


Office Memorandum • UNITED STATES GOVERNMENT

TO : The Secretary

DATE: December 8, 1955

FROM : Dan T. Smith 

SUBJECT:

At a meeting in Secretary Weeks' office this afternoon, a revised highway program was presented, to go to the Cabinet tomorrow and the leadership meeting next week. The main points are:

- 1.) On revised assumptions of automobile production and use, the \$25 billion for the interstate system can be financed in 12 years by using the present gas and diesel tax plus additional 1-1/2 cents on gas and 5 cents on diesel (exempting non-highway use), 2 cents on all tires, 3 cents additional on large tires (total increase of 5 cents), 2 cents on tubes, 8 cents on camelback, 2% on parts and accessories, trucks, buses, and trailers, (bringing the rate to 10% which is the present rate on automobiles.)
- 2.) No reimbursement for toll roads. Jack Martin was sure Congress would object to such reimbursement.
- 3.) Increase assistance to other programs by \$25 million a year.

I urged that the proposed statement be revised to make it clear that expenditures had to be geared to receipts, and that excess receipts in early years be segregated and not considered available as general revenue. This was accepted and was the apparent intent all along. On this basis, any overoptimism in receipts estimates will not lead to a deficit; it would simply slow down the program or require more taxes.

The revised assumptions seem high to me, 8 million vehicle production in 1957 and 10 million in 1958. However, these were approved by Arthur Burns. I said I thought they were high and would hate to defend them, but so long as they were defensible by others we would not object, since expenditures were to be limited to actual receipts.

There was also discussion of applying Federal wage controls (Davis-Bacon Act.). The recommendation was not to extend them, which seems correct. Secretary Mitchell may object to this feature, but was not represented today.

On Secretary Benson's desire to give exemption to farmers for the present 2 cent gas tax, this idea may be relevant. If the highway program were actually in effect, with the present gas tax allocated to it, the exemption would merely slow down the highway program by about one year, but it would not come out of general revenues or create a precedent for reducing other excises. The timing doesn't seem right to get this result, since the taxes will have to be acted on before the highway program can be completed. If Secretary Benson gets the exemption, however, we should try to tie it in or work it conditional to the highway financing some way.



REVISED HIGHWAY PROGRAM:

1. 40,000 mile Interstate System to be completed in 12 years to standards adequate for at least the next 20 years. Authorization to be coupled with adequate revenue measures to complete the system on schedule on a project basis.
2. Federal cost of Interstate System \$25 billion. 10 percent state matching. Apportioned among the several states on the basis of needs of the System in each state.
3. Federal cost of aid for 12 years to other federal-aid road systems totals \$9.8 billion, commencing at \$725 million for fiscal 1957 and increased annually by a cumulative increment of \$25 million. 50-50 state matching. Apportioned to states on traditional formula. Enacted biennially.
4. Total Federal cost, all programs, 12 years - \$34.8 billion. Total estimated revenues in 12 year period from taxes described in item 5 below - \$34.2 billion.
5. Financed on a pay-as-constructed basis in 12 year period by the following revenues: existing 2 cent federal gasoline tax and existing 2 cent diesel tax plus revenues from the following new taxes: gasoline, 1 1/2 cents per gallon; diesel, 5 cents per gallon; all tires, 2 cents per pound; large tires, 3 cents additional per pound; tubes, 2 cents per pound; camelback (retreading material) 8 cents per pound; parts and accessories, 2 per cent of value; trucks, buses and trailers, 2 per cent of value.
6. These figures are based on exempting farm and other non-highway use from the new gasoline and diesel taxes.
7. No Federal toll road construction or reimbursement feature. Existing adequate toll roads lying on the Interstate System, estimated at 2,500 miles built or now under construction and an additional 3,300 miles authorized, may be designated as part of the system but state ownership and operation and collection of tolls will not be disturbed. States having such toll roads nevertheless have substantial interstate system needs. The states cannot do the interstate job, because of state obstacles to new state taxes and restrictions on dedication of highway user revenues to highway systems, and particularly to the interstate system.
8. Direct responsibility for construction of the Interstate System to rest in states as in other federal-aid highway programs, without any extension of federal wage controls (Davis-Bacon Act) and leaving reimbursement of utility relocation costs and permissible truck and bus size and weight limitations to depend upon state law. Federal participation in acquisition and construction through Bureau of Public Roads, Department of Commerce, would parallel existing federal highway aid procedures with limited power in federal government to acquire rights of way only where necessary to assure limited access.
9. Program to be presented to Congress by early special presidential message accompanied by proposed legislation, both now nearing completion.

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LEGISLATIVE LEADERS MEETING

December 12, 1955

The following were present:

President Eisenhower

Vice President Nixon	Mr. Howard McGrath
Sen. Knowland	Attorney General Brownell
Sen. Saltonstall	PMG Summerfield
Sen. Bridges	Sec. Mitchell
Rep. Joseph W. Martin	Mr. Albert Cole
Rep. Halleck	Mr. Oakley Hunter
Rep. Leo Allen	Mr. William Ulman
Rep. Leslie Arends	Chairman Young
Sec. Humphrey	
Mr. Brundage	Gov. Adams
Dr. Arthur Burns	Gen. Persons
Sec. Folsom	Mr. Hagerty
Sec. Weeks	Mr. Morgan
Under Sec. of Commerce Rothschild	Mr. Seaton
Mr. Philip Ray	Mr. McCann
Gen. Bragdon	Mr. Harlow
Under Sec. of Interior Davis	Mr. Martin
Gov. Jordan	Mr. Murray Snyder
Sec. Benson	Col. Goodpaster
Under Sec. of Agriculture Morse	Dr. Hauge
Asst. Sec. of Agriculture Butz	Mr. Gruenther
Mr. Paarlberg	Mr. Chesney
Mr. Jack Anderson	Mr. Minnich



Morning Session

8:30 A.M. - 12:40 P.M.

The President opened the meeting with a statement on the importance of the USIA and economic aid programs, citing the desirability of making a part of the economic aid money very flexible. The President then invited the Leaders to make any general comments they had in mind.

Senator Knowland called attention to the statements of Senator George and Senator Russell, which indicated that there would be rough sledding on the foreign program. Senator Bridges remarked on the predominant interest of other Senators in the farm problem, with a lack of enthusiasm

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for foreign aid -- especially to neutral countries. The President stated his belief that in some instances neutrality operated more to our interest than would an alliance. Sen. Saltonstall thought some of the Information activity should be redirected away from over-emphasis on radio. He spoke of an interest in the Israel-Arab situation. Rep. Halleck emphasized the need for our team to back the Administration foreign aid program. Rep. Arends stressed the predominance of the farm problem. The President recalled the dangers of a general depression starting from a depressed farm condition.

Mr. Hoover noted that the State Department budget was of the "one line" type for purposes of flexibility. Mr. Hollister felt a need for a determination with regard to providing for contingencies and continuity.

Senator Knowland believed the Democrats would focus on American strength in relation to Russian strength and on the question of vulnerability to a second Pearl Harbor. The President reminded the group that there could be no perfect protection but that the Administration is going as fast as it knows how in the direction of getting the finest quality army.

There was a brief discussion of how much bipartisanship can truly be expected.

Budget - Roland Hughes reviewed the previous and current budgets and foresaw for FY 1956 a surplus of approximately \$100 M. He expected revenues to increase in 1957 but that they would be used up in military and agricultural programs. He said the Administration expected to present a balanced budget for FY 1957. He thought there would be trouble with the postal rate increase, which was anticipated in the budget.

On Rep. Arends' question, Mr. Hughes noted that the fixed charges for veterans benefits were increasing.

Discussion of the postal rates problem drew a strong statement from the President on the need for the Government paying its own way while doing all the things necessary over any long period of time.

Mr. Humphrey expected a big Congressional fight over extension of excise taxes. Rep. Halleck was inclined to think approval could be had without too much trouble. Senator Knowland asked for a list of the excise items involved. Mr. Halleck thought the biggest fight would be by the Democrats to secure a tax cut. Sec. Humphrey called attention to the proposed gas tax exemption and wondered what it might do to the effort to hold the line on other excises. The Vice President stressed the importance of the measure in the farmer's mind. Rep. Arends agreed. There was a discussion of timing of these measures.

Senator Bridges was concerned with the number of supplementals that

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would have to be requested, as was also Senator Saltonstall.

Sec. Humphrey read a memorandum on tax philosophy stressing that the Government must not borrow money to finance a tax reduction in a period of prosperity. He went on to say that the prospect of a surplus would be cloudy until May when it might be possible to plan for a tax reduction still in 1956. The President stressed that priority use of any surplus should be for reducing the debt. Senator Knowland agreed. Sec. Humphrey thought the surplus for 1956 might exceed one-half a billion. Sen. Knowland again expressed favor for at least a nominal reduction of the debt and the President spoke further on the desirability of debt reduction, saying that he would veto any tax reduction bill that reached him under the existing situation. There then occurred a discussion of public relations on this subject, in which the President believed the people felt as he did.

Social Security - Sec. Folsom outlined the situation with regard to increased social security benefits especially for widows. He stated the Administration position as dislike of another tax increase so soon. He thought a good case could be made for early retirement of disabled employees who have long been under the system. He indicated the Administration would go along with a proposal for retirement of the disabled at age 60. He noted how doctors disliked having to make disability determinations. In discussion, it appeared that the House might be more liberal than the Senate in this area.

Schools - Sec. Folsom reviewed the history of school construction legislation and outlined the Administration proposal for a bill based on matching grants and need. Sen. Knowland took note of the differing attitudes among States in regard to assuming their responsibilities. Rep. Halleck expressed a dislike of possible future Federal controls once Federal aid is initiated. Sen. Saltonstall noted the large number of private schools in his area.

The President talked on the need for a "one shot" program in this period of emergency and the need for preventing any Federal assumption of perpetual responsibility.

The Vice President reviewed the work of the Committee on Education and also the public demand for some legislation.

Health Legislation - Mr. Folsom reviewed very briefly the need for the health reinsurance program and increased appropriations for research and certain medical construction. It was agreed to postpone detailed discussion to a meeting sometime after the State of the Union message was delivered.

(The President left the meeting at this point and a brief recess occurred.)

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Highways - Sec. Weeks presented in detail the proposed legislation for inter-state highways including the expected receipts from increased taxes on gasoline, tires, tubes, etc. He emphasized the pay-as-you-go nature of the bill.

Rep. Halleck reviewed the unusual legislative situation in the preceding session and the need for a reversal this year by many Republicans if the bill is to pass. Sen. Knowland asked about the position of truckers, etc.

In an extensive discussion of legislative strategy, several warnings were voiced on the efforts of the opposition to pin on the Republicans the responsibility for increased taxes. Sen. Knowland suggested that the President merely cite the need for roads and call for a bill with "adequate financing provisions". The consensus was that the question of financing should not be raised in the State of the Union message; instead, that exploratory discussions should be undertaken with Democratic leaders.

Water Resources - Clarence Davis noted the report of the President's Advisory Committee and said that it would merely be mentioned in the State of the Union message and would be presented to Congress later by a special message.

Sen. Saltonstall was interested in the matter of State and local cooperation. Sen. Knowland hoped a system could be devised to prevent duplication of efforts on any given stream.

Mr. Davis said the Committee had not deemed corrective action necessary. He went on to outline the report's recommendations for establishing a Coordinator of Water Resources and a Board of Review, then answered a number of detailed questions about the proposed organization.

In a discussion of State versus Federal water rights, emphasis was placed on the compromise nature of the report. Sen. Knowland thought it mostly a matter of just compensation.

Also discussed was the cost-sharing section of the report, which Mr. Davis recognized as somewhat revolutionary. Mr. Halleck thought it good for local people to take some share in payment.

Mr. Davis outlined the legislation that would be required, and General Persons indicated that the matter would be discussed at some Legislative Conference prior to submission of legislation.

Alaska - Hawaii - Mr. Davis said the Administration position had been unchanged. Sen. Knowland reported Alaska sentiment and hoped that some enabling legislation could be approved.

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Following brief mention of the National Park Service, Mr. Hagerty read a short statement for the press and the meeting adjourned for lunch.

Afternoon Session, 2:00 P.M. - 6:30 P.M.



Agricultural Program - Sec. Benson, with the aid of his assistants, made an extensive and detailed presentation of the farm situation and of the Administration recommendations for a soil bank, surplus disposal, gas tax rebate, individual commodity programs, limitations of individual price support payments, increased research, Great Plains program, and rural development program. A number of questions on details were raised and answered. Mr. Halleck discussed at length the surplus problem. Mr. Arends was interested in details of soil bank payments. Sen. Knowland asked about the opinions of Members of Congress from the farm areas and also about pork purchases. Speaker Martin noted Rep. Hope's pessimistic views on the scope of the program. The President, who had returned to the meeting, stressed the need for good public relations.

Sen. Bridges read a letter from Sen. Aiken setting forth various proposals for solving the farm problem.

(Discussion was interrupted for Mr. Brownell's presentation set forth below, following which the President left the meeting. The farm discussion then continued as follows.)

Sec. Benson was advised by Speaker Martin and others to confer informally with Rep. Hope and Sen. Aiken. Sec. Benson noted the Administration's commitment to send a special message on the subject early in January. Sen. Saltonstall thought the general outlines of the program should be mentioned in the State of the Union message.

Immigration - Mr. Brownell set forth the desirability of legislation providing for administrative handling of individual immigration bills, the modification of immigration quota formulas, redistribution of unused quotas, revision of deportation procedures, liberalization of regulations governing aliens in transit, etc. Rep. Halleck and Sen. Knowland stressed the need for protecting against fraud in immigration proceedings. Speaker Martin concluded the discussion with a comment that all of these measures seemed very reasonable.

(The President left the meeting.)

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Civil Rights - The Attorney General mentioned possible Civil Rights measures, and it was agreed that presentation should be deferred until later in the session.

Postal Legislation - Mr. Summerfield distributed a brochure showing the building needs of the Post Office Department and a program for lease-purchase. All of these required, he said, an increase in postal rates concerning which he presented a series of statistical charts. He emphasized that there would be a breakdown in postal service unless a building program is undertaken. He made it clear that the building program could not and would not be undertaken without increased rates.

The Leadership expressed its liking for the program and agreed that the Postmaster General should discuss it with the Democratic Leadership.

Labor Legislation - Mr. Mitchell stated that in addition to the proposals presented last year the Department would recommend a bill to require reports on welfare and benefit plans, along with registration of the individuals who operated the funds.

Sen. Knowland was interested in policy on minimum wage coverage and Sec. Mitchell suggested further study of any specific proposals. Rep. Halleck recalled farm opposition to extension of coverage. Sec. Mitchell stressed the desirability of setting new coverage at a lower minimum rate than is generally applied.

Mr. Mitchell also noted the popularity of the equal pay for women proposal. Rep. Halleck had no objection to the proposal. Sec. Mitchell reported Mr. Meany's belief that labor will secure this in any event through collective bargaining.

Mr. Martin raised a question concerning canneries and Sen. Saltonstall urged that it be put into the program if it was in the Platform and no great objections were outstanding.

Area Development Program - Dr. Burns set forth the provisions in this program for establishing a new agency within the Department of Commerce and for Federal participation in loans to needy localities. At Speaker Martin's request, he outlined the specific actions that might be taken in an area like Lawrence or Lowell.

Sen. Saltonstall pointed out that some States are forbidden to make such loans to communities and suggested that participation might be by either State or local.

Sen. Saltonstall questioned why the program could not be handled by SBA. Sec. Weeks noted the entirely different type of lending function of that agency.

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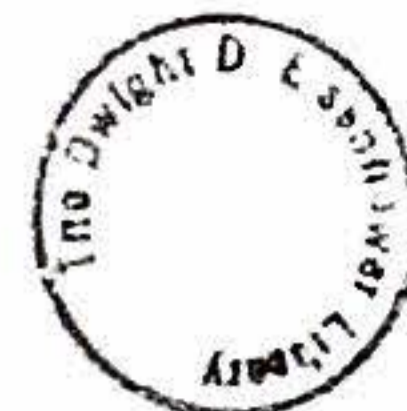
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Housing - Mr. Cole set forth requirements in this field as mainly an extension of existing authorities. Discussion centered on details of the public housing situation. Gen. Persons stressed the President's commitment for a total of 140,000 public housing units and stated that 35,000 for each of the next two years would fulfill that commitment. Mr. Cole discussed the circumstances under which the public housing program could be brought to an end when other programs providing better housing would be progressing satisfactorily.

Mr. Cole also discussed a tentative proposal not yet cleared within the Administration for low cost housing loans guaranteed 100% on a forty-year basis -- as a means of expediting slum clearance and eliminating need for public housing.

Mr. Cole made brief mention of a housing program for the aged and of the need for flexibility in regard to the interest rate on college housing.

(The President returned to the meeting at this point.)

He emphasized that the present lower than normal rate limits flexibility of funds without having any great advantage in terms of lower dormitory costs. The President queried whether this change might not await 1957 and Mr. Cole replied that it could. Mr. Hughes stressed that to continue the low rate would increase the pressure on the Federal Government to provide the funds.

Sen. Knowland commented on the tight credit situation in the home construction industry. Mr. Cole assured him it was under close observation.

Personnel - Mr. Young presented his carry-overs from last year -- the executive pay raise, the group health program for Federal employees, the training bill, the omnibus bill regarding overseas personnel, and the retirement bill (integrating with social security). The executive pay raise was discussed at length, during which Sen. Saltonstall and Speaker Martin expressed the opinion that it would be difficult to secure Democratic approval.

Mutual Security - Gen. Persons and Mr. Hughes indicated that the full presentation on this subject the next day would show an appropriation request of \$1.9 billion for economic aid, and a planned expenditure of slightly less.

For military aid the appropriation request would be nearly \$1 billion larger than the planned expenditures in order to cover programming for future years.

The meeting was concluded with a brief discussion of the statement for the press presented by Mr. Hagerty.

Copies to:
Mrs. Whitman (2) ✓
Mr. Minnich

JAM
L. A. Minnich, Jr.

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