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# THE FEDERAL BUDGET

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FEB 2 1950 **IN BRIEF**

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FISCAL YEAR 1951

EXECUTIVE OFFICE OF THE PRESIDENT  
BUREAU OF THE BUDGET

The Budget for the fiscal year 1951 reflects the great strength and the extensive responsibilities of this country. It represents much more than a collection of facts and figures—it represents the program which I am recommending for our Government in the months ahead. It will influence the course of events for years beyond 1951, and the success with which we push ahead toward enduring peace, continuing economic growth, and a steady strengthening of our democratic society.

HARRY S. TRUMAN.

The Budget Message  
January 3, 1950

# **THE FEDERAL BUDGET IN BRIEF**

**FISCAL YEAR 1951**

**(July 1, 1950–June 30, 1951)**

**JANUARY 1950**

**Executive Office of the President**

**Bureau of the Budget**

## INTRODUCTION

The Budget of the United States which the President sends to Congress each January is a statement of the financial program he recommends for the Federal Government.

It is the largest and most detailed of three messages on national policies and programs which the President sends Congress when it convenes at the beginning of the year. The others are the State of the Union Message and the Economic Report.

In the Budget, the President estimates how much money will be received by the Government during the coming year and how much money will be needed to perform the many activities and services which the Congress has authorized. He also sets forth the estimated receipts or expenditures resulting from the enactment of any new legislation he is proposing.

The Government's business is run on the basis of a "fiscal" year rather than a calendar year. The Budget transmitted to Congress in January 1950, therefore, contained the President's recommendations for the fiscal year 1951, beginning July 1, 1950, and ending June 30, 1951.

It is important that every citizen understand the principal facts concerning his Government's Budget. The Budget itself, the reports of the Congressional Appropriations Committees and the debates in Congress, and the President's statement at midyear reviewing the Budget after the Congress has completed its action, are the chief official sources of such information.

The Budget is designed primarily as the basis for action by the Congress. It is therefore detailed, complex, and expressed in technical language.

This booklet, "The Federal Budget in Brief," is intended to meet the frequently expressed need of many individuals and groups for a brief summary in nontechnical terms of the basic facts on where the Government's money comes from and where it is spent.

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## BUDGET SUMMARY

The amount of money received and spent by the Federal Government is large—in recent years about 40 billion dollars each year compared to less than 9 billion dollars in the immediate prewar years.

The costs of war and the present uncertain international situation are the two major reasons for this increase.

Expenditures for national defense, international affairs, veterans' services and benefits, and interest on the public debt—the four largest items in the Budget—are estimated to be 30 billion dollars in fiscal year 1951, as compared with 2.6 billion dollars in 1939.

In the fiscal year 1951, Budget expenditures are estimated at 42.4 billion dollars, and Budget receipts, under present tax laws, at 37.3 billion dollars.

The estimated deficit of 5.1 billion dollars in 1951, like the 1950 deficit, results partly from the reduction in tax rates in 1948, and partly from increases in certain major programs, notably national defense, and, to a lesser extent, farm price supports and the purchase of home mortgages.

Expenditures in 1951 are estimated to be nearly one billion dollars less

than those in 1950. Furthermore, the President stated that the policies followed in preparing the 1951 Budget will permit further reductions in expenditures in later years, chiefly in the international and veterans' programs.

In addition, the President pointed out that Federal revenues will increase as the economy and national income grow. Moreover, he is recommending some changes in the tax laws which will bring in a moderate amount of net additional revenue in 1951 and a larger amount in later years.

Thus the President concluded that his recommendations provide a sound basis for moving toward a balanced Budget as rapidly as is possible in view of current international conditions and our economic situation.

NOTE.—Several important Federal programs are operated through trust funds, with the Government acting as a trustee. The receipts of these funds consist primarily of special taxes, such as the pay-roll taxes for old-age and unemployment insurance, or of premiums paid in, as in the case of the veterans' life insurance.

Neither the receipts of these funds nor the benefits and dividends paid from them are included in regular Budget receipts and expenditures. For example, during 1950 and 1951, nearly 3 billion dollars in dividends will be paid to veterans from the veterans' insurance trust fund, and this amount will not be included in Budget expenditures.

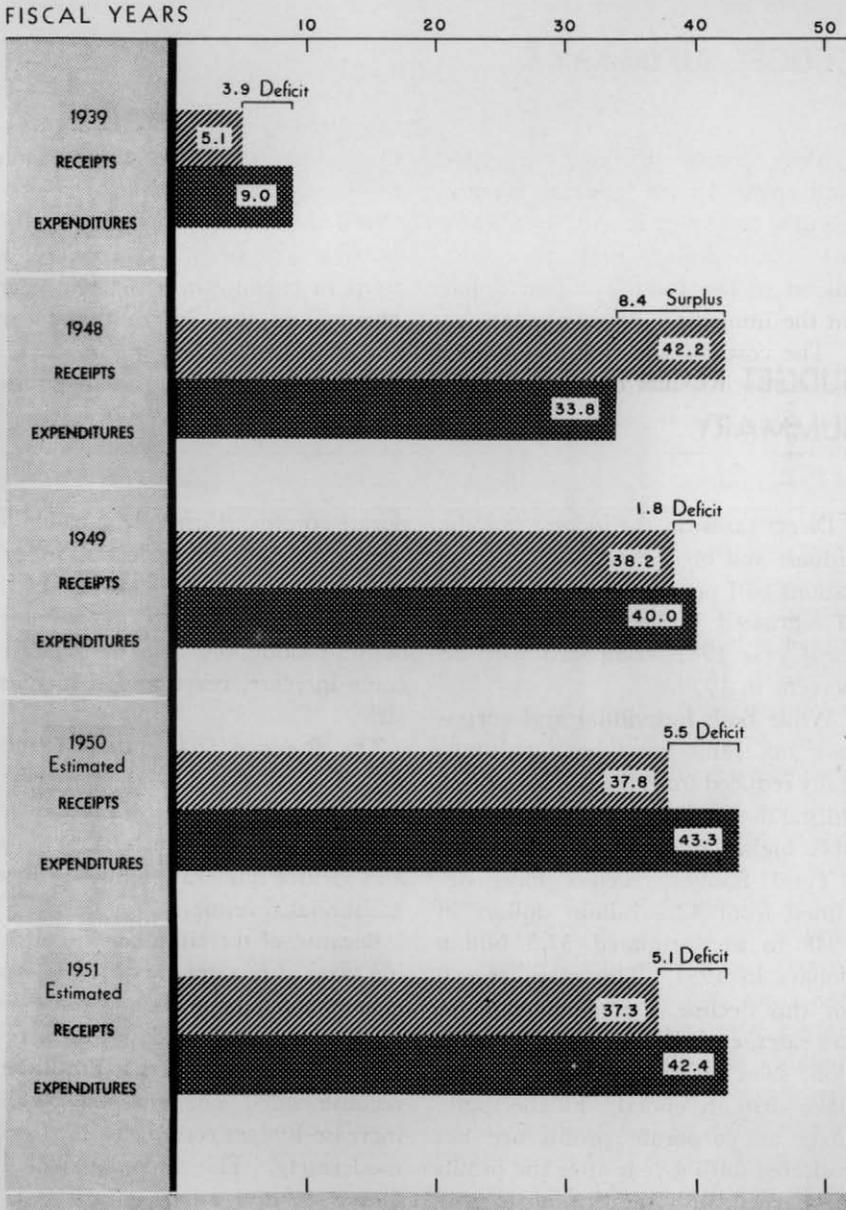
In 1951 it is estimated that total trust fund receipts will exceed trust fund expenditures by over 2 billion dollars.

For a financial summary which includes trust fund transactions see page 36.

**BUDGET RECEIPTS AND EXPENDITURES**

**SURPLUS OR DEFICIT**

Billions of Dollars



## BUDGET RECEIPTS SUMMARY

Direct taxes on the income of individuals and on the profits of corporations will provide over 70 percent of estimated Budget receipts in the fiscal year 1951, compared with 52 percent in 1939.

While both individual and corporate tax rates have been substantially reduced from the levels reached during the war, they are still considerably higher than the prewar rates.

Total Budget receipts have declined from 42.2 billion dollars in 1948 to an estimated 37.3 billion dollars in 1951. The main reason for this decline is the reduction in tax rates, enacted in 1948. In addition, sales of surplus war property have virtually ended. Furthermore, taxes on corporate profits are not collected until a year after the profits are earned, and the decline in cor-

porate profits during the calendar year 1949 will be reflected in tax receipts as late as the fiscal year 1951. As the economy grows and employment, production, and national income increase, revenue will increase also.

The President has stated that he will shortly recommend changes in the tax laws to reduce present inequities, stimulate business activity, and yield a moderate amount of net additional revenue.

Because of the time lag in collecting taxes after rates are changed, and because certain of his proposals will result in some immediate loss in revenue, the effect of the President's recommended changes will be to increase Budget receipts in 1951 only moderately. The increase will be larger in later years.

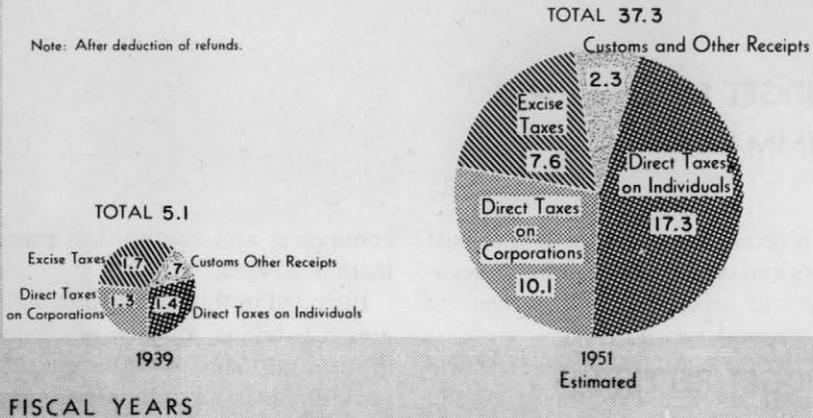
**BUDGET RECEIPTS**

**SUMMARY**

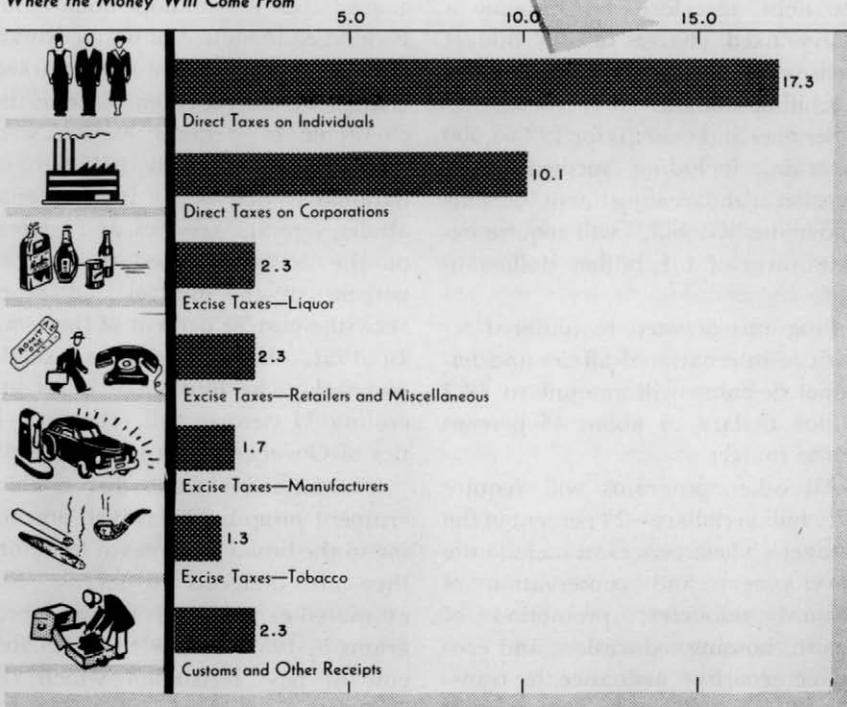
Amount of Money

Billions of Dollars

Note: After deduction of refunds.



**Where the Money Will Come From**



## BUDGET EXPENDITURES SUMMARY

In fiscal year 1951, the cost of past wars and of preserving national security will account for 71 percent of all Federal expenditures.

The direct Budget costs of World War II amounted to nearly 350 billion dollars, about 60 percent of it financed by borrowing. Interest on the debt, therefore, has become a heavy fixed charge in the Budget each year. In 1951 it will amount to 5.6 billion dollars.

Services and benefits for 19,000,000 veterans, including medical care, pensions, and readjustment benefits under the "GI bill," will require expenditures of 6.1 billion dollars in 1951.

Programs devoted to national security—international affairs and national defense—will amount to 18.2 billion dollars, or about 45 percent of the Budget.

All other programs will require 12.5 billion dollars—29 percent of the Budget. These programs include the development and conservation of natural resources; promotion of health, housing, education, and economic security; assistance to transportation and the flow of trade and

commerce; and many other governmental services.

Included in this 12.5 billion dollars are 3.3 billion dollars of Federal grants and loans to States and local governments, 1.6 billion dollars for loans to industry and cooperatives and the purchase of housing mortgages, and 2.0 billion dollars for Federal construction of public works.

These figures show the marked change which has taken place in the character of Federal expenditures since prewar years. In 1939, costs of national defense, international affairs, veterans' services, and interest on the debt amounted to only 29 percent of the Budget; all other activities cost 71 percent of the total. In 1951, that situation is exactly reversed. The four large items are costing 71 percent; all other activities of Government only 29 percent.

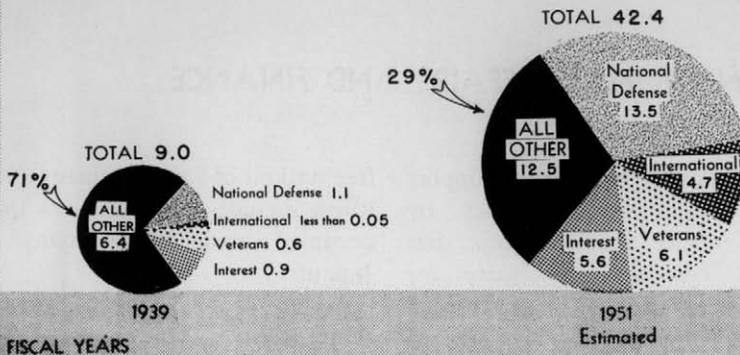
The following pages discuss Government programs, classified according to the broad purposes or functions they are designed to serve. The estimated expenditures for these programs in 1951 include the estimated cost of new legislation which the President proposed in his Budget.

# BUDGET EXPENDITURES

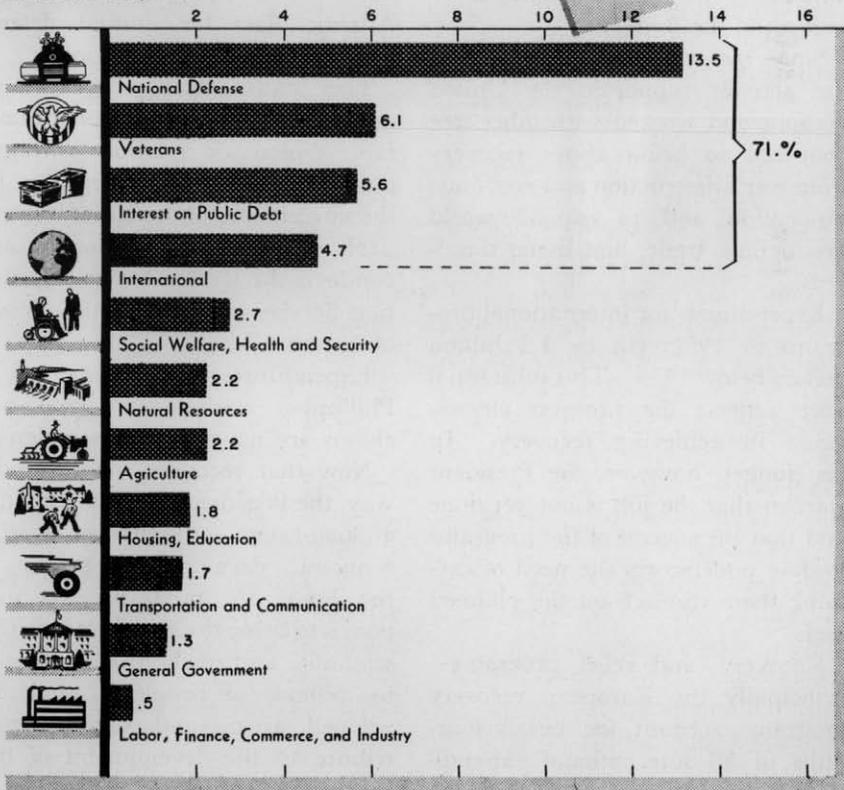
# SUMMARY

Amount of Money

Billions of Dollars



## Where the Money Will Go



## INTERNATIONAL AFFAIRS AND FINANCE

International programs support United States foreign policy by helping create the economic and political conditions necessary for world peace and our own national security.

In the fiscal year 1951, costs of international affairs and finance will amount to 4.7 billion dollars, or 11 percent of the Budget.

Since the war, the United States has actively supported the United Nations and worked with other free countries to bring about recovery from war's destruction and economic dislocation and to expand world production, trade, and living standards.

Expenditures for international programs in 1951 will be 1.3 billion dollars below 1950. This substantial drop reflects the progress already made in achieving recovery. In his Budget, however, the President warned that the job is not yet done and that the success of the programs to date underscores the need of carrying them through on the planned basis.

Recovery and relief programs—principally the European recovery program—account for nearly four-fifths of all international expenditures. In addition to aiding the

free nations of Europe, these expenditures include recovery costs in the occupied areas of Germany and Japan.

To supplement both our international recovery programs and our own defense, the United States is providing military assistance to nations which have joined us in the Atlantic Pact for mutual defense and to certain other nations.

The State Department, in conducting our foreign affairs, maintains diplomatic relations throughout the world, is responsible for the government of the United States' part of occupied Germany, and conducts the United States Information Service abroad and the "Voice of America."

Expenditures for the payment of Philippine war damage and war claims are now nearing completion.

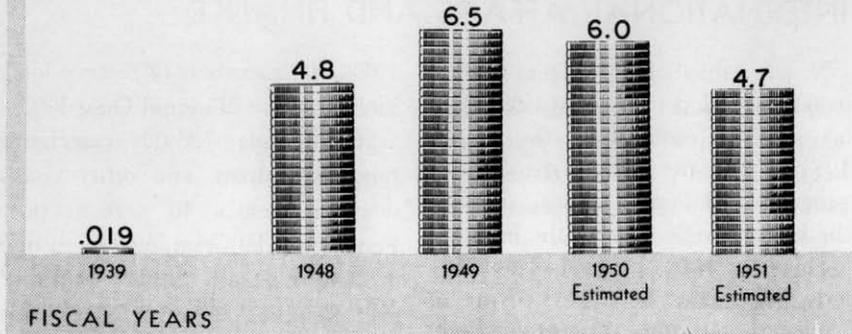
Now that recovery is well under way, the President has recommended a long-range program of foreign economic development, known as the Point IV program. Its purpose is to bring the benefits of modern scientific and technical knowledge to millions of people in underdeveloped areas, and thereby contribute to the development of free institutions and world peace.

**BUDGET EXPENDITURES**

**INTERNATIONAL AFFAIRS AND FINANCE**

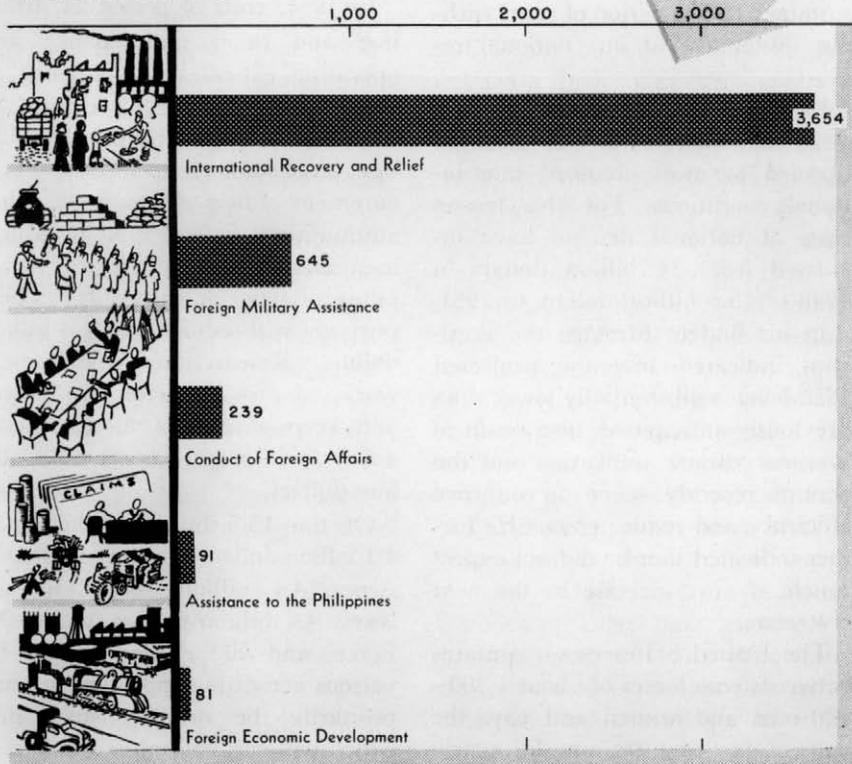
Amount of Money

Billions of Dollars



Where the Money Will Go

Millions of Dollars



## NATIONAL DEFENSE

Nearly a third of all Budget expenditures—or 32 cents out of each dollar—will be required in fiscal year 1951 to meet the costs of the defense program. Defense is thus, by far, the largest single item in the Budget.

Since the war, the goal of our defense effort has been to provide a balanced military program which meets our security needs in an uncertain world and which can be sustained over a period of years without undue use of our national resources.

Early in 1948, the Nation took steps to adjust its defense strength upward to meet changed international conditions. For this reason costs of national defense have increased from 11 billion dollars in 1948 to 13.5 billion dollars in 1951.

In his Budget Message the President indicated that the projected 1951 level is substantially lower than previously anticipated, as a result of progress toward unification and the actions recently taken to improve efficiency and reduce costs. He further indicated that he did not expect much, if any, increase in the next few years.

The United States now maintains active defense forces of about 1,500,000 men and women and pays the costs of part-time training for nearly

1,000,000 members of reserve forces, including the National Guard.

It employs 725,000 mechanics, laborers, nurses, and other civilian workers—nearly 40 percent of all Federal civilian employees—to operate and maintain military equipment and facilities such as navy yards, ordnance plants, hospitals, and airfields.

In 1951, costs of personnel, training, and other maintenance and operating expenses will amount to over 9 billion dollars, or two-thirds of total defense expenditures. In addition, large sums are spent for the procurement of new planes, guns, ships, ammunition; for other major equipment and facilities; and for the stockpiling of strategic materials. These purposes will require nearly 4 billion dollars. Research and development work, to provide better equipment and keep abreast of modern technology, will require nearly 700 million dollars.

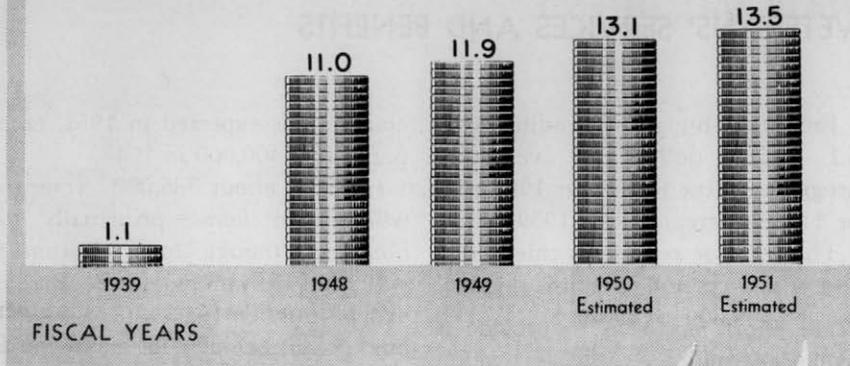
Of the 13.5 billion dollar total, 4.1 billion dollars will be spent for the Army, 4.1 billion dollars for the Navy, 4.4 billion dollars for the Air Force, and 900 million dollars for various activities supporting defense, primarily the strategic stock pile, which will cost 650 million dollars.

**BUDGET EXPENDITURES**

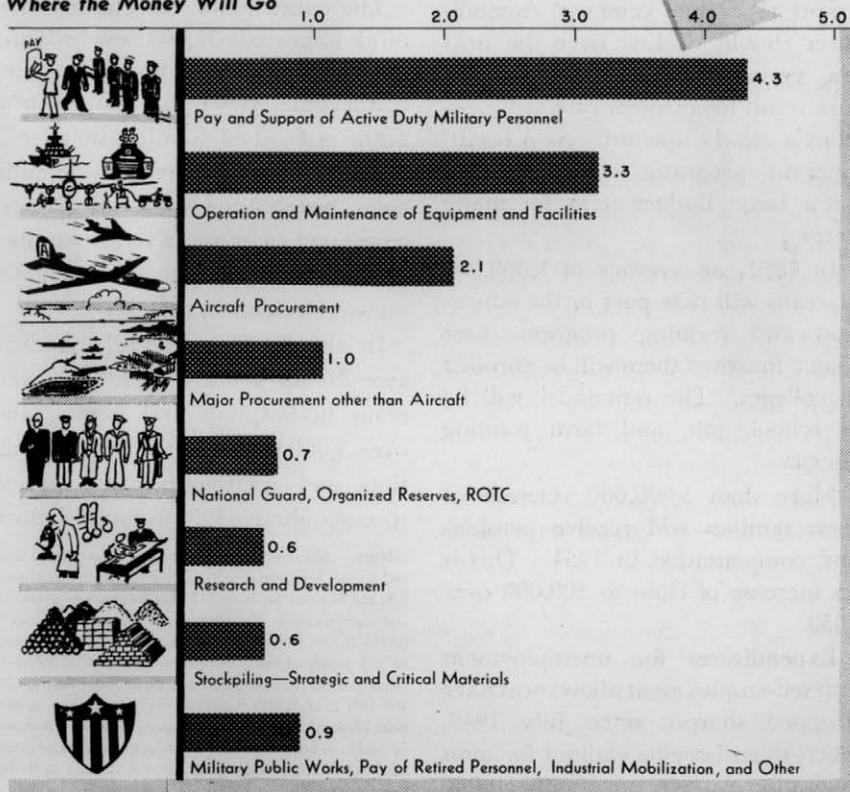
**NATIONAL DEFENSE**

Amount of Money

Billions of Dollars



**Where the Money Will Go**



## VETERANS' SERVICES AND BENEFITS

Estimated Budget expenditures of 6.1 billion dollars for veterans' programs in the fiscal year 1951 will be 11 times greater than 1939.

This increase represents chiefly the cost of services and benefits provided the 15,000,000 veterans of World War II and their families.

As temporary readjustment programs taper off, veterans' expenditures should decline over the next few years. However, the expenditure trend for medical care and pensions is slowly upward. As a result, veterans' programs will continue to be a large Budget item for many years.

In 1951, an average of 1,800,000 veterans will take part in the education and training program. Less than a fourth of them will be enrolled in colleges. The remainder will be in school, job, and farm training courses.

More than 3,000,000 veterans or their families will receive pensions and compensation in 1951. This is an increase of close to 100,000 over 1950.

Expenditures for unemployment and self-employment allowances have dropped sharply since July 1949, when these benefits expired for most veterans. An average of only 59,000

claimants is expected in 1951, compared to 1,400,000 in 1947.

In 1951, about 386,000 veterans will obtain loans—principally for homes. Although loan guarantees will total 2 billion dollars, Budget expenditures in 1951 will be 68 million dollars, chiefly for payment of the first year's interest on loans.

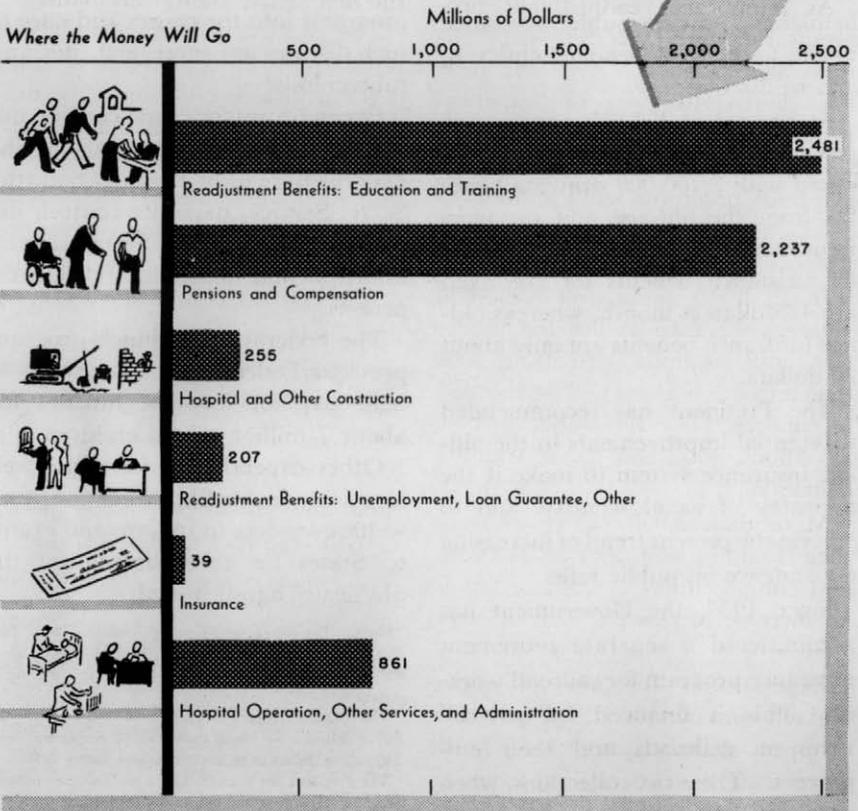
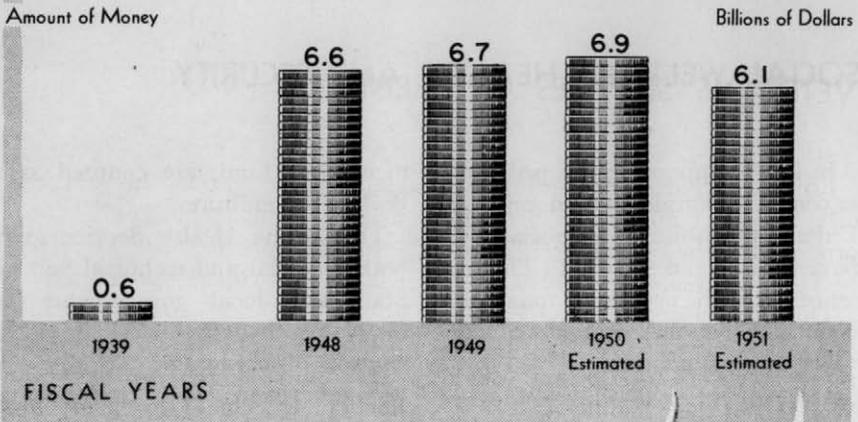
The construction of veterans' hospitals to provide 37,000 new beds and other facilities is now about one-third completed. When this planned program is finished (costing in all 872 million dollars), there will be sufficient hospital beds for all service-connected cases and a larger number of hospital beds than at present for non-service-connected cases.

In the fiscal year 1951, medical care for an average of 138,000 veterans in hospitals and homes, and over 5,000,000 outpatient examinations and treatments are expected to cost about 590 million dollars.

NOTE.—About 6,800,000 veterans of the two World Wars and present servicemen continue to hold active Government Life and National Service Life Insurance policies. Premiums and earnings, plus Government contributions of over 4 billion dollars, have built up the assets of these trust funds to 9.7 billion dollars. An initial dividend of nearly 3 billion dollars will be paid from trust funds during 1950 and 1951 to all World War II servicemen who hold or have held National Service Life Insurance. Since this sum will be paid from a trust fund, it will not be a Budget expenditure, just as the receipts of the fund were not included in Budget receipts.

**BUDGET EXPENDITURES**

**VETERANS SERVICES AND BENEFITS**



## SOCIAL WELFARE, HEALTH, AND SECURITY

In 1939, temporary work programs to combat unemployment dominated Federal expenditures for social welfare, health, and security. The absence of such programs today accounts for the sharp drop in expenditures for this function.

More than half of all expenditures in 1951 will be grants to States to help them provide public assistance to the aged, to dependent children, and to the blind.

At present, 4,200,000 persons are receiving this public assistance, compared with 2,700,000 drawing benefits from the old-age and survivors insurance trust fund. Average public assistance benefits for the aged are 45 dollars a month, whereas old-age insurance benefits are only about 26 dollars.

The President has recommended substantial improvements in the old-age insurance system to make it the mainstay of social security, and to reverse the present trend of increasing dependence on public relief.

Since 1937, the Government has administered a separate retirement insurance program for railroad workers. This is financed by pay-roll taxes on railroads and their employees. These tax collections, when transferred to the railroad retire-

ment trust fund, are counted as a Budget expenditure.

The Public Health Service gives both financial and technical help to State and local governments for many health activities, such as the control of communicable diseases, hospital construction, and mental health. It also sponsors research programs into the causes and cure of such diseases as cancer, arthritis, and tuberculosis.

Expenditures for crime control and correction include the costs of the Federal Bureau of Investigation, the Secret Service, narcotics control, the work of the United States district attorneys and marshals, and Federal prisons.

The Federal school lunch program provides Federal grants to States to help pay for low-cost lunches for about 7 million school children.

Other expenditures for social welfare include health, education, and welfare services to Indians and grants to States for rehabilitation of the physically handicapped.

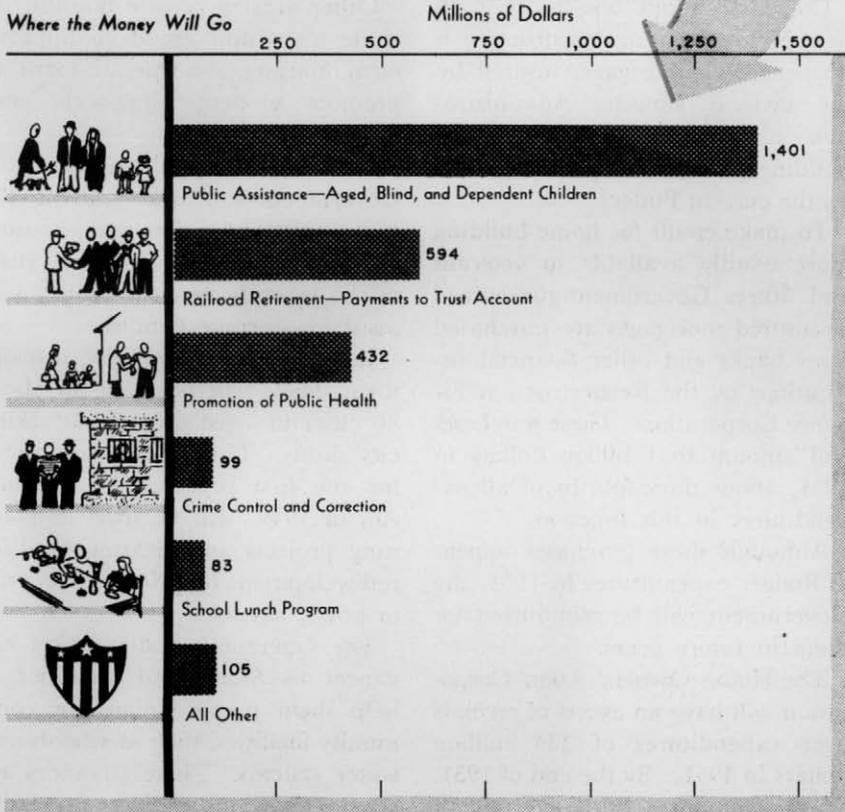
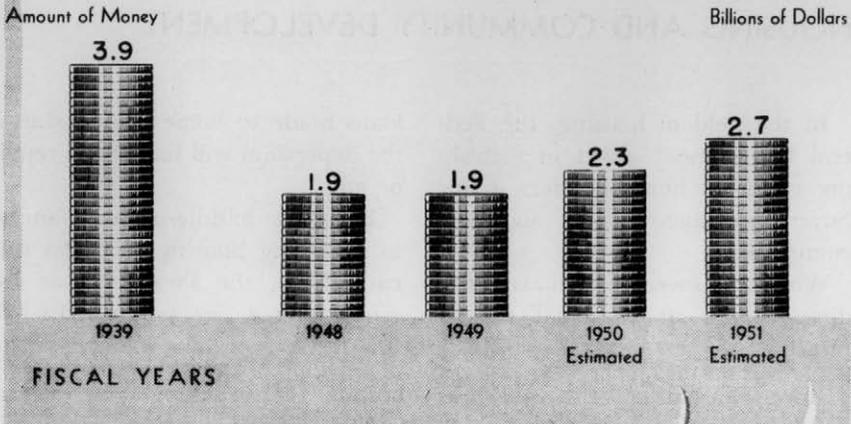
NOTE.—The old-age and survivors insurance trust fund now totals about 12 billion dollars. Benefits totaling about 800 million dollars will be paid from it in 1951 under present law.

The railroad retirement trust fund totals nearly 2.5 billion dollars, from which about 365,000 people will draw 350 million dollars in retirement benefits during 1951.

The President has recommended a medical-care-insurance program. This program, too, would be financed through a trust fund by employer and employee contributions.

**BUDGET EXPENDITURES**

**SOCIAL WELFARE, HEALTH, AND SECURITY**



## HOUSING AND COMMUNITY DEVELOPMENT

In the field of housing, the Federal Government assists in furnishing credit to home builders, home buyers, mortgage lenders, and local communities.

While the Government makes some direct loans, its principal role is insuring or guaranteeing private loans, and purchasing mortgages from private holders.

Currently about one-third of all new private housing construction is financed with mortgages insured by the Federal Housing Administration—a method of stimulating home building which has only minor effects on the current Budget.

To make credit for home building more readily available to veterans and others, Government-guaranteed or insured mortgages are purchased from banks and other financial institutions by the Reconstruction Finance Corporation. These purchases will amount to 1 billion dollars in 1951, about three-fourths of all expenditures in this function.

Although these purchases appear as Budget expenditures in 1951, the Government will be reimbursed for them in future years.

The Home Owners' Loan Corporation will have an excess of receipts over expenditures of 134 million dollars in 1951. By the end of 1951, all of the more than one million

loans made to home owners during the depression will have been repaid or sold.

To assist middle-income families in obtaining housing at prices they can afford, the President has recommended a new program to help housing cooperatives and other non-profit organizations secure long-term private financing at favorable terms.

Other aids to private housing include loans and grants to improve farm housing and special loans to promote modern large-scale construction methods.

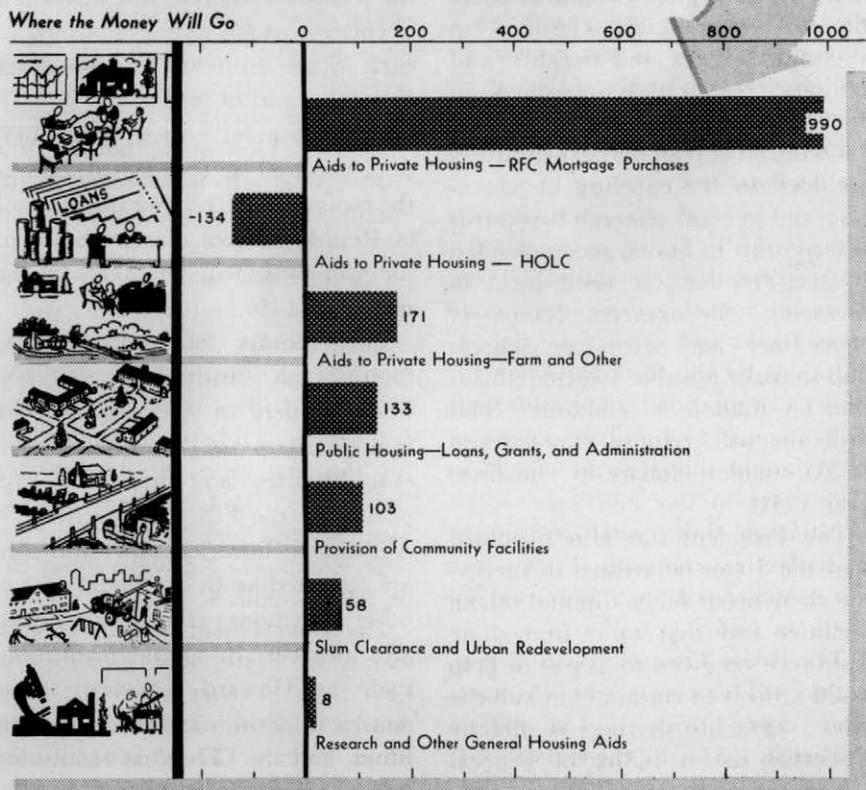
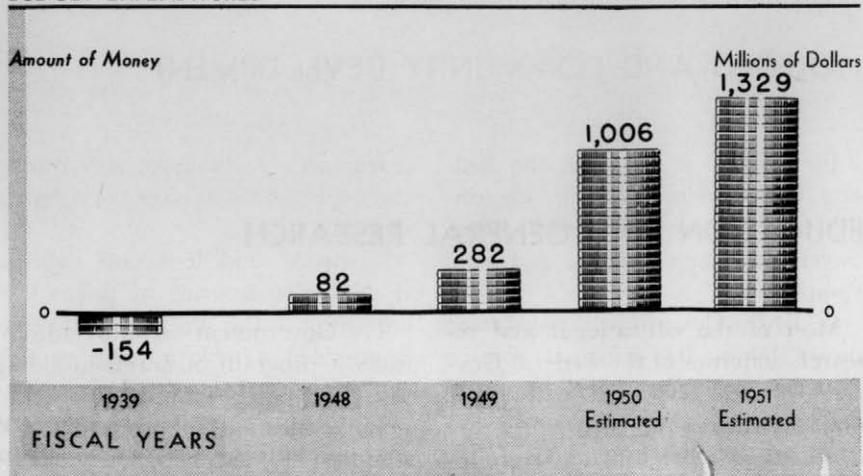
In the field of public housing, the Government will make loans to 425 communities for low-rent housing projects during the first two years of the recently enacted program to assist low-income families.

In the field of community development, loans will be made to about 80 cities to assist them in attacking city slums. These loans, authorized for the first time in the Housing Act of 1949, will be used in planning projects and clearing land for redevelopment by private enterprise or public agencies.

The Government also makes advances to States and localities to help them prepare plans for community facilities, such as schools and water systems. These advances are repaid when the projects are built.

BUDGET EXPENDITURES

HOUSING AND COMMUNITY DEVELOPMENT



## EDUCATION AND GENERAL RESEARCH

Most of the educational and research activities of the Federal Government are associated with other major purposes and therefore are classified in other functional groupings—for example, educational benefits for veterans are classified in veterans' services and benefits, and military research is classified in national defense.

Of the fiscal year 1951 expenditures included in the category of education and general research two-thirds is for grants to States, recommended by the President, to assist them in financing the current costs of elementary and secondary schools and to make possible a better education for millions of children. This program will require expenditures of 290 million dollars in the fiscal year 1951.

The President has also proposed that the States be assisted in surveying their needs for additional school facilities and that some immediate assistance be given to States to help build schools in certain communities where an acute shortage is directly traceable to an influx of Federal workers and their families.

The Government currently administers a program of grants-in-aid to assist the States in providing vocational education to over 3,500,000 students. Other activities include the provision of aid for the operation of colleges which were established in each State with the assistance of Federal grants of land.

The decennial census of population, required by the Constitution as the basis for determining the number of Representatives of each State in the Congress, will be taken in the spring of 1950.

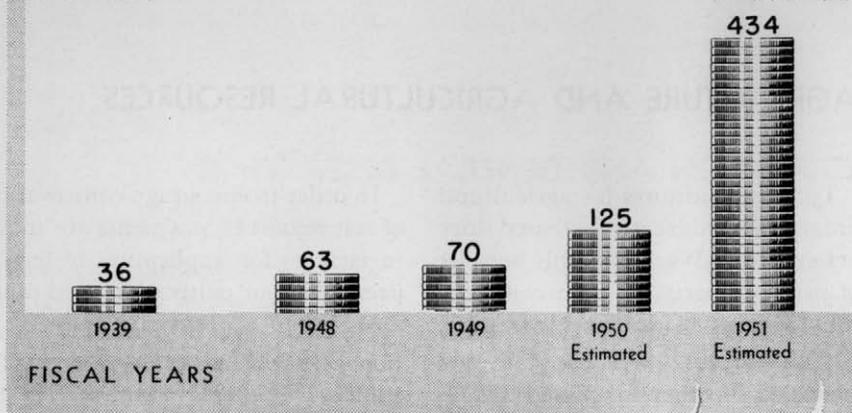
The Library of Congress, the Smithsonian Institution, the National Gallery of Art, and the Botanic Gardens are the principal general libraries and museums supported by the Federal Government. Additional libraries and museums are operated as an incidental part of other functions. The Government also aids certain special institutions such as Howard University, the American Printing House for the Blind, and the Columbia Institution for the Deaf.

**BUDGET EXPENDITURES**

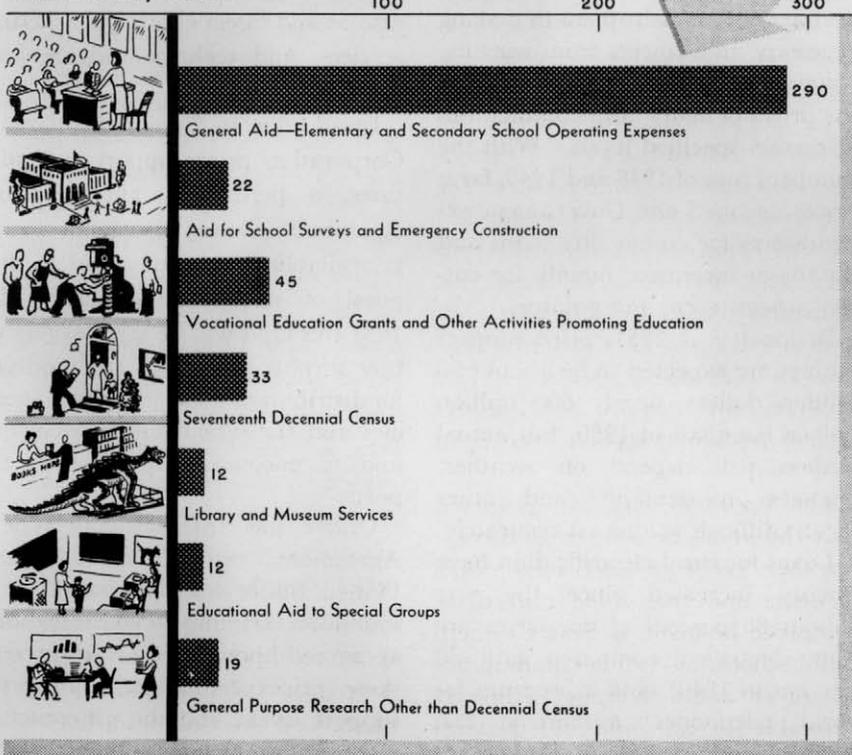
**EDUCATION AND GENERAL RESEARCH**

Amount of Money

Millions of Dollars



Where the Money Will Go



## AGRICULTURE AND AGRICULTURAL RESOURCES

Total expenditures for agricultural programs have greatly increased since before World War II, mainly because of price supports on farm commodities, loans for rural electrification, and greater emphasis on programs to conserve the Nation's soil resources.

In order to prevent serious hardship to farmers from drastic price declines and to assist them in making necessary adjustments from wartime conditions, the Government supports the prices of many farm commodities at certain specified levels. With the bumper crops of 1948 and 1949, farm prices declined and Government expenditures for commodity loans and purchases increased, mainly for cotton, wheat, corn, and potatoes.

In fiscal year 1951, price support outlays are expected to be about 950 million dollars, nearly 600 million dollars less than in 1950, but actual outlays will depend on weather, changes in demand, and other factors difficult to forecast accurately.

Loans for rural electrification have greatly increased since the war (about 80 percent of our farms are now electrified, compared with 30 percent in 1940), and a program for rural telephones, authorized last year, is being initiated.

In order to encourage conservation of soil resources, payments are made to farmers for application of fertilizers, contour cultivation, and other measures for improved management of soil resources.

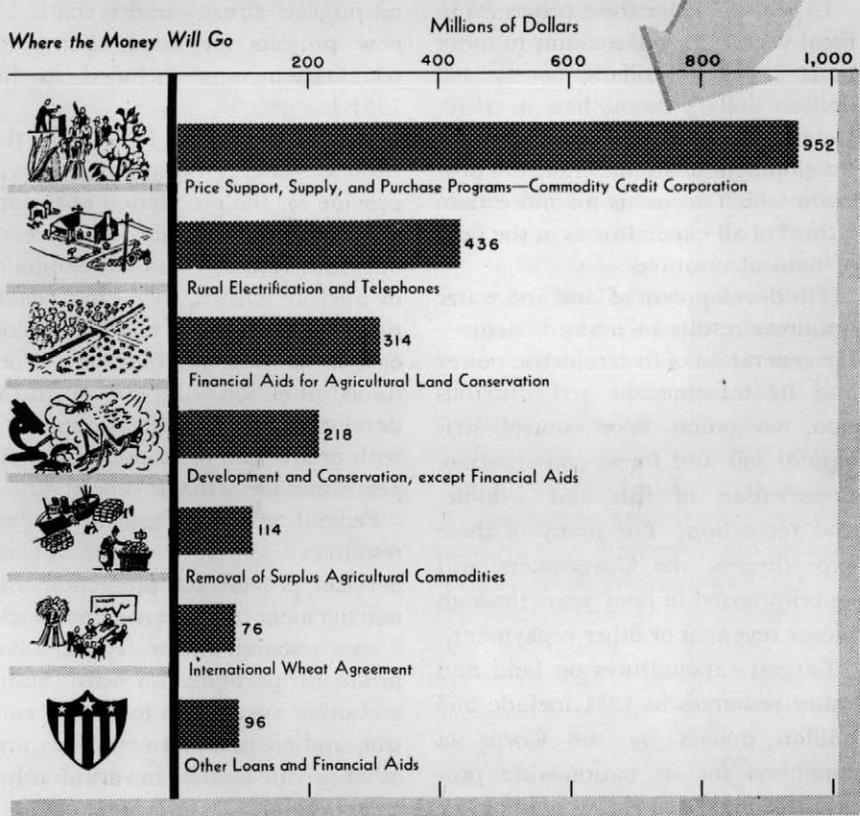
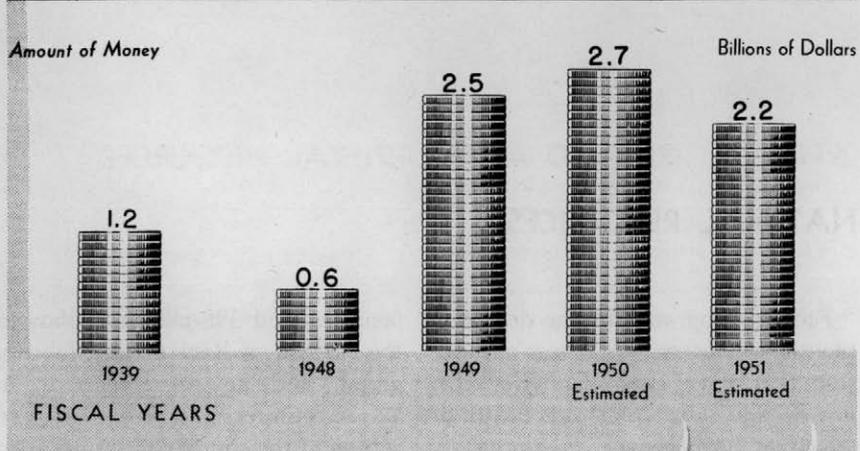
The Department of Agriculture also aids farmers through basic research, cooperative extension work, disease and insect control, marketing services, and technical advice and assistance.

In addition to Commodity Credit Corporation price support expenditures, a permanent appropriation equal to 30 percent of customs duties is available each year to aid in disposal of surplus commodities. In 1951 this fund will be used largely to buy surplus perishable commodities for distribution through welfare agencies and the school lunch program, and to encourage agricultural exports.

Under the International Wheat Agreement, ratified in 1949, the United States will be assured of a minimum amount of wheat exports at agreed-upon prices. At present these prices are lower than price support levels, and the difference is made up by the Government.

**BUDGET EXPENDITURES**

**AGRICULTURE AND AGRICULTURAL RESOURCES**



## NATURAL RESOURCES

Federal programs for the development and conservation of our natural resources have expanded over the last decade as the demands on these resources have grown.

Expenditures for these programs in fiscal year 1951 will amount to more than 2 billion dollars, nearly 400 million dollars more than in 1950. Largest factor in this increase is the development of atomic energy, a program which accounts for more than a third of all expenditures in the field of natural resources.

The development of land and water resources results in many benefits—the generation of hydroelectric power and its transmission and distribution, navigation, flood control, irrigation, soil and forest conservation, preservation of fish and wildlife, and recreation. For many of these expenditures, the Government will be reimbursed in later years through power revenues or other repayments.

Largest expenditures on land and water resources in 1951 include 563 million dollars by the Corps of Engineers for its nation-wide program of flood protection and power

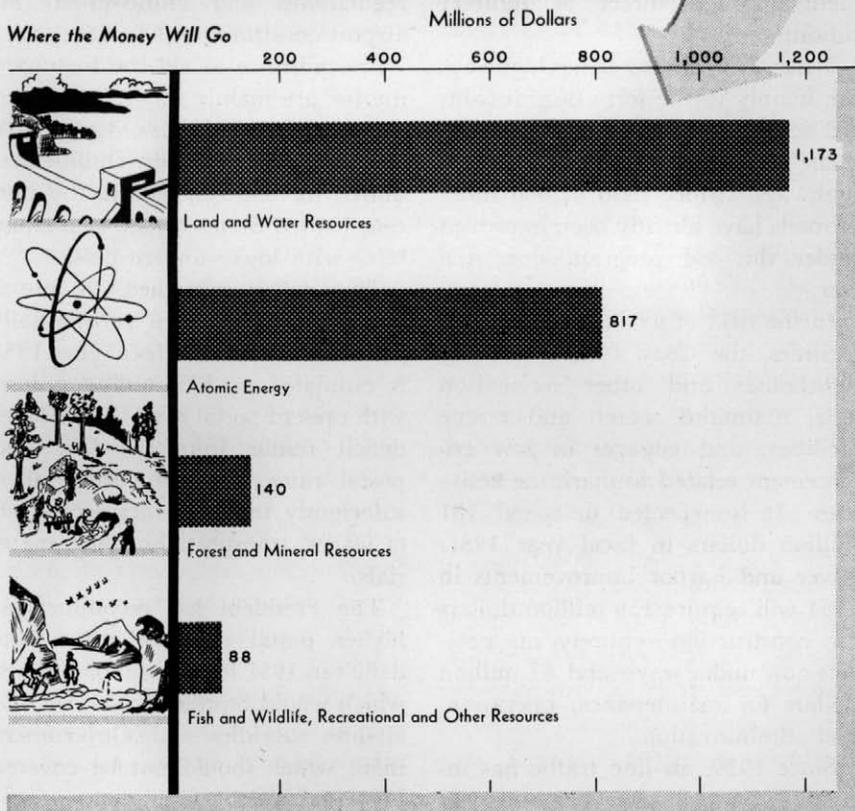
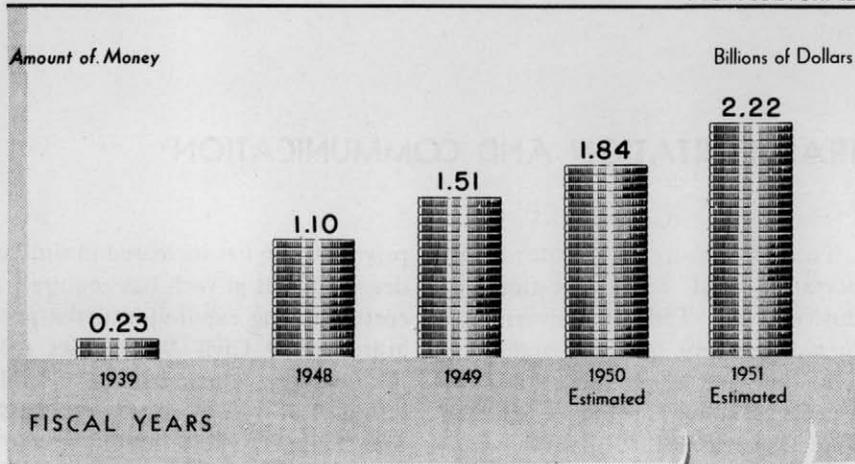
facilities, and 398 million dollars by the Bureau of Reclamation for irrigation and power projects in 17 Western States. These expenditures represent the cost of continuing work on projects already under way. No new projects for flood control or reclamation were included in the 1951 Budget.

Expenditures in 1951 by the Atomic Energy Commission will provide for the production of fissionable materials; manufacture of weapons; and research and development in nuclear science, including peacetime applications to medicine, biology, agriculture, and industry. Continued attention will be given to the development of nuclear reactors, with production of atomic power for peacetime use a major objective.

Federal expenditures for forest resources, largely by the Forest Service, provide for protection and management of government-owned forests, research on forestry and forest products, participation with States and other agencies in forest-fire control, and cooperation with farm and other private forestry in various other aspects of forestry.

BUDGET EXPENDITURES

NATURAL RESOURCES NOT PRIMARILY AGRICULTURAL



## TRANSPORTATION AND COMMUNICATION

To help assure adequate transportation and communication industries, the Federal Government furnishes many facilities and services, regulates economic and safety aspects of these industries, and in some cases assists in their development through direct or indirect subsidies.

Federal expenditures for highways are mainly in the form of grants-in-aid to States, to assure the development of a basic system of national highways. More than 62,000 miles of roads have already been improved under this aid program since the war.

In the field of navigation aids and facilities, the Coast Guard operates lighthouses and other navigation aids, maintains search and rescue facilities, and engages in law enforcement related to maritime activities. It is expected to spend 181 million dollars in fiscal year 1951. River and harbor improvements in 1951 will require 156 million dollars for construction—entirely on projects now under way—and 87 million dollars for maintenance, operation, and administration.

Since 1939, air-line traffic has increased by over 800 percent, and

private flying has increased in similar degree. This growth has required a corresponding expansion in the program of the Civil Aeronautics Administration, which includes installation and operation of air-navigation facilities, enforcement of safety regulations, and grants-in-aid for airport construction.

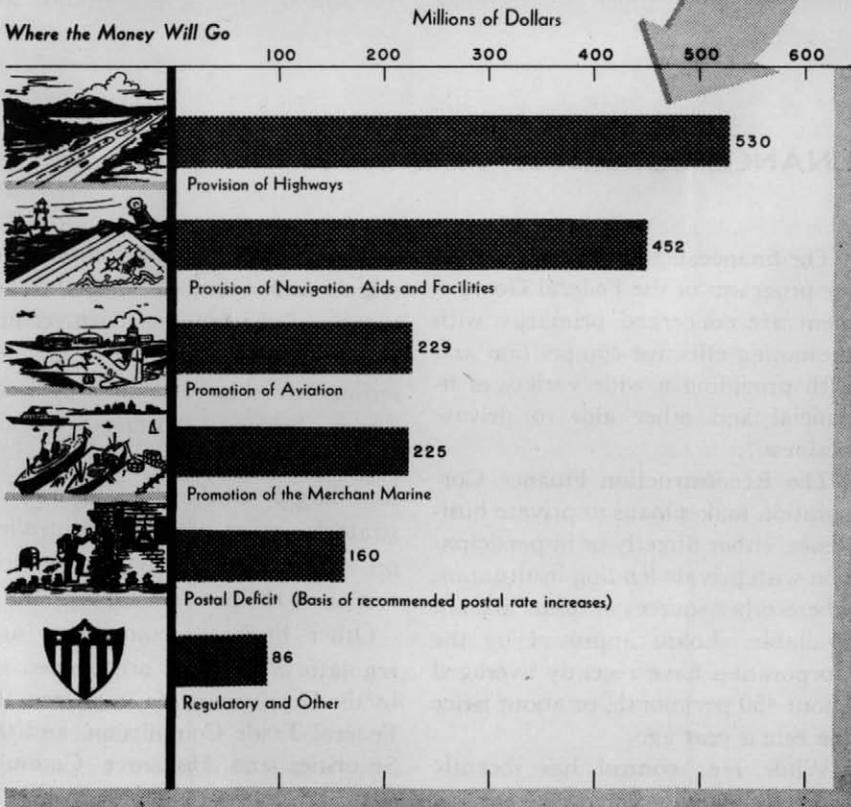
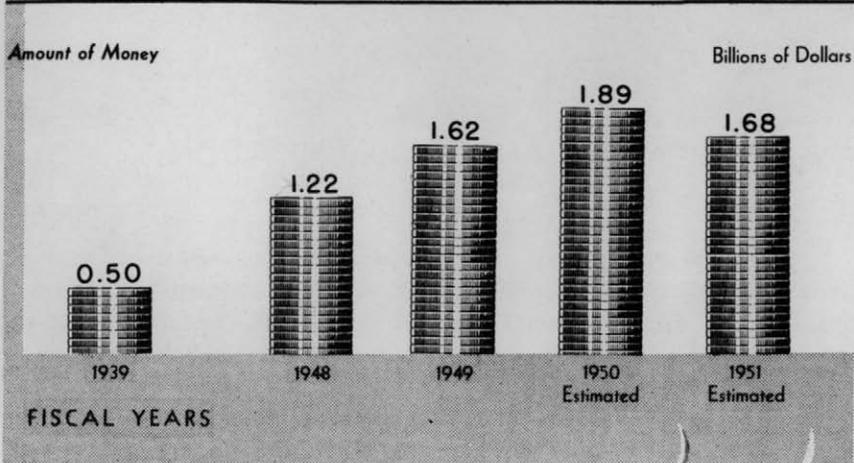
Expenditures to aid the merchant marine are mainly shipbuilding and ship-operating subsidies, designed to maintain the minimum facilities required for national security by putting United States costs on an equal basis with lower foreign costs.

The deficit sustained in postal operations has grown substantially since the war, and in fiscal year 1951 is estimated at 555 million dollars with present postal rates. This large deficit results from the fact that postal rates have not been raised sufficiently to cover increased costs of wages, transportation, and materials.

The President has recommended higher postal rates to reduce the deficit in 1951 to 160 million dollars, which would represent costs, such as air-line subsidies and Government mail, which should not be covered by postal rates.

**BUDGET EXPENDITURES**

**TRANSPORTATION AND COMMUNICATION**



## FINANCE, COMMERCE, AND INDUSTRY

The finance, commerce, and industry programs of the Federal Government are concerned primarily with promoting effective competition and with providing a wide variety of financial and other aids to private business.

The Reconstruction Finance Corporation makes loans to private businesses, either directly or in participation with private lending institutions, where other sources of funds are not available. Loans approved by the Corporation have recently averaged about 450 per month, or about twice the rate a year ago.

While rent control has recently been eliminated on about 2.6 million

dwelling units, over 12 million units remain under control. A further extension of one year has been recommended by the President to prevent serious hardship to tenants in areas where housing shortages remain critical. Control over exports is now largely confined to items of a strategic nature, which are controlled on a world-wide basis for the protection of the national security.

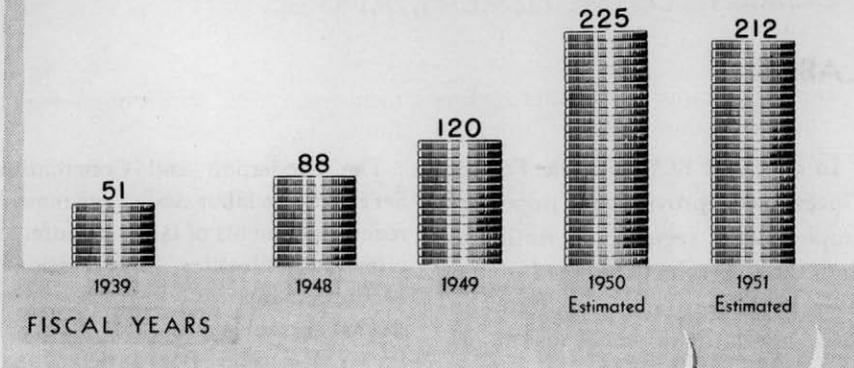
Other business promotional and regulatory programs are carried on by the Department of Commerce, the Federal Trade Commission, and the Securities and Exchange Commission.

**BUDGET EXPENDITURES**

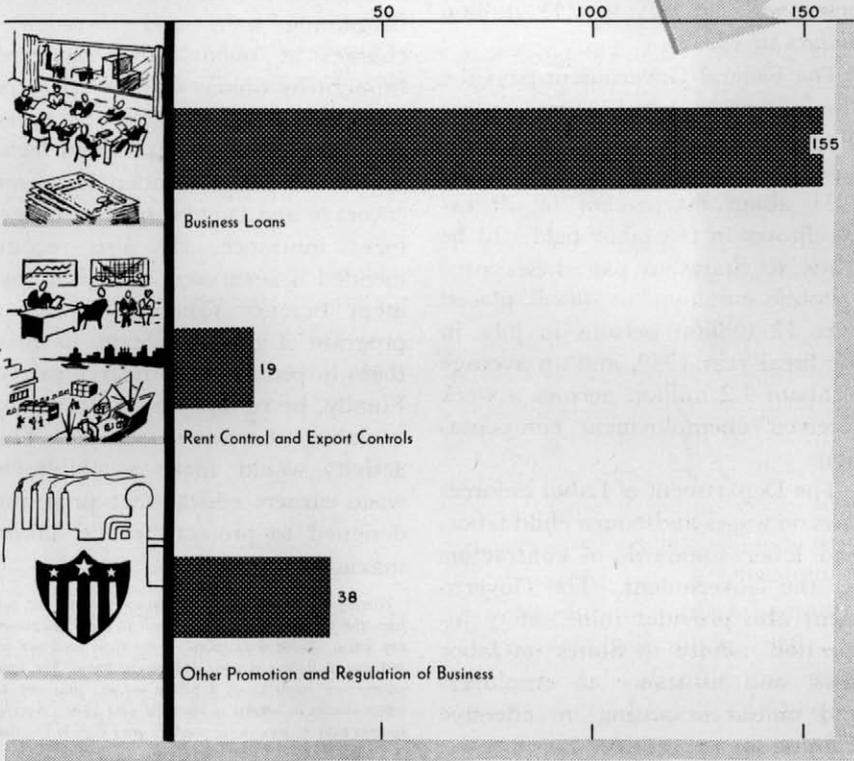
**FINANCE, COMMERCE, AND INDUSTRY**

Amount of Money

Millions of Dollars



Where the Money Will Go



## LABOR

In the field of labor, the Federal Government provides for important employment, regulatory, statistical, and other services designed to encourage better labor relations, enforce standards of wages and hours, and to provide employment opportunities. Expenditures for these purposes will amount to 243 million dollars in 1951.

The Federal Government pays the administrative costs for State operation of public employment offices and unemployment insurance. In 1951 about 80 percent of all expenditures in the labor field will be made to States to pay these costs.

Public employment offices placed over 12 million persons in jobs in the fiscal year 1949, and an average of about 1.2 million persons a week received unemployment compensation.

The Department of Labor enforces laws on wages and hours, child labor, and labor standards of contractors for the Government. The Government also provides mine safety inspection, advice to States on labor laws, and assistance to employers and unions in setting up effective training for apprentices.

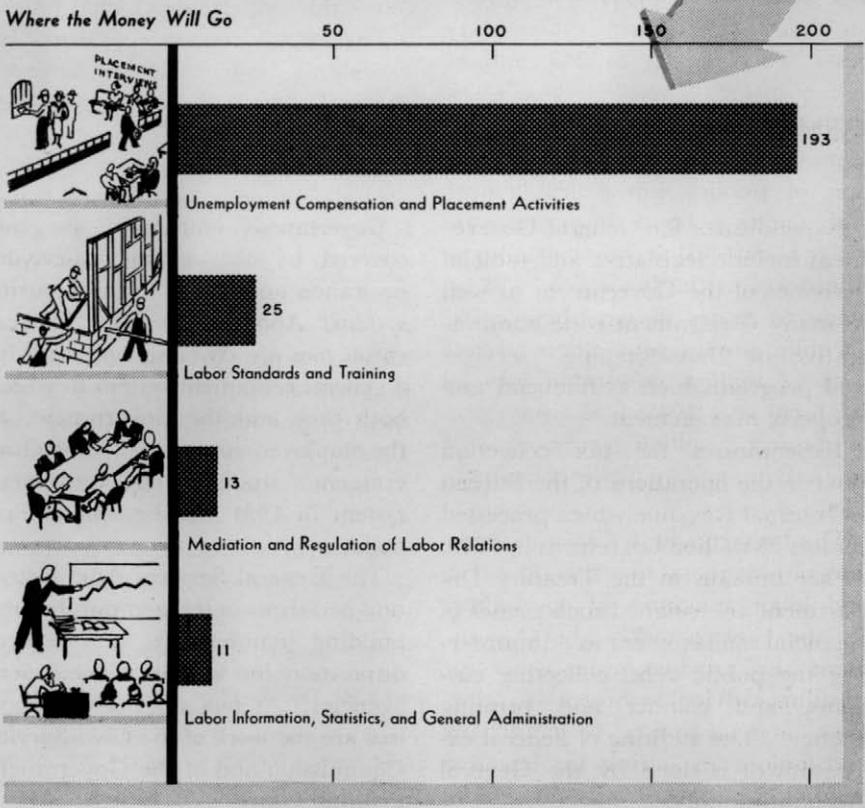
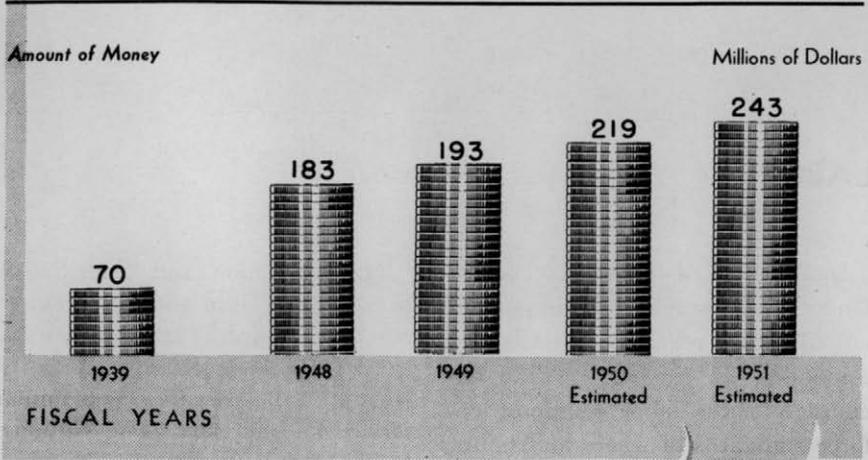
The Mediation and Conciliation Service helps labor and management reach settlements of labor disputes in interstate industries. The National Mediation Board performs a similar service for railroads. The National Labor Relations Board determines (often through elections) what union is entitled to represent workers in bargaining units and investigates charges of unfair labor practices brought by unions or by employers.

In his Budget Message the President also proposed certain new legislation. He recommended increased coverage and benefits for unemployment insurance. He also recommended a permanent Fair Employment Practice Commission and a program of grants to States to assist them in promoting industrial safety. Finally, he recommended initiating a labor extension service. This activity would make available to wage earners educational programs designed to promote sound labor-management relations.

NOTE.—Unemployment compensation benefits are paid from the Unemployment Trust Fund to which employers pay taxes. These transactions of the trust fund are not included in Budget receipts and expenditures. The fund, which now totals about 8 billion dollars, paid out 1.2 billion dollars in benefits in the fiscal year 1949. Average benefits paid to unemployed workers were slightly less than 20 dollars a week in that year.

**BUDGET EXPENDITURES**

**LABOR**



## GENERAL GOVERNMENT

Expenditures for General Government include legislative and judicial activities of the Government as well as many Government-wide administrative or "housekeeping" services and programs such as financial and property management.

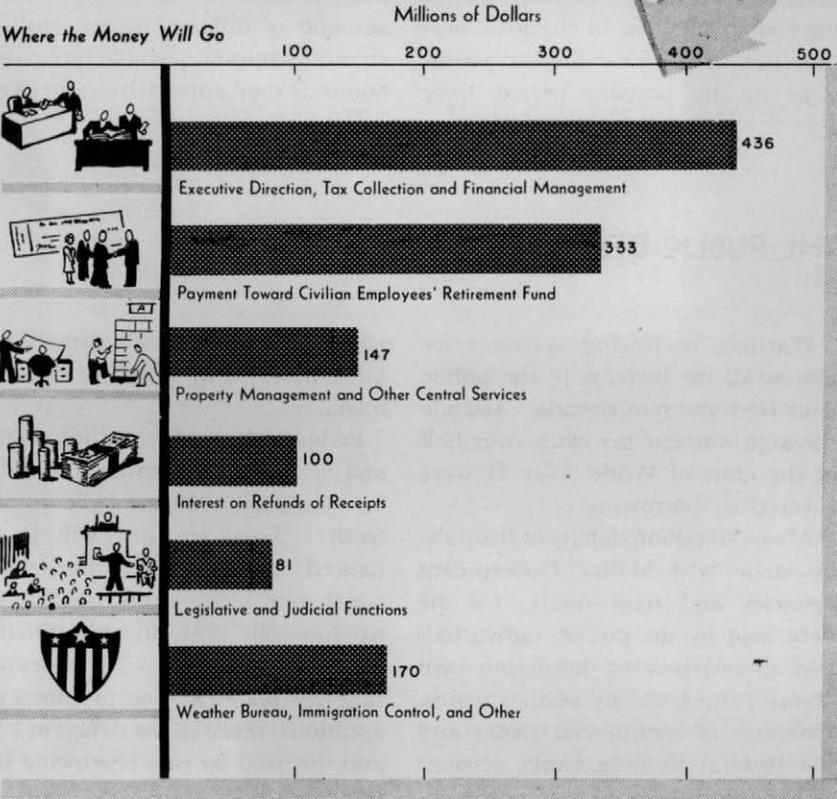
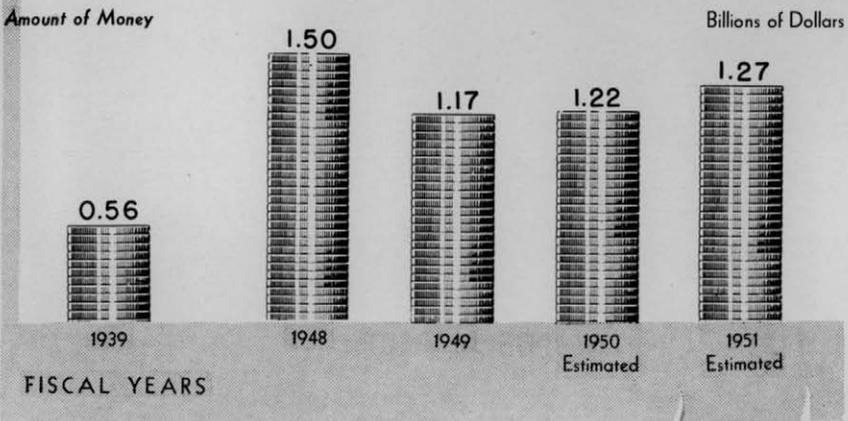
Expenditures for tax collection finance the operations of the Bureau of Internal Revenue which processed almost 93 million tax returns in 1949. Other bureaus in the Treasury Department are assigned such phases of financial management as administering the public debt, collecting customs, and coining and printing money. The auditing of Federal expenditures is done by the General Accounting Office.

Government employees are not covered by old age and survivors insurance under the Social Security system. About 1,700,000 Federal employees are covered, however, by a general retirement system to which both they and the Government, as the employer, contribute. The Government's share in this retirement system in 1951 will be 333 million dollars.

The General Services Administration performs centralized purchasing, building maintenance, and records disposition for various Government agencies. Among other central services are the work of the Civil Service Commission and of the Government Printing Office.

**BUDGET EXPENDITURES**

**GENERAL GOVERNMENT**



## INTEREST ON THE PUBLIC DEBT

The increase in interest payments since 1939 roughly corresponds to the sixfold increase in the total outstanding debt. Year-to-year variations in the postwar period have

reflected primarily changes in the rates of interest and in the relative amounts of different issues, and increases in interest payable on savings bonds as they approach maturity.

## THE PUBLIC DEBT

Wartime borrowing accounts for almost all the increase in the public debt over the past decade. Despite the high wartime tax rates, over half of the costs of World War II were covered by borrowing.

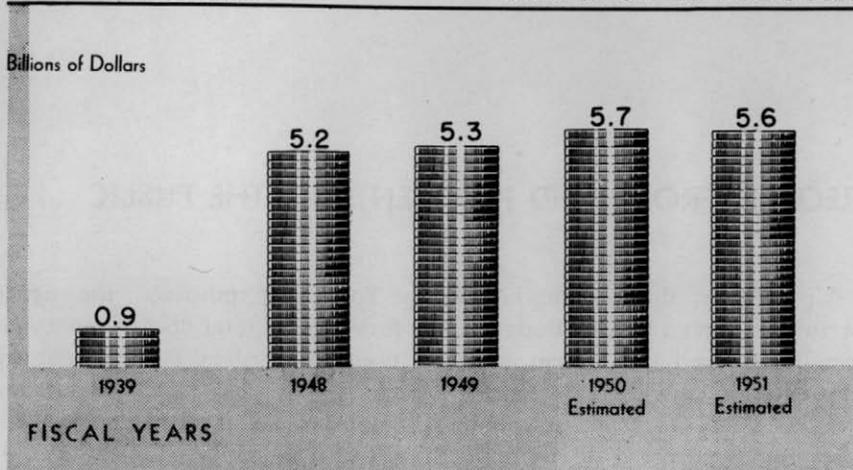
About 40 billion dollars of the public debt is held by Government agencies and trust funds. Of the debt held by the public, individuals and unincorporated businesses own about a third, chiefly savings bonds. Holdings of commercial banks and the Federal Reserve banks account for another third. Insurance com-

panies and private corporations and associations hold most of the remainder.

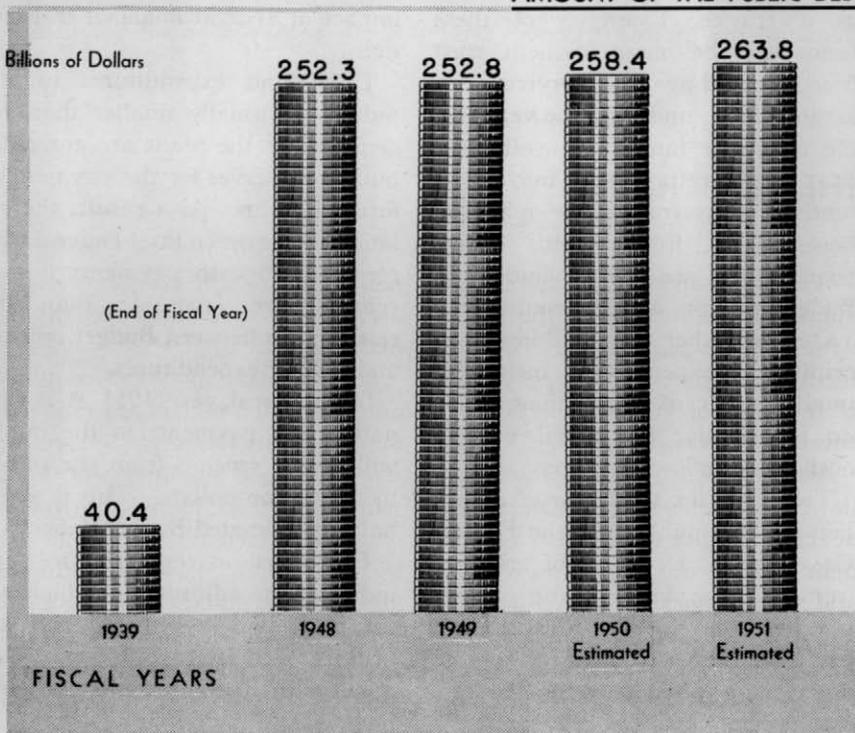
Budget deficits of 5.5 billion dollars and 5.1 billion dollars are estimated for fiscal years 1950 and 1951, respectively. These amounts will be financed by additional borrowing, which will increase the public debt by June 30, 1951, to an estimated 263.8 billion dollars. To the extent that new tax legislation produces net additional revenue, the deficit in 1951 and the need for new borrowing will be reduced.

## BUDGET EXPENDITURES

## INTEREST ON THE PUBLIC DEBT



## AMOUNT OF THE PUBLIC DEBT



## RECEIPTS FROM AND PAYMENTS TO THE PUBLIC

Up to now, this booklet has described Budget receipts, Budget expenditures, and the Budget surplus or deficit.

While most Government activities are directly reflected in the Budget, some important programs are operated through trust funds for which the Federal Government acts mainly as a trustee. Examples of these funds are the unemployment trust fund, the old-age and survivors' insurance trust fund, and the veterans' life insurance funds. Pay-roll taxes or other receipts flow into these funds, and payments are made to beneficiaries from them. These transactions are not included in Budget receipts and expenditures.

On the other hand, Budget receipts and expenditures include a small number of transactions which do not involve an actual current outflow or inflow of money.

To reflect the total flow of money between the public and the Federal Government, a concept of "receipts from and payments to the public" has been developed. This concept has also been called the "consolidated cash budget" and "Federal cash receipts and cash payments."

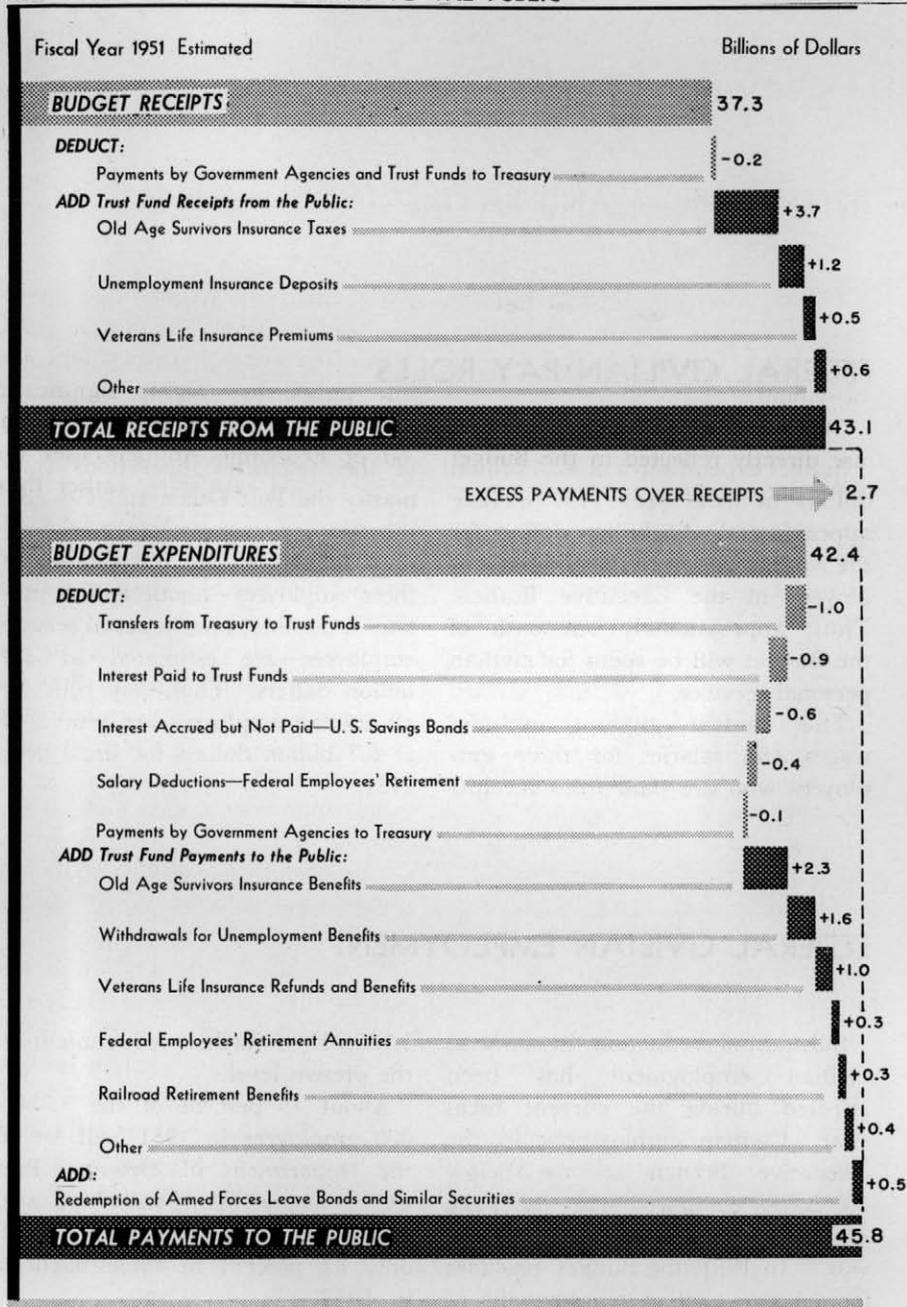
For many purposes, the figures showing the total flow of money between the Federal Government and the public are highly significant. For example, the President's Council of Economic Advisers uses the consolidated cash data, rather than the conventional Budget data, in its periodic analyses of the economic impact of Federal financial transactions.

Trust fund expenditures to the public are usually smaller than receipts, since the funds are currently building reserves for the payment of future benefits. As a result, the relationship between total Federal cash receipts and cash payments is currently more favorable than the relationship between Budget receipts and Budget expenditures.

In the fiscal year 1951 it is estimated that payments to the public will exceed receipts from the public by 2.7 billion dollars. This is about half the estimated Budget deficit.

The chart on the opposite page indicates the adjustments which are made in Budget receipts and expenditures in order to arrive at estimates of total cash receipts from and payments to the public.

## RECEIPTS FROM AND PAYMENTS TO THE PUBLIC



## FEDERAL CIVILIAN PAY ROLLS

Budget expenditures of 42.4 billion dollars in fiscal year 1951 include approximately 4.8 billion dollars for the wages and salaries of civilian employees in the Executive Branch. Thus, approximately one-tenth of the Budget will be spent for civilian personal services.

This Budget amount excludes wages and salaries for those employees who are paid from receipts

of their agencies' operations (primarily the Post Office and Government-owned corporations), or from trust funds. Wages and salaries of these employees—about half a million in number, mostly postal service employees—are estimated at 1.9 billion dollars. Thus, pay rolls for all civilian employees are estimated at 6.7 billion dollars for fiscal year 1951.

## FEDERAL CIVILIAN EMPLOYMENT

Substantial reduction in Federal civilian employment has been effected during the current fiscal year. Civilian employment in the Executive Branch is now below 2,000,000, compared with the peak of 3,770,000 reached during the war. In 1951, the Budget provides for average civilian employment of

1,960,000, a further reduction from the present level.

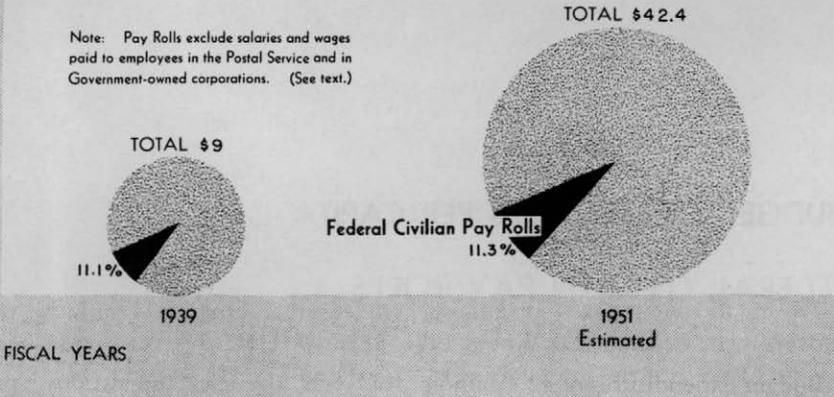
About 75 percent of the 1,960,000 employees in 1951 will be in the Department of Defense, Post Office Department, and Veterans' Administration, compared with only 62 percent in these agencies in 1939.

FEDERAL CIVILIAN PAY ROLLS RELATED TO FEDERAL EXPENDITURES

Amount of Money

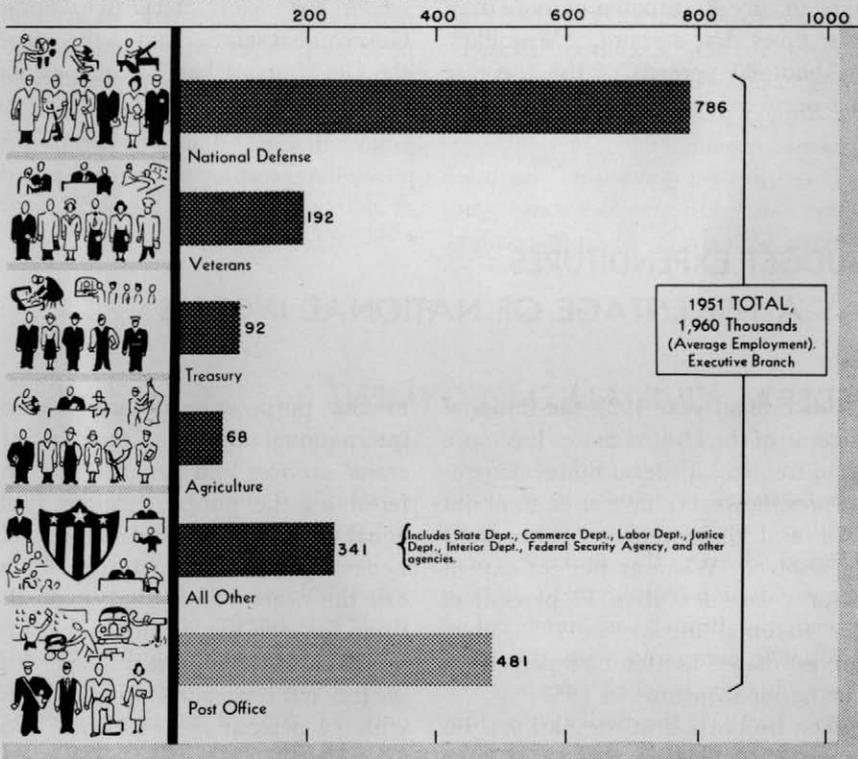
Billions of Dollars

Note: Pay Rolls exclude salaries and wages paid to employees in the Postal Service and in Government-owned corporations. (See text.)



FEDERAL CIVILIAN EMPLOYEES BY AGENCY

Thousands of Employees



## BUDGET EXPENDITURES PER CAPITA

During the fiscal year 1939, Federal Government expenditures amounted to about 69 dollars for each man, woman, and child in the country. In the fiscal year 1951, the per capita expenditure is estimated at more than four times that amount, 278 dollars.

About 80 percent of the increase has occurred in four areas—national

defense, international affairs and finance, veterans' services and benefits, and interest on the public debt.

The percentage of increase for all other programs is less than the rise which has taken place in average Government salaries and in the prices the Government has had to pay for the goods it buys.

## BUDGET EXPENDITURES AS A PERCENTAGE OF NATIONAL INCOME

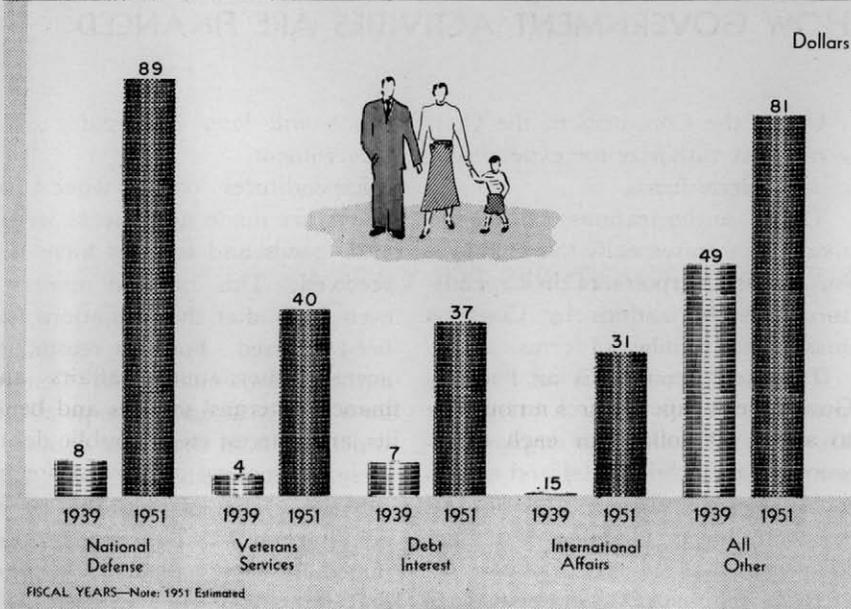
Since fiscal year 1939 the national income of the United States has more than trebled. Federal Budget expenditures, however, have risen to about four and three-quarters times their 1939 level. Whereas Budget expenditures were less than 13 percent of the national income in 1939, they are estimated at about 18 percent of the national income in 1951.

The proportion of the national income which in 1951 will be devoted

to four purposes—national defense, international affairs and finance, veterans' services and benefits, and interest on the public debt—is itself equal to the 13 percent devoted to all Federal expenditures during 1939. On the other hand, 1951 expenditures for non-war-related programs are estimated to represent 5.3 percent of the national income, compared with 9.1 percent spent for these programs in 1939.

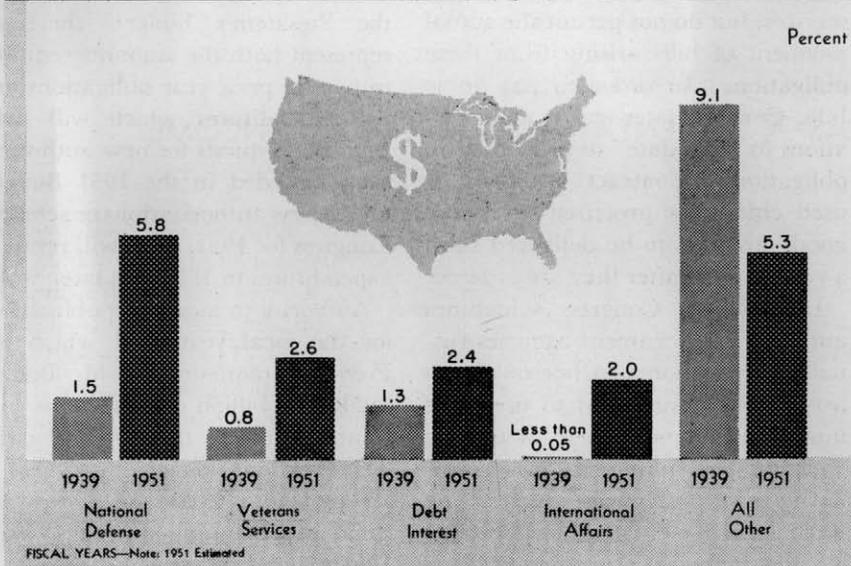
BUDGET EXPENDITURES

PER CAPITA



BUDGET EXPENDITURES

AS A PERCENTAGE OF NATIONAL INCOME



## APPENDIX D

# HOW GOVERNMENT ACTIVITIES ARE FINANCED

Under the Constitution, the Congress must authorize the expenditure of all Federal funds.

These authorizations to spend money not only specify the amounts, but also the purposes, of the expenditures. Authorizations by Congress may take a number of forms.

The most common is an "appropriation" which may authorize Government agencies to employ personnel, purchase supplies and equipment, award contracts, make grants to States or to incur other obligations.

In certain cases, Congress enacts contract authorizations. These permit an agency to make contracts or incur other obligations for goods and services, but do not permit the actual payment of bills arising from these obligations. In order to pay these bills, Congress later enacts appropriations to "liquidate" or pay off these obligations. Contract authority is used chiefly for procurement where goods are not to be delivered until a year or more after they are ordered.

In addition, Congress sometimes authorizes Government agencies (usually corporations) to borrow funds from the Treasury and to use these funds to finance their activities. This type of authorization is ordinarily used for agencies (such as the Reconstruction Finance Corporation) making loans or other investments

which will later be repaid to the Government.

Expenditures occur when payments are made and checks written after goods and services have been received. This may be months or even years after the obligations have been incurred. For this reason, the authorizations enacted by Congress for a fiscal year and the expenditures which occur in that year cannot be directly compared.

For example, of total Budget expenditures of 42.4 billion dollars estimated for 1951, about 12.1 billion dollars, or 29 percent, will go to pay off obligations incurred in 1950 or earlier years.

Expenditure estimates contained in the President's Budget, therefore, represent both the amounts required to pay off prior year obligations and the expenditures which will arise from the requests for new authorizations included in the 1951 Budget. Of the new authorizations enacted by Congress for 1951, some will result in expenditures in 1952 and later years.

Authority to incur new obligations for the fiscal year 1951 which the President requested in his Budget totals 40.5 billion dollars and is substantially below the 1950 amount. The President pointed to this fact as an indication that the downward trend in expenditures from 1950 to 1951 may be expected to continue.

## IMPROVEMENT IN MANAGEMENT

In an organization as large and complex as the Executive Branch of the Federal Government, continuing attention must be given to improvements in organization and management.

In his Budget Message the President outlined plans to continue a vigorous program to effect economies and improve the operations of Federal agencies.

The reports of the Commission on Organization of the Executive Branch of the Government, headed by former President Hoover, have provided valuable and concrete recommendations and have stimulated widespread support for improvements in organization and management. Several major reorganizations were made in 1949, along the lines of the reports of the Commission.

Most important among these was the creation of a single Department of Defense. This step has brought about and should continue to result in major economies. Another important reorganization was the consolidation of a number of previously separate units concerned with activities affecting all Government agencies, such as making central pur-

chases, constructing public buildings, and storing Government records. These units were brought together into a newly established General Services Administration.

Additional important reorganization actions were taken in 1949 in the Department of State, the Post Office Department, the Department of Commerce, and the Civil Service Commission. Improved operating methods were installed within the Treasury Department and other agencies.

The President has indicated his intention to transmit to the Congress during the current session further proposals for reorganization of the Government.

In addition to reorganization actions, the President has taken several steps to increase the efficiency of Government activities through improved management practices. Among other things, he has established the Advisory Committee on Management Improvement, consisting of outstanding public and private experts. He has also directed the heads of all Government agencies to make systematic and regular reviews of all the operations under their direction.

APPENDIX F

FEDERAL GOVERNMENT BUDGET RECEIPTS AND EXPENDITURES

Fiscal years 1915 through 1951

[In millions]

Fiscal year	Total Budget receipts	Total Budget expenditures	Surplus or deficit	Fiscal year	Total Budget receipts	Total Budget expenditures	Surplus or deficit
1915	\$683	\$746	-\$63	1934	\$3,065	\$6,694	-\$3,630
1916	762	713	+48	1935	3,729	6,521	-2,791
1917	1,100	1,954	-853	1936	4,069	8,494	-4,425
1918	3,630	12,662	-9,032	1937	4,979	7,756	-2,777
1919	5,085	18,448	-13,363	1938	5,803	6,979	-1,177
1920	6,649	6,357	+291	1939	5,104	8,966	-3,862
1921	5,567	5,058	+509	1940	5,264	9,183	-3,918
1922	4,021	3,285	+736	1941	7,227	13,387	-6,159
1923	3,849	3,137	+713	1942	12,696	34,187	-21,490
1924	3,853	2,890	+963	1943	22,201	79,622	-57,420
1925	3,598	2,881	+717	1944	43,892	95,315	-51,423
1926	3,753	2,888	+865	1945	44,762	98,703	-53,941
1927	3,992	2,837	+1,155	1946	40,027	60,703	-20,676
1928	3,872	2,933	+939	1947	40,043	39,289	+754
1929	3,861	3,127	+734	1948	42,211	33,791	+8,419
1930	4,058	3,320	+738	1949	38,246	40,057	-1,811
1931	3,116	3,578	-462	1950 <sup>1</sup>	37,763	43,297	-5,533
1932	1,924	4,659	-2,735	1951	37,306	42,439	-5,133
1933	2,022	4,623	-2,602				

<sup>1</sup> Estimated.

FEDERAL GOVERNMENT BUDGET EXPENDITURES BY FUNCTION

Fiscal years 1939, 1943 through 1951

[In millions of dollars]

Function	1939	1943	1944	1945	1946	1947	1948	1949	1950 (est.)	1951 (est.)
National defense	1,077	70,267	83,766	84,569	45,134	14,316	10,961	11,914	13,148	13,545
Veterans' services and benefits	559	605	744	2,094	4,414	7,370	6,567	6,669	6,905	6,080
International affairs and finance	19	166	244	677	1,462	6,542	4,782	6,462	5,964	4,711
Social welfare, health, and security	3,946	1,190	1,013	1,046	1,048	1,314	1,869	1,907	2,297	2,714
Housing and community development	<sup>a</sup> 154	302	308	<sup>a</sup> 193	<sup>a</sup> 199	348	82	282	1,006	1,329
Education and general research	36	46	88	150	80	64	63	70	125	434
Agriculture and agricultural resources	1,198	593	1,203	1,610	749	1,244	574	2,512	2,671	2,206
Natural resources not primarily agricultural	228	409	326	243	247	622	1,099	1,512	1,845	2,218
Transportation and communication	498	3,576	4,311	3,367	789	548	1,224	1,622	1,894	1,682
Finance, commerce, and industry	51	264	171	106	30	102	88	120	225	212
Labor	70	240	225	204	174	194	183	193	219	243
General government	560	349	665	955	950	1,361	1,499	1,170	1,223	1,267
Interest on the public debt	941	1,813	2,610	3,622	4,747	4,958	5,188	5,352	5,725	5,625
Reserve for contingencies									50	175
Total	9,028	79,819	95,675	98,451	59,626	38,983	34,179	39,785	43,297	42,439
Adjustment to daily Treasury statement basis	-63	-197	-360	252	1,077	305	-388	272		
Total Budget expenditures	8,966	79,622	95,315	98,703	60,703	39,289	33,791	40,057	43,297	42,439

<sup>a</sup> Deduct, excess of repayments and collections over expenditures.

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