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1954

THE FEDERAL BUDGET IN BRIEF

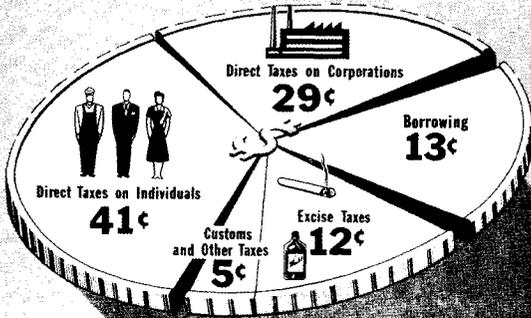


FISCAL YEAR 1954

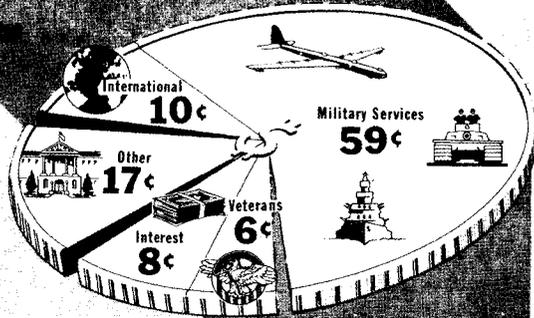
EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET

THE BUDGET DOLLAR

Where it comes from . . .



Where it will go



Fiscal Year 1954 Estimated

THE FEDERAL BUDGET

IN BRIEF

FISCAL YEAR 1954
(July 1, 1953–June 30, 1954)

This Budget represents my judgment as to the amount of funds needed to carry forward our programs for the security and welfare of our people and for world peace. It is based, like all those I have transmitted in previous years, on the policy that the Government should undertake to do only what is essential for the safety and well-being of the Nation, and that what must be done should be done in the most efficient manner.

Budget and fiscal policies are tools of national policy. As such, they are subjects of controversy and evolution. I believe that the policies I have supported are sound, and that the recommendations in this Budget will enable us to meet our national needs in the fiscal year 1954 in the light of the Nation-wide and world-wide objectives of the United States.

HARRY S. TRUMAN.

The Budget Message
January 9, 1953

INTRODUCTION

Each January the President sends to the Congress the Budget of the United States, which contains his recommendations for the financial program of the Government in the coming fiscal year—the year beginning the following July 1.

In the Budget, the President estimates how much money will be received by the Government under existing tax laws and how much money will be needed to carry out the Government's activities, including whatever new programs he proposes.

This issue of the Federal Budget in Brief summarizes the most important facts about the Budget for the fiscal year 1954, which will begin on July 1, 1953, and end on June 30, 1954.

By law, the President must transmit the Budget to the Congress within 15 days after Congress convenes. Therefore, President Truman was required to prepare the Budget for the fiscal year 1954, even though the newly elected President was to take office almost 6 months before the beginning of the fiscal year.

The estimates of receipts and expenditures which appear in the Budget are subject to change from the time they are transmitted in January until the close of the fiscal year 18 months later. They will be affected by amendments and recommendations made by the new President, and also by congressional action on taxes and on appropriations.

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SUMMARY OF THE 1954 BUDGET

Federal expenditures in the fiscal year 1954 are estimated at 78.6 billion dollars, 4.0 billion dollars higher than estimated expenditures in the current fiscal year, and almost twice the amount spent in 1950, the last fiscal year before the outbreak of the Korean conflict.

The 1954 Budget, like all Budgets since World War II, is dominated by the costs of safeguarding our security and paying for past wars. About 73 percent of all Budget expenditures in 1954 will be for major national security programs—military services, international security and foreign relations, atomic energy, defense production and economic stabilization, civil defense, and merchant marine activities. An additional 14 percent of Budget expenditures will be for interest and for veterans' services and benefits, which are largely continuing costs of World War II.

The remaining 13 percent will be for all other activities of the Government, including many which contribute directly to the defense effort—

such as defense housing, aid for schools in defense areas, generation and transmission of power for atomic energy and defense plants, the port security program of the Coast Guard, and the internal security program of the Federal Bureau of Investigation.

In his Budget Message, the President said that if no new aggressions occur and if our armed forces are stabilized at their presently approved levels, he expected national security expenditures to reach their peak in the fiscal year 1954. Under these assumptions, total expenditures should begin to drop after 1954, as defense outlays start declining toward the amount necessary to keep our armed forces in a state of readiness.

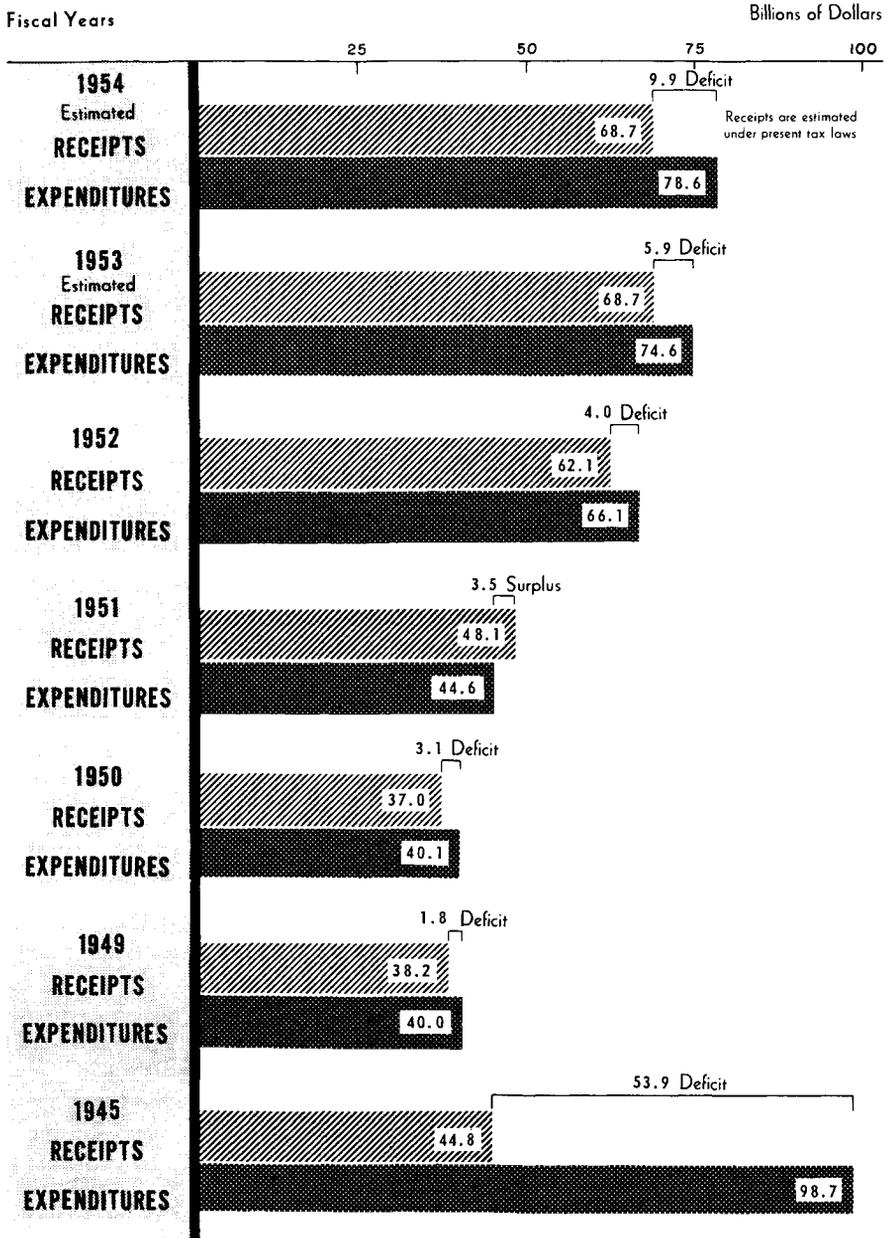
Under present tax laws, which provide for the expiration of some of the post-Korean tax increases, Budget receipts in the fiscal year 1954 are estimated at 68.7 billion dollars, about the same as estimated receipts in the current fiscal year, and a Budget deficit of 9.9 billion dollars is in prospect.

BUDGET EXPENDITURES
[Fiscal years. In billions]

Program	1950 actual	1951 actual	1952 actual	1953 estimated	1954 estimated
Major national security.....	\$17.8	\$26.4	\$47.2	\$53.2	\$57.3
Veterans' services and benefits.....	6.6	5.3	4.9	4.5	4.6
Interest.....	5.8	5.7	5.9	6.5	6.4
Other.....	9.6	7.9	9.0	10.4	10.3
Adjustment to daily Treasury statement.....	+ .3	-.7	-.9
Total.....	40.1	44.6	56.1	74.6	78.6

BUDGET RECEIPTS AND EXPENDITURES

SURPLUS OR DEFICIT



BUDGET RECEIPTS

Budget receipts under present tax laws are estimated at 68.7 billion dollars in the fiscal year 1954, the same as the estimated total for this year.

Direct taxes on individuals and corporations are the major sources of the Government's income. In the fiscal year 1954 they will provide 81 percent of Budget receipts. An additional 14 percent will come from excise taxes on liquor, tobacco, gasoline, and other products and services.

Many of the increases in tax rates enacted by the Congress after Korea are scheduled to expire before the end of the fiscal year 1954. The excess profits tax on corporations will expire on June 30, 1953. Under the Revenue Act of 1951, the rate increases on individuals' income will expire on December 31, 1953, and the increases in normal tax rates on

corporations on March 31, 1954. Virtually all of the excise tax rate increases under this act will also expire on March 31, 1954. The purpose of Congress in setting these termination dates was to assure early review of the post-Korean tax increases.

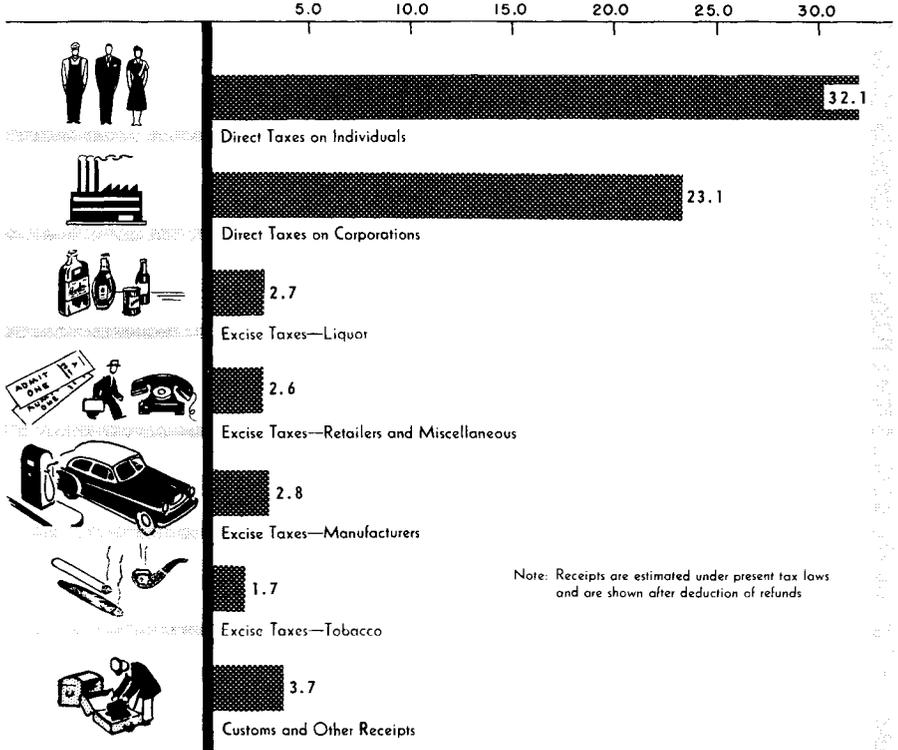
The scheduled reductions in tax rates will cause a loss in revenue estimated at about 2 billion dollars in the fiscal year 1954. Their full-year effect will be a revenue loss approximately four times this amount.

In his Budget Message the President said that in view of the large deficit in prospect for 1954, these tax reductions pose an immediate and serious problem in tax policy. He said, "The course of prudence and wisdom would be to continue to strive for a balanced Budget and a pay-as-we-go policy in our rearmament program."

BUDGET RECEIPTS

Where the Budget Receipts Will Come From in 1954

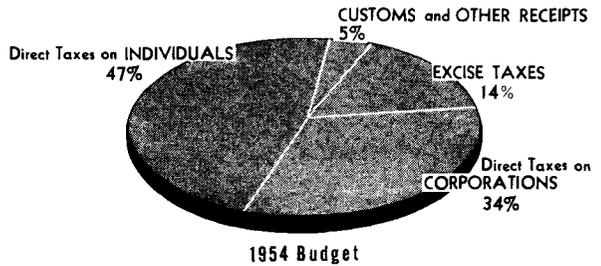
Billions of Dollars



Note: Receipts are estimated under present tax laws and are shown after deduction of refunds

Total Budget Receipts

Fiscal Year	Billions
1954 Est.	\$68.7
1953 Est.	68.7
1952	62.1
1951	48.1
1950	37.0
1949	38.2
1945	44.8



BUDGET EXPENDITURES

By far the largest item in the Budget is the cost of strengthening and maintaining our armed forces. These expenditures for military services are estimated at 46.3 billion dollars, 59 percent of total Budget expenditures in the fiscal year 1954. They include not only the pay and allowances of military personnel and the operation and maintenance of the military establishment, but also the purchase of military equipment and weapons, research and development, and the stockpiling of strategic and critical materials.

Expenditures for international security and foreign relations, most of which are for military and economic assistance to our allies under the mutual security program, are estimated at 7.9 billion dollars, 10 percent of the Budget.

Interest payments, largely a result of the fivefold increase in the public debt that took place during World War II, are estimated at 6.4 billion dollars. The cost of benefits and services to our 20 million veterans is expected to be 4.6 billion dollars.

Programs for the development, conservation, and use of our natural resources are estimated to cost 4.1 billion dollars. About two-thirds of this amount will be for the atomic energy program. Most of the remainder will be for flood control, irrigation, and hydroelectric power projects.

Of the 2.6 billion dollars of estimated expenditures for social security programs, more than 60 percent will be for grants to States, mainly for public assistance payments to the blind, the aged, the permanently and totally disabled, and dependent children.

In the field of transportation and communication, more than half of the 2.0 billion dollars of estimated expenditures is for highway grants to the States and for that part of the cost of our postal system which is not met by postal revenues.

Federal agriculture programs will cost about 1.8 billion dollars in 1954. Nearly half of this amount will be for agricultural price supports and related programs aimed at stabilizing farm prices and income.

Expenditures of 1.5 billion dollars for general government are largely for collecting taxes, managing the public debt, administering Federal property and records, and for the Government's payments to the civil service employees' retirement system.

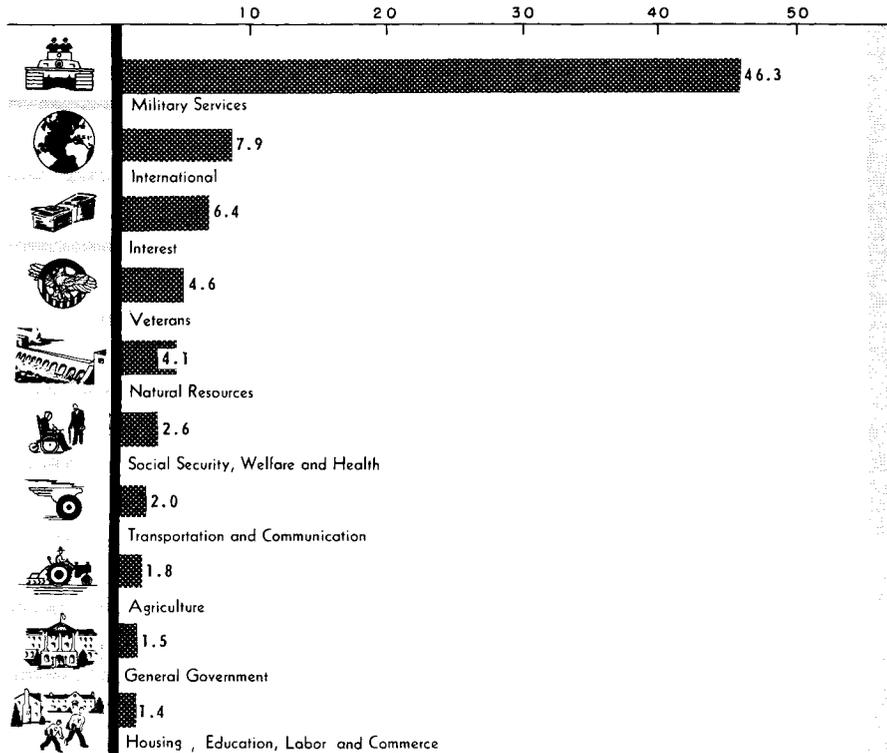
Federal programs in the fields of housing, education, labor, and commerce are expected to cost a total of 1.4 billion dollars.

The following pages contain a more detailed discussion of Government programs, classified according to the broad purposes or functions they are designed to serve.

BUDGET EXPENDITURES

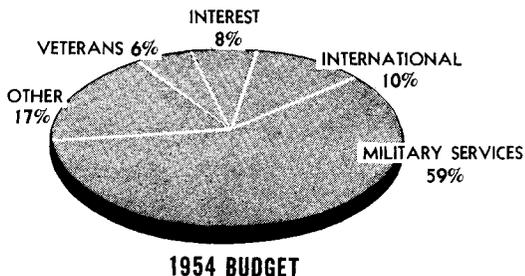
Where the Money Will Go in 1954

Billions of Dollars



Total Budget Expenditures

Fiscal Year	Billions
1954 Est.	\$78.6
1953 Est.	74.6
1952	66.1
1951	44.6
1950	40.2
1949	40.1
1945	98.7



MILITARY SERVICES

Nearly 38 percent of the 46.3 billion dollars to be spent for military services in the fiscal year 1954 will be for the purchase of weapons and equipment for the armed forces. Most of these procurement expenditures will be for aircraft. The rest will be for ships, guns, ammunition, electronic equipment, and other items.

Modern weapons and military equipment are very complex and very expensive. In some aircraft, for example, the electronic equipment alone now costs more than an entire World War II plane designed for the same type of mission.

Because the weapons and equipment are so complex, it takes many months to design, order, produce, and deliver them. The high rates of delivery now being achieved reflect the efforts made since the attack on Korea to expand the flow of production. Expenditures for the procurement of weapons and equipment are expected to reach a peak in the fiscal year 1954. Thereafter, as the current build-up of our military strength is completed, they are expected to decline gradually to the amount necessary to maintain the armed forces in a state of readiness.

Expenditures for active duty military personnel amount to 24 percent of total military spending. These expenditures are largely for pay, food, clothing, and transportation. The number of men and women in our armed forces has more than doubled since the attack on Korea. The 1954 Budget provides for an average strength of more than 3.6 million, slightly above the average provided for in the 1953 Budget. However, the President proposed no change in the goals recommended in the 1953 Budget—an Army of 21 divisions, an Air Force of 143 wings, a Navy of 408 major combat ships and 16 large carrier air groups, and a Marine Corps of 3 divisions.

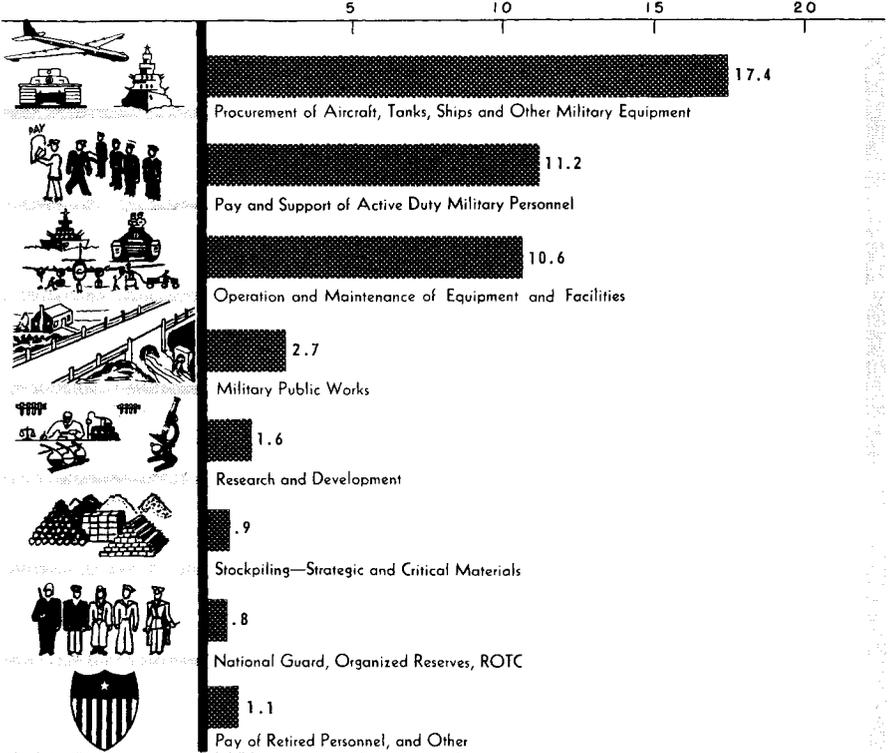
About 23 percent of the expenditures for military services is for operating and maintaining military installations and equipment.

Other expenditures in the military services category are for building and modernizing military bases and installations, for research and development of new and improved weapons, for stockpiling strategic and critical materials, and for strengthening and modernizing the reserve forces and National Guard units.

MILITARY SERVICES

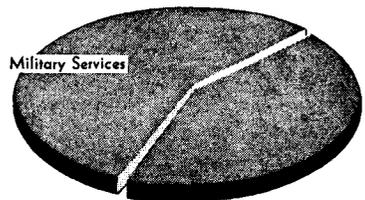
Where the Money Will Go in 1954

Billions of Dollars



Total Expenditures MILITARY SERVICES

Fiscal Year	Billions	% of Budget
1954 Est.	\$46.3	59.0
1953 Est.	44.4	59.5
1952	39.7	60.0
1951	20.5	45.8
1950	12.3	30.6
1949	11.9	29.7



PERCENT OF 1954 BUDGET

INTERNATIONAL SECURITY AND FOREIGN RELATIONS

During fiscal year 1954 more than 95 percent of the estimated expenditures for international security and foreign relations will be for military, economic, and technical assistance to friendly nations overseas. The greatest part of this assistance will be for the purpose of helping our allies develop stronger military forces. Since the military assistance program was inaugurated in 1950 more than 3 billion dollars' worth of military equipment has been delivered, and these deliveries are continuing to increase.

Most of the military aid will be for Western Europe, and will be in the form of weapons to help expand and modernize the land, sea, and air forces of the North Atlantic Treaty countries. An increasing proportion of the required military equipment will be purchased in Europe under United States contract. This off-shore procurement is designed to help expand European military production capacity and reduce the need for direct economic aid from the United States. Some European countries, nevertheless, will still receive direct economic aid to enable them to support large defense programs.

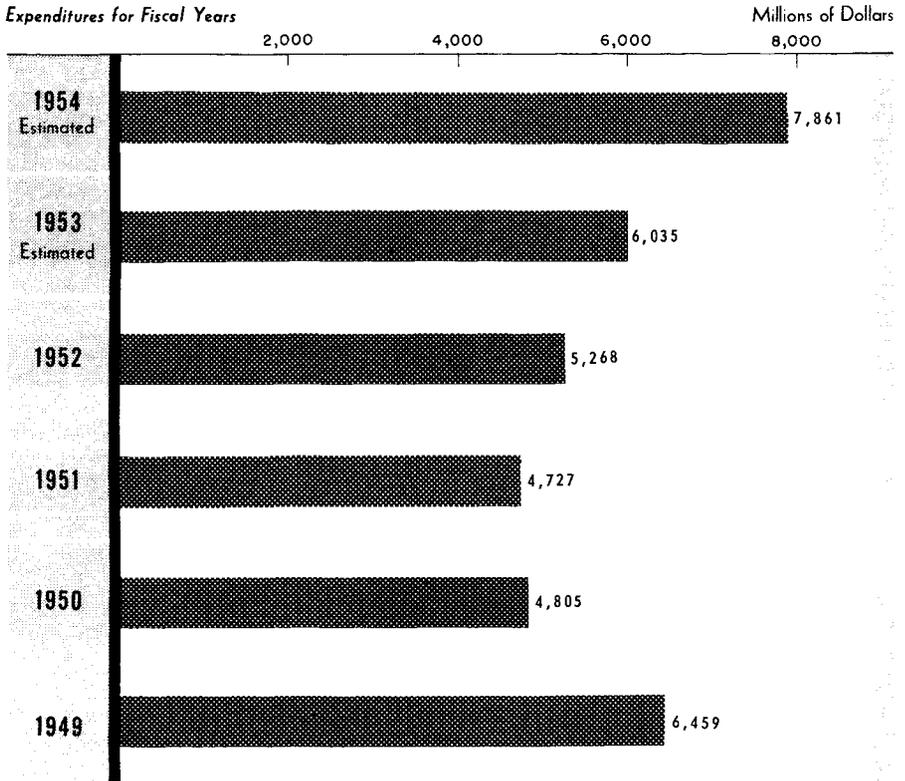
In non-European areas military assistance will help to equip the forces of countries like Indochina which are directly engaged in com-

bating aggression, and will help other countries to expand and improve their defenses.

In the Near East, Far East, and Latin America economic and technical assistance will be provided to permit essential economic development to be carried forward. For example, the Budget provides funds to help relieve the plight of thousands of homeless Arab refugees, to help India and Pakistan solve pressing economic problems and to assist Latin American countries in the development of their economies. Under the Point Four program many countries will be provided with technical know-how to help them overcome poverty, hunger, and disease.

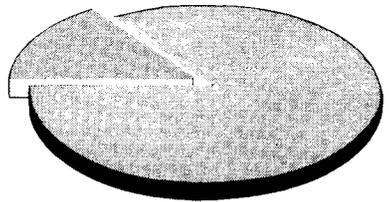
Expenditures for the conduct of foreign affairs in 1954 are estimated at 302 million dollars. Of this amount, about 40 percent will be for the Voice of America and other overseas information activities designed to expose communist falsehoods and to carry the truth about the United States to people in all parts of the world—including those behind the Iron Curtain. Most of the remainder will be for our share of the expenses of international organizations, for the operation of embassies and consulates, and for other activities of the State Department.

INTERNATIONAL SECURITY AND FOREIGN RELATIONS



Expenditures INTERNATIONAL SECURITY AND FOREIGN RELATIONS

Fiscal Year	Millions	% of Budget
1954 Est.	\$7,861	10.0
1953 Est.	6,035	8.1
1952	5,268	8.0
1951	4,727	10.6
1950	4,805	12.0
1949	6,459	16.1



PERCENT OF 1954 BUDGET

FINANCE, COMMERCE, AND INDUSTRY

Financial assistance to expand defense production accounts for almost three-quarters of the estimated 275 million dollars of expenditures for finance, commerce, and industry programs in the fiscal year 1954. These expenditures will be substantially less than the amount being spent this year, as the expansion of productive capacity nears completion and defense production starts to level off.

The Government has offered a wide variety of incentives to private industry to expand the productive capacity that is needed for the current defense build-up and for a possible future mobilization effort. Producers of materials and products needed for defense have received assistance through Federal purchase commitments, loans and loan guarantees, grants, subsidies, and tax allowances. In the case of aluminum, productive capacity is being expanded to twice the 1950 level. Similar but smaller increases are being achieved in the supply of copper and of scarce alloying metals. Rising machine tool deliveries, stimulated by Government purchase commitments, have greatly reduced the delays in tooling for defense production.

During the past two years, controls have been necessary to help direct the flow of critical materials to defense and essential civilian production, and to prevent inflationary price, wage, and rent increases. Most controls over the use of critical materials, except for certain scarce metals, will have been suspended or relaxed by the end of the fiscal year 1953. Legislative authority for production and stabilization controls will expire this year. The President recommended that this authority be extended, and included funds in the Budget to carry on these programs on a reduced scale through the fiscal year 1954.

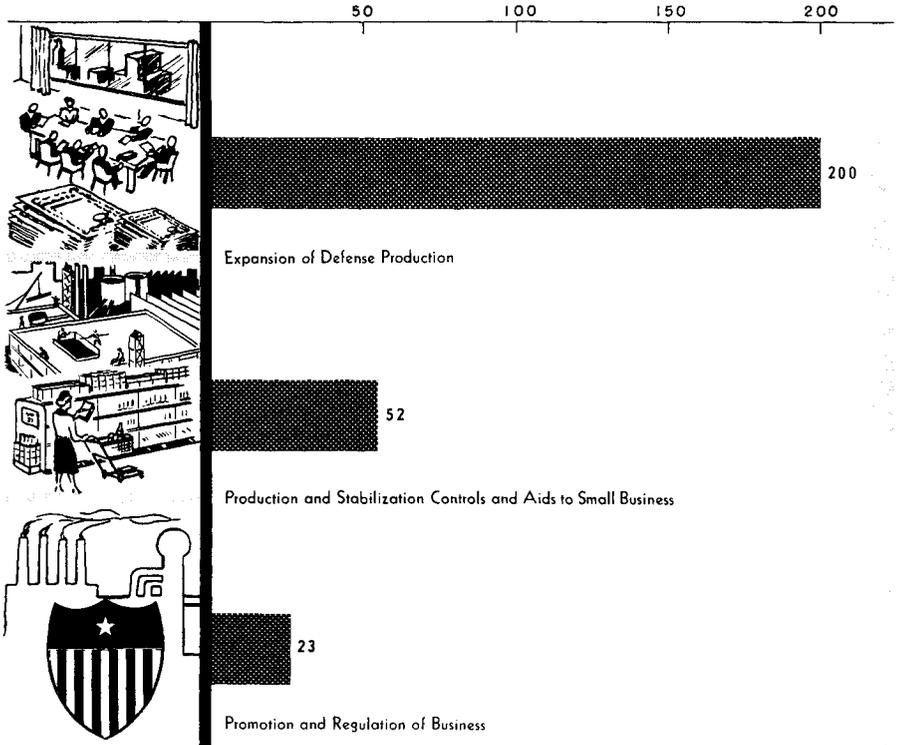
The Small Defense Plants Administration and other Federal agencies are helping small businesses make their full contribution to the defense effort by assisting them to obtain defense contracts and adequate financing.

Other expenditures for finance, commerce, and industry include those for the antitrust activities of the Government and other programs to help maintain a competitive economy, the loans by the Reconstruction Finance Corporation to assist business, and the administration of the patent laws.

FINANCE, COMMERCE, AND INDUSTRY

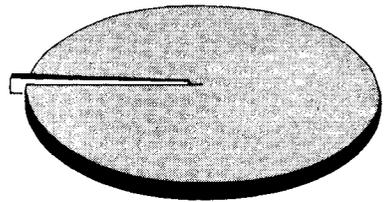
Where the Money Will Go in 1954

Millions of Dollars



Total Expenditures FINANCE, COMMERCE, AND INDUSTRY

Fiscal Year	Millions	% of Budget
1954 Est.	\$275	.3
1953 Est.	458	.6
1952	241	.3
1951	176	.4
1950	213	.5
1949	127	.3



PERCENT OF 1954 BUDGET

TRANSPORTATION AND COMMUNICATION

Most Federal expenditures for transportation and communication are for operation of the postal service, for grants to States for highways, and for air and water navigation aids and facilities.

With presently authorized postal rates, the postal deficit for the fiscal year 1954 is estimated at 669 million dollars. This large deficit results from the fact that during the post-war period—despite increased efficiency and reduced services—operating costs, such as salaries and transportation charges, have increased faster than postal revenues. Although first-class mail will show a profit, heavy losses will be incurred on magazines and other second-class mail and on advertising circulars and other third-class mail.

Federal grants to the States for highway improvement are generally matched on an equal basis by State funds. They are used to develop and maintain our system of Federal-aid highways which now totals 673,000 miles. Other Federal highway programs include road construction in national forests and in Alaska. The Federal Government is also building access roads to defense plants, military installations, and sources of strategic materials.

The Coast Guard, which is responsible for promoting safety of life at sea and enforcing maritime laws, has

recently expanded its operations in order to protect ports against sabotage, and to increase its readiness to assist the Navy in the event of a future emergency. More than half of the expenditures for river and harbor navigation improvements by the Corps of Engineers in 1954 will be for maintenance activities on existing projects. The President also included funds in the Budget to start five new construction projects, required for the efficient handling of essential water-borne traffic.

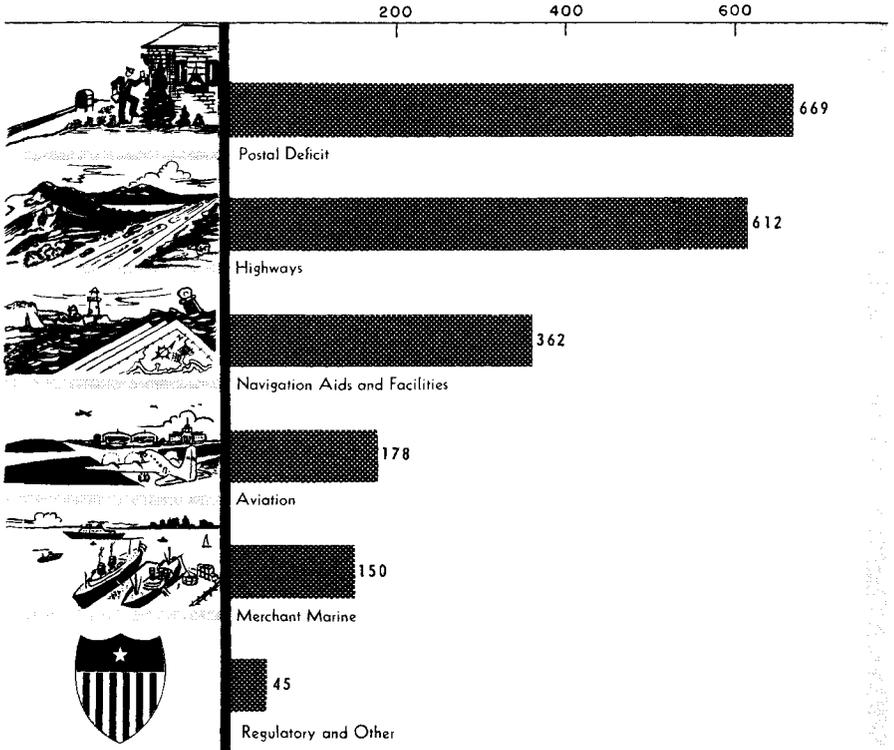
The Civil Aeronautics Administration operates air navigation aids and furnishes various services which are essential to the safe operation of both civil and military aircraft. To overcome inadequacies in the Nation's airport system, the President recommended increased amounts for grants-in-aid to States and municipalities for airport construction.

In addition to its normal programs for promoting an active merchant marine through ship construction and operating subsidies, the Government is now building 35 fast cargo ships to meet special defense requirements. This emergency program will be largely completed during the fiscal year 1954. Provision is made in the Budget for the construction of four passenger-cargo ships to be sold to private operators for service on essential trade routes.

TRANSPORTATION AND COMMUNICATION

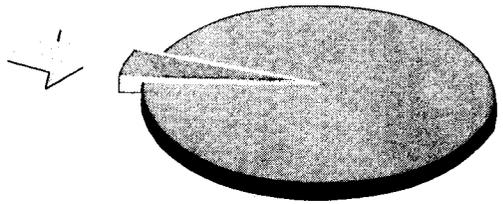
Where the Money Will Go in 1954

Millions of Dollars



Total Expenditures TRANSPORTATION AND COMMUNICATION

Fiscal Year	Millions	% of Budget
1954 Est.	\$2,016	2.6
1953 Est.	2,056	2.8
1952	1,923	2.9
1951	1,685	3.8
1950	1,703	4.2
1949	1,600	4.0



PERCENT OF 1954 BUDGET

NATURAL RESOURCES

In the fiscal year 1954, almost two-thirds of the expenditures classified under natural resources will be for the development of atomic energy.

Two major expansions of the capacity for producing fissionable materials and atomic weapons have been authorized by the Congress since the attack on Korea, the first in the fall of 1950 and the second early in the summer of 1952. As a result of these expansions, construction expenditures under the atomic energy program are expected to rise substantially in the fiscal year 1954. In addition, the 1954 Budget provides increased amounts for the procurement of uranium ores and concentrates, for the production of fissionable materials and atomic weapons, and for the development and testing of improved weapons. Increased emphasis will be placed on research leading to the development of atomic reactors for the production of electric power and for the propulsion of ships and aircraft. The Budget also provides for continuation of research in other peacetime applications of atomic energy, such as those in biology and medicine.

Most of the remaining expenditures for natural resources will be for river basin development projects now under construction. These projects will provide local flood protection and irrigation, as well as multiple-purpose reservoirs for flood control, irrigation, navigation, and hydroelectric power development. The President recommended that funds be provided for starting eight new projects and five additions to existing projects which are needed for flood protection and for the production of electric power for defense and industrial purposes.

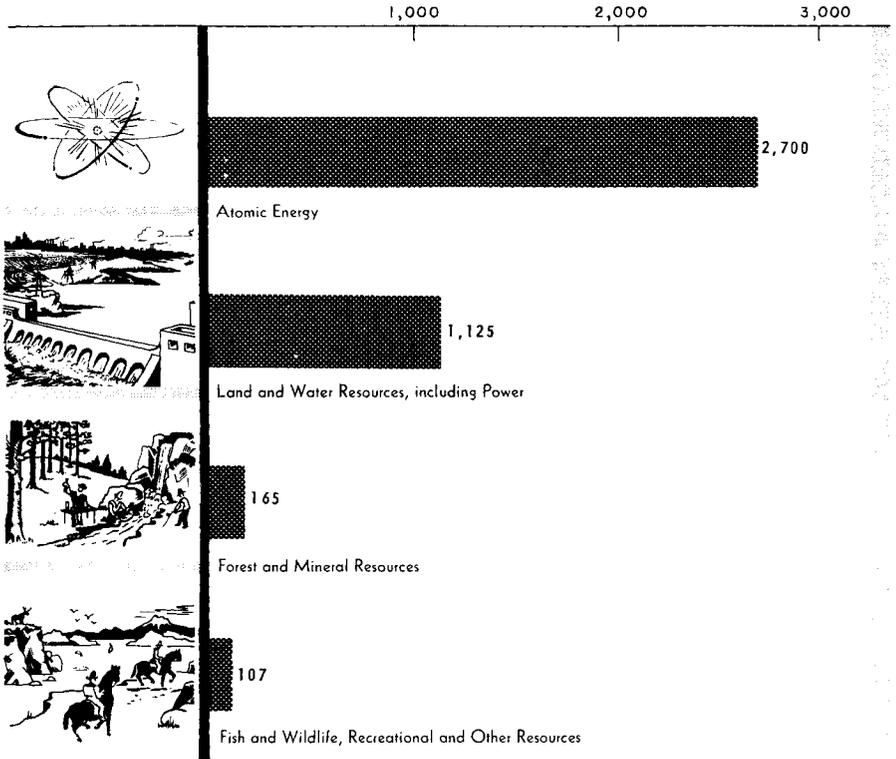
The Budget also includes funds for intensive mineral exploration, for expanded research in mining technology to help conserve existing metal supplies, and for increased development of substitutes for metals in short supply.

Other resource programs are for management, development, and use of the millions of acres of national forests and other lands which the Government owns. These lands contain valuable timber, range, and mineral resources. They also include the national parks, which had 41,500,000 visitors last year.

NATURAL RESOURCES

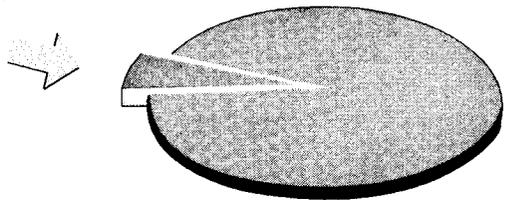
Where the Money Will Go in 1954

Millions of Dollars



Total Expenditures NATURAL RESOURCES

Fiscal Year	Millions	% of Budget
1954 Est.	\$4,097	5.2
1953 Est.	3,370	4.5
1952	2,948	4.5
1951	2,051	4.6
1950	1,624	4.0
1949	1,536	3.8



PERCENT OF 1954 BUDGET

AGRICULTURE AND AGRICULTURAL RESOURCES

Expenditures for farm price support and related programs will account for nearly half the total expenditures for agriculture and agricultural resources in the fiscal year 1954. Outlays for farm price support depend mainly on factors affecting the supply and demand for farm commodities, such as acreage planted, weather conditions, and food needs. As a result, net expenditures for this program vary considerably from year to year. Most of the estimated 1954 expenditures will be for the acquisition of wheat and corn by the Commodity Credit Corporation for future sale.

In order to help conserve our agricultural land and water resources, the Federal Government provides technical assistance to farmers in soil conservation districts, makes payments to farmers to encourage soil conservation practices, and undertakes upstream flood prevention projects. The 1954 Budget provides for an increase in expenditures for upstream flood prevention

to start work in several new watersheds and to accelerate work now under way in other watersheds.

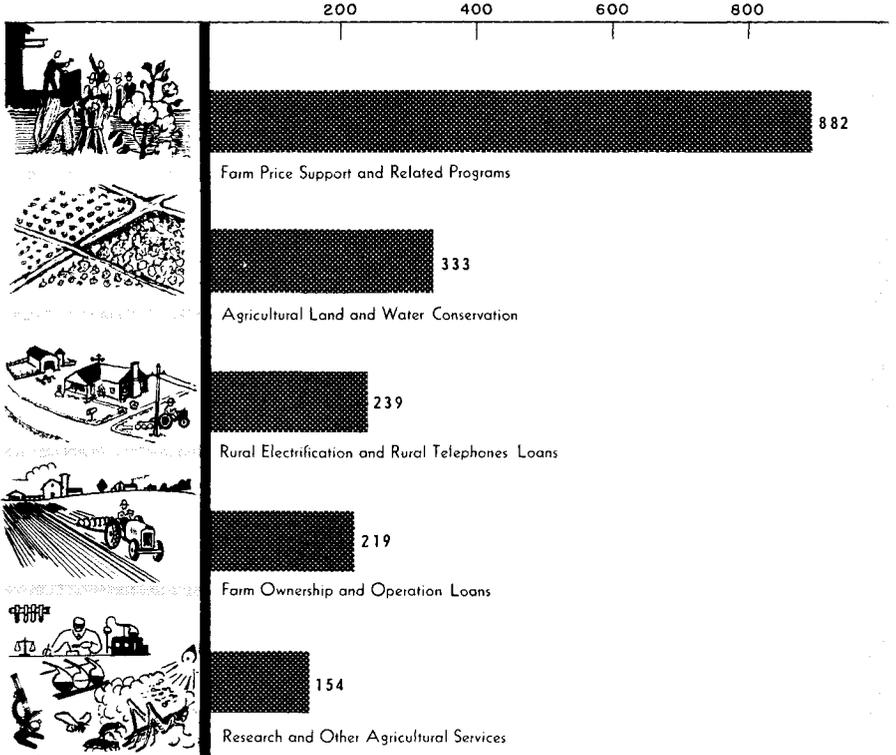
The rural electrification program has made great strides since its inception in 1935. At that time less than 11 percent of the Nation's farmers had central station electric service; on June 30, 1952, more than 88 percent had this service. As the electrification program is approaching completion, the loan program for rural telephones established in 1950 is expanding. Provision is made in the 1954 Budget for this expansion.

Other loan programs of the Department of Agriculture help farmers to develop and operate efficient family-size farms. The Department also conducts a wide variety of research programs, assists in the control of pests and plant and animal diseases, and makes grants to States for extension work and research—all designed to increase the efficiency of American agriculture.

AGRICULTURE AND AGRICULTURAL RESOURCES

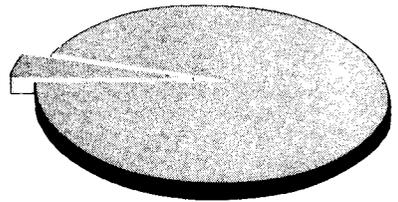
Where the Money Will Go in 1954

Millions of Dollars



Total Expenditures AGRICULTURE AND AGRICULTURAL RESOURCES

Fiscal Year	Millions	% of Budget
1954 Est.	\$1,827	2.3
1953 Est.	1,943	2.6
1952	1,045	1.6
1951	650	1.5
1950	2,783	6.9
1949	2,512	6.3



PERCENT OF 1954 BUDGET

LABOR

Four-fifths of all Federal expenditures for labor programs are in the form of grants to the States for administration of the employment service and unemployment insurance programs. Employment offices give first priority to the recruiting of workers for defense plants and other essential work. The Department of Labor supplements the State employment services by helping to achieve orderly interstate recruitment of manpower when such recruitment is necessary.

Even though the level of unemployment remains low, more claims for unemployment insurance are expected in 1954. This increase in workload will occur because States have expanded the coverage of their unemployment insurance laws and because the Federal Government has set up a new unemployment insurance program for veterans who do not find employment immediately after discharge from the armed forces.

The Department of Labor conducts apprentice training programs to help meet shortages of skilled workers, and cooperates with State agencies in carrying out safety training campaigns to reduce the number

of accidents to workers on the job. It also enforces minimum-wage and child-labor laws, and determines minimum wages to be paid by Government contractors.

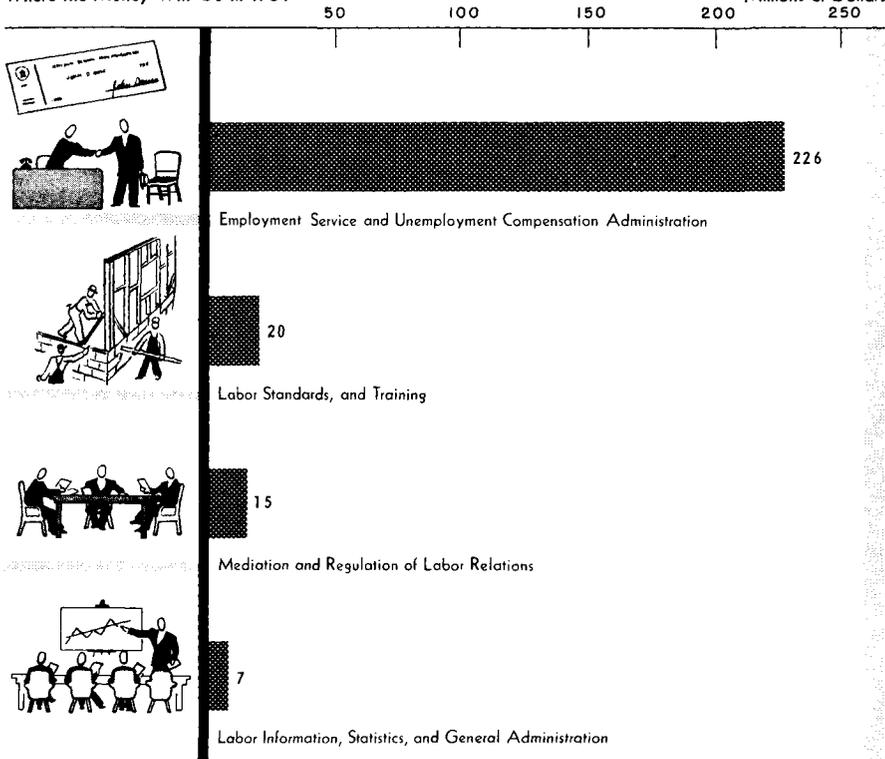
The Federal Mediation and Conciliation Service, dealing with industries generally, and the National Mediation Board, serving the transportation industries, assist labor and management in reaching earlier settlement of disputes affecting interstate commerce. The National Labor Relations Board holds elections to designate the representatives of employees for bargaining purposes, and enforces Federal laws with respect to unfair labor practices by unions and employers.

The Bureau of Labor Statistics collects and publishes information on current employment levels, occupational shortages, hours of work, industrial accidents, and wage and price trends. In addition to meeting a widespread public need, this information is helpful in formulating occupational deferment policies under Selective Service, in placing defense contracts, and in deciding on the location of new industrial plants.

LABOR

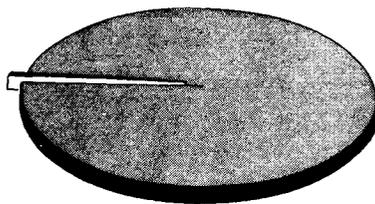
Where the Money Will Go in 1954

Millions of Dollars



Total Expenditures LABOR

Fiscal Year	Millions	% of Budget
1954 Est.	\$268	.3
1953 Est.	252	.3
1952	243	.4
1951	228	.5
1950	262	.7
1949	193	.5



PERCENT OF 1954 BUDGET

HOUSING AND COMMUNITY DEVELOPMENT

More than half the estimated net expenditures for housing and community development programs in the fiscal year 1954 will be for aids to private housing, largely in the form of mortgage purchases. The Federal National Mortgage Association expects to buy more than 40,000 mortgages to help finance private housing in critical defense areas, and about the same number of other mortgages, chiefly for veterans' housing. In addition, the Federal Housing Administration will insure mortgages for the construction and purchase of approximately 400,000 homes. Expenditures for FNMA mortgage purchases will substantially exceed expected receipts from sales and amortization of mortgages on hand. However, FHA receipts from mortgage insurance premiums should more than cover current expenses and losses, and thus add to reserves against possible future losses.

In some defense areas, chiefly near military bases, the permanent need for housing is so uncertain that private builders cannot provide all of the needed housing. In these areas, the Federal Government is now supplying 19,000 temporary dwelling units, and the President recommended additional funds for another 16,000 units.

Federal expenditures for civil defense in 1954 will complete the air

raid warning system in the 191 cities which are likely to be principal targets in the event of an enemy attack on the United States. They will also pay for additions to the stockpiles of medical and engineering supplies and equipment. These measures, supplemented by technical guidance and limited grant-in-aid programs, are designed to help State and local governments organize an effective voluntary system of civil defense.

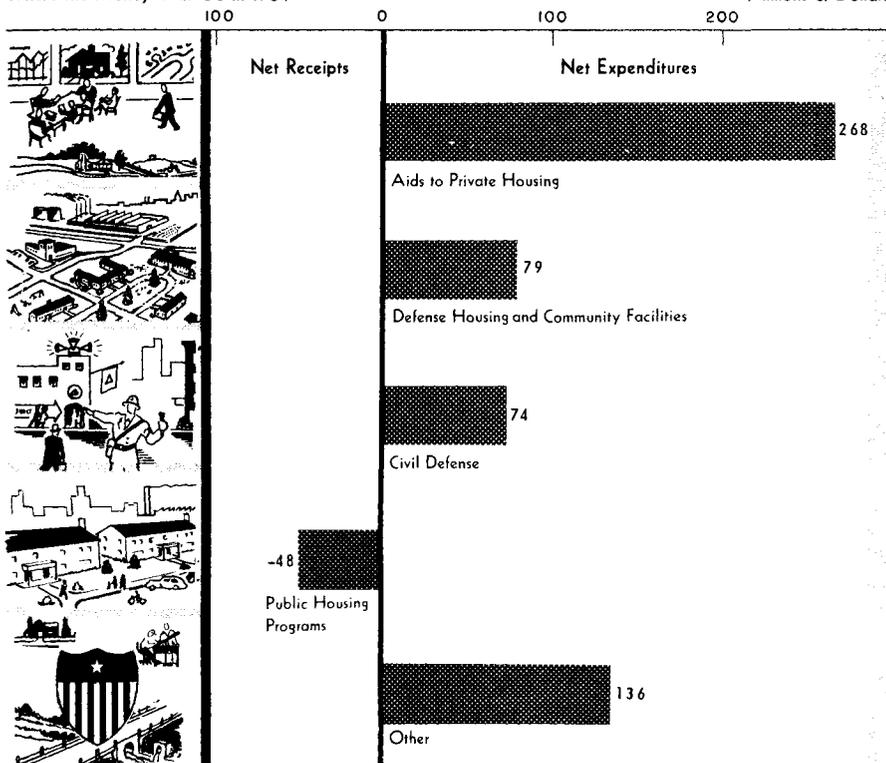
The Public Housing Administration makes loans and grants to local authorities for construction of low-rent public housing for low-income families. The 1954 Budget provides for starting 75,000 dwelling units, considerably more than the 35,000 being started in 1953, but well below the annual average of 135,000 units authorized by law. The local authorities expect to sell substantial amounts of long-term bonds to private investors and use part of the proceeds to repay short-term construction loans from the Federal Government. In 1954, Federal receipts for this program are expected to exceed expenditures.

The Federal Government makes loans and grants to assist cities in eliminating slums and redeveloping blighted areas. It also makes loans to colleges to help provide needed student and faculty housing.

HOUSING AND COMMUNITY DEVELOPMENT

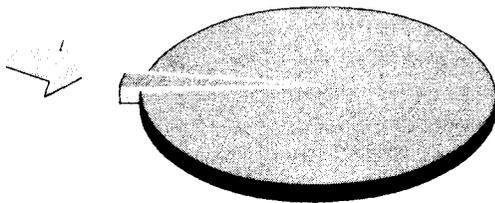
Where the Money Will Go in 1954

Millions of Dollars



Total Expenditures HOUSING AND COMMUNITY DEVELOPMENT

Fiscal Year	Millions	% of Budget
1954 Est.	\$ 509	.6
1953 Est.	757	1.0
1952	735	1.1
1951	602	1.3
1950	262	.7
1949	282	.7



PERCENT OF 1954 BUDGET

EDUCATION AND GENERAL RESEARCH

Nearly two-thirds of estimated Federal expenditures for education and general research in the fiscal year 1954 will be for payments to help communities where Federal activities—especially defense activities—have imposed heavy burdens on the schools. Under this program, the Federal Government is helping local communities to build schools in nearly 1,000 school districts and to meet school operating costs in about 2,600 districts.

Most of the remaining expenditures for education are in the form of grants to the States for vocational education and for land-grant colleges. In addition, the Federal Government helps support a few selected educational institutions, including Howard University, Columbia Institution for the Deaf, and the American Printing House for the Blind. Through the Office of Education, the Government also provides professional advice and information to educators throughout the country.

Expenditures for general-purpose research are for the activities of the National Science Foundation, the Census Bureau, and the National Bureau of Standards.

The National Science Foundation

was established two years ago to develop a scientific research policy for the Nation, to evaluate the research programs now under way, to help remedy gaps in our knowledge, and to help overcome shortages of skilled scientific workers. It awards graduate fellowships to promising young scientists and gives support to selected basic research projects in universities and other scientific centers.

During the fiscal year 1954, the Census Bureau will take the censuses of business, transportation, manufactures, and mineral industries, which are taken every fifth year, and will begin preliminary work on the 1954 census of agriculture.

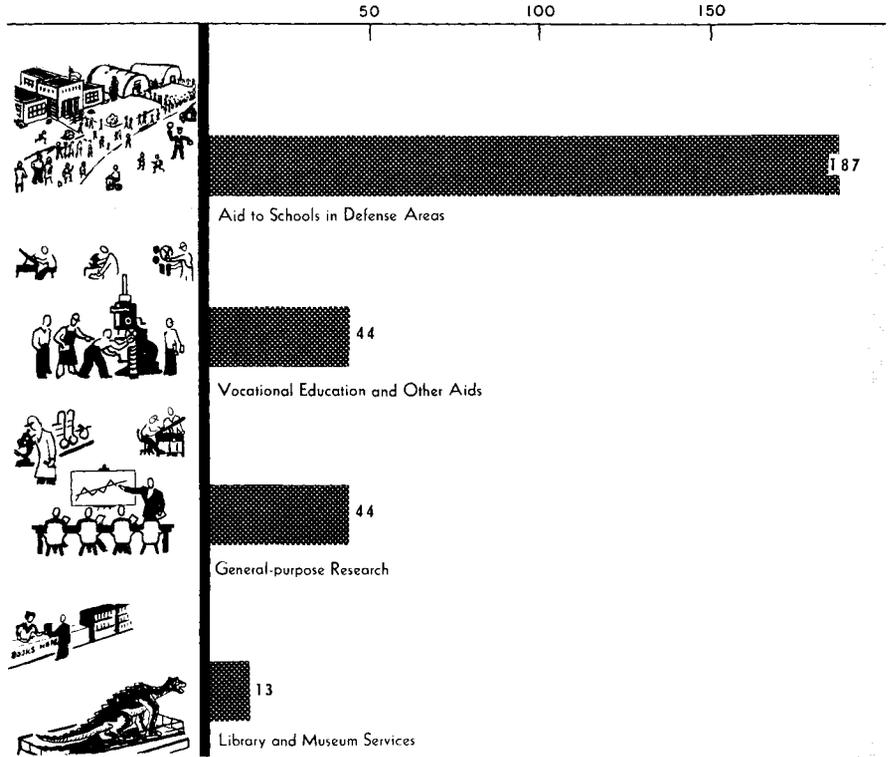
General libraries and museums operated by the Federal Government include the Library of Congress, the Smithsonian Institution, the National Gallery of Art, and the Botanic Gardens.

Other activities closely related to education and general research are discussed elsewhere in this booklet. Major items, involving much larger expenditures than the general-purpose activities discussed in this section, are military research, atomic energy research, and educational benefits for veterans.

EDUCATION AND GENERAL RESEARCH

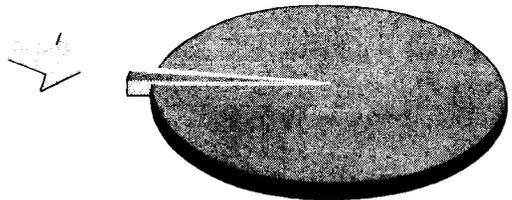
Where the Money Will Go in 1954

Millions of Dollars



Total Expenditures EDUCATION AND GENERAL RESEARCH

Fiscal Year	Millions	% of Budget
1954 Est.	\$288	.4
1953 Est.	272	.4
1952	171	.3
1951	115	.3
1950	123	.3
1949	75	.2



PERCENT OF 1954 BUDGET

SOCIAL SECURITY, WELFARE, AND HEALTH

More than 60 percent of Federal expenditures for social security, welfare, and health are in the form of grants-in-aid to the States to help them provide public assistance benefits, low-cost lunches for school children, public health and vocational rehabilitation services, and hospitals.

Public assistance grants alone amount to 1.3 billion dollars. These Federal grants, in combination with State and local funds, are used to pay benefits to approximately 5 million needy people most of whom are either dependent children or are over 65 years of age. This program should not be confused with old-age and survivors insurance, which is financed through a trust fund and is not included in Budget expenditures. Nearly 5 million people now receive benefits from the old-age and survivors insurance trust fund.

The Government also operates a retirement and insurance system for railroad workers, financed by payroll taxes. The transfer of these taxes to a trust fund appears as a Budget expenditure.

Public health expenditures include

grants to States for hospital construction, maternal and child health services, and the control and prevention of tuberculosis, venereal disease, cancer, and mental illnesses. Other public health expenditures are primarily for medical research, professional assistance to State and local health agencies, and for the operation of Public Health Service hospitals. A large new research hospital will be opened during 1953, to develop data on the causes, treatment, and cure of such serious diseases as cancer and heart trouble.

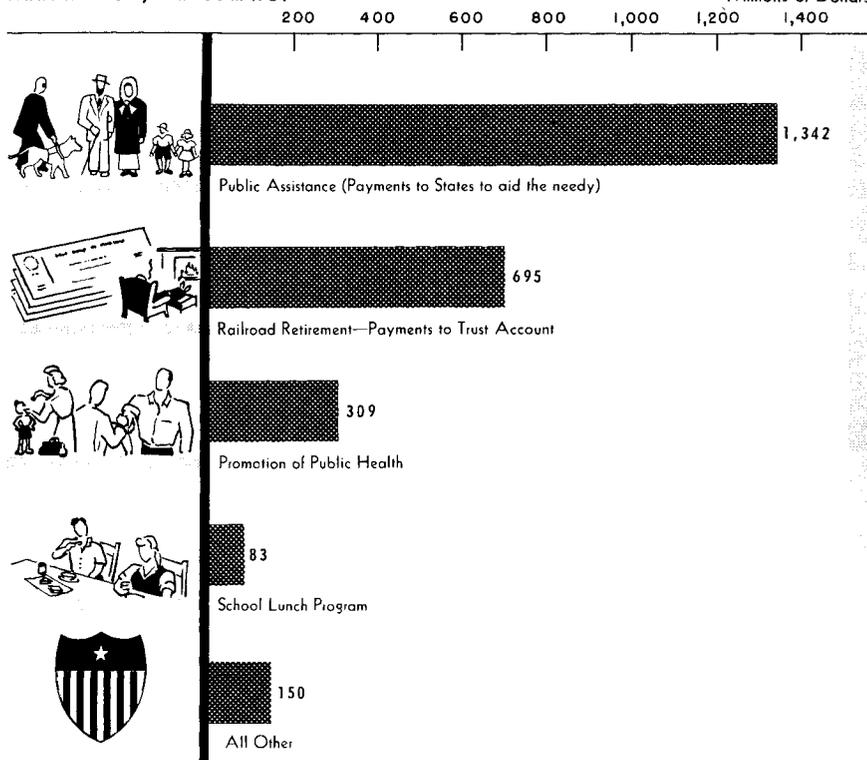
Federal grants to States under the school lunch program of the Department of Agriculture are combined with State, local, and private funds to provide low-priced lunches for 8 million school children throughout the country.

Other expenditures for social security, welfare, and health are principally for services to Indians, accident compensation for Government workers, grants to assist State and local governments in the rehabilitation of physically handicapped people, and operation of the Federal prisons and probation system.

SOCIAL SECURITY, WELFARE, AND HEALTH

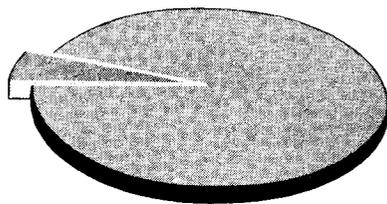
Where the Money Will Go in 1954

Millions of Dollars



Total Expenditures SOCIAL SECURITY, WELFARE, AND HEALTH

Fiscal Year	Millions	% of Budget
1954 Est.	\$2,579	3.3
1953 Est.	2,594	3.5
1952	2,491	3.8
1951	2,296	5.1
1950	2,142	5.3
1949	1,843	4.6



PERCENT OF 1954 BUDGET

VETERANS' SERVICES AND BENEFITS

Expenditures for benefits and services to veterans are estimated at 4.6 billion dollars in the fiscal year 1954, about the same as in 1953. This is a decline of 38 percent from the peak of 7.4 billion dollars spent in 1947, but the outlook is for increases in future years as new veterans are being discharged from our expanded armed forces at a rate of about one million a year.

Compensation and pensions, which account for the major part of all expenditures for veterans' programs, are increasing steadily. In the fiscal year 1954 it is estimated that an average of 3,348,000 individuals and families will receive payments totaling more than 2.5 billion dollars. This is an increase since 1947 of 504,000 cases and 617 million dollars in annual expenditures.

Readjustment benefits for veterans of the current emergency, similar to those provided World War II veterans, were enacted by the Congress in 1952. The 1954 Budget includes expenditures of 809 million dollars to provide education and training benefits for an average of 715,000 veterans, including 475,000 veterans

of the Korean conflict. Between 1945 and the end of 1954 more than 8,500,000 veterans will have received school, job, or farm training benefits.

Under the new Veterans' Readjustment Assistance Act, it is expected that a weekly average of 55,000 veterans will receive unemployment allowances in 1954. An estimated 368,000 veterans of World War II and the Korean conflict will also obtain Government-guaranteed loans for homes, farms, and businesses. The Government pays part of the first year's interest on these loans and pays for losses on guaranteed loans.

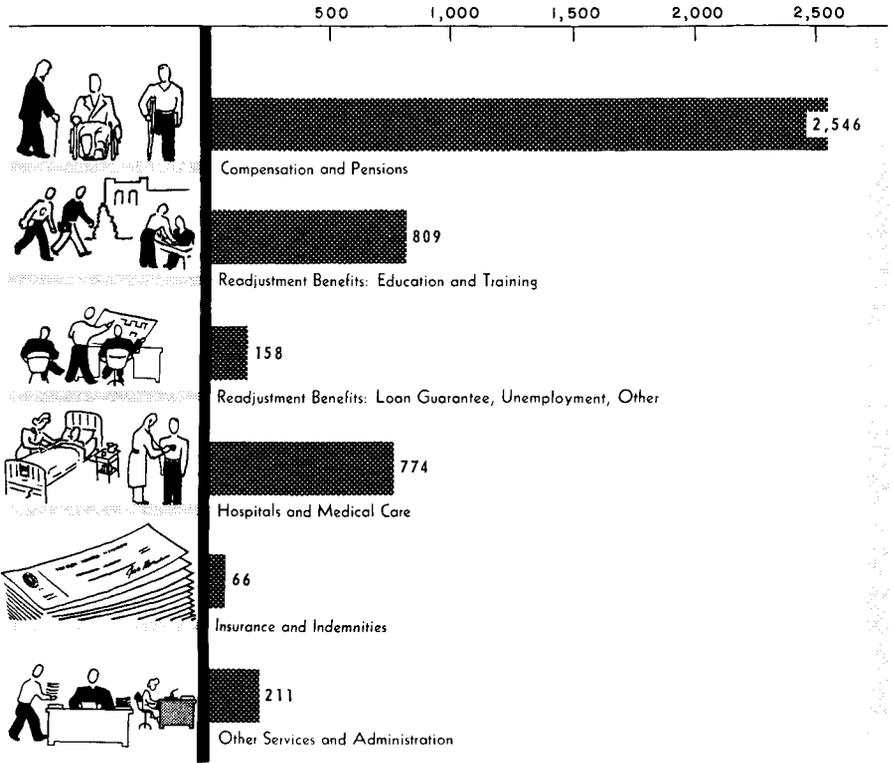
The 1954 Budget provides for an average daily beneficiary load of 136,250 in Veterans Administration facilities and contract hospitals and in State homes. The Budget provides also for building the last four hospitals in the current veterans' hospital construction program.

Other expenditures are for death claims under the servicemen's indemnity program, for payments to veterans' insurance trust funds for deaths traceable to war hazards, and for the costs of administration.

VETERANS SERVICES AND BENEFITS

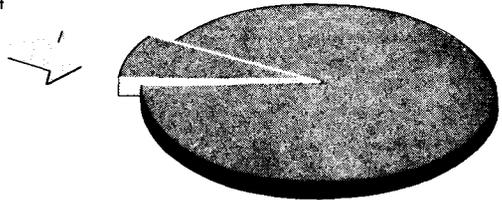
Where the Money Will Go in 1954

Millions of Dollars



Total Expenditures VETERANS' SERVICES AND BENEFITS

Fiscal Year	Millions	% of Budget
1954 Est.	\$4,564	5.8
1953 Est.	4,546	6.1
1952	4,863	7.4
1951	5,342	12.0
1950	6,647	16.6
1949	6,726	16.8



PERCENT OF 1954 BUDGET

GENERAL GOVERNMENT

Nearly one-third of the expenditures for general government represents the costs of tax collection and financial management. Most of these activities are carried on by the Treasury Department, which collects taxes and customs duties, manages the public debt, mints coins, prints currency, and pays the Government's bills. The General Accounting Office audits the accounts of Government agencies.

An additional 28 percent of the expenditures for general government will be for the Government's payments toward the retirement of civil-service employees. About two-thirds of all Federal civilian employees are members of the civil-service retirement and disability system, which is financed through sums collected from employees and from the Government as employer.

The General Services Administration is the central property and records-management agency of the Government. It buys and stores supplies and equipment, manages public buildings, operates the National Archives, and supervises the storage of Government records. The Government Printing Office is one of the largest printing establishments in the world. It prints for Government use and for sale to the public a daily record of the proceedings of Congress, other congressional docu-

ments, and materials prepared by Government agencies in the performance of their functions.

The Federal Bureau of Investigation is responsible for investigating and obtaining evidence in cases involving espionage, sabotage, treason, and other matters pertaining to the internal security of the United States. It also investigates such criminal activities as bank robbery, kidnapping, and motor-vehicle thefts.

The Immigration and Naturalization Service administers laws governing the admission, exclusion, and deportation of aliens, and the naturalization of candidates for United States citizenship. It also patrols the borders of the United States to prevent the unlawful entry of aliens.

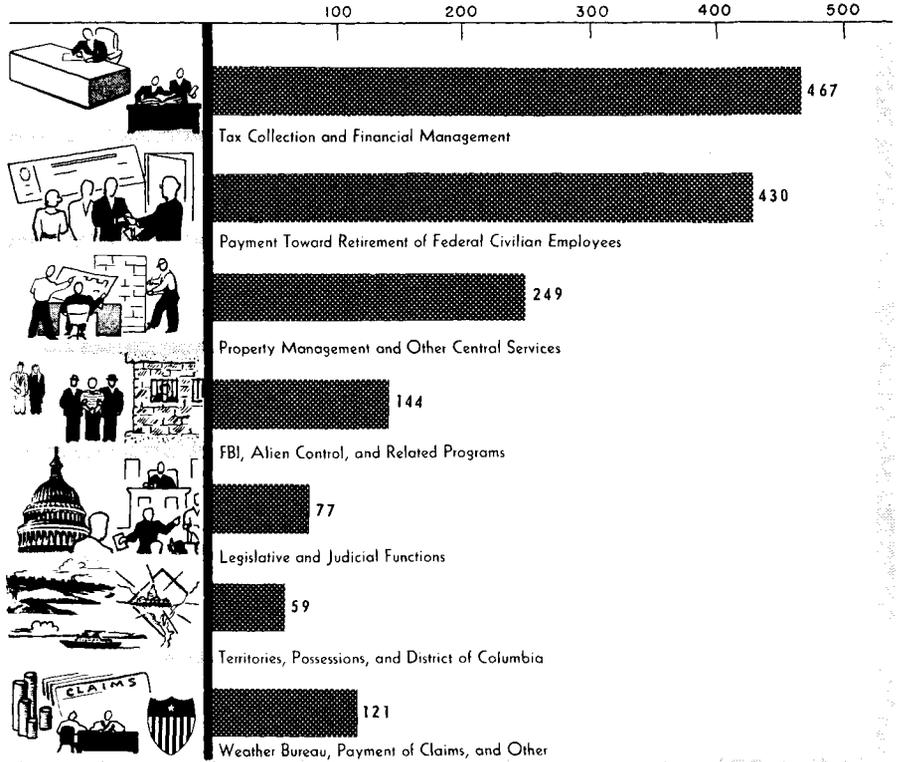
The Department of the Interior supervises our territories, island possessions, and the Pacific islands for which we are responsible under a United Nations mandate. The Federal Government also makes an annual contribution to help finance local government in the District of Columbia.

The Weather Bureau maintains 368 local offices located at cities and airports throughout the continental United States and in Alaska, Puerto Rico, and some Pacific islands. These offices make the observations required for weather forecasting and issue local forecasts and warnings.

GENERAL GOVERNMENT

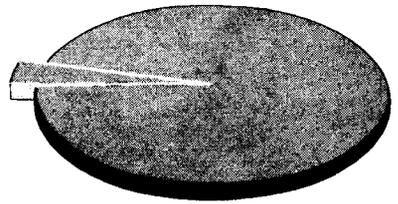
Where the Money Will Go in 1954

Millions of Dollars



Total Expenditures GENERAL GOVERNMENT

Fiscal Year	Millions	% of Budget
1954 Est.	\$1,547	2.0
1953 Est.	1,385	1.9
1952	1,411	2.1
1951	1,290	2.9
1950	1,164	2.9
1949	1,070	2.7



PERCENT OF 1954 BUDGET

INTEREST

Most of the expenditures for interest result from the large increase in the public debt which occurred during World War II. Interest payments in the current fiscal year and in the fiscal year 1954 will be considerably higher than in 1952, because of the increase in the total interest-bearing debt and the rise in the average interest rate.

Expenditures in the fiscal year 1953 will be unusually high, because in that year about 20 months' interest falls due on more than 15 billion dollars in obligations. The decrease of 100 million dollars in 1954 from the estimated payments in 1953, therefore, does not indicate a reversal in the general upward trend of interest expenditures.

Nearly half the interest on the public debt is paid on marketable obligations. Most of these securities are held by banks, insurance companies, and other financial institutions. The higher levels of interest rates prevailing during the past two years are causing a gradual rise in expenditures as outstanding issues mature and are refunded at new rates.

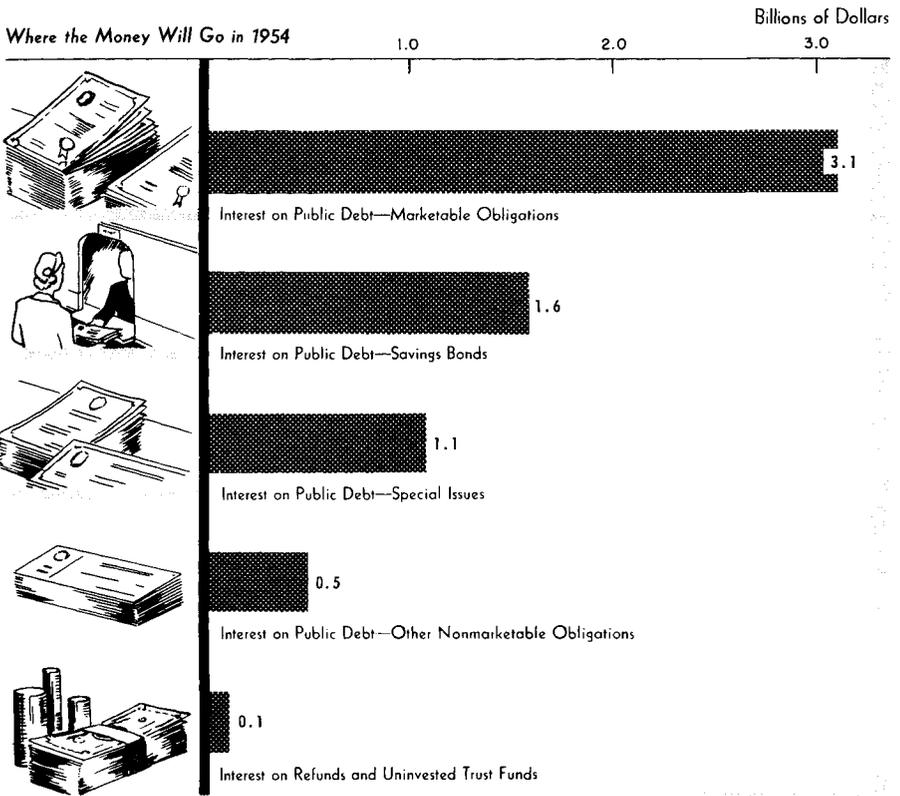
Interest on savings bonds represents about 25 percent of total interest payments. These bonds are owned by nearly 40 percent of all American families. Interest rates on new issues of savings bonds and on outstanding bonds held beyond maturity were increased last spring, but these changes will have little effect on expenditures in the fiscal year 1954.

Most of the remaining interest is paid on special issues sold to Government trust funds. The interest rate on those issues is generally fixed by law and is usually higher than the average rate on the total debt.

Other nonmarketable securities on which interest is paid consist mostly of investment bonds held by insurance companies and other private institutions for long-term investment, and of short-term savings notes generally bought by corporations for temporary investment of tax reserves.

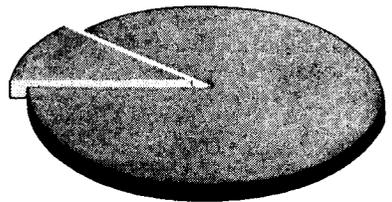
Interest payments are fixed obligations of the Federal Government. Unlike most Budget expenditures, they do not require annual appropriations by the Congress.

INTEREST



Total Expenditures INTEREST

Fiscal Year	Millions	% of Budget
1954 Est.	\$6,420	8.2
1953 Est.	6,520	8.7
1952	5,934	8.9
1951	5,714	12.8
1950	5,817*	14.5
1949	5,445	13.6



PERCENT OF 1954 BUDGET

*Includes approximately \$225 million resulting from change in reporting methods.

BUDGET EXPENDITURES AS A PERCENTAGE OF NATIONAL INCOME

Federal Budget expenditures in the fiscal year 1954 will be equal in amount to 26 percent of the national income in that year, as compared to 18 percent in 1950, the last fiscal year before the attack on Korea. In 1945, the peak year of World War II expenditures, Federal spending amounted to more than 52 percent of the national income.

Expenditures for military and in-

ternational programs alone will be almost the same proportion of the national income as all Federal expenditures represented in 1950.

Expenditures for all other programs of the Federal Government will represent 8 percent of the national income in 1954 compared with 10 percent in 1950 and 11 percent in 1939.

BUDGET EXPENDITURES PER CAPITA

During the fiscal year 1954, Federal expenditures will amount to 488 dollars for each man, woman, and child in the country. This is 221 dollars more than per capita expenditures in 1950. In 1945, the peak year of World War II expenditures, Government spending amounted to 709 dollars per capita.

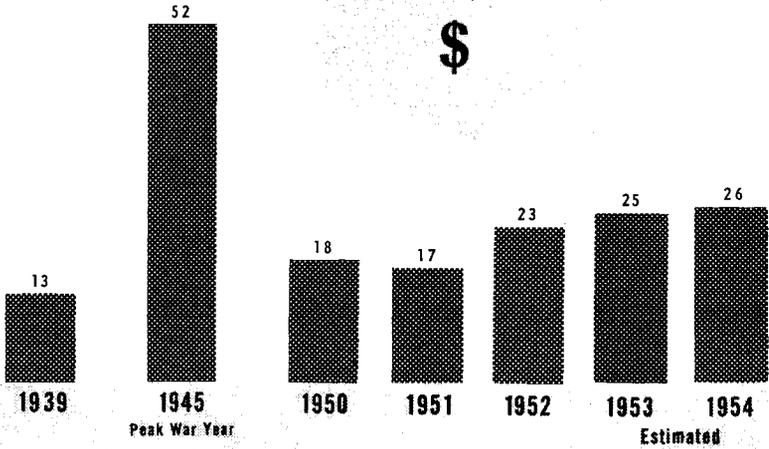
The increase since 1950 has been

in programs to expand the armed forces and to help strengthen our allies overseas. In 1954, military and international programs will cost 336 dollars per capita compared with 114 dollars in 1950. Expenditures per capita for all other programs combined are expected to be about the same in 1954 as in 1950.

BUDGET EXPENDITURES

AS A PERCENTAGE OF NATIONAL INCOME

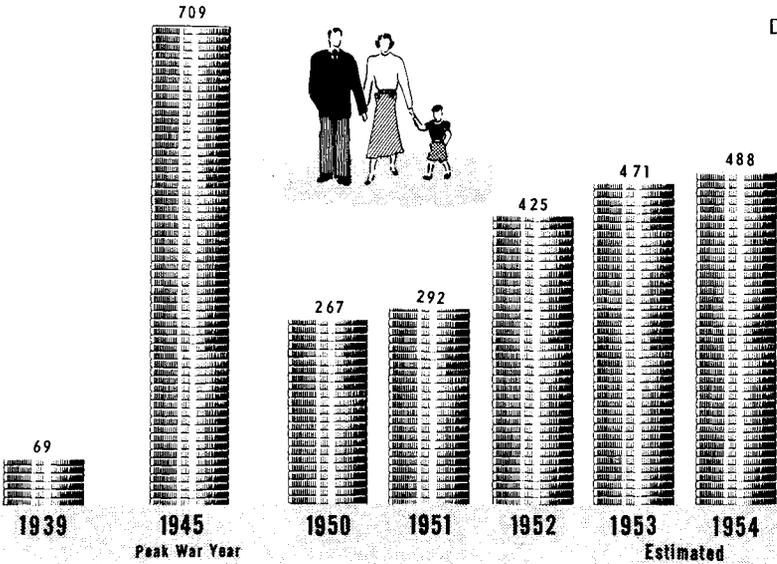
Percent



BUDGET EXPENDITURES

PER CAPITA

Dollars




Direct Taxes
on Individuals
32.1


Direct Taxes
on Corporations
23.1


Excise
Taxes
9.8


Customs and
Other Taxes
3.7


Borrowing
9.9

Where the money will come from

FISCAL YEAR 1954
FEDERAL BUDGET

Receipts \$68.7*
Expenditures 78.6
Deficit 9.9*

Estimated
in billions
of dollars

* Based on
present tax laws


Housing, Education,
Labor, and Commerce
1.4


Agriculture
1.8


Social Security,
Welfare and Health
2.6


Veterans
4.6


International
7.9


General Government
1.5


Transportation
and Communication
2.0


Natural Resources
4.1

*Where
the money will go
in 1954*

59%

Military Services
46.3


Interest
6.4

APPENDIXES

Up to this point, this booklet has discussed Budget receipts and expenditures. Three other aspects of Federal financial operations are described in the appendixes which follow.

Appendix A shows the receipts and expenditures of trust funds.

Appendix B presents a summary of the total cash transactions between the Federal Government and the public.

Appendix C shows the relationship between authorizations to incur obligations on behalf of the Government and Budget expenditures.

APPENDIX A

TRUST FUNDS

Most of the financial transactions of the Government are directly reflected in Budget receipts and expenditures. Several important programs, however, are operated through trust funds with the Federal Government acting as trustee. The transactions of these trust funds are not included in the totals of Budget receipts and expenditures.

Money held in trust by the Government is not available for ordinary Government expenditures. It may be spent only for the special purposes of the trust. Trust fund money in excess of current spending requirements is invested largely in special issues of Government bonds.

At the end of the fiscal year 1952, about 40 billion dollars in United States securities was held by Government trust funds. The receipts of each trust fund include interest earned on its investments in Government bonds. Total receipts of the trust funds are currently higher than expenditures, and the funds are accumulating between 3 and 4 billion dollars a year.

Important programs conducted through trust funds include old-age and survivors insurance, unemployment insurance, railroad retirement, Federal employees' retirement, and veterans' life insurance.

The old-age and survivors insurance program is financed primarily by a special payroll tax. Under existing law, this tax is scheduled to rise on January 1, 1954, from one and one-half percent to two percent each on covered employers and employees. Expenditures from this trust fund consist of monthly benefits to retired workers, benefits to their survivors, and the administrative costs of the program.

The railroad retirement fund and the Federal employees' retirement fund are operated in a similar manner.

The unemployment insurance trust fund is financed by payroll taxes which the States collect from employers and transmit to the Federal Government. The fund's expenditures consist mostly of withdrawals by the States to pay unemployment compensation benefits to workers.

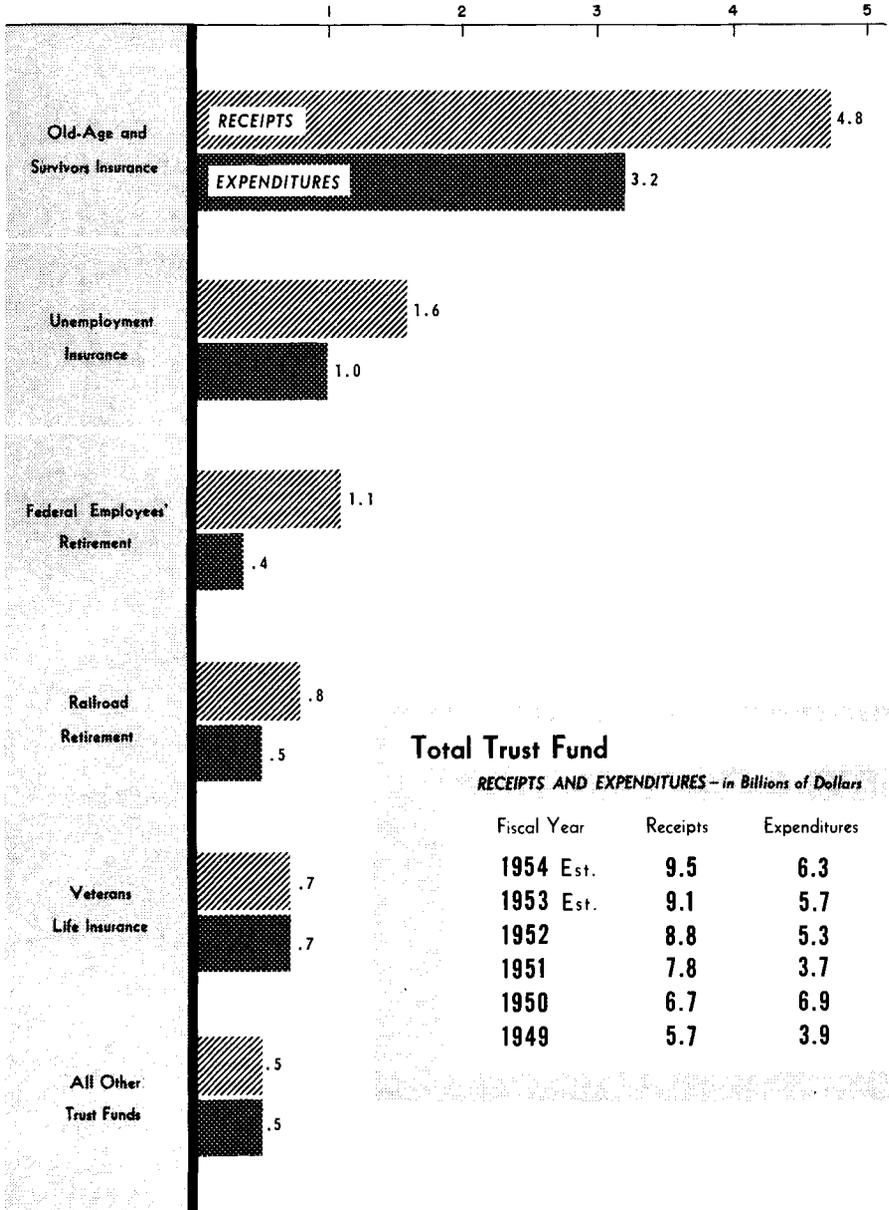
Life insurance for veterans of World Wars I and II is provided through the veterans' life insurance trust funds. Receipts consist largely of premiums paid by those who are insured, and expenditures are primarily payments to beneficiaries of policyholders and payments of dividends.

TRUST FUNDS

RECEIPTS AND EXPENDITURES

Fiscal Year 1954 Estimated

Billions of Dollars



Total Trust Fund

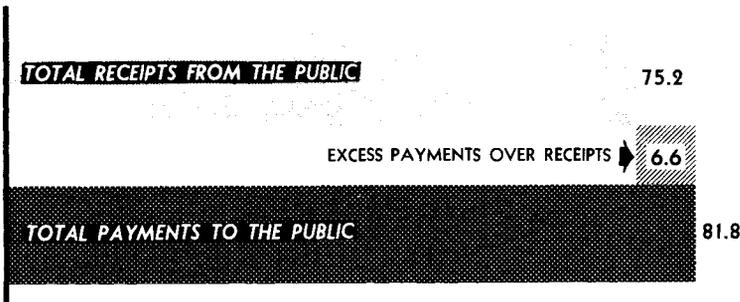
RECEIPTS AND EXPENDITURES - in Billions of Dollars

Fiscal Year	Receipts	Expenditures
1954 Est.	9.5	6.3
1953 Est.	9.1	5.7
1952	8.8	5.3
1951	7.8	3.7
1950	6.7	6.9
1949	5.7	3.9

RECEIPTS FROM AND PAYMENTS TO THE PUBLIC

Fiscal Year 1954 Estimated

Billions of Dollars



To show the total flow of money between the public and the Federal Government, a statement of "receipts from and payments to the public" has been developed. This statement has also been called the "consolidated cash budget" and "cash income and outgo of the United States Treasury."

The figures showing the total flow of money between the Federal Government and the public are useful for many purposes, particularly in helping to describe the economic impact of Federal financial transactions.

In order to derive the total of receipts from and payments to the public, it is necessary to consolidate Budget and trust fund transactions. Transactions between Government agencies and trust funds, such as the Government payment to the civil-service retirement fund, are eliminated in this consolidation, since these are not cash transactions between the Government and the public.

Certain other noncash transactions are also eliminated in the consolidation. For example, interest which accrues on savings bonds is counted

as a Budget expenditure at the time of accrual. But the interest is not paid in cash until the bonds are redeemed. Hence, the consolidation eliminates the interest accruals and includes the interest paid at the time of redemption.

The table below shows how the totals of receipts from and payments to the public are derived from Budget receipts and expenditures.

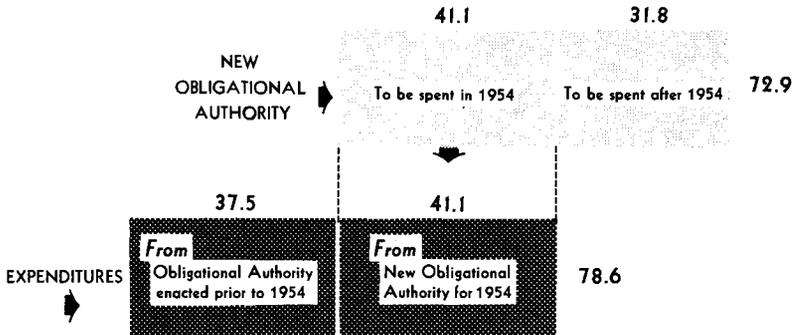
Fiscal year 1954, estimated. In billions

Budget receipts	\$68.7
Trust fund receipts	9.6
Intragovernmental transactions	-3.0
Seigniorage on silver	-0.1
	75.2
	75.2
Budget expenditures	78.6
Trust fund expenditures	6.3
Intragovernmental transactions	-3.0
Net accrued interest and other non-cash transactions	-0.1
	81.8
	81.8
Excess of payments over receipts	6.6

BUDGET AUTHORIZATIONS RELATED TO EXPENDITURES

Fiscal Year 1954 Estimated

Billions of Dollars



Federal agencies cannot incur obligations or spend money until the Congress authorizes them to do so. Such authorization is usually made in the form of appropriations.

Since it takes time to place orders for goods and services, there is an interval between the time Congress grants the authorization and the time the agencies incur obligations. There is a further interval before the obligated funds are actually spent, since it takes time for goods to be produced and delivered. As a result, the amount of new obligational authority granted for any year is not entirely spent in that year. Also, the expenditures made in any one fiscal year come in part from new obligational authority granted for that year and in part from authority granted in prior years.

In the fiscal year 1954, 48 percent of the 78.6 billion dollars of estimated expenditures will be from obligational authority which was made available in prior years. The remaining expenditures will come from authorizations for the fiscal year 1954.

The President recommended enactment of 72.9 billion dollars of authority to incur new obligations in 1954. Of this amount 41.1 billion dollars would be spent in 1954 and 31.8 billion dollars in later years.

Because of the long lead-time involved in military procurement—the time required to design, order, produce, test, and deliver weapons and equipment—expenditures have necessarily lagged far behind new obligational authority in the past few years. For the three-year period 1951 through 1953, new obligational authority is expected to exceed expenditures by 72.3 billion dollars. A small part of this excess will be unspent authority which will be turned back to the Treasury. Most of it represents the value of military equipment which has been ordered but not yet delivered and completely paid for.

In the fiscal year 1954, this trend will be reversed because deliveries of military equipment ordered in earlier years are expected to exceed the amount of new equipment placed on order.

BUDGET RECEIPTS AND EXPENDITURES AND PUBLIC DEBT

Fiscal years 1915 through 1954

[In millions]

Fiscal year	Total Budget receipts	Total Budget expenditures	Surplus or deficit	Public debt at end of year	Fiscal year	Total Budget receipts	Total Budget expenditures	Surplus or deficit	Public debt at end of year
1915	\$683	\$746	-\$63	\$1,191	1935	\$3,729	\$6,521	-\$2,791	\$29,701
1916	762	713	+48	1,225	1936	4,069	8,494	-4,425	33,779
1917	1,100	1,954	-853	2,976	1937	4,979	7,753	-2,777	36,425
1918	3,630	12,662	-9,032	12,455	1938	5,803	6,979	-1,177	37,165
1919	5,085	18,448	-13,363	25,485	1939	5,104	8,966	-3,862	40,440
1920	6,649	6,357	+291	24,299	1940	5,264	9,183	-3,918	42,968
1921	5,567	5,058	+509	23,978	1941	7,227	13,387	-6,159	45,981
1922	4,021	3,285	+736	22,963	1942	12,696	34,187	-21,490	72,422
1923	3,840	3,137	+703	22,350	1943	22,201	79,622	-57,420	139,696
1924	3,853	2,890	+963	21,251	1944	43,892	95,315	-51,423	211,003
1925	3,598	2,881	+717	20,516	1945	44,762	98,703	-53,941	258,682
1926	3,753	2,888	+865	19,643	1946	40,027	60,703	-20,676	239,422
1927	3,992	2,837	+1,155	18,512	1947	40,043	39,289	+754	258,235
1928	3,872	2,933	+939	17,604	1948	42,211	33,791	+8,419	252,292
1929	3,861	3,127	+734	16,931	1949	38,246	40,057	-1,811	252,770
1930	4,058	3,320	+738	16,185	1950	37,045	40,156	-3,111	257,357
1931	3,116	3,578	-462	16,801	1951	48,143	44,633	+3,510	255,222
1932	1,924	4,659	-2,735	19,487	1952	62,128	66,145	-4,017	259,105
1933	2,022	4,623	-2,602	22,539	1953(est.)	68,697	74,593	-5,896	233,900
1934	3,065	6,694	-3,630	27,053	1954(est.)	68,665	78,587	-9,922	273,800

¹ Estimated on basis of present tax laws.

BUDGET EXPENDITURES BY FUNCTION

Fiscal years 1945 through 1954

[In millions of dollars]

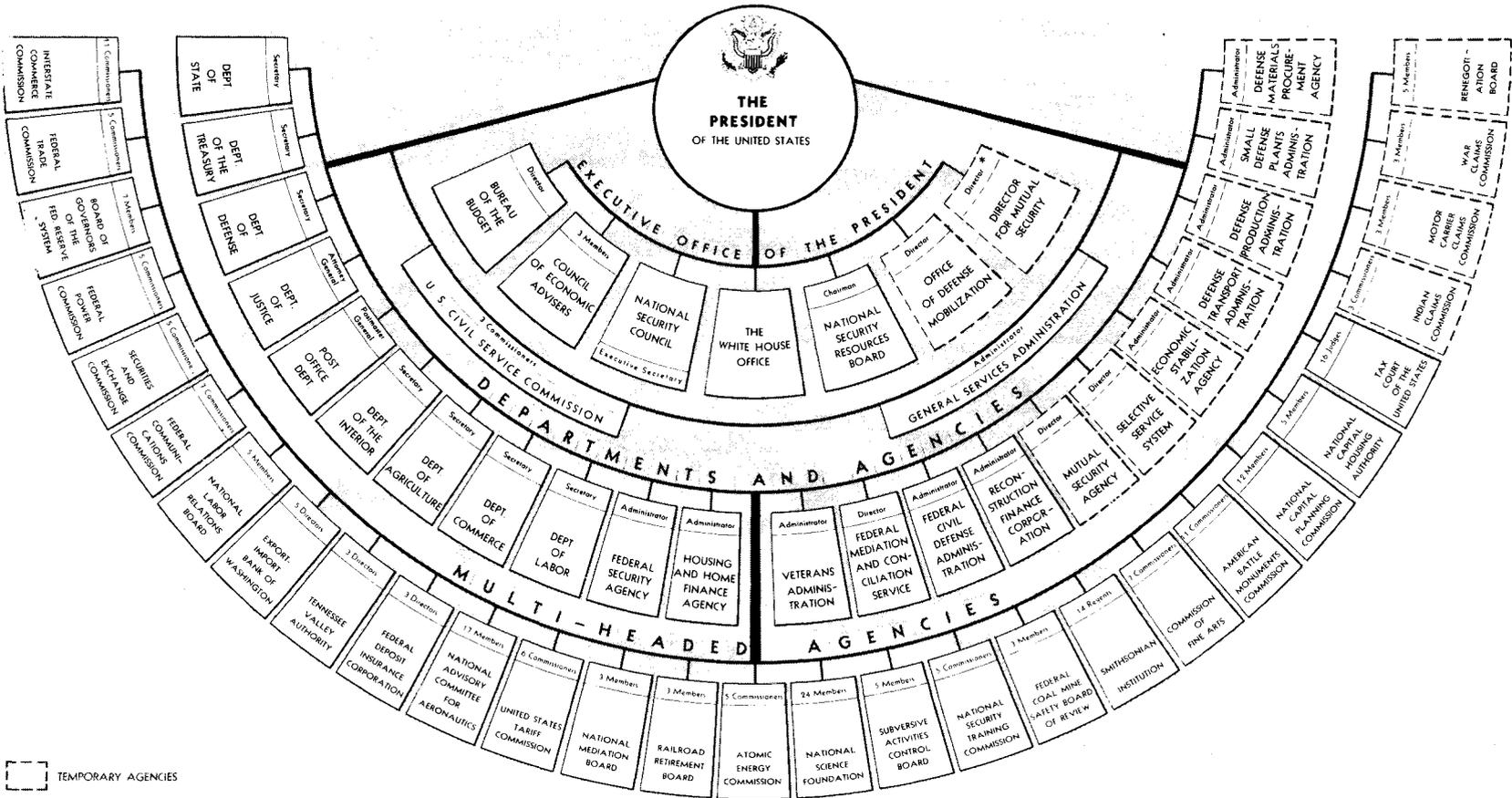
Function	1945	1946	1947	1948	1949	1950	1951	1952	1953 (est.)	1954 (est.)
Military services ¹	84,570	45,134	14,316	10,963	11,915	12,281	20,462	39,727	44,380	46,296
International security and foreign relations ¹	677	1,463	6,541	4,781	6,459	4,805	4,727	5,268	6,035	7,861
Finance, commerce, and industry	236	9	112	132	127	213	176	241	458	275
Transportation and communication	3,364	786	546	1,213	1,600	1,703	1,685	1,923	2,056	2,016
Natural resources	247	254	628	1,113	1,536	1,624	2,051	2,948	3,370	4,097
Agriculture and agricultural resources	1,602	743	1,243	574	2,512	2,783	650	1,045	1,943	1,827
Labor	204	174	194	183	193	262	228	243	252	268
Housing and community development	² 193	² 199	348	82	282	262	602	735	757	509
Education and general research	158	85	66	65	75	123	115	171	272	288
Social services, welfare, and health	988	994	1,263	1,806	1,843	2,142	2,296	2,491	2,594	2,579
Veterans' services and benefits	2,096	4,416	7,381	6,654	6,726	6,647	5,342	4,863	4,546	4,564
General government	840	951	1,334	1,366	1,070	1,164	1,290	1,411	1,385	1,547
Interest	3,662	4,816	5,012	5,248	5,445	5,817	5,714	5,934	6,520	6,420
Reserve for contingencies									25	40
Total	98,451	59,626	38,983	34,179	39,785	39,826	45,338	67,000	74,593	78,587
Adjustment to daily Treasury statement	+252	+1,077	+305	-388	+272	+330	-705	-855		
Total Budget expenditures	98,703	60,703	39,289	33,791	40,057	40,156	44,633	66,145	74,593	78,587

¹ Military and economic aid to foreign countries, now classified under "International security and foreign relations," was included as "Military services" during the years 1941-47, when heavy expenditures for these purposes were being made under the Lend-Lease Act. On a gross basis (that is, without deducting reciprocal aid and postwar settlements), aid provided under the lend-lease program totaled more than 50 billion dollars during the years 1941-47, and reached a peak of about 16 billion dollars in 1944.

² Deduct, excess of repayments and collections over expenditures.

NOTE.—Detail may not add to totals because of rounding.

EXECUTIVE BRANCH OF THE GOVERNMENT



* Seves also in the Director of the Mutual Security Agency