the conventional budget does not.)

**DEFENSE COSTS** Expenditures for major national security programs—for the military functions of the Department of Defense, atomic energy, and stockpiling of strategic materials—dominate the budget and are estimated at 44.9 billion dollars in the fiscal year 1955. This compares with a presently estimated 48.7 billion dollars in 1954 and 50.3 billion dollars in 1953.

**MORE DEFENSE, LESS COST** Proposed reductions in major national security expenditures in 1955 represent the largest single element of reduction from the current year's level of expenditures. I emphasize, however, that these savings result from revisions in programs, from shifts in emphasis, from better balanced procurement, and from improved management and operations. Our security is being strengthened—not weakened.

**ATOM AND AIR POWER** Proposed 1955 expenditures for the Atomic Energy Commission and for the mutual military program will be at the highest levels since the initiation of the two programs. . . . Expenditures on behalf of our airpower will be the largest since World War II. Allocations of expenditures for our continental defense program will be greater than in any previous year.

**TAX PROGRAM** I am anxious to have taxes reduced as fast as they can be done without building up inflationary deficits. . . . The objective will be to return to the people, to spend for themselves and in their own way, the largest possible share of the money that the government has been spending for them.

**STARTING POINT** The start toward tax reductions is justified only because of success in reducing expenditures and improving the budgetary outlook. . . . These proposals are directed toward removing the most serious tax hardships and tax complications, and reducing the tax barriers to continued economic growth.

**STOPPING POINT** I do not believe that the budgetary situation will permit further reductions of taxes at this time. . . . Hence, I repeat my recommendations of last May that the reductions in the general corporate income tax be deferred for one year; that the excise tax rates, scheduled to be reduced on April 1, including those on liquor, tobacco, automobiles, and gasoline, be continued at present rates; and that any adjustments in the other excise taxes be such as to maintain the total yield which we are now receiving from this source.

**NATIONAL DEBT** Nearly three-quarters of the debt were inherited a year ago matures within less than five years or is redeemable at the holder's option. Too large a proportion is in the hands of banks. These policies contributed to cheapening the dollar.

**DEBT LIMIT** The national debt is now close to the legal limit of 275 billion dollars. . . . In the second half of the calendar year, when tax receipts are seasonally low, there will be no way of operating within the present debt limit. For these reasons, I renew my request to the Congress to raise the debt limit.

**PART II TAX PROPOSALS** Our whole system of taxation needs revision and overhauling. It has grown haphazardly over many years. The tax system should be completely revised.

**THE OBJECTIVES** Revision of the tax system is needed to make tax burdens fairer

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for millions of individual taxpayers. . . . It is needed to restore normal incentives for sustained production and economic growth.

**TAX REVISION** I believe that this proposed tax revision is the next important step we should take in easing our tax burdens. After it is completed further reductions in expenditures can be applied to our two objectives of balancing the budget and reducing tax rates.

**1. Children Earning Over \$600** I recommend that a parent should be permitted to continue to claim a child as a dependent regardless of the child's earnings if he is under 18 or away from home at school.

**2. Heads of Families** I recommend that widows and widowers with dependent children be allowed to split their income as is now done by married couples. This same tax treatment should be authorized for single people supporting dependent parents.

**3. Foster Children** At present, foster children and children in process of adoption may not be claimed as dependents. I recommend that such children be allowed as dependents.

**4. Expenses of Child Care** Some tax allowance can properly be given for actual costs of providing care for the small children of widows or widowers who have to work outside the home. The same tax privilege should be given to working mothers who, because their husbands are incapacitated, provide the principal support of their families.

**5. Medical Expenses** I recommend that a tax allowance be given for medical expenses in excess of three per cent of income instead of five per cent at present. I recommend further that the present ceiling of \$1,250 for a single person with a maximum ceiling of \$5,000 for a family should be doubled.

**6. Sick Benefits** Insurance and other plans adopted by employers to protect their employes against the risks of sickness should be encouraged

by removing the present uncertainties in the tax law.

**24. Administration of Tax Law** I recommend that the parts of the law covering assessments, collections, interest and penalties, the statute of limitations, and other administrative provisions be simplified and brought together in one place. . . . The regulations and administration of the tax laws are being tightened to prevent abuses by which a small minority of taxpayers avoid their fair share of taxes by misuse of expense accounts and other improper practices.

**25. General Simplification** The entire internal revenue code needs rewriting and reorganization. Jointly, the Treasury Department and the staff of the congressional committees have developed many recommendations for changes other than those which I have described here.

**PROBLEMS AHEAD** There still are heavy national security requirements. Substantial expenditures are by law relatively nondiscretionary. The far-reaching activities of the federal government are extremely complex.

**PROGRESS TO DATE** Despite these inherent difficulties, we have made great progress. Federal expenditures have been cut substantially, tax reductions have been made justifiable, and the budgetary deficit has been sharply reduced. We have, furthermore, made appropriate provision for our national security and for our international obligations and we have been able to propose certain increases in federal expenditures to advance our domestic well-being and to foster economic growth.

**CONCLUSION** I firmly believe, therefore, that this budget represents a plan of government which will not only protect our way of life but will also strengthen our economic base and enhance the welfare of all our people.

Dwight D. Eisenhower

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# \$31 Million of Highway Contracts to Be Let in '54

By PAUL W. HARVEY JR. Associated Press Correspondent

The Oregon Highway Commission will award 31 million dollars worth of contracts this year to improve 425 miles of roads, and then it will have to come down to earth again.

Since 1951, the commission, with 72 million dollars worth of highway bonds, has been carrying on its emergency construction program to eliminate the worst bottlenecks on the highways.

This whole program will be under contract by next July 1, except for a few small jobs to be awarded late this year.

After this year, the commission will have to go back to its normal spending rate of 15 to 18 millions a year for construction. That's all the money that is available from normal revenues.

Last year, the commission awarded 38 million dollars worth of contracts, but this year, it is tapering off to 31 millions.

This bond program, with federal matching funds, is enabling the

commission to spend a total of 150 millions for the emergency program. When it is completed, Oregon still will need around 250 million dollars worth of road building to get a modern system.

No more bonds can be issued, because the state is virtually at its bonding limit.

Much of the bond money has been used to modernize the Columbia River and Pacific Highways. But all of the highways are getting some benefit from this source.

During the first six months of this year, the commission will award 29 million dollars worth of contracts, of which 17 millions is bond money. This will improve 375 miles of roads.

In the last half of the year, the total contracts will be only two millions, of which half will come from the bonds. This will improve 50 miles of highways.

After all these contracts are awarded, it still will take until early 1956 to get the construction done.

Of the 29 million dollars worth of contracts to be awarded in the first six months of this year, about half will be spent to improve 82 miles of the Pacific Highway.

These Pacific Highway jobs include \$4,875,000 on 25 miles in Douglas County, \$3,480,000 on 30.5 miles in Lane County, and \$4,735,000 for 24 miles of the four-lane expressway between Portland and Salem.

**FRENCH FEARS ALLAYED** TANGIER Morocco (AP)—Reliable information reaching here Thursday discounted French fears that a gathering of Moslem religious and civil chiefs in nearby Spanish Morocco threatens a step-up in terrorism in neighboring French Morocco. The leaders gathered in Tetuan, capital of the Spanish section of the divided North African protectorate.

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