

As Depression Deepens, ARTBA Defends Road Program, User Taxes

By Tom Kuennen

In hindsight, roadbuilding did not suffer from the disaster of the Great Depression (1929-1941) as much as most other industries. But one reason was the American Road & Transportation Builders Association's (ARTBA) hard work in defending the program.

Benefiting from established user taxes and fees, road construction was not subject to the vagaries of declining consumer spending, rising unemployment, eroded credit and bank closures which afflicted American business during the Depression.

Instead—even as roadbuilding became a centerpiece of the federal government's economic stimulus against the Depression—proponents of roads like ARTBA had to battle to keep the federal program alive, while fighting a rear guard action to keep road taxes from being diverted to other social causes politicians might choose.

"The Highway Program of the Nation hangs in the balance," ARTBA said in its 1933 plan, *The Highway Situation: The Need for Continuing an Adequate Highway Program*.



H.C. Whitehurst, director of highways, Washington, D.C., served as ARTBA chairman from 1933-34.

"It is in a critical situation. Quick action and coordinated effort are required to continue the program on a planned and economically sound basis."

At that time, as the Depression tightened its grip, the existing federal aid highway act extensions had

expired, with no replacement to continue the program. "At the present time, it is partially propped up by the federal government with its allotment of \$400,000,000 for the

continuation of highway work," ARTBA said with little satisfaction.

ARTBA plunged into the fray, where no other advocates would venture. "There is no single coordinated leadership to forestall, during these depression years, the inroads on highway revenues, nor to combat unitedly the disruption of the road building programs that have been planned and carried on for years," ARTBA said in 1933.

At that time, ARTBA planned an educational campaign to support roadbuilding. To make the campaign a success, ARTBA urged what we now call "coalition building" among industry entities.

Lobbying was another way ARTBA defended highways in the decade. "It is the purpose of the association to make available to all legislators, through representation and contacts, if and whenever necessary, the statistics concerning highways and highway transportation which will enable the law maker to make decisions on highway enactments based on facts," ARTBA said.

ARTBA's efforts in protecting the program and against diversion of funds in the 1934 highway funding bill that finally was passed were such that at its convention in Washington in January 1935, ARTBA Chairman H.C. Whitehurst was able to say "all of the principles embodied in [ARTBA's] resolutions were included in the Hayden-Cartwright Act signed by the president June 18, 1934." The association also worked to pass the Federal Aid Highway Act of 1938.



Excavation work on the Blue Ridge Parkway in 1936. Photo courtesy of FHWA.

ARTBA Attains Maturity in 1930s

The successful, political fights of the Depression years represented a maturing of ARTBA toward the association we know today. Beginning in 1928, ARTBA influenced legislation and politics from its new headquarters in Washington, D.C.

Back then it was called the American Road Builders' Association (ARBA), and from its founding in 1902, had drawn together government officials, road contractors and consulting engineers to promote fully funded federal road programs that gave states—not a federal road commission—the authority to issue contracts and build roads.

ARTBA fought hard for the Federal Highway Act of 1921, which paved the way

for huge increases in road construction from the previous decade (see "1920-1929: In Face of [1916] Federal Act Failure, ARTBA Fights to Preserve Program," *Transportation Builder*, March 2001, page 17.)

"The 1920s were boom years for road building," wrote Federal Highway Administration (FHWA) historian Richard Weingroff in *Public Roads Magazine*. "In 1922 alone, federal aid projects totaling 16,500 km [10,253 miles] were completed at a cost of \$189 million [\$1.76 billion in

"Let us accept the challenge and make this a war against unemployment ... no money will be wasted if funds are invested in highway construction and development."

-- ARTBA Chairman W.A. Van Duzer, assistant chief engineer, Pennsylvania Department of Highways, 1931

ARTBA TIMELINE

1930
ARTBA European Division established.

W.A. Van Duzer, assistant chief engineer, Pennsylvania Department of Highways, is elected ARTBA chairman.

ARTBA meets in Atlantic City, N.J., and draws large delegation as Great Depression deepens.

1931
ARTBA meets in St. Louis, Mo., with 314 exhibitors.

William R. Smith, Lane Construction Co., Conn., is elected ARTBA chairman.

2000 dollars], three times as much roadway as had been improved since the start of the federal aid program in 1916.”

But the Great Depression changed the context in which roads were built, from one of lavish spending in an exploding consumer economy, to steadying the course during economic contraction. Following the Oct. 29, 1929, stock market crash, and fueled by trade-strangling tariffs, stocks lost an estimated \$50 billion in value through 1931.

And as the U.S. economy shrank—stranding businesses and citizens alike—politicians and the American public gave a close look at the way scarce public money was being spent on roads. The industry would never be the same.

Highways, ARTBA Enter the Depression

It took time for the country to slide into depression after the 1929 crash and ARTBA held a successful convention in Atlantic City in January 1930. “The Road Show was the most outstanding ever held,” ARTBA later reported. “There were 389 exhibits of all types of materials and equipment used in construction, maintenance and operation of highways, as well as 16 special exhibits [by government agencies].”

Photos from ARTBA's successful 1930 convention held in Atlantic City.



Road Show



ARTBA Banquet

But even then—less than three months since the crash—talk at ARTBA's 1930 convention considered the changing economic times. A panel of industry journal editors titled “Analyzing Prosperity by a Comparison of the 1929 and 1930 Highway and Airport Programs” delivered a sanguine outlook for the industry, tempered by the warning that it must justify itself to the public to keep at its pace.

“We have been selling highways to the American people on a vast scale for some years,” said 1930 ARTBA panelist Willard T. Chevalier, publishing director, *Engineering News-Record*. “We know the American people have bought highways on a vast scale, and they have dug deeply into their jeans to pay for them. Now that readiness to buy cannot be expected to continue indefinitely ... We have on our hands a harder selling job to get the money to finance improved highways; the job will not become any easier.”



Illustrative image of unemployment relief efforts in 1930. Photo courtesy of FHWA.

A Fort of Funds

The federal government worked quickly to expand road funding in light of the declining economy. An authorization in 1930 increased federal aid for FY 1931 by \$50 million to a total of \$125 million, and authorized \$125 million for each of 1932 and 1933. “The Secretary of Agriculture apportioned the new 1931 funds immediately [in 1930], and also made the 1932 apportionments available for use

“In discussing prosperity as affected by the 1930 highway program of road construction in states and counties ... the income for road construction is but little affected by business conditions, because road funds are derived from taxes, which are levied and paid irrespective of business depression or inflation ... The use of automobiles and, therefore, the income to be derived from the gasoline tax, does not seem to be affected greatly by business conditions, since the more leisure people have the more pleasure automobiles are used.”

-- C.R. Thomas, editor, *Highway Engineer and Contractor Magazine*, at ARTBA's convention in Atlantic City, N.J., 1930

in September 1930,” wrote FHWA in its Bicentennial history, *America's Highways, 1776-1976*. “This action made \$175 million of federal funds immediately available, which was more than many states were able to match.”

Congress responded by appropriating another \$80 million to the states for use in matching federal funds, to be deducted from their standard federal road funds over the next five years. With support from ARTBA, Presidents Herbert Hoover and Franklin Delano Roosevelt both supported emergency funding for highways, and it continued throughout the decade, including:

- The Emergency Relief and Construction Act of 1932 (\$120 million, to be obligated by July 1933).
- The National Industrial Recovery Act of 1933, which provided \$400 million in grants to states without state match, but for the first time, allowing federal funds to be spent on urban streets that were extensions of the federal aid system, and for secondary and feeder roads not on the system.
- The Hayden-Cartwright Act of 1934, which appropriated \$200 million for highways, quelled diversions of state gas tax money from highways and re-established the federal-aid program

ARTBA TIMELINE

July: Emergency funding boosts federal-aid road building employment to 155,466, from only 30,944 in January.

1932
ARTBA Annual Meeting is held in Detroit, Mich., with 210 exhibitors at Road Show.

Thomas H. Cutler, chief engineer, Missouri Department of Highways, becomes ARTBA chairman.

On June 6, the first federal gas tax is authorized as President Herbert Hoover signs the Revenue Act of 1932.

1933
Georgia Road Builders Association becomes first state contractor chapter.

H.C. Whitehurst, District of Columbia, director of highways, is elected ARTBA chairman.

after it lapsed in 1933, the first time the country had gone without a federal program since it was begun in 1916.

Also, for the first time, Hayden-Cartwright permitted states to use 1-1/2 percent of matched federal-aid funds for plans, surveys and engineering investigations, and later, economic investigations of the benefits of road improvement.

- The Emergency Relief Appropriation Act of 1935, which provided \$200 million for eliminating railroad grade crossings.



Elimination of railroad grade crossings was a major goal of relief funding during the Depression. Source: ARTBA Convention Proceedings (1931)

Fighting Tax Diversions

Even as the font of federal funds spewed hundreds of millions of dollars into roadbuilding, ARTBA plunged into a bitter fight to preserve state and federal highway funding mechanisms and stonewall diversions of that tax money at the state level.

“With the Great Depression, a new wrinkle entered the highway program: the diversion of highway funds to nonhighway purposes,” wrote Bureau of Transportation Statistics historian Joyce N. Ritter in 1995. “The huge highway revenue was an irresistible magnet to hard-pressed state legislatures. These diversions were self-defeating because dollars were much more effective when spent on road building than when used for direct relief or a dole.”

“In the early years of the Depression, there was a precipitous drop in the collections from income and property taxes,”

“[The Federal Aid Highway Act of 1934] is without doubt the most valuable piece of highway legislation enacted since the passage of the first Federal Aid Road Act in 1916, assuring a definite federal participation in the national highway program of a three-year period ... [it] definitely puts the states on notice that further diversion of motor vehicle taxes would penalize them in their federal aid allotments ... [it] does not stop diversion of gas taxes, but discourages it and acts as a check tending to return these funds to their proper use—the highways.”

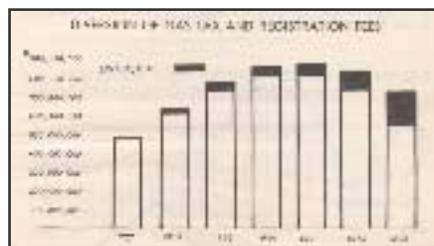
ARTBA Chairman H.C. Whitehurst, director of highways, District of Columbia, at ARTBA's 32nd convention at Washington, D.C.

FHWA reported. “The resulting shortfall of revenue was felt with particular acuteness by the counties and townships which had traditionally depended on property taxation for the support of schools and local roads.”

Then as now, gasoline and excise taxes were a trove of potential cash for hungry governments. From the turn of the century until 1920, about three-quarters of road construction was paid from property and other taxes, wrote Mark H. Rose in *Interstate: Express Highway Politics, 1941-1956*.

“By 1929, every state collected a tax on gas, ranging from two to six cents a gallon and 21 states had dropped property taxes as a source of funds to construct main trunk roads,” Rose wrote. The U.S. Congress itself instituted a federal one cent gas tax in 1932.

Likewise, there was nothing new about diversion: in 1916 six states diverted all of their gas tax revenues to nonhighway purposes. In 1928, constitutional amendments in Kansas and Missouri made diversions impossible in those states. But it did not really hurt the road industry until about 1930, FHWA reported.



Graph showing diversions of gas tax revenue increased as the Depression deepened. Source: ARTBA Convention Proceedings (1933-34).

And despite the Depression, road-user revenues remained stable. “In Iowa, following the agricultural depression and many bank failures, the sale and use of automobiles showed an increase,” said C.R. Thomas, editor, *Highway Engineer and Contractor Magazine*, at ARTBA’s convention in Atlantic City, N.J., 1930.

“Also the comparative cheapness of bus travel as compared with railroad fares makes that new type of transportation more attractive in times of depression,” Thomas told ARTBA in 1930. “In Chicago, a large part of bus passenger traffic comes from mechanics and laborers moving from one part of the country to the other seeking employment. Funds derived from gasoline tax and motor vehicle licenses have shown a healthy increase each year.”

In addition to its impact on roadbuilding, foes of diversion like ARTBA said diversion was unfair because it singled out an industry and its customers unfairly for tax revenues and that it penalized low income families which needed their autos to get to work.

Nightmarish ‘Holiday for Highways’

In a nightmarish scenario reminiscent of today’s Clean Air Act-imposed highway construction freezes, in that day some groups sought a total takeover of highway taxes to replenish government coffers and boost public spending. “Powerfully organized groups, unfriendly to highway

ARTBA TIMELINE

The National Industrial Recovery Act, signed by President Roosevelt, provides \$400 million for road projects without a matching requirement. Funds now can be used on urban extensions of the federal-aid system or on “secondary and feeder roads” off system.

1934
H.C. Whitehurst continues as ARTBA chairman.

ARTBA Annual Meeting is held in Chicago, Ill.

On June 18, Hayden-Cartwright Act is signed into law. It authorizes \$200 million for highway projects. One quarter of the funds are to be spent on secondary and feeder roads. The law also penalizes states diverting motor vehicle tax revenue to non-highway projects.

1930s Saw Growth of State Highways into Urban Areas

The disruption of the Great Depression resulted in major changes to the relationship between federal, state and local governments, and responsibility for roads.

“On the eve of the Great Depression, federal spending for highways was limited to rural territory, and few states played active roles in the construction of urban highways,” wrote the American Association of State Highway & Transportation Officials (AASHTO) in its history, *The States and the Interstates* (1991).

But that changed with the Depression. “With the Depression, the cities sought state and federal funds for urban road repairs and for municipal construction programs,” AASHTO wrote. “Reluctantly, state legislatures assigned their highway departments to build and maintain ‘the urban extensions’ of state highway systems.”

Also, the National Industrial Recovery Act (June 1933) made funds available for a wide variety of urban construction projects. The act authorized \$3.3 billion [in 2000, \$40.25 billion], and led to the creation of the Public Works Administration to administer the projects, and the National Recovery Administration (NRA) to oversee businesses. Yet another agency was the Works Projects Administration (WPA). But pulled in different directions by business, jurists, politicians and labor, the NRA was abandoned in 1935, while the PWA continued through 1939.

For the first time, federal funds for road building bypassed state road departments. “WPA [roadbuilding] funds granted to cities and counties, which the [federal Bureau of Public Roads] helped administer, went directly to local government,” AASHTO observed. This procedure was corrected in part by BPR Chief Thomas MacDonald, who lobbied to get conventional procedures reinstated in the Hayden-Cartwright Act of 1934, which provided federal aid for highways through 1935.

transportation, are actively advocating a ‘highway holiday,’” ARTBA wrote in 1933.

“Others are demanding that revenues normally used for highways be used in less permanent or beneficial work,” ARTBA said. “These demands are made with such sincerity and bolstered propaganda that in the minds of many leaders there is a doubt as to the wisdom of continuing the highway program.”

ARTBA sought relief in the form of the Hayden-Cartwright Act, an appropriations act which also withheld federal-aid funds from any state that continued to divert highway revenues.

Section 12 of the act stated “[I]t is unfair and unjust to tax motor vehicle transportation unless the proceeds of such taxation are applied to the construction, improvement or maintenance of highways.” But few states were punished under the act’s provisions. Under the act New Jersey’s federal aid funds were cut by \$250,000 for FY 1937. Another state to lose funds was Massachusetts, penalized in 1938 for \$472,862.

So diversion continued after 1934. “In 1936 alone, state officials had shifted 19 percent of gas tax income to schools and such,” Rose wrote. “In 1939, diversion amounted to 16 percent of state collected motor fuel taxes and 15 percent of all state user taxes.”

The problem was such that in 1939, mincing no words, ARTBA passed a resolution endorsing state constitutional amendments that would preclude diversion of highway revenues.

“[ARTBA] is appalled by the shocking toll levied against the motorists of this country in the form of highway revenue diversion,” the resolution said. “Diversion has grown to nearly \$170,000,000 [\$2 billion in 2000] a year with the results that motorists are cheated of the benefits to

which they are entitled while our highway system is crippled by the lack of adequate financial support.”

Highways as Economic Multipliers

Through the Depression, highways rightly were seen as vehicles of employment as well as multipliers of economic growth. At its St. Louis convention in 1931—in an effort to direct the national conversation—ARTBA invited U.S. Bureau of Public Roads (BPR) Chief Thomas H. MacDonald to deliver a keynote address, *Highway Building with Particular Reference to the Federal Employment Program*.

“It is conservatively estimated that the complete federal aid program thus made available [by 1931] will give direct employment to at least 100,000 men,” MacDonald told ARTBA delegates. “The state highway departments have a great capacity for carrying forward work in every state without loss of time and without economic waste. There can be no doubt as to the effect which this industry as a whole can have in rebuilding public confidence and substantially relieving unemployment conditions.”

“A sustained high rate of construction activity will keep things moving,” said ARTBA member A.P.

Greensfelder, Fruin-Colnon Contracting Co., in his 1931 address to ARTBA, *Converting Idleness to Wealth*. “Idleness consumes,” he declared, “Employment produces. Convert byways into highways. Roads are the righteous paths of this modern civilization.”

Low prices now favored large highway programs, Greensfelder said, and he urged

“[The average low income driver’s] special motor taxes average 17 cents for every hour of driving. Contrary to popular belief, this money is not all used on roads and highways. One out of every seven dollars is spent ultimately for other than highway purposes.”

-- Report of ARTBA’s Committee on Elevated Highways, 1939

ARTBA TIMELINE

1935
William P. MacDonald, president of MacDonald Construction Co., in New York City, is elected ARTBA chairman during Washington, D.C., annual convention.

1936
President Roosevelt designates new federal scenic highway the Blue Ridge Parkway.

ARTBA Contractors and Education Divisions established.

Willard T. Chevalier, vice president and publisher of *Engineering News-Record*, is elected ARTBA chairman.

a 10-year highway construction program. Higher productivity due to improved technology also would make limited funds go farther. “Our construction skill has doubled in the last 10 years,” he said.



U.S. 89 in Logan Canyon, Utah, Cache National Forest. (1939) Photo courtesy of the National Archives.

ARTBA Declines, Rebounds

Despite the great federal expenditures on roads, the economy continued to decline and ARTBA suffered as well. While 314 exhibited at ARTBA’s St. Louis Road Show in 1930, at the Detroit show in 1931 the number fell to 210, falling to 97 exhibitors in Chicago in 1934 and only 78 in 1935 in D.C.

The reserve funds of ARTBA shrank in these bad times, reported John E. Wiley in his *History of ARBA, 1902-1977*. By 1933, the annual budget of the association was half of the preceding year; the next year it was halved again. “Staff personnel who were lucky enough to be retained took a one-third reduction in salary,” Wiley wrote in 1977.

ARTBA’s convention proceedings—a source of primary historical material for this series—also reflect this fall-off. ARTBA’s 1931 proceedings were 540 pages in length, but for the years 1933 and 1934, were combined into one slim volume of 268 pages. Proceedings for 1935 and 1936 were also combined in a single volume, but its size had recovered to just under 1,000 pages. Single volumes again were published beginning in 1937.

Similarly, the year 1936 saw a turnaround in convention attendance, with 213 exhibitors at the Road Show, and some 16,000 attending the convention and show in Cleveland.

By 1939, ARTBA looked forward to its January 1940 convention and Road Show in Chicago with excitement. “Our industry enjoyed fairly good business in 1939,” said William Parrish, president of ARTBA’s Manufacturers Division. “It should be even better in 1940. There is no lack of either the desire for our products or the ability to buy them! Good roads are being thoroughly sold.”

With the Great Depression receding, industry talk turned toward a different, new, all-consuming project, a system of limited access roads stretching from coast-to-coast.

War would come to the United States in late 1941, but before then, the seeds of the Interstate system had been sown by visionaries such as BPR’s MacDonald and President Roosevelt—and ARTBA’s leaders.

While such a system had been discussed at ARTBA—a national system linking state capitals having been on ARTBA’s first platform in 1902—ARTBA took the opportunity in 1939 of going on record for this system, supporting the plan outlined in the BPR’s *Toll Roads and Free Roads*.

“A network of limited access highways is highly desirable in any plan of national defense at a time when a new world conflict is threatened,” ARTBA said in a resolution passed at its convention in San Francisco that year.

ARTBA took it on itself to “urge the National Congress to give immediate consideration to a long-range nationwide program of superhighway development.” Thus did ARTBA formally support the inception of the Interstate program, which would be in place in less than 20 years. 

**NEXT MONTH:
Support Grows for Superhighway
System in War and Prosperity
(1940-1949)**

About the Author

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100th Anniversary Trivia..

(Answers might not be included in the 100th Anniversary article)

1. What year were the City Officials and Pan-American Divisions established?

- A) 1928
- B) 1932
- C) 1936
- D) 1940



2. In what year was an ARTBA staff member assigned full-time as managing director of the Contractors Division?

- A) 1937
- B) 1942
- C) 1947
- D) 1952

3. What U.S. Senator once served as ARBA treasurer?

- A) Robert Byrd (W.Va.)
- B) Carl Hayden (Arizona)
- C) Howard Baker (Tenn.)
- D) Jennings Randolph (W.Va.)

4. Where was the first ARBA “Road Show” held?

- A) Chicago
- B) Atlantic City
- C) Atlanta
- D) Detroit

Answers: A, A, D, B

ARTBA TIMELINE

1937
Chevalier continues as ARTBA chairman.

Association holds 34th annual convention in New Orleans, La.

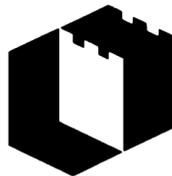
1938
Murray D. Van Wagoner, state highway commissioner of Michigan, is named ARTBA chairman.

1939
George F. Schlesinger is new ARTBA treasurer, replacing James H. MacDonald, who had served since 1919.



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