

Notes on Cabinet Meeting - January 24, 1958 by General John S. Bragdon

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Highway History

[THE FOLLOWING NOTES ARE BY GENERAL JOHN S. BRAGDON]

January 24, 1958

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Prior to entering the Cabinet Meeting Mr. Tallamy and I discussed employment. The figures that had been supplied him by the Bureau of Public Roads and those of which I am familiar (including our rule-of-thumb of 16,000 per man-year) were so divergent that I suggested he not discuss employment unless he was asked to. He readily agreed.

After the meeting we carried the discussion on and he said he would take immediate action to reconcile the discrepancies. I agreed to work with him and his staff until this is finished. I have since checked our figures and I feel reasonably confident that our figures are the more nearly correct than the ones that Mr. Tallamy had. Obviously there is some aberration and I feel sure that when discovered, it will evolve around semantics. [Handwritten note: Question has been resolved! (3pm) our figures are ok.]

Mr. Tallamy presented to the Cabinet from three charts a picture of the Interstate and Federal Aid Systems. (I will endeavor to get copies of these charts.) Essentially, he pointed out that all the programs were meeting the goals established when the programs were authorized. Actually, we are slightly ahead in some areas. Most of the data were in terms of dollars, some in miles. The most interesting chart was that depicting the amount of funds that could be apportioned to the States in relation to the amount of funds available from the trust fund. I could not see this chart too clearly and am not sure of the years. However, next year (and I presume that to be calendar 1959 or fiscal 1960) there will be a short fall in the amount that could be apportioned under the authorization, which is \$2.2 billion. This short-fall is \$600 million. Even the balance, \$1.6 billion, cannot be apportioned at the usual time in August but must be delayed to say the latter part of December. In the following year, calendar 1960, the short-fall will be \$1 billion from the \$2.2 billion. On this basis it will be necessary for States to delay almost 11 months the making of obligations which they had presumably planned to make under the authorized \$2.2 billion scheduled.

In, short, instead of a 13-year program because of the short-fall in the dollar availability, the program is now up to 21 or more years. I am not sure but I presume this includes some increases in cost.

Mr. Weeks pointed to the question of revised estimates for the Interstate Systems. He mentioned an increase of \$10 billion or a 37% increase. He took the time to quote from Senator Gore - "I will wage a relentless battle to provide funds to complete the System in 13 years." Mr. Weeks discussed the matter of taking \$68 million? out of the highway trust fund for other purposes, such as labor statistics, the treasury administration of the trust fund, and other overhead items and indicated that this question was going to be what he termed a "hassle." He also touched on the question of reimbursement for the free and toll roads that would be taken on the Interstate System estimated at about \$6 billion and pointed out that the Administration position was in opposition to this reimbursement. He also touched on outdoor advertising - billboards, and indicated that he thought there was a good chance of obtaining control in this area. He summarized by saying the program is moving along fine and both Administration personnel and the Congress were watching it closely and were keeping their fingers in it. In his summary he outlined three problems:

1. The extra cost of the system and remarked that this matter could coast along a while before it became an issue.

2. The reimbursement for roads taken over. He observed that it would be necessary the Administration take a position on this pretty soon.

3. Elaborated on the "hassle" over withdrawals.

The President remarked that he thought the withdrawals from the trust fund insofar as they represented income due to aviation was proper since those funds could be applied to aviation, but he wasn't sure of the reason for any of the other withdrawals. He went on to say that since the gas tax was now only 3 cents and it was many, many times that amount in other countries, why not raise it one-half cent to help make up the deficit. He talked a moment on the need to find a way to finish the program on the 13-year basis since that was the original ballyhoo, the original promise to the people. He said he wanted to get back to the original schedule for many reasons, one of them being to finish the roads, since in his opinion they would have to be rebuilt within 25 years, he thought they should be finished before they started the rebuilding. Secretary Weeks observed that he would like to study the problem.

Mr. Nixon interjected that if the Administration didn't get on top of this problem that Congress would; that there was considerable feeling as to the down-turn in the economy; and that he, Mr. Nixon, felt that the Administration had not received the credit due it, for conceiving the Road Program that it should have; and that they should take the lead right now. Mr. Nixon said that it was important that the President do this, take the lead, before Gore did; that the Administration needed the credit.

Mr. Week interjected a story about savings to truckers based on some studies on the New York Thru Way where repair bills were cut in half and insurance cost reduced in this instance by \$50 thousand, whereas the tolls paid were only \$48 thousand.

The President at this point wondered if there was any way in getting more taxes or funds from the truckers. Secretary Weeks replied by repeating his story of the truckers and observed that these facts might make it easier. The President asked whether there was not some method of taxing by weight, wheels, tires, or licenses. Someone replied that these were normal State areas of revenue.

Mr. Nixon posed the question to Secretary Weeks based on what had been said before to the effect that the program was going to fall behind and stated - "I assume you (Secretary Weeks) will have a new proposal for the Administration to push, particularly in view of the economic situation.

Secretary Weeks - "I will study some ways to find more funds and means to step up the program. I point out that this year's expenditure is going to be about \$2 billion, which is a large amount."

Secretary Benson interjected - "Let's get back on the 13-year idea!!" to a chart which evidently showed consumer spending falling off sharply. (I believe this is what he referred to. It was not clear.) He then cited the problem of lack of confidence relating it to an experience at Banker's Luncheon and reiterated Let's get something specific that can be looked to by all and that will reflect credit to the Administration. Fiscal measures are good and may be adequate, but they are hard to see - Highways is a good place to start and we should start.

The President interjected by saying I think we should get back on our original schedule.

Secretary Anderson observed if the reimbursement to the Treasury for administering the trust fund was a real point of issue, let's forget it for the time being in the interest of amity.

Secretary Weeks and the Budget representative immediately spoke up saying we couldn't back out now, we have already presented it to the Congress.

Secretary Folsom queried the group as to whether or not in the original planning for the Highway Act it was not indeed planned to increase gas taxes as the program proceeded. No one could recall such. The President discussed this and referred to the bonding idea as proposed by the Clay Report, which was not adopted. Saying this

would have provided cash when we want it. (However, it would not have taken care of the increased cost any easier than any other system.)

Mr. Nixon again restated his thoughts on " let's get started and get back on schedule" and recited an anecdote to the subject.

Mr. Tallamy and I left the Cabinet Meeting at this point. We discussed the labor questions again, but more the question that he, Tallamy, now had the go ahead to develop a reorganized financial plan and physical plan that the Administration could propose that would complete the system under the original 13-year basis. Tallamy remarked that both the President and the Vice President remarked so strongly on this point that he was "in business."

At some time during the discussion the President observed that in relation to the financial aspects that he was not perturbed over deficit financing if it was indicated in view of what he called "other problems."

It was my impression that Tallamy will go ahead full steam, although he may be subdued somewhat by Weeks who if he caught the implication of the Vice President's remarks, did not respond to them, at least visibly.
