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The FEDERAL

BUDGET in BRIEF



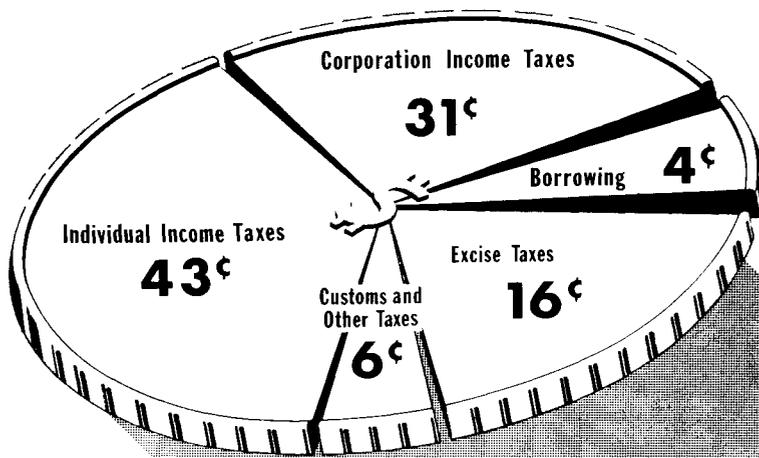
FISCAL YEAR
1955



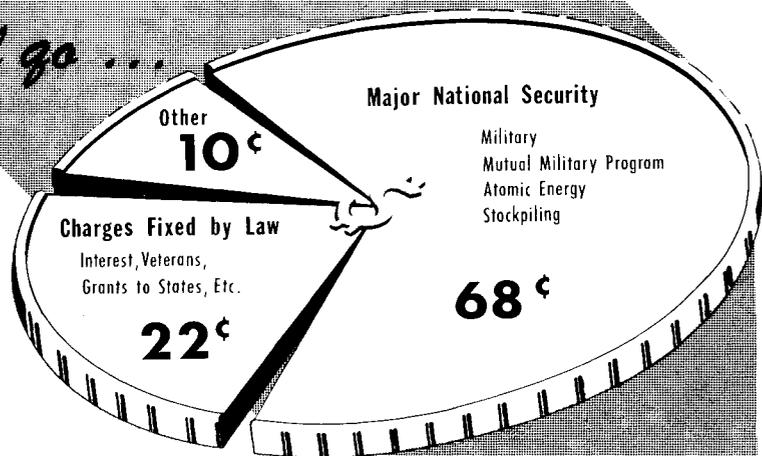
**EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET**

THE BUDGET DOLLAR

Where it comes from ...



Where it will go ...



Receipts Include New Tax Proposals

Fiscal Year 1955 Estimated

The FEDERAL

BUDGET in BRIEF



When I took office a year ago, I promised the Congress and the people that this administration would seek to chart a fiscal and economic policy which would reduce the planned deficits and bring the budget into balance.

I warned that this would not be easy. There still are heavy national security requirements. Substantial expenditures are by law relatively non-discretionary. Despite these inherent difficulties, we have made great progress.

Government must play a vital role in maintaining economic growth and stability. But I believe that our development, since the early days of the Republic, has been based on the fact that we left a great share of our national income to be used by a provident people with a will to venture. Their actions have stimulated the American genius for creative initiative and thus multiplied our productivity.

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

DWIGHT D. EISENHOWER.

From the Budget Message
January 21, 1954

FISCAL YEAR 1955
July 1, 1954–June 30, 1955

INTRODUCTION

The Budget of the United States is the financial expression of the President's program for the Government during the ensuing fiscal year—the year beginning July 1 and ending June 30. By law, it must be transmitted to the Congress each year within 15 days of the date Congress convenes.

The budget is a large, complex, official document. Therefore, many important facts about the budget have been assembled in more convenient form in this booklet.

This issue of *The Federal Budget in Brief* deals particularly with the budget for the fiscal year 1955 (the year beginning July 1, 1954, and ending June 30, 1955), which the President sent to the Congress on January 21, 1954. It presents estimates of the amount of money which will be received by the Government in the fiscal year 1955 under both existing and proposed tax laws, and the amount which it is expected will be spent to carry out present Government programs and new programs recommended to the Congress by the President. *The Budget in Brief* also provides other information designed to promote a better understanding of Federal financial transactions.

Certain clarifying changes in presentation were made in the 1955 budget. To permit comparison, corresponding figures for prior years were adjusted to conform. Hence some of the figures presented in this booklet for earlier years will differ from those shown in previous issues of the *Federal Budget in Brief*.

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 may be affected by later amendments and recommendations by the President, by congressional action on legislation or action on taxes and on appropriations, and also by changes in domestic or international conditions which influence tax yields and expenditures.

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The Federal Budget

FISCAL YEAR 1955 ESTIMATED

BILLIONS

Receipts include new tax proposals

RECEIPTS *The Government's Income*

Individual Income Taxes		<u>\$28.3</u>
Corporation Income Taxes		<u>\$19.9</u>
Excise Taxes		<u>\$10.2</u>
Customs and Other Receipts		<u>\$4.3</u>

Budget Receipts \$62.7

Budget Expenditures \$65.6

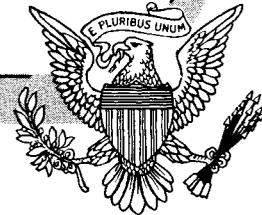
Budget Deficit \$2.9

EXPENDITURES *The Government's Spending*

National Security		<u>\$44.9</u>
Interest		<u>\$6.9</u>
Veterans		<u>\$4.2</u>
Agriculture		<u>\$2.4</u>
Social Security, Welfare and Health		<u>\$1.8</u>
Transportation and Communication		<u>\$1.4</u>
International		<u>\$1.2</u>
General Government		<u>\$1.2</u>
Natural Resources		<u>\$1.1</u>
Labor, Education, Commerce, and Housing		<u>\$0.5</u>

PART 1

Budget Summary



This section of The Federal Budget in Brief contains an overall description of the United States budget for the fiscal year 1955. It presents some of the issues involved in the 1955 budget and summarizes some of the important facts about the budget.

Summary of the 1955 Budget

In the fiscal year ending June 30, 1955, the Federal Government is expected to: (1) spend 65.6 billion dollars under existing and proposed legislation; (2) collect 62.7 billion dollars in taxes and other revenue, taking into account the President's new tax proposals; (3) come closer to a balanced budget than in any fiscal year since 1951. The estimated budget deficit is 2.9 billion dollars.

Budget expenditures.—The budget expenditures estimated for the fiscal year 1955 represent a reduction of 12.3 billion dollars from the amount recommended for 1954 in the budget document of January 9, 1953 (which was sent to Congress by the previous administration), a reduction of 5.3 billion dollars from the presently estimated expenditures for 1954, and a reduction of 8.4 billion dollars from actual expenditures in the fiscal year 1953.

In the budget message, the President emphasized that, within a smaller budget, appropriate provision is being made "for our national security and for our international obligations and we have been able to propose certain increases in Federal expenditures to advance our domestic well-being and to foster economic growth."

Budget receipts.—Estimated budget receipts of 62.7 billion dollars for the fiscal year 1955 are almost 5 billion dollars less than the present estimate for the fiscal year 1954. This decline results from lower tax rates. It takes into account the

elimination of the excess profits tax on corporations and the reduction in individual income taxes which went into effect on January 1, 1954. It also reflects the President's tax proposals to the Congress which are discussed on page 8.

Budget deficit.—The estimated budget deficit of 2.9 billion dollars for the fiscal year 1955 compares with an original estimate for 1954 of 9.9 billion dollars in the budget sent to the Congress on January 9, 1953. The present estimate of the budget deficit for 1954 is 3.3 billion dollars. In the fiscal year 1953, the actual deficit was 9.4 billion dollars.

The reductions effected in Government spending in the fiscal year 1954 were applied to reducing the large deficit originally estimated for that year. In the fiscal year 1955, most of the new savings in expenditures are being returned to taxpayers in the form of lower taxes.

New obligational authority.—The President recommended that Congress grant Government agencies the authority to incur 56.3 billion dollars of new obligations in the fiscal year 1955. This is 35.1 billion dollars less than the amount enacted for the fiscal year 1952, 23.9 billion dollars less than 1953, 15.5 billion dollars less than recommended for 1954 in the Budget sent to Congress on January 9, 1953, and 4.4 billion dollars below the amount presently estimated for 1954.

SUMMARY BUDGET INFORMATION

(Fiscal years. In billions)

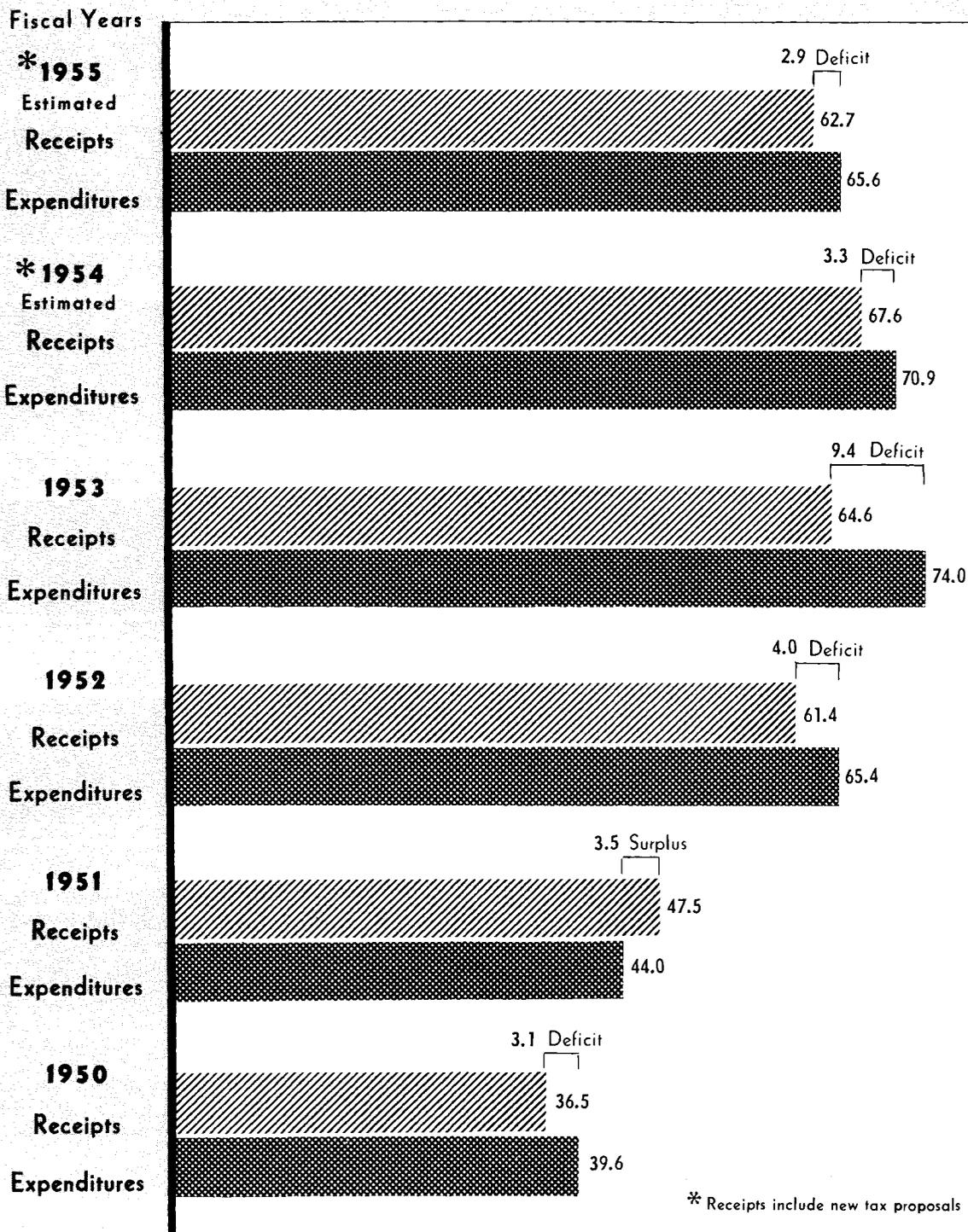
Description	1950 actual	1951 actual	1952 actual	1953 actual	1954 estimated ¹		1955 esti- mated
					Budget docu- ment	Current estimate	
Budget expenditures	\$39.6	\$44.0	\$65.4	\$74.0	\$77.9	\$70.9	\$65.6
Budget receipts	36.5	47.5	61.4	64.6	68.0	67.6	62.7
Budget deficit (–) or surplus (+)	–3.1	+3.5	–4.0	–9.4	–9.9	–3.3	–2.9
New authority to incur obligations	49.3	82.9	91.4	80.2	71.8	60.7	56.3

¹ References to 1954 are to the 1954 budget document of Jan. 9, 1953, as presented to the Congress, and to currently revised budget estimates.

Budget Receipts and Expenditures

SURPLUS OR DEFICIT

\$ BILLIONS



* Receipts include new tax proposals

Budget Receipts

Under the President's tax recommendations, budget receipts in the fiscal year 1955 are estimated at 62.7 billion dollars, compared with 67.6 billion dollars in the fiscal year 1954.

As of January 1, 1954, individual income taxes were lowered by an average of about 10 percent. The excess profits tax on corporations was also removed on that date. These tax reductions affect the budget for part of the fiscal year 1954 and for all of the fiscal year 1955. Tax reductions were justified only because of the progress made in reducing expenditures and improving the budgetary outlook.

The improved budget outlook also permitted the President to make some proposals for tax reform and reductions for millions of taxpayers which represent much needed improvements in the tax system. The budget message described 25 different tax proposals which would make the tax system fairer to taxpayers and encourage initiative and investment, resulting in increased production, more and better jobs, and economic growth.

The President's proposals for tax reform cover improvements in the tax treatment of: (1) children earning over 600 dollars; (2) single people who are heads of families; (3) foster children; (4) expenses of child care; (5) medical expenses; (6) medical insurance and sick benefits for employees; (7) pension

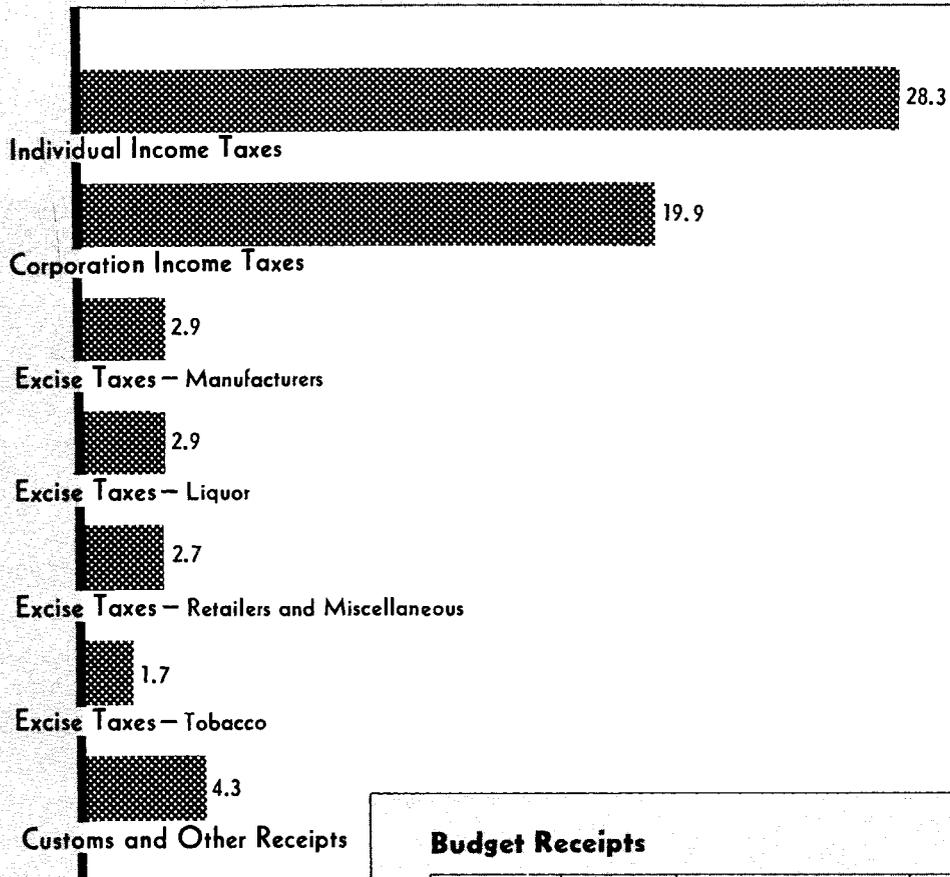
and profit-sharing plans for employees; (8) annuities; (9) double taxation of dividends; (10) estimated returns; (11) filing date for tax returns; (12) depreciation of buildings, machinery, and equipment; (13) research and development expenses; (14) accumulation of earnings; (15) partnerships; (16) certain corporations and partnerships by granting them options as to the form of organization under which they may be taxed; (17) corporate reorganizations; (18) loss carryback; (19) soil conservation expenses; (20) accounting definitions; (21) multiple surtax exemptions, consolidated returns, and intercorporate dividends; (22) business income from foreign sources; (23) payment dates of corporation income tax. He also recommended (24) simplification of administrative features of the tax laws and (25) a general simplification and improvement in other complicated tax provisions.

In the budget message, the President stated that while the budgetary outlook permits the above tax revisions, most of which involve a loss of tax revenue, it does not permit further general reduction of tax rates at this time. Therefore he recommended, "that the reductions in the general corporate income tax be deferred for 1 year; that the excise tax rates, scheduled to be reduced on April 1, including those on liquor, tobacco, automobiles, and gasoline,

Budget Receipts

FISCAL YEAR 1955 ESTIMATED

\$ BILLIONS



be continued at present rates; and that any adjustments in the other excise taxes be such as to maintain the total yield which we are now receiving from this source."

He also said, "I am anxious to have taxes reduced as fast as that can be done without building up inflationary deficits. It is the determined purpose of this administration to make further reductions in taxes as rapidly as justified by prospective revenues and reductions in expenditures. The objective will be to return to the people, to spend for themselves and in their own way, the largest possible share of the money that the Government has been spending for them."

In the fiscal year 1955 income taxes will continue to

Budget Receipts

\$ Billions

Fiscal Year	Total	Income Taxes		Excises	Customs and Other
		Individuals	Corporations		
1955 Est.	62.7	28.3	19.9	10.2	4.3
1954 Est.	67.6	30.9	22.4	10.2	4.1
1953	64.6	29.8	21.2	9.9	3.7
1952	61.4	27.9	21.2	8.9	3.4
1951	47.5	21.7	14.1	8.6	3.1
1950	36.5	15.7	10.4	7.5	2.9

be the major source of Federal revenue. Income taxes on individuals will account for an estimated 45 percent of budget receipts; corporation income taxes for 32 percent. An additional 16 percent will be raised through excise taxes on liquor, gasoline, tobacco, and other products and services.

Budget Expenditures

Budget expenditures for the fiscal year 1955 are estimated at 65.6 billion dollars. An estimated 44.9 billion dollars, over two-thirds of the total, will be spent for major national security programs. This amount will be mainly for the purchase of military equipment and weapons, for the pay and allowances of military personnel, for the operation and maintenance of the military establishment, for the mutual military program with our allies, and for the development of atomic energy. It also will provide for air bases and other military construction, for research and development of new and improved weapons, for the stockpiling of strategic and critical materials, and for strengthening the reserve forces and National Guard units.

Expenditures for major national security programs in the fiscal year 1955 are estimated to be 5.4 billion dollars less than in 1953, 9.8 billion dollars below the original estimate for 1954, and 3.9 billion dollars below the currently revised estimate for 1954. In discussing these reductions, the President said that they represent the largest single element of reduction from the current year's level of expenditures, but he emphasized that "these savings result from revisions in programs, from shifts in emphasis, from better balanced pro-

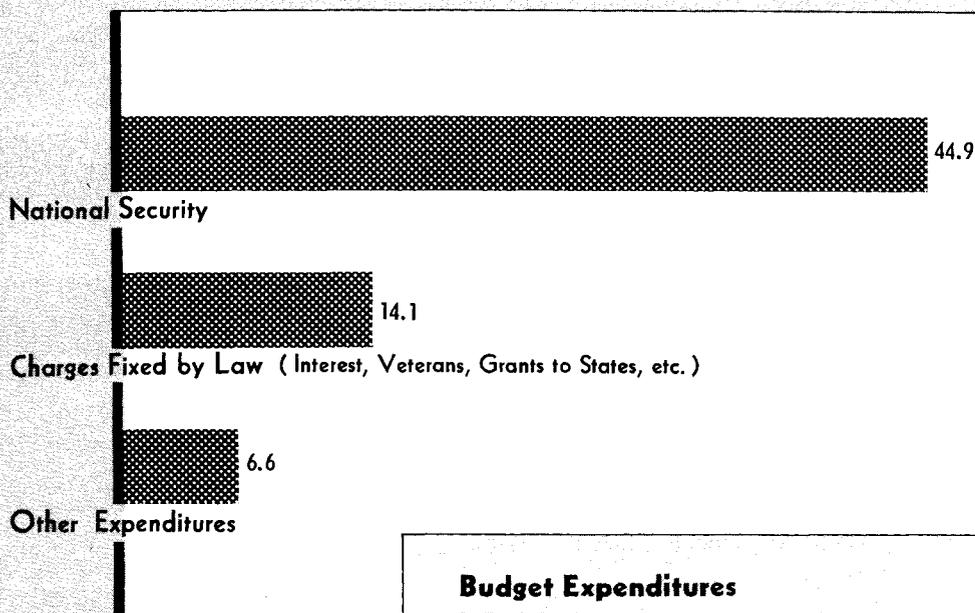
urement, and from improved management and operations. Our security is being strengthened—not weakened. Further, while expenditures for some programs in this category will be reduced, others will be increased." Expenditures in the fiscal year 1955 for atomic energy, for the mutual military program, and for continental defense will be greater than ever before. Expenditures for airpower will be greater than in any year since the end of World War II.

The budget also provides for 14.1 billion dollars, or 22 percent of total budget expenditures, for programs which are relatively nondiscretionary in that, once they are established by law, the amounts of expenditures are determined largely by factors outside the annual budgetary process. For example, expenditures for grants to States for many purposes depend upon the extent to which individual States take advantage of Federal grant-in-aid programs; those for veterans' pensions depend upon the number of qualified veteran applicants; interest payments on the public debt depend upon the amount of debt outstanding and the current rate of interest; farm price supports depend upon the size of crops and the demand for supported commodities.

Budget Expenditures

FISCAL YEAR 1955 ESTIMATED

\$ BILLIONS



All other budget expenditures in the fiscal year 1955 are estimated at 6.6 billion dollars. The activities in this category cover, in number, a large majority of the appropriation items in the budget, although the amount involved is only one-tenth of total budget expenditures. Some of these activities are closely related to national security, such as the international programs for economic development, the Selective Service System, civil defense, and the expansion of defense production. The bulk of this category, however, represents the cost of the day-to-day operations of the Federal Government, such as law enforcement, tax collection, the various regulatory agencies, direct civil public works, and the provision and administration of other benefits and services to the public.

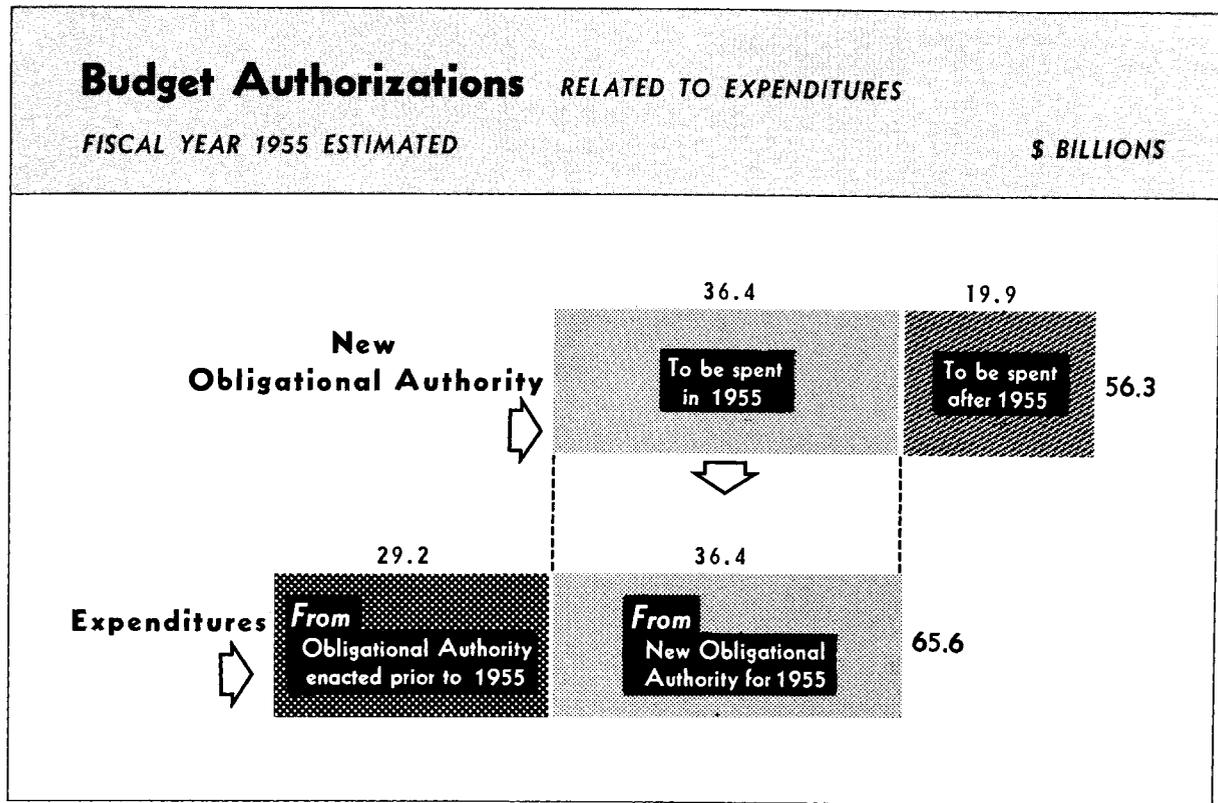
The record of budget expenditures in these 3 major categories since the Korean aggression in June 1950 shows that expenditures for national security had risen markedly and are now being

Budget Expenditures

\$ Billions

Fiscal Year	Total	National Security	Charges fixed by Law	Other
1955 Est.	65.6	44.9	14.1	6.6
1954 Est.	70.9	48.7	14.1	8.1
1953	74.0	50.3	14.9	8.8
1952	65.4	43.8	12.3	9.3
1951	44.0	22.3	12.1	9.6
1950	39.6	13.0	15.6	11.0

reduced; those for relatively uncontrollable major programs have fluctuated within rather narrow limits; Government spending for all other activities has been steadily declining. Expenditures for this last category of activities, which contain elements that are more controllable through the budget process, are being reduced in the fiscal year 1955 by an estimated 2.2 billion dollars below the fiscal year 1953 and 1.5 billion dollars below 1954. The reduction since 1953 represents a decrease of about 25 percent in the cost of these many day-to-day operations of the Government.



Under the Constitution, Federal agencies cannot spend money until the Congress authorizes them to do so.

Authorizations by Congress may take a number of forms. The most common is an "appropriation," which (1) permits a Government agency to employ personnel, purchase supplies and equipment, award contracts, or to incur other obligations, and (2) authorizes the agency to pay the bills arising from these obligations.

The authority to incur financial obligations which Congress grants in any fiscal year, both in the form of new appropriations and other types of authorizations, is known as "new obligational authority."

The amount of new obligational authority granted for any year is usually not the same as the expenditures for that year. Since it takes time to place orders for goods and services, there is an interval between the time Congress grants an authorization and the time a Government agency incurs an obligation. More time passes before the

bills are actually paid, since it takes time for goods and services to be produced and delivered. In some cases, such as the payment of employees' wages and salaries, the time lag is very short; in others, such as the production and delivery of complex military equipment, it may be a matter of years before final payment is made. Thus, the expenditures made in any one year come in part from new obligational authority granted for that year and in part from authority granted for prior years.

In the fiscal year 1955, 45 percent of the 65.6 billion dollars of estimated expenditures will be from obligational authority which was granted in prior years. The remaining 55 percent is estimated to be from the authorizations recommended for the fiscal year 1955.

The President recommended enactment of 56.3 billion dollars of authority to incur new obligations in 1955. Of this amount, 36.4 billion dollars is estimated to be spent in 1955 and 19.9 billion dollars in later years.

Unexpended Balances OF APPROPRIATIONS

(IN BILLIONS)

Fiscal year	Amount brought forward into the year	Amount carried over to next year
1950.....	\$11.5	\$14.1
1951.....	14.1	50.3
1952.....	50.3	68.8
1953.....	68.8	78.7
1954 (estimated).....	78.7	66.5
1955 (estimated).....	66.5	54.1

In the first 3 fiscal years after the start of hostilities in Korea (1951 through 1953), the new obligational authority enacted by the Congress exceeded by far the budget expenditures for each year. It also greatly exceeded the revenues then being provided by the tax system.

The balances of appropriations that were unspent at the end of the year, but still committed for later expenditure, rose from 14.1 billion dollars at the end of the fiscal year 1950 to 78.7 billion dollars at the end of the fiscal year 1953. These balances represent spending commitments which have to be paid from tax revenues of later years.

Thus, in the fiscal year 1954, expenditures could be made from the 78.7 billion dollars of unspent balances of appropriations granted in prior years, as well as from the new appropriations enacted for that year. The unexpended balances are largely committed to buy military equipment which has been ordered.

In the fiscal years 1954 and 1955, payments for military equipment ordered in earlier years will exceed the new equipment placed on order. Unexpended balances of appropriations will start declining, and are estimated to reach 54.1 billion dollars at the end of the fiscal year 1955. This decline of 24.6 billion dollars in unexpended balances since the beginning of the fiscal year 1954 results from estimated reductions in appropriations which are much greater in amount than the reductions in budget expenditures.

In the budget message, the President commented on this trend: "The lower levels of new obligational authority and accumulated unexpended balances for 1954 and 1955 lead to less expenditures in these and in future years. In the revision of the 1954 budget and in the 1955 budget the trend clearly is toward a balanced budget."

New Obligational Authority and Budget Expenditures, by Agency

In part II of this booklet, the activities of the Federal Government are grouped and discussed in terms of their major purpose or function. However, appropriations and other authorizations for each activity are made to the Government agency responsible by law for carrying out that activity.

In acting on the budget, the appropriation committees and the Congress review in detail, agency by agency, the activities of the Federal Government. Therefore, the budget document sets forth separately, for each agency, the details of the President's budget proposals. The recommended appropriations for each agency are shown separately, supported by schedules reconciling the amount of the appropriation, the obligations estimated to be incurred, and the estimated expenditures. This grouping of budget proposals by agencies is not only required for congressional action, but is also essential for those who are interested in following the progress of the budget proposals in the Congress.

By far the largest agency in the Federal Government is the Department of Defense. Of the 56.3 billion dollars of total new obligatory authority recommended by the President for the fiscal year 1955, it is estimated that 33.5 billion dollars will be required to carry out the military functions of the Department of Defense and the mutual military program with our allies. Budget expenditures for

these two activities in 1955 are estimated at 41.9 billion dollars, or 64 percent of total estimated expenditures.

New obligatory authority recommended for the Treasury Department in 1955 amounts to 7.5 billion dollars. Budget expenditures are estimated at 7.4 billion dollars, 11 percent of the total. All except 570 million dollars of the Treasury Department's expenditures in 1955 will be for interest payments.

The President recommended in the 1955 budget that 3.9 billion dollars in new obligatory authority be granted to the Veterans Administration, and estimated that the Veterans Administration would spend 4.2 billion dollars in 1955. Most of this money will be for compensation, pensions, and other benefit payments to our 20 million veterans.

For the Department of Agriculture, the budget proposes that 2.9 billion dollars of new obligatory authority be enacted for the fiscal year 1955. Budget expenditures are estimated at 2.5 billion dollars, three-fifths of which will be for agricultural price supports and related programs.

The budget also contains a recommendation of 1.4 billion dollars in new obligatory authority for the Atomic Energy Commission. Budget expenditures in 1955 are estimated at 2.4 billion dollars, mostly for the production of fissionable materials and for the construction of new plant and equipment.

New Obligational Authority and Budget Expenditures, by Agency

(IN MILLIONS)

Agency	Fiscal year 1955	
	Recommended new obligational authority	Estimated budget expenditures
Department of Defense:		
Military functions	\$30,993	\$37,575
Mutual military program	2,500	4,275
Civil functions	580	540
Treasury Department	7,471	7,445
Veterans Administration	3,893	4,165
Department of Agriculture	2,935	2,497
Atomic Energy Commission	1,366	2,425
Department of Health, Education, and Welfare . . .	1,806	1,787
Department of Commerce	973	979
General Services Administration	155	751
Department of the Interior	488	528
Department of Labor	388	361
Department of State	269	214
Department of Justice	178	176
Post Office Department (deficiency)	89	89
Housing and Home Finance Agency	85	- 385
Other	2,114	2,148
Total	¹ 56,283	¹ 65,570

¹ Estimated expenditures exceed recommended new obligational authority because of appropriations enacted in prior years.

New obligational authority recommended for the Department of Health, Education, and Welfare in the fiscal year 1955 totals 1.8 billion dollars. Budget expenditures are also estimated at 1.8 billion dollars, of which 1.3 billion dollars is estimated to be for grants to the States for public assistance.

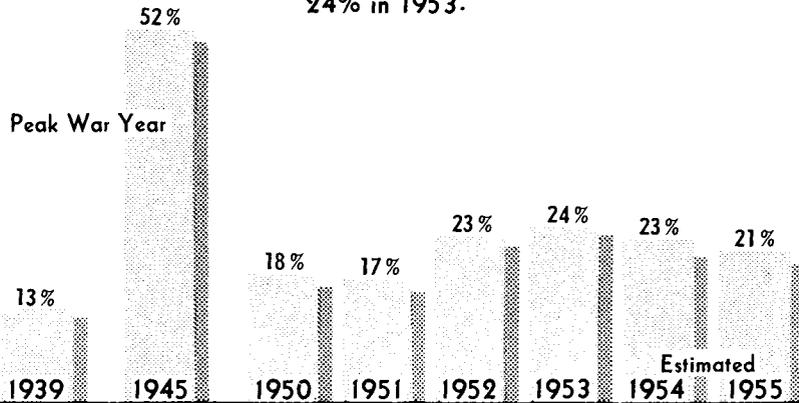
For all the other agencies of the Federal Govern-

ment, including the civil functions of the Department of Defense, the President recommended 5.3 billion dollars in new obligational authority, less than 10 percent of the total of 56.3 billion dollars recommended for 1955. Budget expenditures for these agencies are estimated at 5.4 billion dollars in 1955, or 8 percent of all budget expenditures.

Budget Expenditures

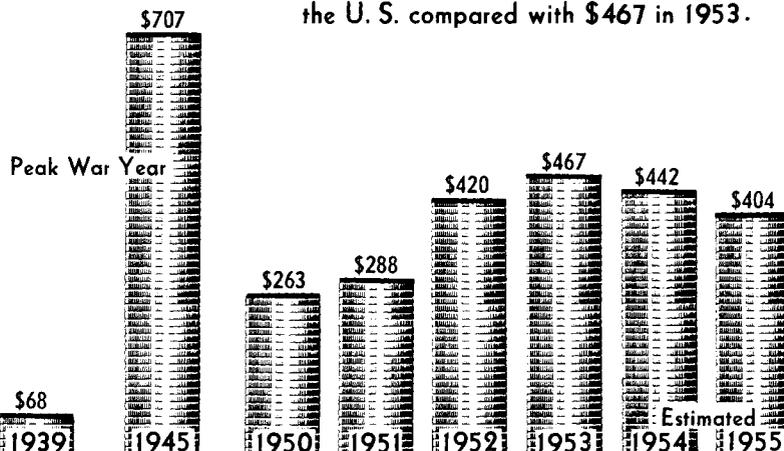
as a Percentage of National Income

... Budget expenditures in 1955 are estimated at 21% of National Income, compared with 24% in 1953.



Per Capita

... Budget expenditures in 1955 are estimated at \$404 for each man, woman, and child in the U. S. compared with \$467 in 1953.



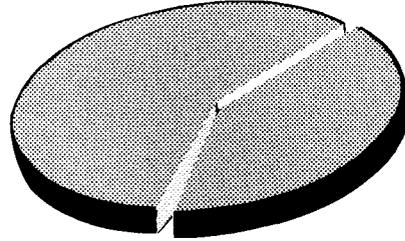
PART 2

Budget Expenditures *BY FUNCTION*



The section which follows provides additional details about the budget expenditures estimated for the fiscal year 1955. It describes, by major program, the Government activities covered by the 1955 budget, and shows how much each activity is expected to cost in 1955.

... 68.4% of the 1955 Budget
or \$44,860 Million



National Security

Between the fiscal years 1954 and 1955, budget expenditures for major national security programs are estimated to be reduced by 3.9 billion dollars. The reduction between 1953 and 1955 is even greater, 5.4 billion dollars.

These savings in annual expenditures reflect a dynamic long-range defense plan recommended by the Joint Chiefs of Staff and approved by the National Security Council and the President. They also result from economies in administration and management, from the cessation of hostilities in Korea, and from decreases in procurement made possible by the improved supplies and materiel position.

In the new defense plan of the Joint Chiefs of Staff, emphasis is being placed on providing a strong military position which can be maintained over an extended period of uneasy peace. Thus, the budget provides for the creation, maintenance, and full exploitation of modern airpower. At the same time, it includes provision for an improved system of continental defense against possible enemy attack.

In describing the new plan, the President said, "With the shift in emphasis to the full exploitation of airpower and modern weapons, we are in a position to support strong national security programs over an indefinite period with less of a drain on our manpower, material, and financial resources."

Procurement of military equipment for our own forces accounts for the largest element of national security expenditures. Almost one-third of the 44.9 billion dollars of estimated expenditures for national security in the fiscal year 1955 will be for aircraft,

ships, tanks, weapons, ammunition, and other major items for United States forces.

The pay and support of United States military personnel accounts for nearly one-fourth of national security expenditures. These expenditures will support an average of 3.2 million service men and women during the fiscal year 1955.

Operation and maintenance of military equipment and facilities will require nearly 20 percent of the national security expenditures. These expenditures cover the cost of operating our Army and Marine divisions, naval combat ships and auxiliary craft, aircraft of all services, and the worldwide system of shore installations, including spare parts, utilities, civilian payrolls, fuel, and other supplies.

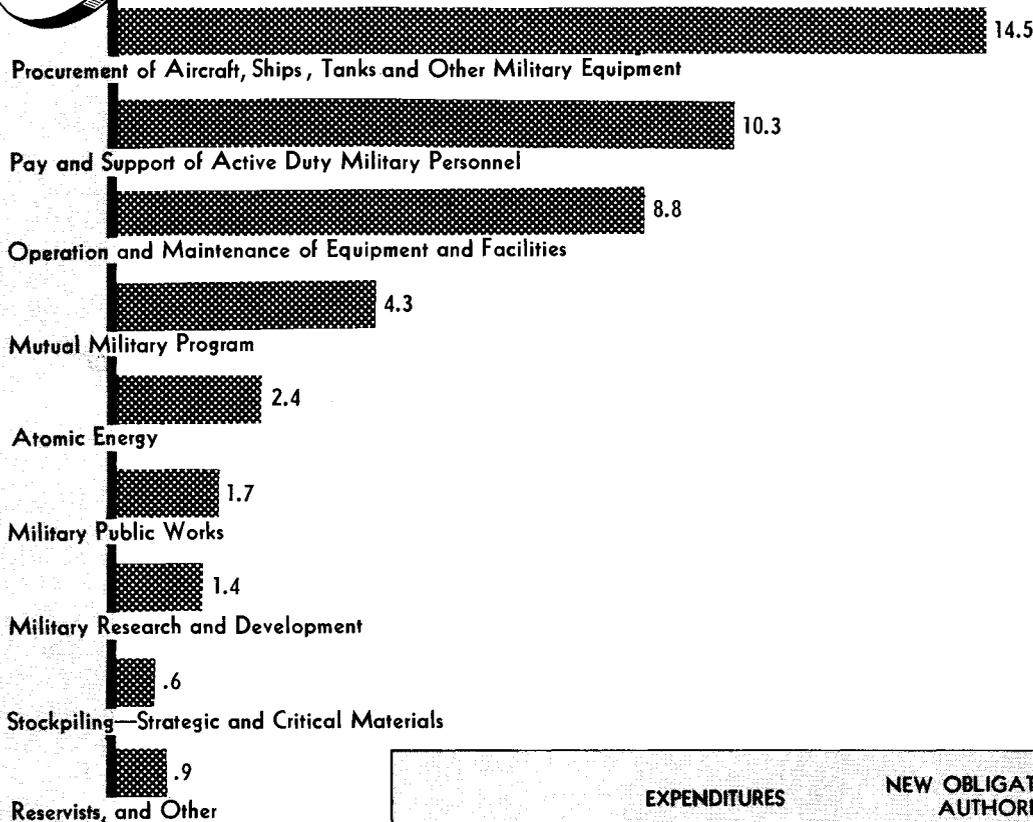
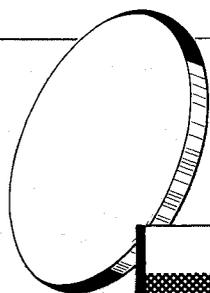
Military equipment and training for our allies of the free world will account for nearly 10 percent of the national security expenditures estimated for the fiscal year 1955. The military supplies being furnished under the mutual military program are an important help to our allies in their equipping and training an equivalent of 175 army divisions, about 220 air force squadrons, nearly 1,500 naval aircraft, over 440 naval vessels, and related combat and logistic units to back up these forces. These forces constitute a vital part of the military strength of the free world.

Expenditures for atomic energy in the fiscal year 1955 are estimated at 2.4 billion dollars, the highest in history. They will provide for the operation of atomic energy plants, including additional plants now being built, to produce fissionable materials and atomic weapons, for the procurement of large quantities of uranium ores and concentrates, and

National Security

BUDGET EXPENDITURES IN 1955

\$ BILLIONS



for the construction of more production capacity. Research and development, including the development of atomic power for peacetime uses, will be vigorously pursued.

Most of the expenditures for military public works in the fiscal year 1955 will be for airbases and related construction to support the increase in airpower recommended in the budget.

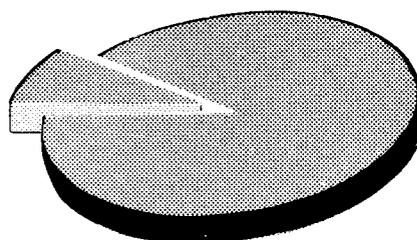
Expenditures for stockpiling strategic and critical materials are decreasing as the planned stockpile objectives for some materials near completion. By June 30, 1955, 5.5 billion dollars in materials will be in inventory out of a total objective of 7.2 billion dollars. At that time, about 50 of

the 73 stockpile material objectives will be virtually completed.

Other major national security expenditures are for research and development and for strengthening and improving the reserve forces and National Guard.

Fiscal Year	EXPENDITURES		NEW OBLIGATIONAL AUTHORITY	
	\$ Billions	% of Budget	\$ Billions	% of Budget
1955 Est.	44.9	68.4	34.9	61.9
1954 Est.	48.7	68.7	39.3	64.8
1953	50.3	68.0	57.2	71.3
1952	43.8	67.0	67.5	73.9
1951	22.3	50.6	57.8	69.7
1950	13.0	32.8	17.0	34.4

... 6.4% of the 1955 Budget
or \$4,192 Million



Veterans Services and Benefits

At present there are more than 20 million veterans, who with their families constitute 40 percent of the population. Since 1940 the number of veterans has increased nearly fivefold, and it is still increasing.

Over 300 laws provide a wide variety of special veterans' services and benefits. These range from hospital care and readjustment assistance to service pensions and burial benefits. They are provided to veterans and dependents of veterans who died or were disabled in the service, and also to veterans without service-incurred injuries and to their families.

Expenditures for special veterans' programs in the fiscal year 1955, nearly all of which are made by the Veterans Administration, are estimated at 4.2 billion dollars, about the same total as in 1954. Such expenditures have declined sharply from the peak reached after World War II.

The 2.5 billion dollars of expenditures estimated for compensation and pensions in the fiscal year 1955 will provide benefits to an average of 3.3 million individuals or families. About 1.8 billion dollars of this amount will be paid to 2 million veterans disabled in service and to 385,000 families of veterans who died from service-connected causes. The remaining 700 million dollars will be spent largely

for nonservice-connected pension payments to more than 900,000 veterans or families of veterans.

Since 1940 expenditures for compensation and pensions have increased nearly sixfold. On the basis of present laws and veteran population, these expenditures are likely to double their present annual amount within the next 3 or 4 decades.

The expenditures of 754 million dollars in 1955 for hospitals and medical care include 694 million dollars for current operations and 60 million dollars for the construction and improvement of veterans' hospitals. The amount for current expenses will provide care for an average of 110,200 patients in Veterans Administration and contract hospitals, and 25,700 members in Veterans Administration and State domiciliary facilities. To carry on these programs the Veterans Administration will employ an average of 136,000 doctors, nurses, and other personnel, 3,000 more than in 1954.

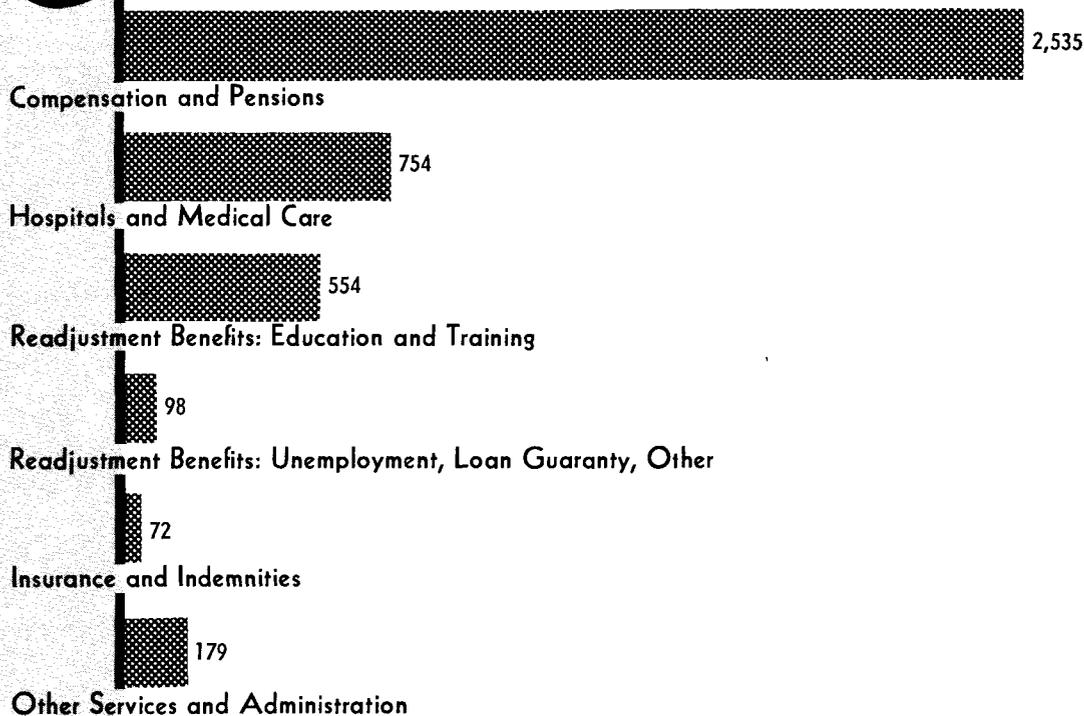
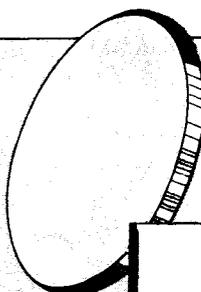
Average enrollment in school, job, and farm education and training courses in the fiscal year 1955 is estimated at 537,000 veterans. The proportion of veterans with Korean service is estimated to increase to four-fifths of all veterans enrolled in the fiscal year 1955.

The budget also provides for unemployment

Veterans Services and Benefits

BUDGET EXPENDITURES IN 1955

\$ MILLIONS



allowances for veterans who served during the Korean conflict. These unemployment payments are rising as the number of eligible veterans increases.

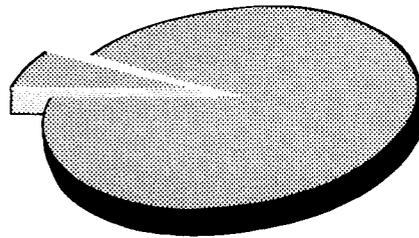
During the fiscal year 1955, it is expected that Government-guaranteed loans for homes, farms, and businesses will be made to 335,000 eligible veterans. Estimated expenditures for this loan-guaranty program arise from defaulted loans.

While expenditures for veterans' life insurance are declining, payments under the Servicemen's Indemnity Act of 1951 are increasing sharply. Under this program, payments of \$92.90 a month are made for 10 years to the family of each serviceman who dies on duty or within 120 days after separation from service.

Fiscal Year	EXPENDITURES		NEW OBLIGATIONAL AUTHORITY	
	\$ Millions	% of Budget	\$ Millions	% of Budget
1955 Est.	4,192	6.4	3,959	7.0
1954 Est.	4,160	5.9	4,229	7.0
1953	4,298	5.8	4,132	5.1
1952	4,863	7.4	4,391	4.8
1951	5,342	12.1	5,679	6.8
1950	6,647	16.8	6,625	13.5

In the fiscal year 1955, expenditures of 179 million dollars are estimated for other services and administration, 14 million dollars less than in 1954. Improved performance, organizational changes, and declining workloads in some programs permit expenditures for general administration to be reduced.

... 1.9% of the 1955 Budget
or \$1,250 Million



International Affairs and Finance

Budget expenditures for international affairs and finance cover the programs for economic and technical development abroad, the conduct of our foreign affairs, and the program for foreign information and exchange of persons. The mutual military program, which is closely related to these programs, is shown as a part of the national security program.

Over 80 percent of the estimated expenditures for international affairs and finance in the fiscal year 1955 will be for aiding the economic and technical development of friendly nations. This program is designed to enhance our own security by assisting such nations in their economic development and in obtaining the economic strength needed to support a military effort sufficient to deter would-be aggressors. The goods, services, and technical skills supplied under this program help friendly countries to expand their production, improve their living standards and increase their political freedom, and contribute to an expansion of world trade.

With the improvement in economic conditions which has occurred in Europe in the past 2 years and with the high level of business activity and employment that is expected to continue in the

future, it has been possible in the 1955 budget to reduce the expenditures estimated for economic and technical programs.

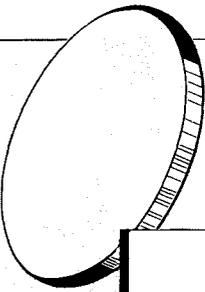
Capital investment and improved technical skills are critically short, particularly in the non-European areas of the world. Some assistance is required from the United States to make possible in these countries the military effort and the economic progress necessary for their political stability and for their and our security. In the 1955 budget, the President recommended funds for assisting in the rehabilitation of the war devastated areas of Korea. He also recommended economic and technical assistance for friendly nations in Latin America, the Near East, and the Far East. In addition, the budget provides funds for the international programs of mutual assistance carried on by the United Nations.

To complement the general program of economic and technical development, the President said, in the budget message, that he planned to ask the Congress for authority to use a part of our accumulated surpluses of agricultural commodities

International Affairs and Finance

BUDGET EXPENDITURES IN 1955

\$ MILLIONS



Economic and Technical Development

1,028

Conduct of Foreign Affairs

125

Foreign Information and Exchange Activities

97

to help strengthen the economies of friendly countries and otherwise to contribute to the accomplishment of our foreign policy objectives. He recommended an appropriation of 300 million dollars for the fiscal year 1955 for this purpose.

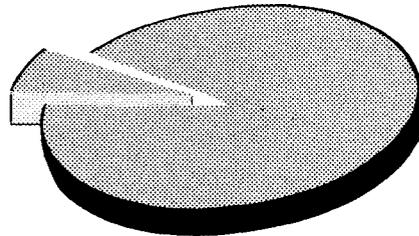
Expenditures for the conduct of foreign affairs during the fiscal year 1955 are estimated at 125 million dollars. These expenditures are primarily for the activities of the Department of State in developing and coordinating our foreign policy, in representing our national interests through 273 diplomatic missions and consular offices abroad, and in participating in the United Nations and other international organizations.

The foreign information and exchange of persons programs of the Government are designed to explain clearly to the peoples of other nations the objectives and policies of the United States. The United States Information Agency will reach 77

Fiscal Year	EXPENDITURES		NEW OBLIGATIONAL AUTHORITY	
	\$ Millions	% of Budget	\$ Millions	% of Budget
1955 Est.	1,250	1.9	1,547	2.7
1954 Est.	1,779	2.5	1,207	2.0
1953	2,216	3.0	2,149	2.7
1952	2,826	4.3	3,529	3.9
1951	3,795	8.6	3,063	3.7
1950	4,674	11.8	5,454	11.1

free countries through radio, press, motion pictures, or information centers, and will reach 10 Iron Curtain countries through radio broadcasts. It is believed that if these peoples know that our policies and objectives will advance their legitimate aspirations for freedom, progress, and peace, they will join with us in the common effort to achieve our mutual goals. The 1955 budget also provides for the exchange of students and other persons so as to improve understanding between Americans and citizens of other countries.

... 2.8% of the 1955 Budget
or \$1,807 Million



Social Security, Welfare, and Health

In the fiscal year 1955, grants to the States for public assistance amount to 1.3 billion dollars of the estimated budget expenditures of 1.8 billion dollars for all social security, welfare, and health programs. These grants, in combination with State and local funds, are used to pay benefits to approximately 5 million people in need—most of them aged persons or dependent children.

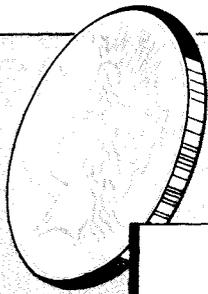
The public assistance program is different from old-age and survivors insurance, which is financed by employer and employee payroll contributions. The old-age and survivors insurance system operates through a trust fund, and, like other funds held in trust by the Government, is not included in the budget totals. About 6 million individuals—retired persons and the widows and orphans of deceased workers—receive benefits from this insurance system.

To strengthen the social security system and reduce the need for public assistance grants, the President recommended extension of the coverage of old-age and survivors insurance to an additional 10 million workers and their families. He also proposed other changes to improve this program, and to bring about a gradual reduction in public assistance grants as the necessity for them diminishes.

Expenditures for public health include grants-in-aid to State governments and local communities for hospital construction, general health services, maternal and child health, and the control of certain specific diseases, such as tuberculosis, cancer, mental illness, and heart ailments. Federal assistance to medical research and training, as well as the provision of research laboratories and equipment, will make possible an extensive attack on prevalent chronic illnesses and diseases, such as cancer, heart trouble, rheumatism, arthritis, and neurological disorders.

The 1955 budget also provides for beginning a new program recommended by the President to help our citizens obtain adequate medical and hospital services. This new program would establish a limited Federal reinsurance service for private health insurance plans to encourage broader health protection for more families. It would also broaden the present Federal grant-in-aid program for hospital construction to stimulate provision of diagnostic and treatment centers, rehabilitation facilities, nursing homes, and additional chronic disease hospitals.

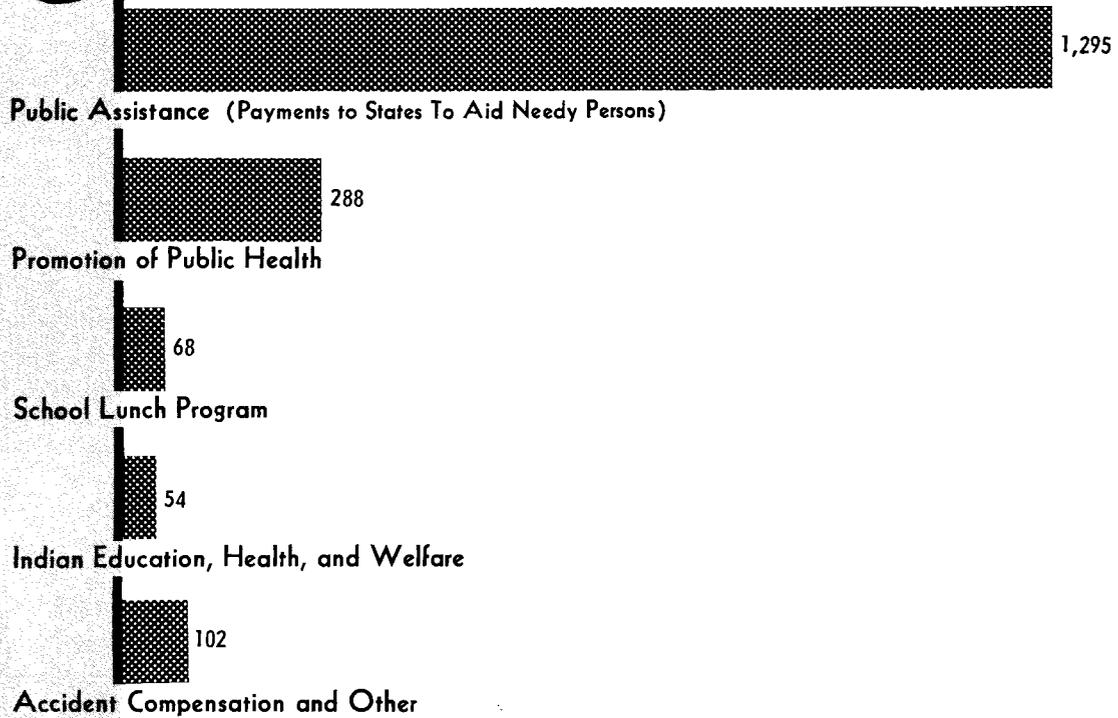
The school lunch program, which is carried out through Federal grants to the States, provides low-cost lunches for 9.5 million school children



Social Security, Welfare, and Health

BUDGET EXPENDITURES IN 1955

\$ MILLIONS



throughout the country. Federal contributions of surplus agricultural commodities are made to the program by the Department of Agriculture. Total Federal aid for this program, including the surplus foods distributed as well as the 68 million dollars of cash payments, is estimated at 218 million dollars in 1955, 12 million more than in 1954.

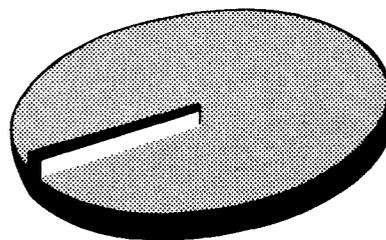
Federal responsibilities toward the 400,000 native Indians include the provision of educational opportunities, and the maintenance of basic health and welfare activities.

Other expenditures for social security, welfare, and health are for such varied activities as accident compensation for Government employees, the operation of the Federal prisons and probation

Fiscal Year	EXPENDITURES		NEW OBLIGATIONAL AUTHORITY	
	\$ Millions	% of Budget	\$ Millions	% of Budget
1955 Est.	1,807	2.8	1,857	3.3
1954 Est.	1,947	2.7	1,919	3.2
1953	1,910	2.6	1,886	2.3
1952	1,756	2.7	1,688	1.8
1951	1,721	3.9	1,660	2.0
1950	1,592	4.0	1,681	3.4

system, and grants to States for the rehabilitation of physically handicapped persons. The budget provides for the President's proposed expansion of the program for rehabilitating the physically handicapped so that a larger number of disabled persons may be restored to productive lives.

... - 0.4% of the 1955 Budget
or \$-277 Million



Housing and Community Development

Most of the Government's programs for housing and community development involve both expenditures and receipts. In the fiscal year 1955, gross expenditures are estimated at 1.9 billion dollars. Receipts, mostly from repayments of loans and insurance premiums, are estimated to exceed these expenditures by 277 million dollars. This compares with net expenditures of 57 million dollars in 1954 and of 549 million dollars in 1953.

The President has recommended broadening of the slum clearance program to include renewal of rundown houses and neighborhoods; more liberal mortgage insurance to encourage private investment in lower-income housing and in rehabilitation of existing dwellings; and greater private participation in the secondary home mortgage market.

The Public Housing Administration under present law makes loans and grants to local housing authorities to build low-rent public housing units. Until the effectiveness of his new mortgage insurance proposals can be tested, the President recom-

mended that these local agencies be authorized to build 35,000 new units a year for 4 years. Receipts will exceed new expenditures by an estimated 234 million dollars, chiefly because of repayments by local agencies of earlier Federal advances.

The Federal National Mortgage Association buys and sells Government insured or guaranteed mortgages to help provide funds where sufficient private financing cannot be obtained. During the fiscal year 1955 most of the mortgages purchased will finance housing construction in defense areas. Receipts from sale of mortgages owned by the Association and from other sources are expected to exceed expenditures by 166 million dollars.

The Federal Housing Administration insures loans for the construction, purchase, and improvement of homes. Premiums and other receipts are expected to exceed current expenses substantially, thus adding to reserves against possible losses.

The 1955 budget for civil defense emphasizes improved warning of impending attack and

ESTIMATED GROSS AND NET EXPENDITURES, FISCAL YEAR 1955

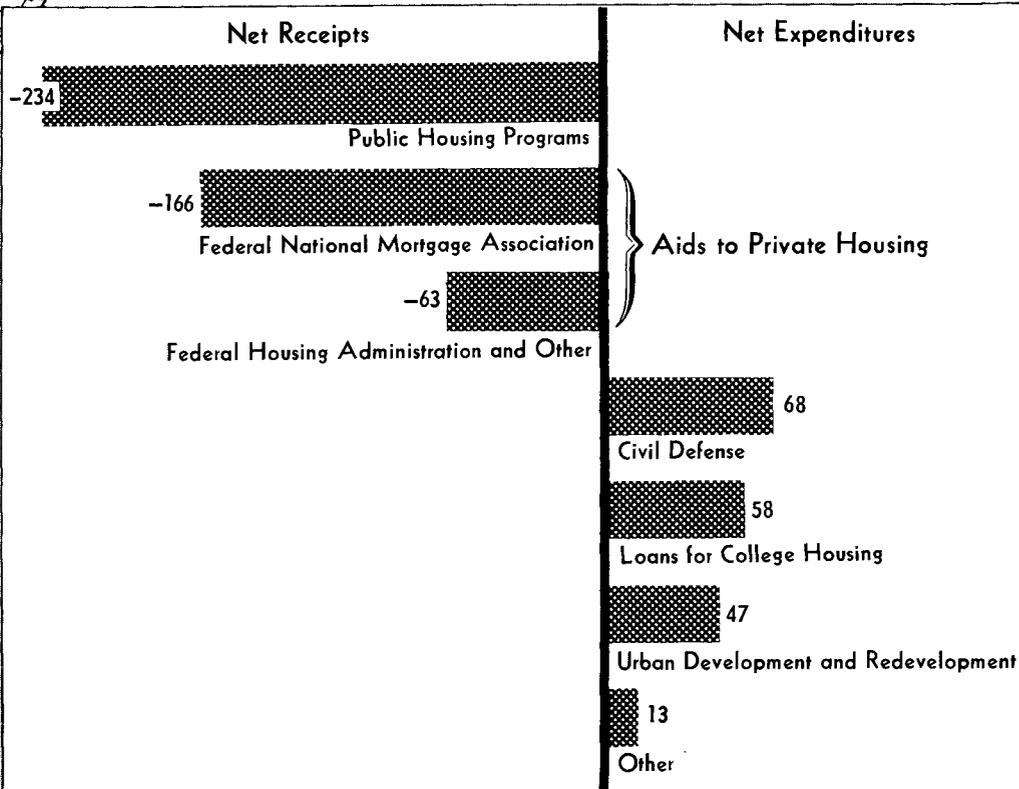
[In millions]

Program	Gross expenditures	Applicable receipts	Net expenditures, or net receipts (-)
Public housing programs	\$956	\$1, 190	-\$234
Aids to private housing:			
Federal National Mortgage Association	488	654	-166
Federal Housing Administration and other	182	245	-63
Civil defense	70	2	68
Loans for college housing	62	4	58
Urban development and redevelopment	97	50	47
Other	48	35	13
Total	1, 903	2, 180	-277

Housing and Community Development

BUDGET EXPENDITURES IN 1955

\$ MILLIONS



planning for the dispersal of populations of potential target areas in advance of enemy attack. The Federal Government will stockpile medical supplies, and provide information necessary to supplement State and local resources in other respects.

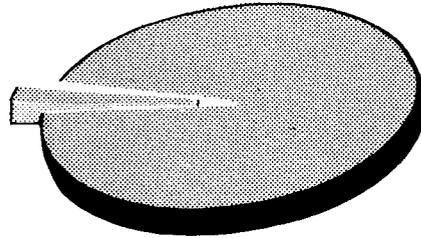
Since 1950 the Housing and Home Finance Agency has been authorized to make long-term loans to colleges and universities for housing construction. Loans approved by the end of the fiscal year 1955 will finance construction of housing for about 50,000 students and faculty members. These loans are being made only where private funds on comparable terms are not available.

The Government also makes loans and grants to

local public agencies for slum clearance and urban redevelopment projects. By the end of 1955, an estimated 180 projects will be completed or in process of clearance and redevelopment. Payment of grants accounts for most of the net expenditures of 47 million dollars estimated for 1955.

Fiscal Year	EXPENDITURES		NEW OBLIGATIONAL AUTHORITY	
	\$ Millions	% of Budget	\$ Millions	% of Budget
1955 Est.	-277	-.4	176	.3
1954 Est.	57	.1	628	1.0
1953	549	.7	1,526	1.9
1952	735	1.1	708	.8
1951	602	1.4	831	1.0
1950	262	.7	4,735	9.6

...0.3% of the 1955 Budget
or \$223 Million



Education and General Research

Education is the responsibility of States and local communities. They are facing difficult problems created by the great increase in the number of school children, the shortage of qualified teachers, and the overcrowding of classrooms. Since Federal intervention is not an acceptable solution, the President recommended that a national conference of educators and interested citizens be held to study the facts about the Nation's educational problems and to propose the best remedies. The national conference will be preceded by preparatory conferences in the States.

In the fiscal year 1955, more than 60 percent of Federal expenditures for education and general research will be grants to help school districts where school needs have been greatly increased by the activities of the Federal Government. Expenditures under the 2-year construction program will help build almost 5,000 classrooms to serve 140,000 children. School-operating assistance will be provided to more than 2,000 school districts with a total enrollment of nearly 5 million children. These expenditures are being reduced from their 1954 level. The laws under which this assistance is given were extended temporarily by congressional action last year and, at the same time, were improved to provide the necessary aid at the least cost and to the areas most acutely affected.

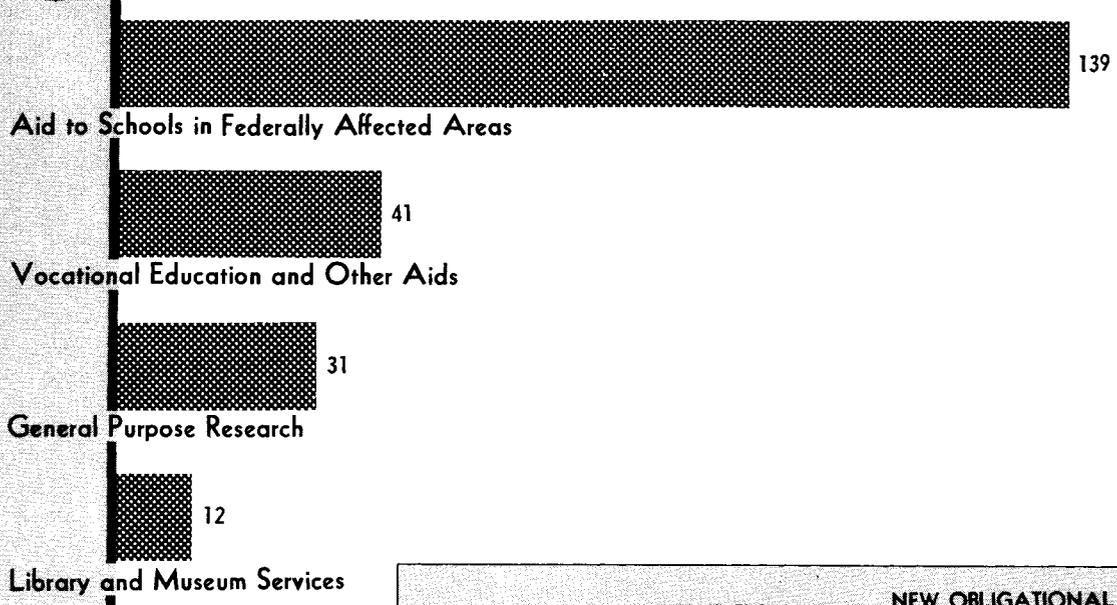
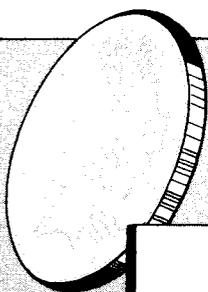
Expenditures for education and general research also include grants to the States to help support their vocational education programs and land-grant colleges. Grants in support of vocational education programs assist the States to provide training in agriculture, trades and industries, distributive occupations, and home economics. The Office of Education, which administers these grant programs, also collects and disseminates information on educational trends and good practices. In the 1955 budget, an expansion of this basic service is recommended.

The Government helps support certain educational institutions of primary benefit to special groups. These include Howard University, Columbia Institution for the Deaf, and the American Printing House for the Blind. At Howard University, construction is under way which, when completed, will allow a doubling of the facilities available for training doctors, dentists, pharmacists, and other health specialists. Although the university is not limited to any group, it serves as an important center of higher education for Negroes. To relieve overcrowding at Columbia Institution for the Deaf, the budget provides for a new library-classroom building. About one-third the cost of this building will come from contributions,

Education and General Research

BUDGET EXPENDITURES IN 1955

\$ MILLIONS



primarily from former students.

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

To strengthen the support of basic research being carried on in the Nation, the budget provides for an increase in the expenditures of the National Science Foundation and the Bureau of Standards in 1955.

Additional basic research will help develop new crops for farmers, new methods of safeguarding health, new tools for industry, and new weapons. A further result is the training which basic research projects provide for graduate students in our universities—training which will help overcome the present shortage of scientists needed by our growing economy. The National Science Foundation is also making studies of the research now being carried on by public and private groups, giving particular attention to the research activities of

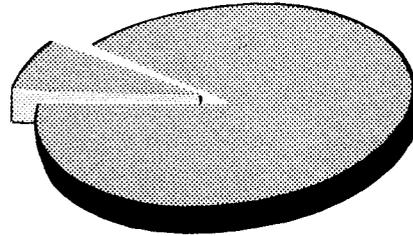
Fiscal Year	EXPENDITURES		NEW OBLIGATIONAL AUTHORITY	
	\$ Millions	% of Budget	\$ Millions	% of Budget
1955 Est.	223	.3	185	.3
1954 Est.	278	.4	217	.4
1953	277	.4	328	.4
1952	171	.3	180	.2
1951	115	.3	227	.3
1950	122	.3	130	.3

the Federal Government.

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 include veterans' education, the school lunch program, and research and education activities in connection with the military, atomic energy, and health programs.

... 3.6% of the 1955 Budget
or \$2,366 Million



Agriculture and Agricultural Resources

Gross expenditures for Federal agricultural programs in the fiscal year 1955 are expected to be 6.5 billion dollars. Receipts from these programs, mainly from loan repayments and commodity sales, are estimated at 4.1 billion dollars, resulting in estimated net expenditures of 2.4 billion dollars for the year. Price support and agricultural credit programs account for most of the receipts.

In recent years, well over half of the net budget expenditures for agriculture has been for mandatory farm price supports and related programs. Because of the decline in farm prices in the past 2 years, the Commodity Credit Corporation has acquired large inventories of agricultural commodities. Total price support loans and inventories, mainly for wheat, corn, and cotton, are expected to reach 5.5 billion dollars by June 30, 1954.

Although acreage allotments or marketing quotas on these crops in the 1954 crop year are expected to reduce price-support operations in the fiscal year 1955, the commitments of the Commodity

Credit Corporation are near the legal limit. The budget, therefore, recommended an increase of 1.75 billion dollars in the Corporation's authority to spend, so that it can meet its obligations in 1955 under present price support laws.

In the budget message, the President said that the present price support laws should be reconsidered not only in the interest of farmers, but also in the national interest. In a special message to the Congress, he recommended legislation to deal with the immediate problem of large surpluses of farm commodities and to achieve more effectively the goals of farm price supports at less cost.

To help conserve our agricultural land and water resources, the Federal Government provides technical assistance to farmers in soil conservation districts, makes payments to encourage soil conservation practices, and undertakes upstream flood prevention projects. The 1955 budget also provides for initiation of work in cooperation with the States and local agencies on an expanded

ESTIMATED GROSS AND NET EXPENDITURES, FISCAL YEAR 1955

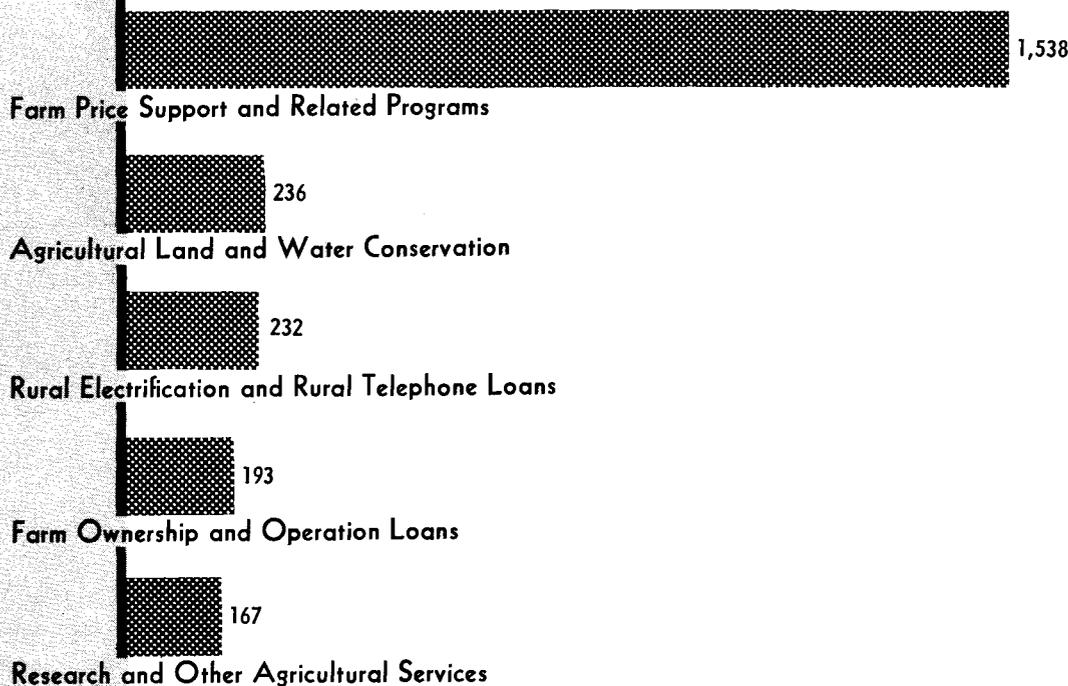
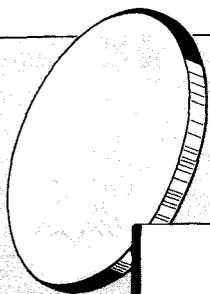
[In millions]

Program	Gross expenditures	Applicable receipts	Net expenditures
Farm price support and related programs	\$3, 414	\$1, 876	\$1, 538
Agricultural land and water conservation	267	31	236
Rural electrification and rural telephone loans	232		232
Farm ownership and operation loans	2, 398	2, 205	193
Research and other agricultural services	167		167
Total	6, 478	4, 112	2, 366

Agriculture and Agricultural Resources

BUDGET EXPENDITURES IN 1955

\$ MILLIONS



upstream soil conservation and flood prevention program.

The Rural Electrification Administration will continue emphasis on expanding rural telephone service, and will improve electric service in rural areas. To reduce the need for future Federal aid, arrangements are being considered whereby more private capital would be used to finance rural telephone service.

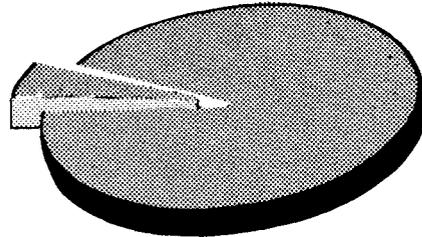
Expenditures for other farm loan programs are mainly to help farmers develop efficient family-sized farms and to assist farmers who are the victims of drought or other natural disasters.

The remaining expenditures for agriculture and agricultural resources provide for a variety of programs to improve the efficiency and stability of

Fiscal Year	EXPENDITURES		NEW OBLIGATIONAL AUTHORITY	
	\$ Millions	% of Budget	\$ Millions	% of Budget
1955 Est.	2,366	3.6	2,791	5.0
1954 Est.	2,654	3.7	2,302	3.8
1953	2,936	4.0	1,333	1.7
1952	1,045	1.6	1,688	1.8
1951	650	1.5	1,228	1.5
1950	2,783	7.0	3,324	6.8

American agriculture. The 1955 budget recommends increases in expenditures for research, including farm marketing, and for extension work to disseminate more widely information on improved production and marketing techniques for farm products.

... 1.7% of the 1955 Budget
or \$1,103 Million



Natural Resources

For each of the fiscal years 1950 through 1955, the Federal Government has spent or is estimated to spend 1 billion dollars or more for natural resources programs. Expenditures reached 1.4 billion dollars in the fiscal year 1953, and are expected to decline to 1.1 billion dollars in 1955. The 1955 budget recommendations are based on a reappraisal of the responsibility of the Federal Government for this work.

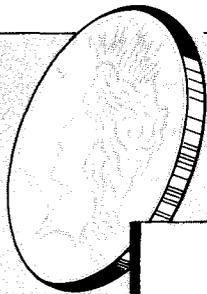
Approximately three-fourths of the expenditures for natural resources are for the development of river basins. The budget message emphasized that steps are being taken to encourage non-Federal interests to formulate plans and undertake the development of water resources.

In the fiscal year 1955, the Bureau of Reclamation and the Corps of Engineers will continue construction on about 160 projects for flood control, irrigation, and multiple-purpose development, including power. The budget also provides for starting 8 new local flood protection works and 6 new irrigation and water supply projects, as well as for resuming work that had been previously suspended on 2 flood control reservoirs. These projects are small or intermediate-sized, and can be completed within a few years. Where the necessary transmission facilities are not being provided on reasonable terms by other public or private agencies, the Department of the Interior will construct and operate transmission lines that are eco-

nomically feasible and are necessary for proper interconnection and operation of Federal generation plants, and those lines that are required to carry power to load centers within economic transmission distances.

Expenditures by the Tennessee Valley Authority in 1955 will be for continued work on the power plants now under construction and for operation of navigation, flood control, power, and fertilizer facilities. The President said that, pursuant to the power policy of the administration, a proposal is being developed for congressional consideration to provide that an adequate rate of interest be paid to the Treasury on public funds invested in the power facilities of the Tennessee Valley Authority.

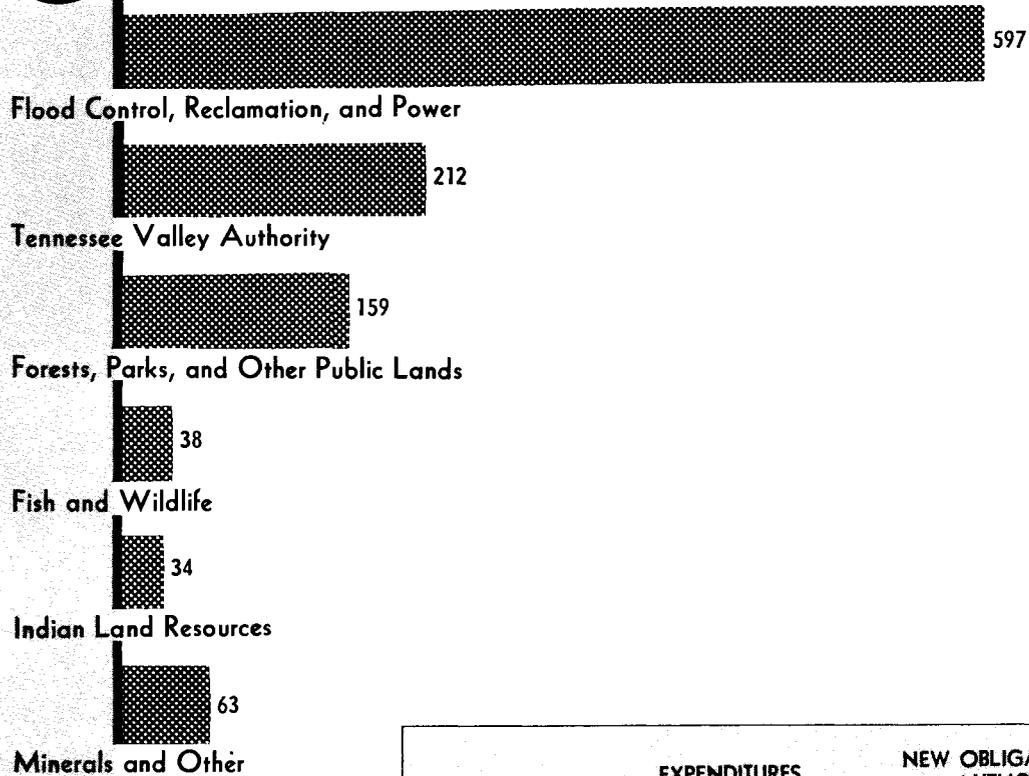
The protection, development, and use of the valuable resources of public lands are provided for through the Departments of Agriculture and Interior. The Forest Service, in the Department of Agriculture, manages 181 million acres of national forests, and cooperates with State and private forest land owners to improve fire protection and forest practices on other forest lands. The Bureau of Land Management, in the Department of the Interior, has jurisdiction over 473 million acres of public lands in the United States and Alaska. Timber, grazing, mineral, and other receipts from the public lands, estimated to be 154 million dollars in 1955, are shared with the States and counties in which the lands are located. The



Natural Resources

BUDGET EXPENDITURES IN 1955

\$ MILLIONS



National Park Service, in the Department of the Interior, manages 24 million acres in the 180 national parks, park areas, and monuments. By 1955 the annual number of visitors to these park areas is expected to reach 50 million.

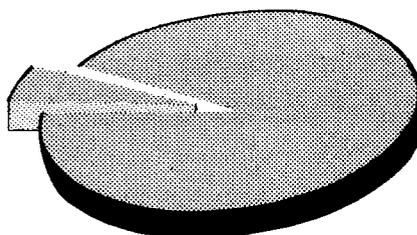
In the fiscal year 1955 the Fish and Wildlife Service will operate 87 fish hatcheries and 275 wildlife refuges for conservation of migratory waterfowl and rare birds and animals.

Expenditures for Indian land resources promote the economic advancement of the Indians through managing the timber, mineral, and agricultural resources of the 56 million acres of Indian lands held in trust by the Federal Government. In the mineral resources programs, research will continue

on expanding the utilization of minerals in abundant supply and the development of suitable substitutes for materials in short supply. In 1955 the Federal Government will also continue to provide such basic data as geologic surveys, topographic maps, and hydrologic data.

Fiscal Year	EXPENDITURES		NEW OBLIGATIONAL AUTHORITY	
	\$ Millions	% of Budget	\$ Millions	% of Budget
1955 Est.	1,103	1.7	978	1.7
1954 Est.	1,172	1.7	1,026	1.7
1953	1,358	1.8	1,396	1.7
1952	1,258	1.9	1,324	1.4
1951	1,140	2.6	1,277	1.5
1950	1,058	2.7	1,204	2.4

... 2.2% of the 1955 Budget
or \$1,418 Million



Transportation and Communication

Gross expenditures for transportation and communication programs in the fiscal year 1955 are estimated at 4.3 billion dollars. Receipts, chiefly postal receipts, will amount to 2.9 billion dollars.

Net budget expenditures are being reduced from 2.1 billion dollars in the fiscal year 1953 to an estimated 1.9 billion dollars in 1954 and 1.4 billion dollars in the fiscal year 1955. The anticipated reduction in the postal deficit accounts for most of the estimated decline in net expenditures.

Federal expenditures for highways are chiefly grants to States on a matching basis for developing and maintaining the Federal-aid highway system, which now totals 695,000 miles. The President has recommended continuation and strengthening of the Federal-aid highway program with increased emphasis on the interstate highway system.

Net budget expenditures for navigation aids and

facilities in the fiscal year 1955 are expected to be 10 percent less than in 1954. Since the truce in Korea, the Coast Guard has begun to curtail its expanded search and rescue facilities and to reduce the number of ocean weather stations. The Corps of Engineers will operate and maintain existing river and harbor projects, and continue construction work on going projects. Nine other projects necessary to assure efficient handling of interstate traffic will be initiated or resumed. The budget also includes funds to permit the United States to participate with Canada in constructing the proposed St. Lawrence Seaway.

The Civil Aeronautics Administration operates air navigation aids and other services for both civil and military aircraft. The Civil Aeronautics Board provides subsidies of about 80 million dollars a year to the airlines for

ESTIMATED GROSS AND NET EXPENDITURES, FISCAL YEAR 1955

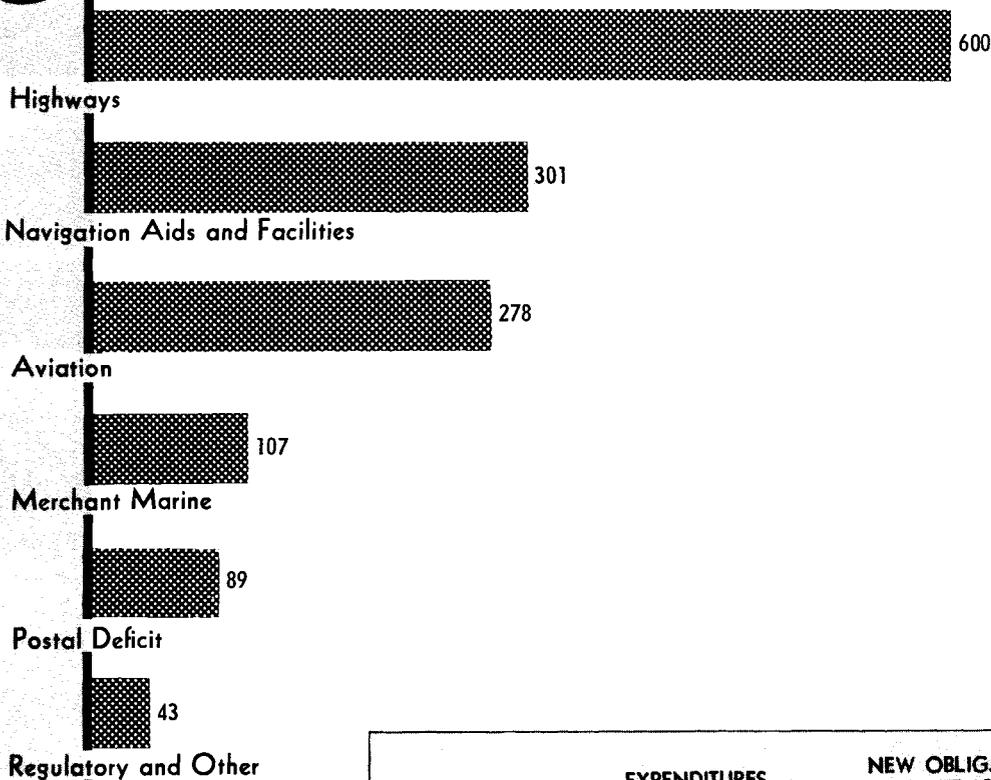
[In millions]

Program	Gross expenditures	Applicable receipts	Net expenditures
Highways.....	\$600		\$600
Navigation aids and facilities.....	401	\$100	301
Aviation.....	278		278
Merchant marine.....	156	49	107
Postal deficit.....	2,775	2,686	89
Regulatory and other.....	67	24	43
Total.....	4,277	2,859	1,418

Transportation and Communication

BUDGET EXPENDITURES IN 1955

\$ MILLIONS



operation of essential routes. The National Advisory Committee for Aeronautics engages in basic research and wind-tunnel testing, primarily for the military program.

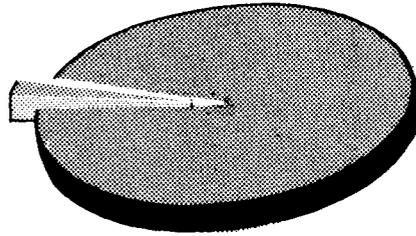
Federal aid to the merchant marine consists mainly of operating and construction subsidies to offset the differences between American and foreign costs. Net expenditures in 1955 will be about half of 1954 expenditures, because of the virtual completion of the 35 fast cargo ships authorized in 1951.

The postal service is one of the largest single operations of the Federal Government. Its operations in the fiscal year 1953 resulted in a deficit of 659 million dollars. In the 1955 budget the anticipated deficit has been reduced to 89 million

dollars. This major change reflects (1) removal of airline subsidies and Government mail costs from the postal budget, (2) major operating economies, (3) increases in parcel post and other rates which can be changed without congressional action, and (4) other rate increases under proposed legislation.

Fiscal Year	EXPENDITURES		NEW OBLIGATIONAL AUTHORITY	
	\$ Millions	% of Budget	\$ Millions	% of Budget
1955 Est.	1,418	2.2	1,482	2.6
1954 Est.	1,856	2.6	1,756	2.9
1953	2,076	2.8	1,925	2.4
1952	1,990	3.0	1,992	2.2
1951	1,747	4.0	2,252	2.7
1950	1,757	4.4	1,880	3.8

... 0.2% of the 1955 Budget
or \$162 Million



Finance, Commerce, and Industry

Within the limits set by requirements of national defense, and the needs of the national economy, direct banking and business operations of the Federal Government are being reduced. For example, the Reconstruction Finance Corporation is being liquidated and the Government's synthetic rubber plants are being offered for sale. At the same time, the programs of the Department of Commerce to promote trade and industry are being strengthened and the Small Business Administration has been established. Regulatory agencies are simplifying their procedures without reducing protection to the public.

Major finance, commerce, and industry programs involve both receipts and expenditures. Receipts from operations of such programs are used to finance some of the expenditures and at times exceed them. Gross expenditures for finance, commerce, and industry programs in the fiscal year 1955 are expected to be 917 million dollars.

Receipts will be 755 million dollars. Accordingly, net budget expenditures are estimated at 162 million dollars.

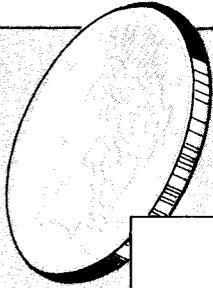
About 60 percent of gross expenditures, accounting for net expenditures of 308 million dollars, will be for financial assistance to expand defense production. They arise primarily from commitments made in prior years. With the help of firm purchase contracts, loans, and other financial incentives, much of the increase in productive capacity needed for the defense effort is now under way. The aluminum capacity of the United States has doubled since 1950 and supplies of machine tools, titanium, copper, nickel, and other critical items have also substantially increased.

Other production programs—primarily rubber and tin—are administered by the Reconstruction Finance Corporation. Receipts from these activities, mostly from the sale of synthetic rubber, are

ESTIMATED GROSS AND NET EXPENDITURES, FISCAL YEAR 1955

[In millions]

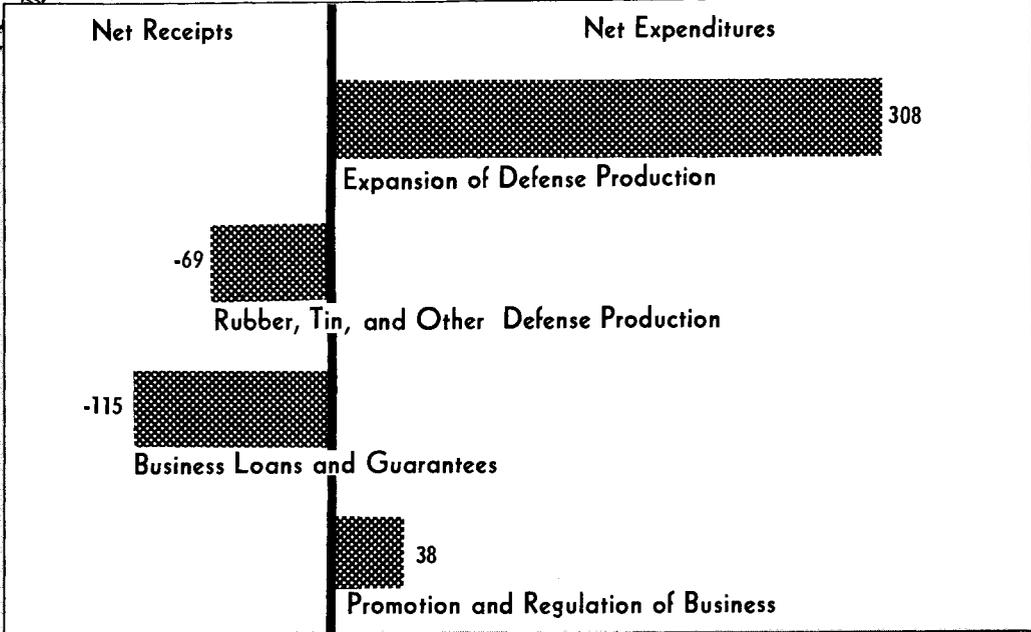
Program	Gross expenditures	Applicable receipts	Net expenditures, or net receipts (-)
Expansion of defense production	\$546	\$238	\$308
Rubber, tin, and other defense production	286	355	-69
Business loans and guarantees	46	161	-115
Promotion and regulation of business	39	1	38
Total	917	755	162



Finance, Commerce, Industry

BUDGET EXPENDITURES IN 1955

\$ MILLIONS



Fiscal Year	EXPENDITURES		NEW OBLIGATIONAL AUTHORITY	
	\$ Millions	% of Budget	\$ Millions	% of Budget
1955 Est.	162	.2	42	.1
1954 Est.	164	.2	97	.2
1953	76	.1	134	.2
1952	127	.2	787	.9
1951	126	.3	1,696	2.1
1950	106	.3	62	.1

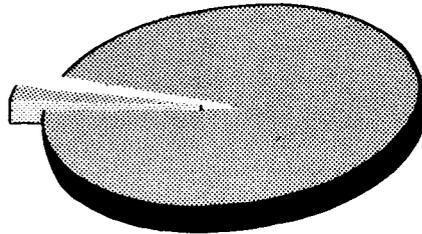
expected to exceed expenditures by 69 million dollars in the fiscal year 1955. The Rubber Facilities Disposal Act authorizes the sale of the Government's synthetic rubber plants to private owners before the end of the fiscal year 1955, but receipts from such sale were not included in the budget. Pending the outcome of international negotiations, the budget assumes that the Government will stop operations of its tin smelter at the end of the fiscal year 1954. By that time, deliveries of tin to the national stockpile will have been completed.

The regular business loan program of the Reconstruction Finance Corporation has been discontinued. Most of the outstanding loans will be sold to private financial institutions. A new program of loans to small businesses has recently been established in the Small Business Administration. Loans will be made only where private credit on reasonable terms is unavailable, and,

whenever possible, will be made jointly with private banks. The Small Business Administration also helps small concerns obtain Government contracts, and provides technical and financial advice.

Other expenditures for finance, commerce, and industry include programs of the Department of Commerce to provide services to business and to promote international trade, administration of patent laws, and activities of other agencies in helping maintain a competitive economy.

... 0.4% of the 1955 Budget
or \$281 Million



Labor and Manpower

The labor and manpower programs of the Federal Government are designed to help the Nation's productive system function smoothly and efficiently by providing economic safeguards to workers, by helping bring together job seekers and jobs, and by helping recruit the working forces for defense and other industries. Through these programs, workers are given protection against substandard wages and working conditions, and against income losses due to unemployment. Orderly labor relations and the amicable settlement of disputes are assisted through mediation services provided by the Federal Government.

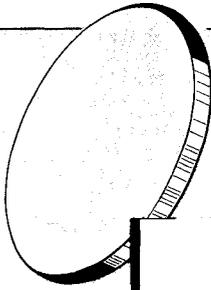
Over three-fourths of the expenditures for labor and manpower programs—or approximately 213 million dollars of the total of 281 million dollars estimated for the fiscal year 1955—are for the administration of the employment service and unemployment insurance programs, primarily through grants to States. The budget includes a recommendation by the President that coverage under the existing Federal-State unemployment compensation system be extended to workers in firms

employing fewer than 8 persons and to Federal civilian employees.

Through the Selective Service System, military manpower is provided to supplement voluntary enlistments. In the fiscal year 1955, 31 million dollars will be spent for this purpose.

The Department of Labor is primarily responsible for administering the programs of labor standards and training. These include minimum wage and child labor laws, and regulations governing contractors doing work for the Federal Government. The Department, with the cooperation of State agencies, also helps conduct local labor-management training programs for apprentices. Through safety training campaigns and on-the-job safeguards against accidents, it cooperates with the State agencies in programs to reduce industrial accidents.

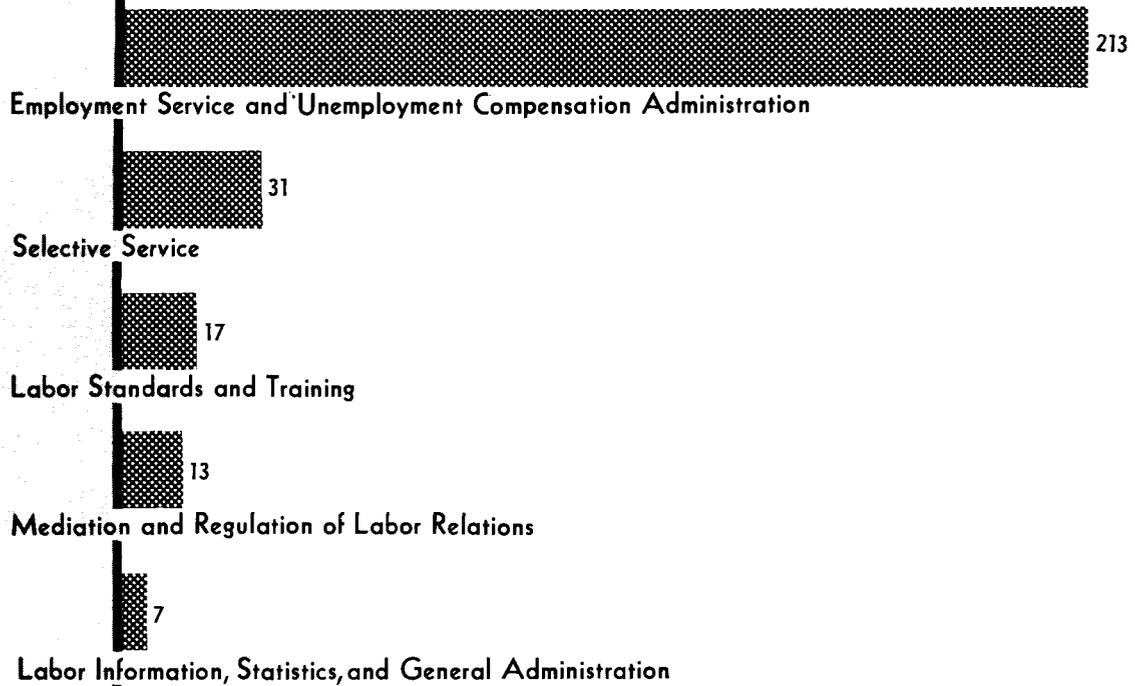
Although the mediation and regulation of labor relations accounts for less than 5 percent of the expenditures for labor and manpower in the fiscal year 1955, this activity is important to the Nation's economic life. The 1955 budget provides for em-



Labor and Manpower

BUDGET EXPENDITURES IN 1955

\$ MILLIONS



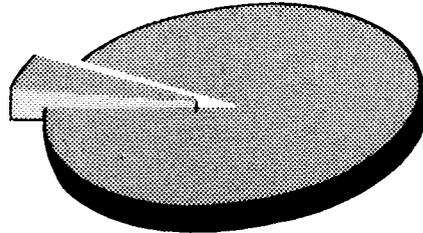
phasis on the improvement of services to employers and employees of industries and establishments strategically situated in interstate commerce. These services will be provided by the Federal Mediation and Conciliation Service, the National Mediation Board, and the National Labor Relations Board.

Among the other labor and manpower programs of the Government are the collection, analysis, and publication of information on employment, hours of work, industrial accidents, wages, and prices—mostly done in the Bureau of Labor Statistics. This information is used more and more in the economic life of the Nation; for example, wages in some industries automatically change with changes in the

index of consumers' prices; industrial plants often are located on the basis of information about available manpower; and men in essential civilian occupations are deferred from military service on the basis of information about industrial manpower needs.

Fiscal Year	EXPENDITURES		NEW OBLIGATIONAL AUTHORITY	
	\$ Millions	% of Budget	\$ Millions	% of Budget
1955 Est.	281	.4	314	.6
1954 Est.	265	.4	267	.4
1953	281	.4	282	.4
1952	275	.4	279	.3
1951	254	.6	264	.3
1950	271	.7	233	.5

... 1.8% of the 1955 Budget
or \$1,160 Million



General Government

Tax collection and other financial management account for more than one-third of budget expenditures for activities classified as general government. Most of these activities are carried on by the Treasury Department, which collects taxes and customs duties, manages the public debt, mints coins, prints the currency, and issues the checks to pay the Government's bills. The General Accounting Office is responsible, as an agent of Congress, for auditing the accounts of Government agencies and verifying the legality of expenditures.

Central property and records management includes the purchase and storage of supplies and equipment, the rental of private buildings for Government use, maintenance and operation of public buildings, the management of the national industrial reserve, the administration of the National Archives, and the custody of inactive Government records. All of these functions are performed by the General Services Administration which is the property management agency for the Government as a whole. Major reductions are being made in space rented for Government use, making possible lower expenditures in both the fiscal years 1954 and 1955. Improved management of procurement and inventories by the General Services Administration is also reducing the budget requirements of other agencies throughout the Government. Other central services include the Government-wide personnel activities of the Civil Service Commission.

The Federal Bureau of Investigation is responsible for investigating and obtaining evidence in cases

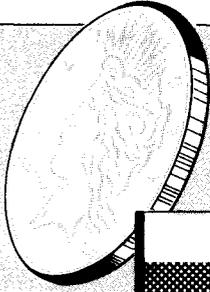
involving the violation of the Federal criminal laws. In recent years, a large part of the Bureau's efforts has been concentrated on matters affecting the internal security of the United States, such as espionage, sabotage, and treason. The Immigration and Naturalization Service administers basic laws governing control of aliens and naturalization, and is in charge of border patrols to prevent unlawful entry into the United States.

Expenditures for the payment of claims and judgments are largely for certified claims paid by the Treasury. These result mainly from activities of the Department of Defense. The Treasury also pays other claims as well as amounts voted by the Congress for relief of private individuals.

The Federal Government makes an annual payment to help finance operations of the District of Columbia. The President recommended legislation to increase this payment in the fiscal year 1955, as well as to authorize Federal loans to the District to help finance a long-term public works program.

Territories, island possessions, and the Pacific islands for which we are responsible under a United Nations mandate are supervised by the Department of the Interior.

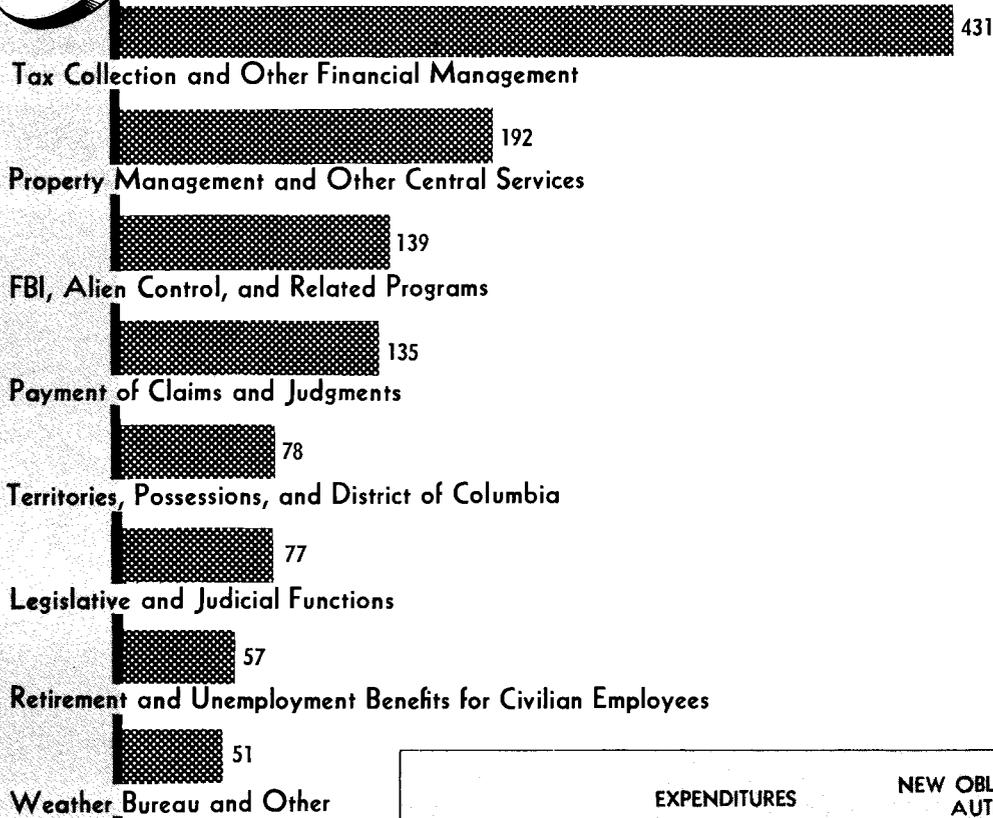
The 1955 budget provides for the President's proposal that the present system of unemployment insurance administered through the States be extended to cover Federal civilian employees, with the benefits to be paid by the Federal Government. This would give Federal workers the same protection now available to most employees of private



General Government

BUDGET EXPENDITURES IN 1955

\$ MILLIONS



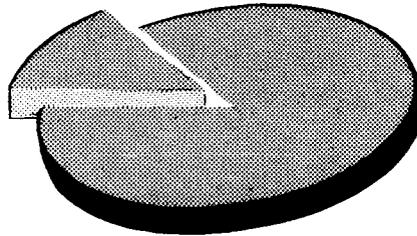
business. In addition, the budget provides for Government payments to continue the temporary cost-of-living increase in retirement benefits that was authorized by the Congress in 1952.

Pending the completion of a study of Federal retirement programs by the Committee on Retirement Policy for Federal Personnel, the budget did not provide for the Government's contribution to the civil service retirement system. This system is financed by employee contributions and by the Government as employer. The Government's contribution amounted to 324 million dollars in the fiscal year 1953, the most recent year in which such a payment was made.

Fiscal Year	EXPENDITURES		NEW OBLIGATIONAL AUTHORITY	
	\$ Millions	% of Budget	\$ Millions	% of Budget
1955 Est.	1,160	1.8	1,019	1.8
1954 Est.	1,175	1.7	1,033	1.7
1953	1,439	1.9	1,337	1.7
1952	1,437	2.2	1,389	1.5
1951	1,309	3.0	1,273	1.5
1950	1,177	3.0	1,152	2.3

The Weather Bureau distributes weather information and forecasts for the benefit of agriculture, business, and the general public. These services are particularly important in reducing the damage from storms, floods, and forest fires, and in promoting the safety and regularity of air transportation.

... 10.5% of the 1955 Budget
or \$6,875 Million



Interest

Primarily as a result of the growth in the public debt, interest payments now account for about 10 percent of Federal expenditures. Interest payments in the fiscal year 1955 are estimated at 6.9 billion dollars. This is an increase of 275 million dollars over the estimated expenditures for the current fiscal year.

About two-thirds of this increase is due to the rise in the public debt. The remainder reflects the refunding of certain maturing securities at rates of interest slightly higher than those prevailing at the time the securities were originally issued.

Over half of 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.

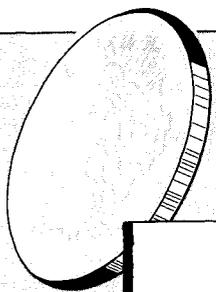
Interest on savings bonds amounts to almost another quarter of interest payments. These bonds are owned by nearly 40 percent of all

American families. Interest on savings bonds is included in budget expenditures as it accrues, even though bondholders do not receive cash until the bonds are redeemed. These interest accruals increase the longer the bonds are outstanding.

Most of the remaining interest is paid on special issues sold to Government trust funds. The interest rate for these securities is generally fixed by law, and averages somewhat higher than the average rate on the total debt.

Other nonmarketable obligations are mainly bonds held by insurance companies and other private institutions for long-term investment, and short-term savings notes generally bought by corporations with funds set aside for later tax payments.

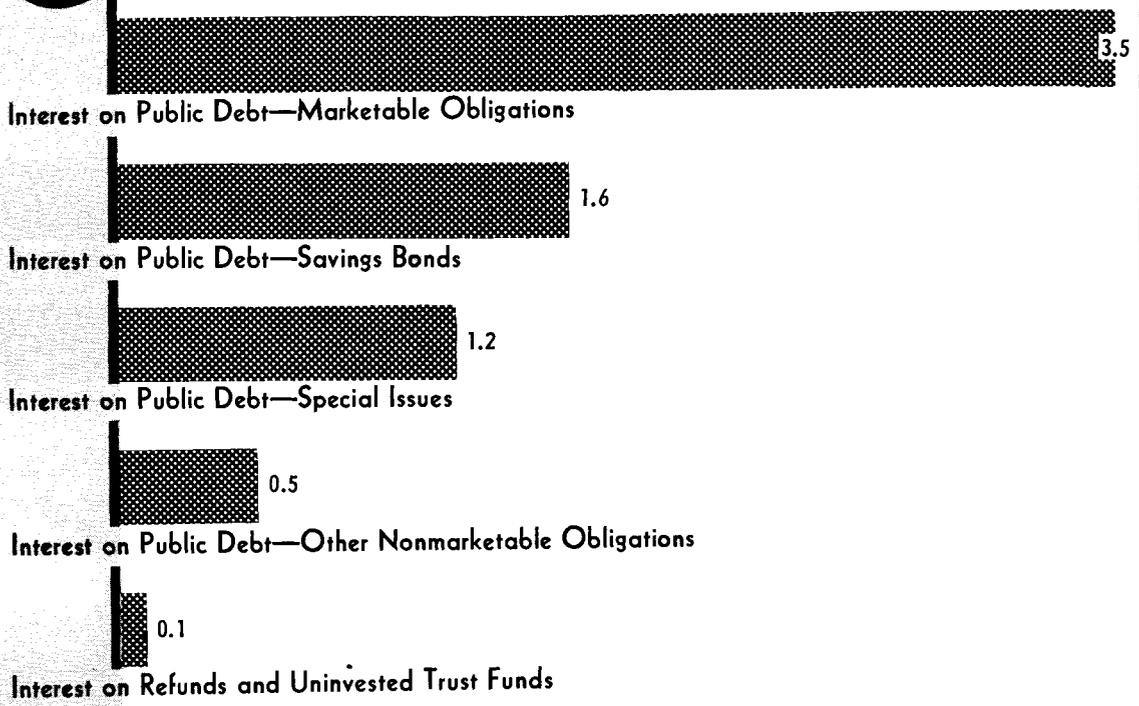
Interest payments are fixed obligations of the Federal Government. Unlike most budget expenditures, they are provided for by permanent law and are therefore not dependent upon annual appropriations by the Congress.



Interest

BUDGET EXPENDITURES IN 1955

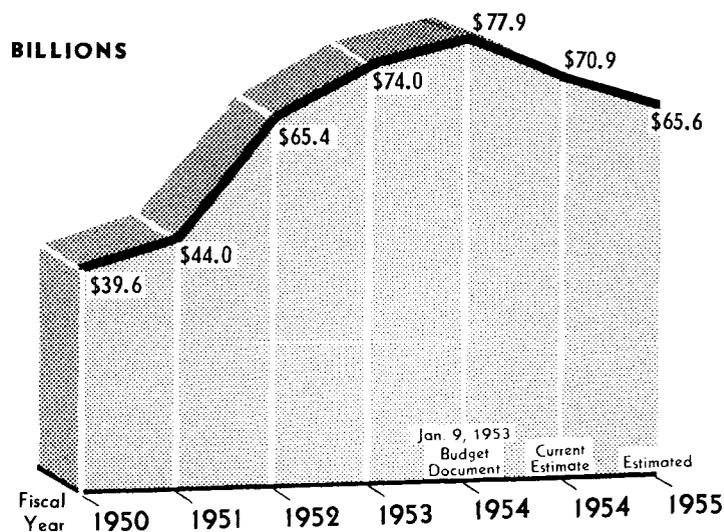
\$ BILLIONS



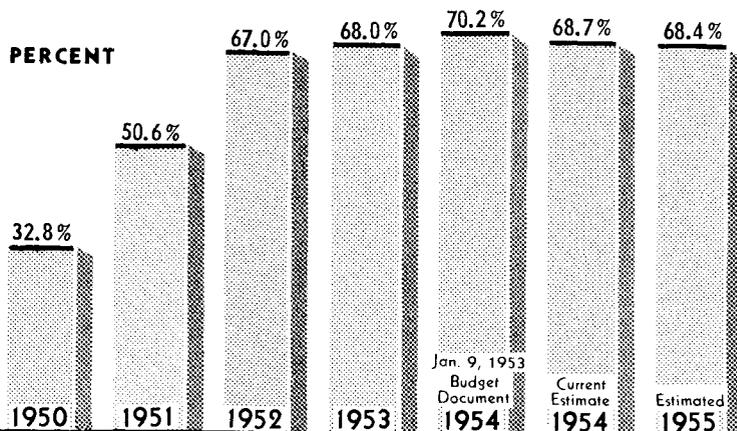
Fiscal Year	EXPENDITURES		NEW OBLIGATIONAL AUTHORITY	
	\$ Millions	% of Budget	\$ Millions	% of Budget
1955 Est.	6,875	10.5	6,875	12.2
1954 Est.	6,600	9.3	6,600	10.9
1953	6,583	8.9	6,583	8.2
1952	5,934	9.1	5,934	6.5
1951	5,714	13.0	5,714	6.9
1950	5,817	14.7	5,819	11.8

Budget Expenditures 1950-1955

... Expenditures are being reduced to an estimated \$65.6 Billion in 1955.



... National Security expenditures continue to dominate the Federal Budget.



PART 3

Supplementary Information



Up to this point, this booklet has been concerned mainly with budget receipts, expenditures, and new obligational authority for the fiscal year 1955.

Part III presents a number of special classifications of budget expenditures which are of interest. In addition, it provides information on other aspects of Federal financial operations, such as the trust funds; a consolidated cash statement for the Government as a whole; the public debt; Federal credit programs; and historical data on budget receipts, expenditures, and the public debt.

Gross and Net Budget Expenditures, by Agency

In the 1955 budget a significant clarifying change was made in the tables presenting budget expenditures. In past budgets, the totals of expenditures have understated the scope of the Government's activities in that they included on a net basis the spending by a number of Government enterprises which are engaged in business-type operations with the public. In carrying out their functions, these public enterprises receive money from their customers or clients—interest and collections on loans or payments for goods delivered or services rendered. By law, most public enterprises may use their receipts and collections to carry on the operations for which they were created. As shown in the table, these receipts and collections from the public in the fiscal year 1955 are estimated to total 11 billion dollars.

The public enterprise activities are carried on through so-called "revolving funds." Some of the enterprises are organized as Government corporations; others, such as the Post Office, are unincorporated.

In the summary tables of previous budgets, the receipts of such funds were subtracted from expenditures and only the difference was shown as an expenditure. While the use of either the gross figures or the net figures produces an identical effect on the budget surplus or deficit, the former method of presenting only net figures in the summary tables did not reveal the full scope of the Government's financial transactions.

When Government agencies engaged in lending activities use their collections on old loans to make new loans, the net expenditure figure fails to disclose the volume of new lending and the new risks incurred.

In the 1955 budget, the summary tables show the expenditures of the public enterprise funds on both a gross and a net basis. The difference reveals the magnitude of receipts from the public in the "revolving funds."

As shown in the accompanying table, most of the 11 billion dollars of receipts of revolving funds in the fiscal year 1955 will be in public enterprises which are part of the Independent Offices of the Government, the Housing and Home Finance Agency, the Department of Agriculture, and the Post Office Department.

The Federal intermediate credit banks account for about two-thirds of the receipts of the public enterprises in the Independent Offices. The Public Housing Administration and the Federal National Mortgage Association account for the largest part of the public enterprise receipts in the Housing and Home Finance Agency. The price support program of the Commodity Credit Corporation is the largest item in the Department of Agriculture. The sale of postage stamps and other services account for most of the receipts of the Post Office Department.

Gross and Net Budget Expenditures, by Agency

[IN MILLIONS]

Agency	Fiscal year 1955, estimated		
	Gross expenditures	Applicable receipts of public enterprise funds	Budget expenditures (net)
Legislative branch.....	\$66	.....	\$66
The Judiciary.....	30	.....	30
Executive Office of the President..	9	.....	9
Funds appropriated to the President.....	1,622	\$242	1,380
Independent offices:			
Atomic Energy Commission..	2,425	(1)	2,425
Veterans Administration.....	4,235	70	4,165
Other	3,795	3,317	478
General Services Administration..	753	2	751
Housing and Home Finance Agency	1,712	2,097	-385
Department of Agriculture.....	4,760	2,263	2,497
Department of Commerce.....	1,028	49	979
Department of Defense:			
Military functions	37,575	(1)	37,575
Mutual military program.....	4,275	.....	4,275
Civil functions.....	654	114	540
Department of Health, Education, and Welfare.....	1,789	2	1,787
Department of the Interior.....	562	34	528
Department of Justice.....	176	.....	176
Department of Labor.....	362	1	361
Post Office Department.....	2,775	2,686	89
Department of State.....	214	.....	214
Treasury Department.....	7,653	208	7,445
District of Columbia (Federal payment and loans).....	35	.....	35
Reserve for contingencies	150	.....	150
Total.....	76,655	11,085	65,570

¹ Less than 500,000 dollars.

Trends in the Federal Budget

The Federal budget plays an important role in the economic life of the Nation. In the fiscal year 1955, the Federal Government, through the 56 departments and agencies of the executive branch, will employ an average of more than 2,000,000 civilians and maintain a military force averaging 3,200,000 servicemen and women. Through contracts with private builders and manufacturers, it will order goods which will be produced by additional millions of private employees. It will spend an average of about 260 million dollars every working day, 5.5 billion dollars a month.

The size of the Federal budget has expanded considerably in recent decades. Budget expenditures in the fiscal year 1955 are estimated at a level 125 times greater than in 1900, and almost 20 times greater than in 1930. Leaving out the war years, Government spending rose from 521 million dollars in 1900 to about 3 billion dollars a year in the decade following World War I. With the adoption of anti-depression measures in the 1930's, Federal expenditures rose, and reached 9.1 billion dollars in 1940. Approximately one-half of this amount was spent for social security and agriculture programs—much of it for work relief. After a sharp increase in Government spending during World War II, a substantial decline took place, but Federal expenditures were still much higher than their prewar level. In the fiscal year 1950, for example, expenditures were 39.6 billion dollars, more than 4 times the amount of Government spending in 1940; expenditures for national defense,

international affairs, veterans' services and benefits, and interest, however, were in total almost 10 times as great as in 1940. With the outbreak of aggression in Korea in June 1950, Federal expenditures rose again, as the United States expanded its military program. In the fiscal year 1955, budget expenditures are estimated at 65.6 billion dollars, about 68 percent of which will be for major programs directly related to our national security.

Federal budget receipts have also shown a large increase since the turn of the century. The changed nature of our tax system, higher tax rates, and a rising national income have played important roles in this increase.

In 1900, budget receipts amounted to 567 million dollars, consisting entirely of customs and excise taxes (mainly on liquor and tobacco). In 1920, budget receipts were 6.6 billion dollars, almost 12 times greater than in 1900. After the adoption of the 16th amendment to the Constitution, individual and corporation income taxes were introduced in 1913 and the rates were increased after United States entry into World War I. These taxes yielded 3.9 billion dollars, or almost 60 percent of revenue in 1920. During the decade of the 1920's, budget receipts were mostly between 3.6 and 4.0 billion dollars per year, as several reductions in tax rates were accompanied by rising national income. The early Thirties witnessed a decline in revenues to about a 2 billion dollar level as business activity and national income declined. However, receipts gradually rose with some economic recovery and

Budget Expenditures, Receipts, and Surplus or Deficit

Selected fiscal years, 1900-55

[IN MILLIONS]

Fiscal year	Budget expenditures	Budget receipts	Budget surplus (+) or deficit (-)
1900.....	\$521	\$567	+ \$46
1905.....	567	544	- 23
1910.....	694	676	- 18
1915.....	746	683	- 63
1919 (peak World War I).....	18,448	5,085	-13,363
1920.....	6,357	6,649	+ 291
1925.....	2,881	3,598	+ 717
1930.....	3,320	4,058	+ 738
1935.....	6,521	3,730	- 2,791
1940.....	9,062	5,144	- 3,918
1945 (peak World War II).....	98,416	44,475	-53,941
1950.....	39,606	36,495	- 3,111
1954 (estimated in 1954 budget document).....	77,927	68,005	- 9,922
1954 (current estimate).....	70,902	67,629	- 3,274
1955 (estimated).....	65,570	62,642	- 2,928

NOTE.—Detail may not add because of rounding.

reached 5.1 billion dollars by 1940. As a result of various increases in taxes and rising incomes during the World War II period, budget receipts rose to a wartime peak of 44.5 billion dollars in 1945. Following the end of the war, tax rates were reduced, but still remained higher than in prewar years. In 1950, receipts amounted to 36.5 billion dollars, the lowest amount of all the post World War II years. Increases in tax rates enacted after the Korean aggression, together with a high rate of business activity and rising national income, have caused a substantial increase in budget receipts since 1950.

Budget receipts in the fiscal year 1954 are esti-

mated at 67.6 billion dollars, an all-time high. Estimated budget receipts for 1955 are 62.7 billion dollars, nearly 5.0 billion dollars less than in 1954.

Between 1900 and 1953 the Government has operated at a deficit in 31 years, 20 of them since 1930. Following the Twenties, a decade of surpluses, 1931-46 were years of deficits, due at first to declining receipts and later to rising expenditures. The peak annual deficit, amounting to 57.4 billion dollars, was reached during the World War II year of 1943. Following World War II, and until the outbreak of hostilities in Korea, there were two surplus years and two deficit years. Since Korea, receipts have covered expenditures in only 1 year.

Trust Funds—Receipts and Expenditures

Most of the financial transactions of the Government are directly reflected in budget receipts and expenditures. However, some significant activities are carried on through trust funds with the Government acting in the capacity of trustee. The major programs conducted through trust funds are old-age and survivors insurance, unemployment insurance, railroad retirement, Federal employees' retirement, and veterans' life insurance.

The transactions of the trust funds are not included in the totals of budget receipts and expenditures. Receipts of these trust funds come mainly from payroll taxes or, in the case of veterans' life insurance, from premiums paid by those insured. These receipts are held in trust by the Government. The money may be spent only for the special purposes of the trust—primarily the payment, to those eligible, of the benefits for which the fund was established.

Total receipts of the trust funds are currently greater than expenditures, with the funds taking in each year several billion dollars more than they pay out. Most of this trust fund income in excess of current spending is invested in Government bonds. At the end of the fiscal year 1953, over 42 billion dollars in United States securities was held by Government trust funds. These investments earn interest for the trust funds.

The old-age and survivors insurance trust fund is by far the largest. It is financed primarily by a special payroll tax paid by both covered employers and employees. This tax rate rose from 1½ percent to 2 percent on January 1, 1954. Expenditures from this trust fund consist of (1) monthly benefits to retired workers or to survivors of covered workers,

and (2) the administrative costs of the program.

The railroad retirement fund and the Federal employees' retirement fund are operated in a manner similar to the old-age and survivors insurance trust fund.

The unemployment insurance trust fund is financed by payroll taxes which the States and the Railroad Retirement Board collect from employers and transmit to the Federal treasury. Its expenditures consist mostly of withdrawals from the fund by the States and the Board to pay unemployment compensation benefits to workers.

The veterans' life insurance trust funds provide life insurance for veterans of world wars I and II. Receipts consist largely of premiums paid by those who are insured, and expenditures are primarily payments to beneficiaries of policyholders and payments of dividends.

Estimates of trust fund transactions for the fiscal year 1955, as shown in the accompanying chart, include the President's recommendations for expanding and improving the social security system.

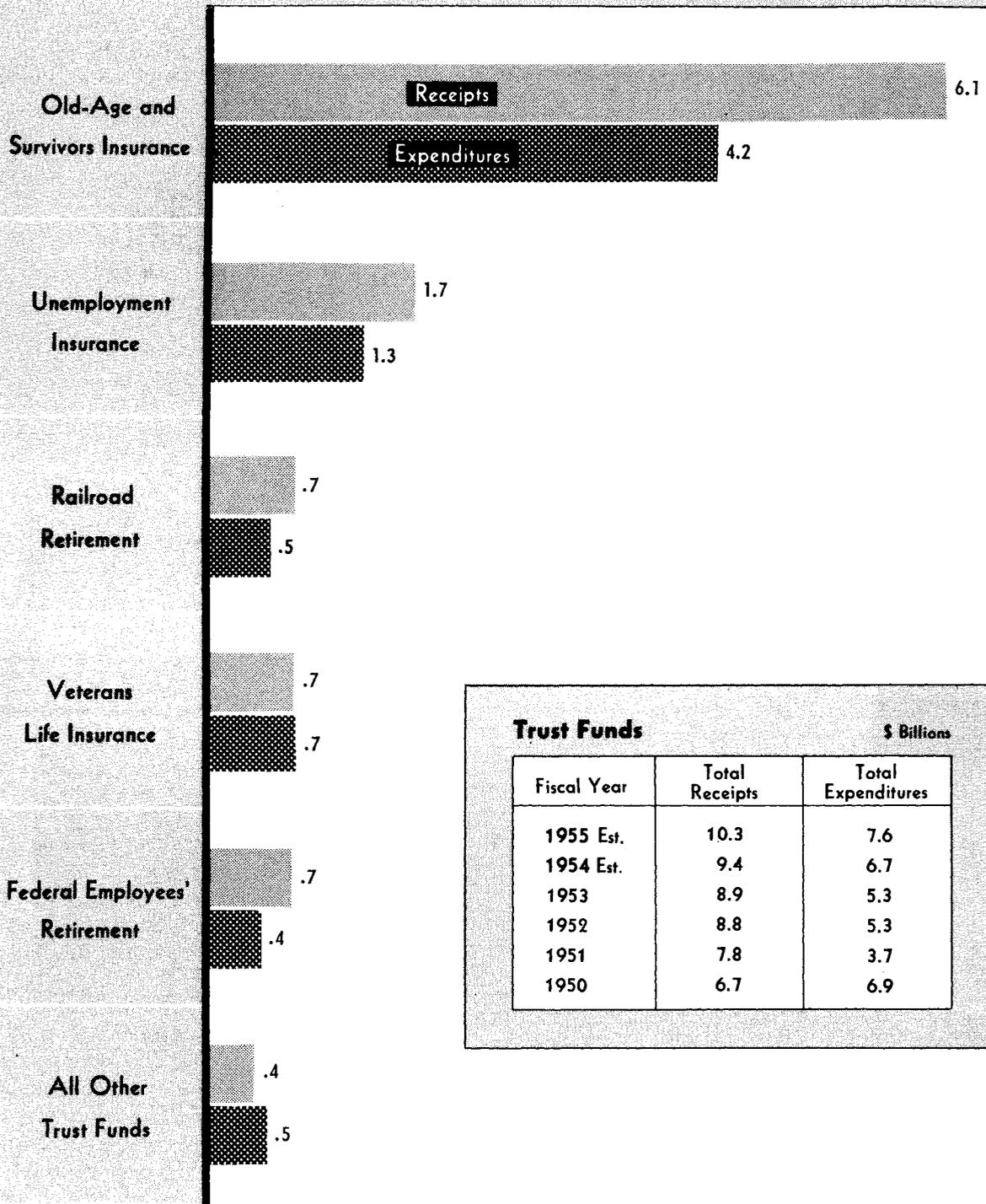
With respect to the old-age and survivors insurance system, the President proposed that coverage be extended to an additional 10 million workers and their families—self-employed farmers, professional people, casual workers, and, on an optional basis, State and local government employees. In addition, he recommended increases in benefit rates and other improvements.

With respect to the unemployment insurance system, the President proposed that it be expanded to include employees of firms employing fewer than eight persons. Amendments to State laws to achieve this coverage will be needed in only a dozen States.

Trust Funds RECEIPTS AND EXPENDITURES

FISCAL YEAR 1955 ESTIMATED

\$ BILLIONS



Fiscal Year	Total Receipts	Total Expenditures
1955 Est.	10.3	7.6
1954 Est.	9.4	6.7
1953	8.9	5.3
1952	8.8	5.3
1951	7.8	3.7
1950	6.7	6.9

Receipts From and Payments To the Public

(IN MILLIONS)

Description	Fiscal year 1955 estimated
Budget receipts (page 8).....	\$62,642
Trust fund receipts (page 50).....	10,323
Intragovernmental transactions.....	—2,074
Seigniorage on silver.....	—49
Total receipts from the public.....	70,842
Budget expenditures (page 10).....	65,570
Trust fund expenditures (page 50).....	7,659
Intragovernmental transactions.....	—2,074
Net accrued interest and other noncash transactions.....	—428
Total payments to the public.....	70,727
Excess of receipts over payments.....	115

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 statement" and "cash income and outgo of the United States Treasury."

The "public," as used here, includes individuals; banks, including the Federal Reserve and Postal Savings Systems; businesses; private corporations; State, local, and foreign governments; and international organizations. The Federal Government includes budget transactions, trust fund transactions, and the transactions of Government-sponsored corporations which are carried on the books of the Treasurer of the United States.

The above table shows how the totals of receipts from and payments to the public are derived by consolidating budget receipts and expenditures with trust fund transactions. In this consolidation, transactions between Government agencies and trust funds, such as interest paid by the Treasury

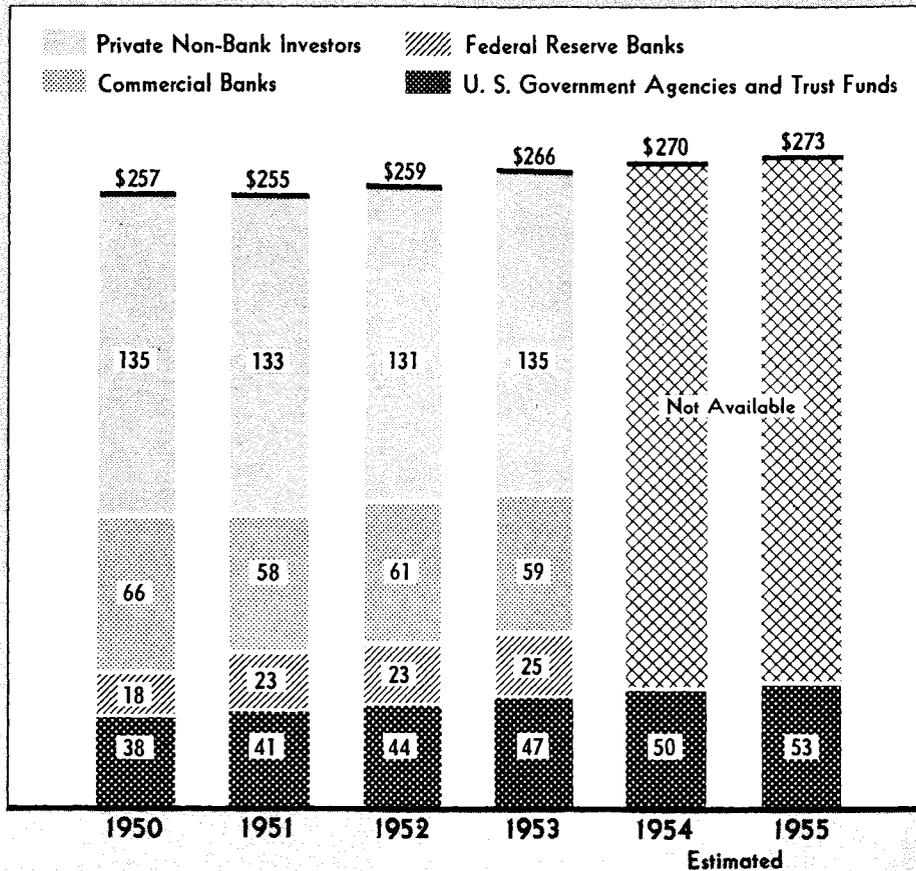
on United States securities held by the trust funds, are eliminated. They are not cash transactions between the Government and the public. Certain other noncash transactions are also eliminated in the consolidation. For example, interest which accrues on savings bonds is counted as a budget expenditure at the time of accrual. But the interest is not paid in cash until the bonds are redeemed. Hence, this consolidation eliminates the interest accruals, but includes the interest paid at the time of redemption.

For the fiscal year 1955, it is estimated that the total money flow between the Federal Government and the public will show an excess of receipts over payments of 115 million dollars. This compares with an excess of payments over receipts of 5.3 billion dollars in the fiscal year 1953, of 6.6 billion dollars estimated for the fiscal year 1954 in the 1954 budget document, and of 234 million dollars now estimated for 1954.

Public Debt Ownership End of Fiscal Year

FISCAL YEARS 1950-1955

\$ BILLIONS



THE PUBLIC DEBT

The public debt is estimated to be 273 billion dollars at the end of the fiscal year 1955. It will have risen by 16 billion dollars since the end of the fiscal year 1950. During the same period, investments in United States securities by Government agencies and trust funds will have increased by almost the same amount.

Under present law, the public debt subject to the legal limit may not exceed 275 billion dollars at any time. About one-half billion dollars of the debt is not subject to this limit. Because, under existing law, tax collections during the first half of each fiscal year are relatively low, the debt in December is usually much higher than at the end of the fiscal year the following June. Thus, while the public debt is expected to be 273 billion dollars on June 30, 1955, it will substantially exceed the

present statutory limit during the first half of the fiscal year 1955. In the budget message, the President renewed his request that the Congress raise the legal debt limit to meet this problem and to facilitate flexible and prudent debt management.

He also stated that a sound dollar is the cornerstone of the administration's financing policy. Almost three-fourths of the debt now matures within less than 5 years or is redeemable at the holder's option. A considerable part of the debt is held by commercial banks. To prevent excessive expansion of bank credit and the cheapening of the value of the dollar which generally accompanies it, efforts are being made to lengthen maturities gradually and to shift some of the debt from banks to long-term investors.

Federal Public Works

In carrying out its many functions, the Federal Government requires many different kinds of works and structures. These range from small buildings to large river basin developments and military installations. Some of these facilities are built directly by the Federal Government as civil or military public works. In other cases, the Government makes loans and grants to States and local governments to aid the construction of public works in which there is a national interest.

Federal expenditures for public works are part of the expenditures already discussed in part II of this booklet. In part II they are classified with the major programs they support. Here they are grouped together to show the magnitude and trend of Federal public works activities.

During the years since World War II, Federal public works and Federal grants and loans for public works have increased in volume and have become more varied in character. Expenditures for these purposes have increased from 2.2 billion dollars in the fiscal year 1950 to 5.2 billion dollars

in 1953. They are estimated to decrease to 4.5 billion dollars in 1955.

Following the attack in Korea, a large expansion took place in construction for national security purposes. Expenditures for national security construction are estimated at 2.9 billion dollars in the fiscal year 1955. Military public works make up the major part of this total. They are both overseas and domestic installations, and include training and testing facilities as well as operating bases for the Air Force, Army, and Navy. Expenditures for atomic energy plants and facilities are estimated at 1.2 billion dollars in 1955, chiefly for large additions to the production capacity at Hanford, Wash.; Oak Ridge, Tenn.; and Paducah, Ky.; and a new plant at Portsmouth, Ohio.

The civil public works programs of the Federal Government will require expenditures of 1.6 billion dollars in the fiscal year 1955. About 95 percent of this amount will be for programs started in prior years. However, the budget provides for starting some new projects where the need is urgent.

BUDGET EXPENDITURES FOR PUBLIC WORKS

[Fiscal years. In billions]

Program	1950 actual	1951 actual	1952 actual	1953 actual	1954 estimated	1955 estimated
Civil public works:						
Direct Federal projects	\$1.3	\$1.4	\$1.4	\$1.4	\$1.3	\$1.1
Grants for State and local projects	0.5	0.5	0.6	0.7	0.7	0.7
Loans for State and local projects (net)	(¹)	0.1	0.2	(¹)	-0.1	-0.2
Subtotal, civil public works	1.8	2.0	2.1	2.2	1.9	1.6
Public works for national security:						
Military and related public works	0.2	0.4	1.8	1.9	1.7	1.7
Atomic energy plants and facilities	0.2	0.5	1.1	1.1	1.3	1.2
Subtotal, national security	0.4	0.9	2.9	3.0	3.0	2.9
Total, Federal public works	2.2	2.9	5.0	5.2	4.9	4.5

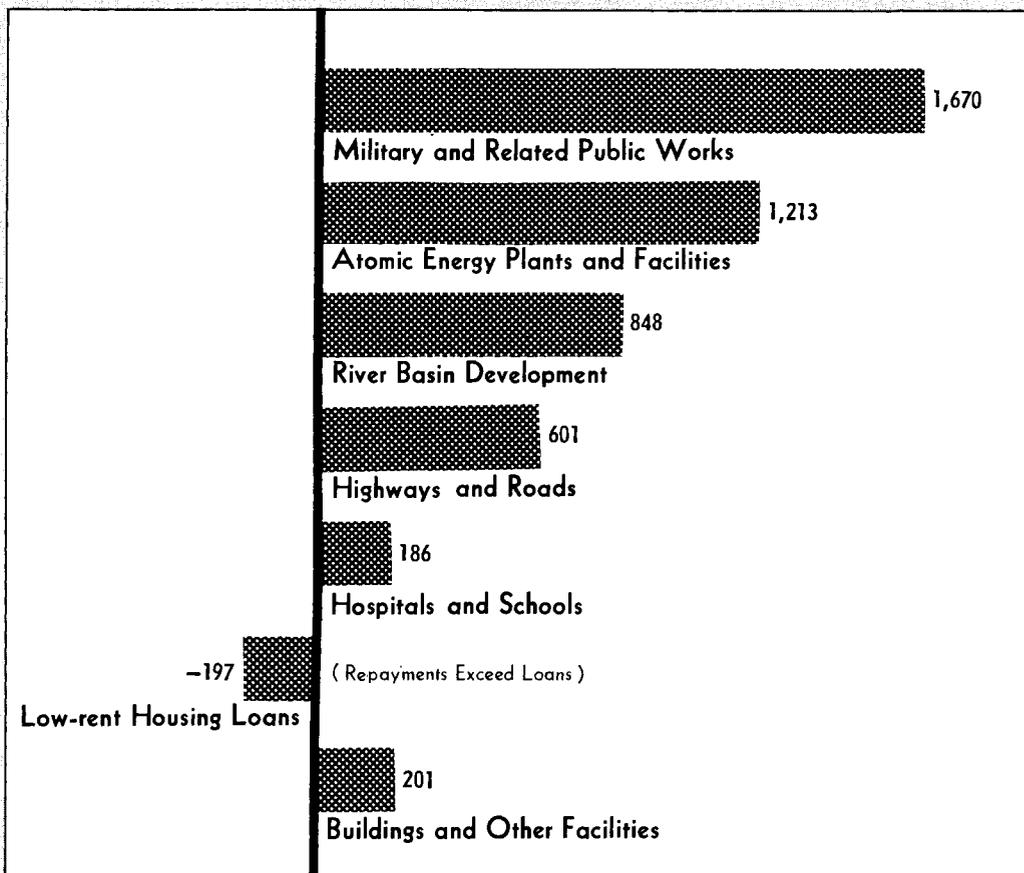
¹ Less than 50 million dollars.

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

Federal Public Works

ESTIMATED BUDGET EXPENDITURES IN 1955

\$ MILLIONS



About one-half of the civil public works expenditures in 1955 will be for river basin development. This includes expenditures for flood control, irrigation, navigation, power, and multiple-purpose projects. Some of the large multiple-purpose projects are nearing completion, and others will be completed in the next few years. Expenditures for highways and roads, mostly for grants to States in

the Federal-aid highway program, account for the next largest share. In 1955, collections on earlier loans for low-rent public housing are expected to exceed new loans, resulting in net receipts of 197 million dollars from this program. The remaining Federal public works expenditures are for hospitals, schools, public buildings, research laboratories, and other facilities.

Research and Development

Research and development activities are supported or conducted by many Federal agencies, either as a basic purpose of the agency or as a means of improving the efficiency of its other operations. Federal expenditures for research and development are part of the expenditures already discussed in part II of this booklet. In part II they are classified with the major programs they support. Here they are grouped together to show the magnitude and composition of Federal research and development activities.

Federal Government expenditures for identifiable research and development programs in the fiscal year 1955 are estimated at 2.0 billion dollars, 5 percent lower than in 1954. The total includes 190 million dollars for additions to research buildings and major equipment and 1,824 million dollars for the conduct of research and development.

These expenditures by the Federal Government are about one-half of the estimated 3.5 to 4 billion dollars now being spent annually in the United States for all research and development purposes. Industry provides nearly all the remainder, with educational institutions and other sources financing a relatively small amount.

Federal research and development expenditures increased substantially during World War II, first exceeding 1 billion dollars a year in 1944. They declined thereafter, but increased again to an even higher level during the Korean conflict. These substantial variations reflect changes that have occurred in the magnitude of research for military and other national security purposes.

Expenditures for the remainder of the Government's research program have remained relatively stable.

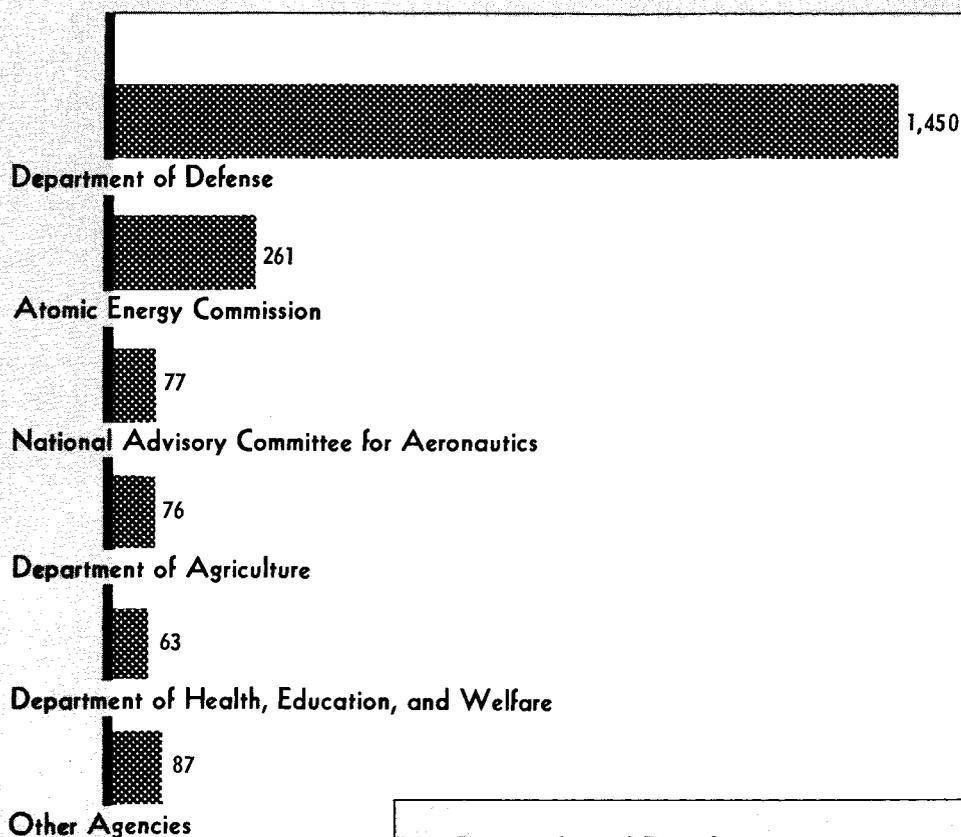
In the fiscal year 1955, more than 70 percent of the Federal Government research expenditures will be made by the Department of Defense in its work on developing new weapons, improving existing weapons, and increasing the effectiveness of the armed forces by applying scientific knowledge and techniques to military problems. The Atomic Energy Commission engages in research and development aimed at improved weapons, more efficient production of fissionable materials, generation of electric power from atomic energy, and protection of personnel from radiation and the other hazards of atomic energy operations. The National Advisory Committee for Aeronautics conducts basic and applied research to obtain scientific and engineering data for improving the design and performance of military aircraft, guided missiles, and propulsion systems. The findings of both the Atomic Energy Commission and the National Advisory Committee for Aeronautics make extensive contributions to nonmilitary as well as military purposes.

The Department of Agriculture conducts fundamental and applied research related to the production, storage, distribution, and utilization of agricultural products. It also works on problems of human nutrition and home economics. The Department of Health, Education, and Welfare does research on the cause, prevention, and

Research and Development BY AGENCY

BUDGET EXPENDITURES IN 1955

\$ MILLIONS



treatment of cancer, heart disease, mental diseases, and other health problems.

Eighteen other agencies of the Federal Government also have budgeted expenditures for research and development in the fiscal year 1955, but in smaller amounts.

More than 90 percent of the Federal expenditures for research and development are for applied research, development, and new facilities. Basic research accounts for less than 10 percent. The National Science Foundation will furnish general coordination with regard to basic scientific research. The Foundation is presently engaged in a comprehensive study of research and national science policy.

Research and Development - Expenditures \$ Millions

Fiscal Year	Total	Military and Related Research	Other
1955 Est.	2,014	1,788	226
1954 Est.	2,127	1,913	214
1953	2,108	1,908	200
1952	1,839	1,632	207
1951	1,342	1,125	217
1950	1,143	926	217

Almost two-thirds of the Federal Government's research and development funds are spent through contracts with industry. About one-third is spent in direct operations in Federal laboratories and other facilities. A small fraction is for grants and contracts with educational and nonprofit institutions.

Federal Aid to State and Local Governments

Federal aid to State and local governments is generally used to help support State and local activities which have a national interest. In the budget message, the President stated, "In those cases where Federal participation is necessary, the effort of this administration is to develop partnerships rather than an exclusive and often paternalistic position for the Federal Government."

A Commission on Intergovernmental Relations is at present studying the proper role of the Federal Government in relation to State and local governments. It is giving particular attention to Federal grants-in-aid and other aids to States and their subdivisions—as well as tax sources, governmental functions, and intergovernmental tax immunities. It is expected to report shortly on certain aspects of its assignment.

Federal aid consists mainly of grants-in-aid, but also includes loans and repayable advances, and shared revenues. Budget expenditures for such aid in the fiscal year 1955 are estimated at 2.7 billion dollars. They will equal approximately 10 percent of State and local government revenues from other sources. These Federal-aid expenditures are included in the budget expenditures discussed in

part II of this booklet, where they are classified with the major programs to which they are related. They are grouped together here to show in one place the magnitude and the types of Federal aid to State and local governments. In some cases, the expenditure figures are somewhat different from those shown in part II. The difference represents the expenditures for Federal administration of these programs. As presented here, the expenditures represent the payments to State and local governments.

Nearly half of all the Federal-aid expenditures in the fiscal year 1955 will be grants for public assistance. Federal grants also aid school operations in areas burdened by Federal activities; administration of unemployment compensation and labor placement services; provision of lunches for school children; public health; and vocational rehabilitation. Other major grants are for construction programs—they aid in the building of highways, schools in areas burdened by Federal activities, and hospitals. Substantial grants-in-aid are made also for low-rent public housing programs and for slum clearance and urban redevelopment projects.

FEDERAL AID TO STATE AND LOCAL GOVERNMENTS

[In millions]

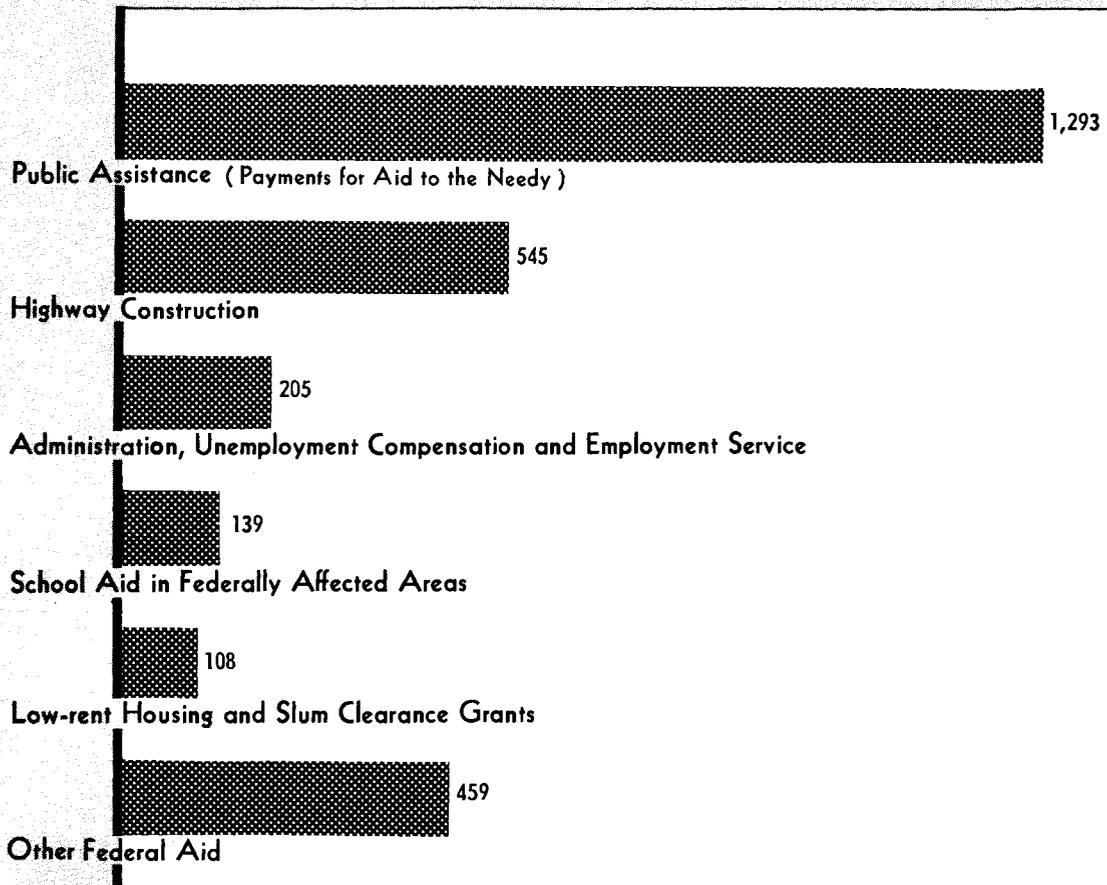
Fiscal year	Gross expenditures				Collections on loans and repayable advances	Budget expenditures (net)
	Total	Grants-in-aid	Shared revenues	Loans and repayable advances		
	(1)	(2)	(3)	(4)	(5)	(6)
1950.....	\$2,279	\$2,226	\$27	\$26	\$10	\$2,269
1951.....	2,520	2,256	31	233	86	2,434
1952.....	3,096	2,393	38	665	492	2,604
1953.....	3,818	2,781	50	987	961	2,857
1954 (estimated).....	4,197	2,940	52	1,205	1,330	2,867
1955 (estimated).....	3,867	2,873	53	941	1,118	2,749

NOTE.—Column (6) equals column (1) less column (5).

Federal Aid to State and Local Governments

BUDGET EXPENDITURES IN 1955

\$ MILLIONS



Federal aid in the form of loans and repayable advances is expected to involve gross expenditures of 941 million dollars in 1955. Collections on loans and advances are estimated at 1,118 million dollars. Hence, in the fiscal year 1955, net receipts of 177 million dollars are estimated for loans and repayable advances to State and local governments. Most of this type of Federal aid is for low-rent public housing and for slum clearance and urban redevelopment.

The third type of Federal aid is shared revenues. These revenues are collected by the Federal Govern-

ment and then shared with State and local governments. They arise largely in connection with the management of public lands. For example, the Federal Government turns over to States or their subdivisions a portion of the proceeds from the sale or lease of certain Federal property, products, and services. Often the Federal law requires that the State or local share be used for schools, or for schools and roads, in the county where the Federal lands are located. Shared revenues comprise less than 2 percent of Federal expenditures for aid to State and local governments.

Federal Credit Programs

In carrying out several major programs authorized by the Congress, Government agencies make direct loans, and guarantee or insure loans made by private banks and other credit institutions. For example, as part of the Federal programs for improvement of housing and encouragement of home ownership, Federal agencies insure or guarantee about 40 percent of new home-mortgage loans. Similarly, credit assistance is an important part of the Federal program of encouraging efficient family-size farm units.

Federal insurance and guarantees of private loans do not normally involve budget expenditures. In direct loan programs, collections on outstanding loans are usually available for new loans. At times these collections exceed the disbursements on new loans. In the fiscal year 1955, for example, repayments on old loans are expected to exceed disbursements on new loans.

The volume of “new commitments”—pledges by Government agencies to make direct loans or to guarantee or insure private loans—indicates the level and trends of Federal credit activities. Total new commitments of 12.5 billion dollars estimated for major credit programs in the fiscal year 1955 represent a reduction of more than 2 billion dollars from 1953 and 1954. Because of increased reliance on guarantees of private loans in place of direct

Federal loans, Federal guarantees and insurance of private loans will account for 70 percent of new commitments in the fiscal year 1955, compared with 67 percent in 1954 and 64 percent in 1953.

The shift in emphasis to guarantees of private loans is likewise visible in the trends of outstanding loans and guarantees. Outstanding direct loans (including undisbursed commitments) are expected to decline from the peak of 19.1 billion dollars on June 30, 1953, to 17.8 billion dollars by the end of the fiscal year 1955. On the other hand, Federal guarantees and insurance of private loans will continue to rise during the same period from 30.9 billion dollars to an estimated 37.5 billion dollars.

Credit aids for agricultural programs, supervised by the Department of Agriculture and the Farm Credit Administration, total 4.5 billion dollars, or 36 percent of new commitments in 1955. Major farm credit programs include (1) price support loans and guarantees by the Commodity Credit Corporation; (2) loans by the Federal intermediate credit banks to help finance farm production; (3) electrification and telephone loans by the Rural Electrification Administration; and (4) loans by the Farmers Home Administration for farm operating expenses and crop production, farm ownership and improvement, and farm housing.

Federal Credit Programs

[IN BILLIONS]

Fiscal year	New commitments during fiscal year			Outstanding and committed at end of fiscal year		
	Loans	Guarantees	Total	Loans	Guarantees	Total
1950.....	\$5.5	\$9.9	\$15.4	\$15.7	\$20.1	\$35.8
1951.....	4.9	8.5	13.4	15.7	23.7	39.4
1952.....	5.2	9.7	14.9	17.4	27.2	44.6
1953.....	5.3	9.5	14.8	19.1	30.9	50.0
1954 (estimated).....	4.9	9.8	14.7	18.8	35.4	54.2
1955 (estimated).....	3.7	8.8	12.5	17.8	37.5	55.3

Five major housing programs supervised by the Housing and Home Finance Agency account for 4.4 billion dollars or about 35 percent of the estimated new commitments in 1955. (1) The Federal Housing Administration insures loans made by private lending institutions for the purchase, construction, and improvement of homes. (2) The Federal National Mortgage Association provides a secondary market for residential mortgages insured by the Federal Housing Administration or guaranteed by the Veterans Administration. (3) The Public Housing Administration makes direct loans and guarantees private loans to assist local housing authorities in the construction of low-rent public housing. (4) The Housing Administrator makes direct loans and guarantees private loans to communities for the elimination of slums and the redevelopment of blighted areas. (5) The Housing

Administrator makes direct loans to provide housing for students and faculty members at educational institutions.

New commitments for veterans' loans guaranteed by the Veterans Administration are expected to continue at over 3 billion dollars a year in the fiscal year 1955. Almost 90 percent of these guaranteed loans will be used to purchase or improve houses.

Other major active loan programs of the Federal Government include loans and guarantees under the Defense Production Act to expand defense production, loans by the Small Business Administration to meet the special needs of small businesses, and foreign loans by the Export-Import Bank and the Foreign Operations Administration. The loan programs of the Reconstruction Finance Corporation are now in liquidation.

Glossary of Selected Budget Terms

New obligational authority.—The total amount of budget authorizations to incur obligations granted by the Congress to the Federal agencies for a given year, usually in the form of appropriations. This is the initial action which must precede all budget expenditures. New obligational authority includes a few reauthorizations, by means of which unused portions of prior year authorizations are continued after they would otherwise expire.

Obligations.—Actions taken by the agencies within their available obligational authority to buy goods and procure services, requiring in due time the payment of money (expenditures). Obligations may be in the form of orders placed, contracts awarded, personal and contractual services ordered, and similar transactions.

Budget expenditures.—With a few exceptions, they are checks issued under budget authorizations, granted either in the current year or in previous years. The usual procedure is that obligations are incurred under new obligational authority. Obligations are then liquidated by expenditures which sometimes take place within a few weeks and sometimes occur as much as 3 or even more years after an obligation has been incurred. Excludes spending of funds held in trust.

Budget receipts.—Federal income consisting of personal and corporate taxes, excises, customs, and other revenues. Excludes funds received in trust.

Budget deficit.—The excess of budget expenditures over budget receipts in any fiscal year.

Budget surplus.—The excess of budget receipts over budget expenditures in any fiscal year.

Unexpended balances of prior year authorizations.—The unexpended portions of prior year authorizations, largely obligated, which are brought forward and are currently available for expenditure. They are commitments for which actual funds were not provided in prior years and which must be met as expenditures in the current or future years.

BUDGET RECEIPTS AND EXPENDITURES AND PUBLIC DEBT

[Fiscal years. 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	\$3,730	\$6,521	-\$2,791	\$28,701
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	7,756	-2,777	36,425
1918	3,630	12,662	-9,032	12,455	1938	5,615	6,792	-1,177	37,165
1919	5,085	18,448	-13,363	25,485	1939	4,996	8,858	-3,862	40,440
1920	6,649	6,357	+291	24,299	1940	5,144	9,062	-3,918	42,968
1921	5,567	5,058	+509	23,978	1941	7,103	13,262	-6,159	48,961
1922	4,021	3,285	+736	22,963	1942	12,556	34,046	-21,490	72,422
1923	3,849	3,137	+713	22,350	1943	21,987	79,407	-57,420	136,696
1924	3,853	2,890	+963	21,251	1944	43,636	95,059	-51,423	201,003
1925	3,598	2,881	+717	20,516	1945	44,475	98,416	-53,941	258,682
1926	3,753	2,888	+865	19,643	1946	39,772	60,448	-20,676	269,422
1927	3,992	2,837	+1,155	18,512	1947	39,787	39,033	+754	258,286
1928	3,872	2,933	+939	17,604	1948	41,488	33,068	+8,419	252,292
1929	3,861	3,127	+734	16,931	1949	37,696	39,507	-1,811	252,770
1930	4,058	3,320	+738	16,185	1950	36,495	39,606	-3,111	257,357
1931	3,116	3,578	-462	16,801	1951	47,568	44,058	+3,510	255,222
1932	1,924	4,659	-2,735	19,487	1952	61,393	65,410	-4,017	259,105
1933	2,022	4,623	-2,602	22,539	1953	64,593	73,982	-9,389	266,071
1934	3,065	6,694	-3,630	27,053	1954 (est.)	67,629	70,902	-3,274	269,750
					1955 (est.)	62,642	65,570	-2,928	273,000

¹ Reflects new tax proposals.

BUDGET EXPENDITURES, BY FUNCTION

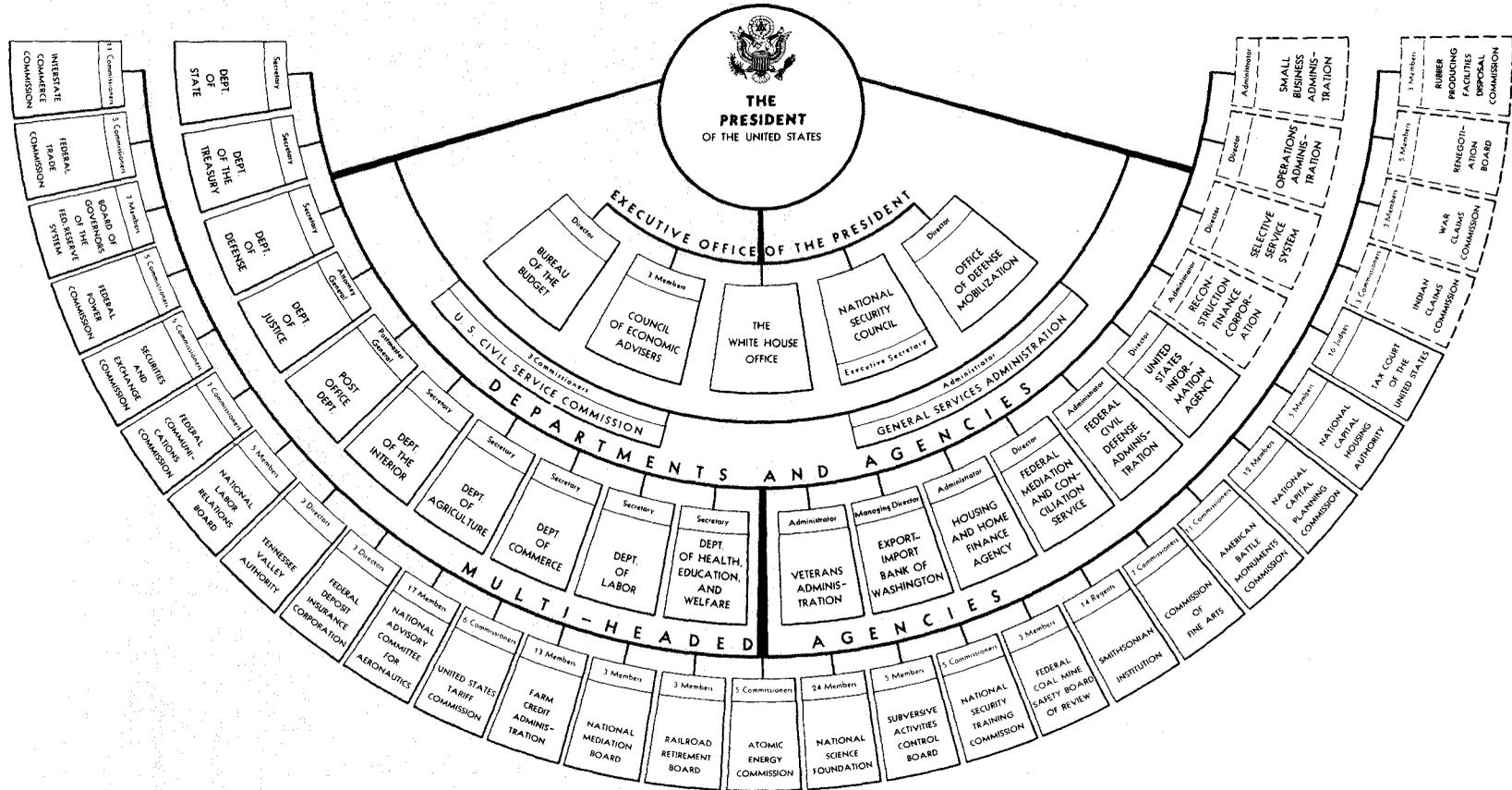
[Fiscal years. In millions]

Function	1946	1947	1948	1949	1950	1951	1952	1953	1954 (estimate)	1955 (estimate)
National security	\$43,507	\$14,392	\$11,675	\$12,902	\$13,009	\$22,306	\$43,848	\$50,274	\$48,720	\$44,860
Veterans' services and benefits	4,416	7,381	6,654	6,726	6,647	5,342	4,863	4,298	4,160	4,192
International affairs and finance	3,066	6,531	4,566	6,053	4,674	3,795	2,826	2,216	1,779	1,250
Social security, welfare, and health	738	1,007	1,083	1,293	1,592	1,721	1,756	1,910	1,947	1,807
Housing and community development	¹ 199	348	82	282	262	602	735	549	57	1,277
Education and general research	85	66	65	74	122	115	171	277	278	223
Agriculture and agricultural resources	743	1,243	575	2,512	2,783	650	1,045	2,936	2,654	2,366
Natural resources	251	449	631	902	1,058	1,140	1,258	1,358	1,172	1,103
Transportation and communication	817	581	1,251	1,649	1,757	1,747	1,990	2,076	1,856	1,418
Finance, commerce, and industry	¹ 44	161	71	110	106	126	127	76	164	162
Labor and manpower	224	224	190	211	271	254	275	281	265	281
General government	951	1,334	1,366	1,075	1,177	1,309	1,437	1,439	1,175	1,160
Interest	4,816	5,012	5,248	5,445	5,817	5,714	5,934	6,583	6,600	6,875
Reserve for contingencies									75	150
Total	59,371	38,729	33,457	39,234	39,275	44,821	66,265	74,274	70,902	65,570
Adjustment to daily Treasury statement	+1,077	+304	-389	+273	+331	-763	-855	-292		
Total budget expenditures	60,448	39,033	33,068	39,507	39,606	44,058	65,410	73,982	70,902	65,570

¹ Deduct, excess of repayments and collections over expenditures.

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

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