

The Adobe Tower
by Jerry Hall and Loretta Hall

Inventing the Interstate Highway Investment System

By the early 1950s, there was general agreement on the need to improve the nation's highway system to facilitate commerce and to enable emergency evacuations or military deployment if necessary. The problem wasn't *what* to do, it was *how* to do it. Two major concerns had intertwined to create a decades-long impasse. States-rights politicians as well as some segments of the transportation industries and the general public resisted federal control over the location, design, and funding of the proposed interstate superhighway network. Even more troublesome was the debate over how to pay for the system.

Dwight Eisenhower, who became President in January 1953, believed that building the Interstate System was vital to the national economic and defense interests and, therefore, federal leadership was appropriate. And, as a fiscal conservative, he wanted the program to be "self-liquidating"—that is, to be financed in a way that would not add to the national debt. Frustrated with the inability of his advisors to agree on a workable plan, Eisenhower unexpectedly handed the problem to state leadership. In a speech written by him but delivered by Vice President Richard Nixon to the 1954 Governors' Conference, Eisenhower stated his objectives: a highway system developed cooperatively through a federal-state alliance, and a funding plan that would pay for the highways either through tolls or increased revenue from gasoline taxes. He ended with this request: "I hope that you will study the matter, and recommend to me the cooperative action you think the federal government and the 48 states should take to meet these requirements, so that I can submit positive proposals to the next session of the Congress."

The speech completely blindsided the governors because they had no advance notice or preparation for the President's bold challenge. Furthermore, as a group, they favored repealing the federal gas tax so they could increase their states' gas taxes to finance their own highway expenses. Sherman Adams, the President's top aide and a former governor, acted quickly to mollify the governors and explain the importance of their consultation in formulating a plan based on federal-state cooperation.

Even as the governors began to gather information and develop the requested plan, Eisenhower initiated new federal efforts. He established a committee consisting of representatives from the Departments of Commerce, Defense, and Treasury, as well as the Budget Bureau and the Council of Economic Advisors. It was to report to another new body, the President's Advisory Committee on a National Highway Program, which would also interact with the governors' committee. Chaired by Lucius Clay, the President's Advisory Committee became known as the Clay Committee.

The Clay Committee's report, which was transmitted to Congress in February 1955, recommended that a Federal Highway Corporation be created to issue \$25 billion in bonds to finance the federal share (30 percent) of the cost of improving the nation's highways, including building the Interstate System. The bonds, which would be retired over a period of 30 years through federal gas taxes, would not be included in the national budget. This proposal drew

heated opposition from Congressional leaders including the chairman of the Senate Finance Committee, Virginia's Harry Byrd, Sr., who said, "Such procedures violate financing principles, defy budgetary control, and evade federal debt law." He also pointed out that because "we have not paid off a single dollar of federal debt in 25 years," it was a "violent assumption" to think the bonds would be retired in 30 years. The Clay Committee's recommendations were soundly defeated in both Houses.

Alternative proposals fashioned by Senator Albert Gore, Sr., and Representative George Fallon also failed to pass both legislative chambers. The following year, the Bureau of Public Roads distributed the *Yellow Book* to Congress. The book, which showed 122 urban Interstate routes proposed for cities in 43 states, was instrumental in convincing legislators of the system's value to their constituents. (Eisenhower had been told that the book documented the legislative history of the Interstate System, and he did not read it. When he did learn of the substantial investment in urban Interstate mileage in 1959, it was too late to recast the System into his original vision of a primarily rural system.) The Representatives debated a new Fallon bill, which raised the federal share of the program to 90 percent and committed nearly \$25 billion over a period of 13 years. The bill passed the House after being amended to create a Highway Trust Fund to dedicate certain highway user taxes solely to paying for the Interstate System. Those user taxes included the entire federal taxes on gasoline and diesel fuel (both of which increased from 2 to 3 cents per gallon); some other existing taxes (which also increased) on items such as tires, inner tubes, and new commercial vehicles; and new taxes on tire retreads and annual use of heavy vehicles (those exceeding 26,000 pounds).

The Senate passed a similar bill, with the key addition that annual disbursements from the Highway Trust Fund would be limited to the balance in the Fund to preclude any deficit in the program. After successful conference committee action, both Houses passed the Federal-Aid Highway Act of 1956, which established and funded the National System of Interstate and Defense Highways. On June 29, 1956, President Eisenhower signed the legislation in his hospital room, with little fanfare but great satisfaction.

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This is the seventh in a series of articles tracing the development of the Interstate Highway System.