

## CONGRESSIONAL VIEWS ON MILITARY PROCUREMENT

Hon' Thomas B. Curtis

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**INDUSTRIAL COLLEGE OF THE ARMED FORCES  
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Congressional Views on Military Procurement

13 December 1962

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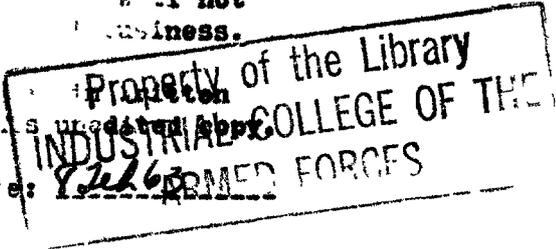
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## CONGRESSIONAL VIEWS ON MILITARY PROCUREMENT

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ADMIRAL ROSE: Early in this particular course on Materiel Management, Procurement and related subjects, a very important aspect is, what does Congress think about what we do. Because, the payoff is obviously there - you don't spend more than you get, not even in the United States Government. You have all read as part of your required reading, the report of the Defense Procurement Subcommittee of the Joint Economics Committee, and you will recall that our speaker this morning was a prominent member thereof.

He is, I think it safe to say, an expert in this field. He may not want to be called an expert, but he is, anyway. Mr. Curtis has very kindly spoken to the school the last four years on this and closely related subjects and it's a great pleasure to have him back with us this time to talk on "Congressional Views on Military Procurement."

I want to present the Honorable Thomas B. Curtis, the Representative from Missouri.

MR. CURTIS: Thank you very much.

Of course, it's the greatest sort of flattery to be invited back before the same group, but maybe it's because the views I express are good targets. I don't know whether that is the occasion or not, but I certainly welcome the opportunity of going over them /with groups that attend this seminar. I don't know of a group of people in our society who are more important than you. And so, I can look at it as a great opportunity to

expose a few views and to discuss some of the philosophy that lies behind it. The first thing I'd like to say, I think, is that any Congressman is very hesitant about posing as one who speaks for the Congress or points out a Congressional viewpoint. We spend most of our time, I think, in debating and disagreeing with our colleagues, but out of all of this process does come a point of view. And, to some extent, I think we see the Congress developing a point of view in this tremendous area. That is the nature of discussion and there will be, really, areas where they are always subject to another look.

Essentially, what the Congress is concerned about is what you gentlemen are concerned about, and that is, providing adequate defense for our country. The Congress has to view this in context with a very basic principle - "How do we provide adequate defense for our country?" At the same time we must preserve the basic institutions which is the purpose for the defense in the first place. And this is in itself a difficult thing. It's going to be a constant problem. How do we balance off, in other words, the military organization in a society, in a manner in which we preserve the values that we see and believe in in the civilian sector.

History is full, of course, of the military organization taking over or dominating the civilian sector or personnel; procedures that are necessary in a military establishment moving over and becoming established law or procedures in the civilian sector. Coupled with this same problem, of course, is our understanding today that war or defense is based so strongly upon the economic might of a nation. So that, apart from these values that I was discussing in freedom, if you would use that term - liberty, the Bill of Rights, the idea of preserving a free society and

not having our necessary military organization encroach - there is the other fact that we can <sup>not,</sup> through undue expenditures in the military sector - or, I should say not necessarily undue; maybe they'd be justified, but <sup>have them</sup> spending more than the nation's economy could stand over a period of time.

And so, we have that balance to consider, of how do we provide the tremendous expenditures that are necessary in defense in such a way that we do not damage in a fatal fashion the very economic strength upon which the future military strength will be based.

Well, these are some of the underlying concepts and therefore require a balance. I don't think that at any time in all the debates in the Congress on this issue there is anyone who doesn't understand that this is a matter of balance and it isn't a question of black and white. There are always going to be areas of disagreement and should be. Indeed, if there aren't, we are not going to keep up with the change of the times. All of this leads to this observation. The Joint Economic Committee consisting of eight members of the Senate and eight members of the House established a few years back a subcommittee to review this overall relationship between the military sector of our economy in relation to the private sector. There are some people who have a sort of smart statement saying, "What would happen to our country if we should ever declare peace?"

It is an important thing to realize that with a budget of over \$50 billion in an overall federal budget of \$100 billion and a gross national product of about \$550 billion, that how that \$50 billion is spent, and whether it's spent, can have a real impact on our society. The shifting from conventional aircraft to missiles had a

considerable economic impact in certain sections of our country. Military procurement is that big and that important that it can have an impact such as that. The basis and the theme behind the creation of the Small Business Administration, or, given in its broader aspects, the concern that the Congress has for the small business sector of our economy and written in as a caveat into our procurement procedures, is not, as I tried to point out, an attempt to put a floor under the inefficiency that might exist in small businesses, but rather, seeking to protect against - or, rather, to balance against a tendency that would exist in the procurement practices otherwise. What I am trying to get at is this; that it's easy to contract with big organizations. And for procurement, as I have always suggested, it's a lot easier to explain something that is wrong in a defensive way if the contract has been with an established and name organization. But if the contract has been let to a small organization, a business unit that isn't so well-known, and something goes wrong, the defense or the explanation of it requires a little more effort and understanding.

Therefore, I think there is a built-in tendency for our government procurement groups to desire to go to our larger units. Now, getting back to the private sector. In my judgment, one of the basic features of the private enterprise system is innovation - experimentation. I have often described the private enterprise system as a laboratory system in the field of economics, a method whereby we test out new economic ideas, the system of trial and error that we know in the scientific area. You want to test out a few ideas in the field of physical science, and you still go in these days to the trial and error system - an educated, I hope, trial and error sys-

tem - but nonetheless, based on trying it out and seeing if it works.

To emphasize the point I'd like to talk about one of the great discoveries a few decades ago which, of course, is obsolete today, called 606. Maybe some of you still recall it today, and its use. But the reason it got its name - Salvorsan - why was it called 606? Because 605 times it had been a failure in the laboratory and this was the 606th attempt. The tediousness, the patience that has to go with this business of trial and error, the failure and if anyone wants to be critical to point out the 605 times of failure and point out the stupidities that go with each one of them, yes, Monday morning quarterbacking can always pick up these things and say, "Why did you ever try that particular thing?"

Getting back to the private sector, who is to test or say whether a new product is to go or not to go, a new service, a new way of doing something? Shall it be a political bureaucracy? Shall it be an economic oligarchy that says to anyone of our citizens who thinks they have got a bright idea, "You shall," or "You shall not try this out?" No. The market place theory is that anybody who thinks he has a bright idea and maybe can persuade his fatherinlaw to invest in it, can go out and try it. And the test of whether it's a success or not is the market place itself. That is why I talk to small business groups and constantly point out to them in the beginning; I say don't ever let anyone take away from you your most important right - the right to fail. Because, if you take away the right to fail, you're taking away the right to success and the results that come from success.

I don't worry about the number of business failures that we compute each year in our national statistics as long as the percentage of business failures is not ex-

cessive in relation to the number of businesses that are formed and the businesses that exist. And I would hope that our military procurement officers would never be so concerned in this process of letting contracts that they would become unduly obsessed with this failure. On the other hand, sometimes it's easy with government money to lead someone on, I think, beyond their depth and failure does result. But I do want to point out the essential feature as I see it of the private enterprise system and why it must be preserved if our society is to move forward in the field of economics.

The reason for my resistance to having the government go into any field of economic endeavor - unless I can see no other way; yes, if I see no other way of getting something accomplished, regretfully I will go to government, hoping that we can in the meantime build in such a way that it can be handled in the private sector where this very dynamic process of success or failure can occur. For the same reason, one of the basic things to preserve the market place is anti-trust laws adequately enforced. Because, just as I don't want political bureaucrats making these decisions in lieu of the laboratory - the scholastic system - so I don't want economic oligarchs making these decisions. I don't think human beings know enough in order to make these kind of decisions over a period of time in a wise fashion.

So, as I say, this is one of the fundamental efforts that we must make in our society as we cope with this problem of our military procurement. One way of getting across some of these things - and I think they are persistent - I go back to the studies of the old Bonner Subcommittee. In the 82nd Congress I was a member of that subcommittee and we picked two areas to study in this business of

matching or fitting in military procurement with the civilian society. One was in the field of coffee-roasting. The other was in the field of medical supply. They both were illustrating two very basic problems that exist across-the-board in many, many areas.

In coffee roasting the problem was, to what extent should the military procurement be in this field of economic endeavor? To what extent should it go as far as sending officers down to Brazil to help procure green coffee beans which, indeed, is as far as we had reached at the time we made these studies, where we actually were engaged in this process and had a two-year supply of green coffee beans, carrying it on up to the warehousing of the green coffee bean into the business of roasting the coffee, tinning it, and then the tremendous distribution that goes with it.

Certainly the military establishment has to have coffee, but is that the way to get it? Now, there is a reasonable break-off point in this economic process, and our studies were looking at this to see where it should be. Now, in this particular study, one of the basic points I tried to make was that with the military having the job in our society - a civilian society, essentially, of mobilization and not relying on a large standing military organization - the need for mobilization creates a little different problem than the large standing military organization that would carry the ball in peace and in war. Because, when you shift ten million people from the civilian sector and put them in uniform - as happened to me along with many others in World War II - on temporary additional duty from our civilian status, all right, what was the problem of mobilization in coffee?

The point that I made was that I think that a society of 180 million people will drink about the same amount of coffee whether they are at war or peace. Maybe their nerves will be a little more frayed, but essentially, the problem is the same as far as actual production is concerned. What we have got is a distribution problem. Again, what is the civilian distributive system? Can it be relied upon in time of war when you shift around? Well, I think it is very clear that essentially you could in this kind of commodity. Therefore, it seemed to me that this is an area that the military establishment should never get into. And the procurement problem should be somewhere up the echelon where the coffee has been roasted and is already in that prepared state in warehouses around the country.

But somewhere in that area there is another reason I might say that lies behind this, to me, almost urgency of not having the military establishment in an operation that there is no reason we can find for them to be in. Anything that is taken into the government sector is removed from the tax base, and as one on the Ways and Means Committee, they are constantly trying to figure out how to get taxes, and I am very conscious of the tax base. When the coffee roasting and the distribution of coffee, etc. - that whole operation - is taken into the government sector, we get no taxes.

The ratio of private capital investment to public investment in 1929 was roughly nine to one. Today that ratio is beneath five to one. In other words, \$9 of private capital for every dollar in the government in '29. Today it's \$5 to \$1. Well, essentially your tax base is private investment. If your base is \$9 you can have a tax rate of \$3 and produce a take of \$2. If it's \$5 your rate has to be \$5 and better to

have the equivalent take. And as we move government into areas - and some of them may be necessary - but when that movement occurs it narrows the base upon which we derive our revenues to finance this operation. This thing is a double erosion that occurs because it moves over here and at the same time diminishes the opportunity-creating revenues to the point, I might say, that today I think our tax rates themselves are undermining the economy. It's an erosive process. It isn't anything that I would say that tomorrow if we don't stop it we're going kaput; not at all, but each year that we fail to correct it and bring about some basic reform in tax rates we are slowing down and hampering this basic economic base.

So, in coffee roasting, to illustrate a point - and I am happy to say that to a large extent the military establishment is out of the coffee roasting business.

Now, the other area is medical supplies. What we were trying to test there, again is an example. I want to make this remark. What always worries me about dealing with - it isn't just the Armed Services - I think it's anyone; when you try to take a case and say, "This is an example," there is a great tendency if you prove your example, to correct the example and then sit and not use the example. And coffee roasting is only an example. So, if it's true and if that is a fundamentally sound approach, the same approach should be applied to other fields.

In the field of medical supplies the question there was partly the same thing as coffee roasting. To what extent should the procurers of these services get into the field? Should they go as far as getting into medical education? That is as far as you could go, I guess. Or, where should you break it off? How many hospitals to maintain, etc. Certainly, training would be a part of it. But in this one the

question was more of testing out efficiency. With the shortage - and we still have it - of professional skills in the field of medicine, how do we utilize the skills that we do have in the most efficient manner? Is there something unique about medical work that requires that the Army, the Navy and the Air Force each have their own medical supply and, say, Medical Corps? In this, and there is more area of disagreement - I can see it - and there are arguments involved here; the question is, does it help to centralize or to coordinate, or to unify? This is going a little against the theme that I was advancing a little earlier, of the laboratory techniques, of the competition that exists - the trial and error - because, any time there is a coordination or a centralization there can be a limitation on this kind of process.

On the other hand, in this particular field is this the area that we expect to obtain innovation, or are the medical services that the Armed Services need - is this the place to bring about these experimentations? Of course, you certainly can derive values from that. Well, in the judgment of the committee, after our studies we felt that there was movement for the reasons indicated; that there should be unification in this kind of area, in order to utilize the skills better, to utilize the hospitals we have, etc. And this suggested a unification in other areas. One of the areas that I have always used sort of as a check point - and we haven't reached it yet - was the Supply Corps of the Chaplains. I would like to see unification there just if nothing more than to prove a point; that the worship of God is according to the Protestant, Jewish and Catholic faiths and not the Army, Navy and Air Force.

And again, dealing with these service organizations, this has brought about, as you know, some of the soul-searching that is going on now in all of the supply estab-

ments of our three military services in respect to the supply organization in the Department of Defense - the unification in this area. Now, I want to point out if I can that those of us who have felt that we needed this kind of unification are not necessarily talking about centralization in the sense that there be an ultimate authority here. I say not necessarily in some instances. I think that is probably what we're after, but we are well aware of the fact that in this business there is a point of diminishing returns at which you gain efficiency through centralization. Our big industrial establishments have found that to be true; that if they get so large, instead of efficiency you gain inefficiency, and there is always this problem of how you bring about what I would say is what we are really after - coordination - not necessarily a centralization, but to be sure that there is coordination.

Let me illustrate this perhaps in a field where I don't want to see much centralization - the field of research and development in the military services. The very nature of research and development indicates you have got to be trying different things. I remember when I was in the Navy and messing around with PBM aircraft. We had the problem of trying to get some de-icing pastes or something like that on the props and the leading edges, and no one knew what, if anything, would work. I was in the fleet, and so, unconnected, I might say, with the boys at the Bureau of Aeronautics that was doing all this. And incidentally, there needed then to be a much closer liaison between the users and the researchers. I went on up to BU-AIR and found out that there were 16 different little sections each going on their own way trying to develop some sort of de-icer paste. Well, I wasn't disturbed about that because I felt that if 16 were trying it we were more apt to come up with

a solution. But what did discourage me was that none of them knew that the others were doing it and there was no interchange of information. Do I make my point about the difference between centralization and coordination?

So, I hope that we in Congress are not misunderstood either by some enthusiasts who want to further centralization, or people who find that it's convenient to use centralization as a whipping boy. I don't want to be misunderstood that that is what we are talking about. Coordination may suggest centralization and that may be the answer here, but it's not necessarily so. And, it's primarily coordination that we are seeking.

Let me illustrate this by a little business I went through when we first moved into trying to bring about coordination. I remember it occurred in petroleum inspection. I felt that we badly needed coordination and I suggested that there ought to be a single - in this instance a centralization. And we started from there into this single management approach. But what I found out was happening in this petroleum inspection was an example that there had gotten to be a beautiful coordination between the three services in this fashion: The Army would inspect petroleum for the Navy and the Air Force in, I think it was the eastern part of the United States. Then the Navy would perform this function for the other two services in the center, and the third service had the inspection in the other. It was a parceling out, as I described it, each one trying to resist what I thought was the real coordination we were discussing, and to preserve their own little organizations in this field. They had parceled out.

As we began to develop this system of single managers, which I thought was a

way - and in many respects, a good way - of bringing about coordination, there was a limit to this because it was simply each one preserving their own system. Now, I also understand - and I want to revert back to it because I was discussing it earlier and put it in deliberately - I found the need in many instances to preserve the basis of an organization from which you can expand in time of mobilization. And that, in my judgment, is always a legitimate argument. If, in time of war it were necessary to have petroleum inspection corps, if you please, or units in the three services for this kind of expansion, there would be an argument. I couldn't see the argument. I don't see it, any more than I can see it in coffee roasting. But it can be a legitimate argument because there are areas where, even though in civilian time you would gain efficiency through a complete centralization or coordination, extending our minds into the days of mobilization, these would be the things that would have to be built anew. And to me this is always a legitimate argument, but one not to be used idly. Rather, used where it really has a direct bearing.

I recall going through the small arms plant out in St. Louis - an ammunition plant - where they manufactured most of the small arms for the Korean War, and I was looking at the way they were moth-balling machinery. I was very impressed with their techniques, etc., and I was asking the president of the private concern that would have the job of reactivating. I asked him how long it would take to get these machines going, etc., and then said, "Isn't your bottle-neck your trained personnel?" To which he replied, "Yes indeed, it is." And I said, "How are you going to overcome that?" Well, he pointed out that they were using what maintenance men they had, pretty highly skilled people capable of training, but he is having

a very difficult time persuading anyone that they should have these fellows paid at a high salary compared to the actual kind of maintenance work they were doing. And yet, I felt that there was considerable argument or merit in the line of argument of the needs and the desirability for this kind of process. So, I think that this too is a legitimate area in this discussion whenever we get into any particular sector of where there might be coordination and just how we would bring about that coordination.

Now I want to move to another area if I may. There are two other areas I want to discuss. This is somewhat rambling, but I am trying to point out these areas where I say there can be and are differences of opinion. I described earlier the full economic process when I was talking about the green coffee beans and then the coffee in the cup. That is the economic process. Or, from the mine to the usable item. In the United States we have concentrated compliments pretty handsomely on the manufacturing segment of our economy, and with good reason. Our tremendous developments in mass-production are a remarkable thing, but in our concentration there I think we have tended to forget that mass-production is impossible economically without mass-distribution; an equal phenomenon not as dramatic because it is hard to put your finger on it, is our tremendous distributive system that has grown in our society.

I remember in the Atlantic Fleet air arm, again going back to my PBMs, trying to chase spare parts and have them cataloged, warehoused, etc., what a difficult art it is to know how to handle spares, and how inadequate we were in dealing with this. We actually ended up - and many of you probably know our supply of spares was

essentially cannibalization. The best way to identify a spare was to look for a brand new airplane, because you knew that would be the spare. And we almost used that process of setting a couple of new airplanes aside as spares because of this system. Well, I find that this is peculiar in our entire society, the failure to understand the need for this tremendous distributive system.

If I may digress, perhaps, to point this up. There is the European Common Market which everyone is doing a lot of talking about - and I think is one of the great advancements in our era; one of the great moves forward in containing Russia; one of the greatest opportunities for the United States isn't in the fact of mass-production. It is mass-distribution and mass-servicing that is coming about; the Common Market; to have it big enough so that we gain the efficiencies for mass-production. But that means a development of that which hasn't been developed in Western Europe - mass-distribution and mass-servicing - and these are the techniques that our society and our people are most experienced in and the farthest ahead. I don't think we are going to be going into the Common Market to compete with the Europeans in the mass-production field because I think that they know what to do there. What they don't know is, how to distribute. And that includes advertising, I might say.

And, as advertising was brought home to me - again going back to the Navy - when we finally used the picture catalog to try to identify what was available and what we wanted to order, is a very essential economic process, not as some economists would call it - surplusage and frills - and not producing an economic result. What I am getting to is this; that much of what I find - at least I think it is - inefficient in the military procurement system, is the failure to rely as much as they can on the

civilian distributive system. Some people think that if you can buy hammers at a million a crack for 80¢ from the factory, that you are saving a \$1.20 over buying them at \$2 at the retail outlet. You could be, but when you go to computing what your distributive costs are over buying, etc., and all that goes with it, you may find under good cost accounting, that you are actually paying \$3 and that it would be a lot cheaper to buy for \$2 at the retail outlet.

Again relating it to the mobilization, what would be necessary in mobilizing? I remember when the Bonner Committee was over in Europe and we were checking into whether or not the Air Force, contrary to orders, was setting up a separate supply system for common use items and not relying on the Army. A Colonel was pointing out that - he said, "My goodness, if we had to rely on the Army during the Berlin Airlift for small tools we would have been in sad shape." I said, "Well, I thought you people had done a great job in this Airlift. I thought it was a success and not a failure." Well, he said, "Sure it was a success." I said, "Where did you get your small tools?" He said, "We had to go out in the open market and buy them in the retail hardware stores in Germany," etc. I said, "Well, was that so bad? Was it so bad? If it's going to exist, was it so bad?" At least that is the point.

The question is, to what extent will this civilian setup be here as a base which you can use? To what extent must it be supplemented? To what extent must it be altered? These are the problems that I say are brought to bear in this area.

Now then; my final remarks are in regard to personnel systems. And let me first say that any system, in order to operate, depends on adequate personnel. Maybe I can bring across my thinking best through the problem that faces the Congress

in whether or not to extend the Renegotiation Act. To me it's a personnel problem. I am opposed to the Renegotiation Act. I want to eliminate it. I think it's inefficient. Well, why? Am I against the theory of renegotiating? Not at all. I think that particularly when you're procuring new weapons - something new where there isn't an experience to rely upon either by the contractor or by the procurer, that renegotiation is the intelligent procedure. But the point is, who does the renegotiating? Should it be the people who did the original contracting and therefore know the most about the subject matter, or should it be some independent group that knows little about the problem?

The Renegotiation Act was set up during wartime and emergency conditions where I think there was a reason for it because we couldn't follow consistently - as we would normally like to do - good procurement practices. And therefore, to catch these gross errors - and some of them could be in the area of approximating dishonesty - an independent board was necessary to review these things. But under ordinary procurement practices it seems to me that what should be done on these kinds of contracts, is write in renegotiation clauses and have the renegotiating done by the people who did the original procuring. Again, I'm saying the people who were in the original contract. And that is why I say this is a personnel problem. With the Renegotiation Act the way it is, it tends to become a crutch to a degree, for a Procurement Officer. He doesn't have to be quite as careful, perhaps, because if errors are made, after all, it can be caught by the Renegotiation Board. But if the responsibility lies right there, I think that it does rely on the ability and the integrity of the officer. And I am a great believer in relying on the integrity of our people because I think essen-

tially, with very few exceptions, we will not be disappointed.

It does require, I agree, trained personnel - people who can cope with it, and I would say the Procurement Officers in our military establishment do a good job. I do feel that a great emphasis needs to be made in this area of training so that they can cope adequately in their contracting with some of these larger establishments, to bring about a better procurement practice. And on that note, may I leave it.

I don't think that any system can work without adequate and well-trained personnel. And <sup>it is</sup> the essence of whatever solution we come to in all these complicated matters that come under the heading of this problem of trying to fit in the military organization in our society in a way in which we do not destroy the very values that we are seeking to defend. It comes back to the training - the ability of the groups in our Armed Services. My compliments to them. With the criticisms that I have made over a period of time, it has been, I hope, with a warm feeling of appreciation for the dedication they have shown and the dedication of our people in the military establishment.

The very fact that they have made careers out of this was done knowing that it was a sacrifice from an economic standpoint. Believe me, our people do realize that. Our people's spokesmen, the Congress, do not often say it, but if the chips are ever down I think you will know that we feel it and we deeply appreciate it.

QUESTION: Sir, as you pointed out, free enterprise is the capstone of American economic life and those areas should not compete with private industry. Would you comment whether Congress looks upon current Department of Defense R&D in-

house activities, arsenals and shipyards, as over-competitive with private industry?

MR. CURTIS: I would be encroaching upon the jurisdictional areas of some of my colleagues, not that I shy at that, but I do want to point out that a very basic thing which I think you gentlemen are aware of, but which I find worth repeating because so many of the public aren't. The Congress does work through a committee system and once a Congressman is assigned to a committee he is there for his Congressional life, unless he himself wants to change. But the fact is that you are usually there for your Congressional life.

Now, I went on the Ways and Means Committee in 1953 and have been on it, and my concentration on the Joint Economic Committee has been in these areas. When I seek to find out something like shipbuilding, for example, I go to men on the Merchant Marine and Fisheries Committee and get their comment. So, what I am going to say is to a large extent based upon what I have asked them in this area. And I believe there is a feeling on their part - and after all, this is where the decisions are made, really, in this process by those who are expert in the Congress in that area - or, at least we hope they are expert; we tend to follow their advice.

Before answering this further, let me go on to this process a little more. When there is a debate on the Floor of the House it's not a debate between the 435 Members of the House; it's really a debate between the members of the committee who had jurisdiction and studied the matter, and the rest of us are sitting as a jury; in effect, listening to the pros and cons; asking questions, true, but that is the process. Now, I think there is a feeling of those who are in this field, that the military is too far in this. Now, whether they had to be in the past, is always a ques-

tion. Maybe the originating in this was needed and necessary, but this is something I think we constantly evaluate. And I think I would be fair in saying that there is a feeling that the military is in this area in too much depth; there is some tradition about it, etc. I think I would tend to agree with that opinion.

Incidentally, I do think the Navy ought to get out of the rope-making business. But I might say that is a little difficult with the Speaker of the House coming from Boston and Joe Martin from the same area.

QUESTION: Sir, I was very happy with your remarks on our integrity. My question has something to do with that. Would you please comment on the desirability of tightening the procurement regulations to prevent irregularities rather than restricting the post-war opportunities that Regular Officers have?

MR. CURTIS: Yes. You're hitting on something I actually had a little note on, but then the time was running out. But that is an important area. After all, those in the military who go retire have some of the best brains and experience in this area. And what I tend to think about is what a shame it is that we don't utilize them. And yet I do recognize this very serious problem which is a problem of the relationship of those who have been on one side of the fence moving over to those on the other side. I would much prefer to deal with it on that kind of a basis, although sometimes, perhaps, the two-year requirement - is it two years? - whatever it is before you move over; I think there is an area where probably time is the best way to make or break. Maybe two years is too long.

But, I always believe in trying to treat things in particular rather than in general. I do say that there can be a system that encourages - I wouldn't call it dis-

honesty; I would call it not making a system that doesn't make as good a bargaining situation. But I again say I would rather hit it in that area.

Let me say one other thing which is not in response to your question at all. One thing I want to say - and I am deeply disturbed about it - is this business of Congressmen and Senators announcing defense contracts. It's done for political reasons and ought to be stopped. The Congressmen and the Senators themselves ought to stop it because we do not procure these contracts for our areas, and if we do there is something wrong with the system.

Now, my position on Congressional interrogational letters is, sure I'll try to clear red-tape for a constituent by seeing that he is following the proper channels. But I try to make it very clear that whoever has the right to make the decision in the Executive Branch, even though he decides completely contrary to what I might think - because I wouldn't know anything about it in the first place - but if it's against the interests of the people in my community or the person I am trying to help, I'll back that man because we must back your decisions on the basis of what you think is the right way to do it.

This thing is getting out of hand. One of the U. S. Senators attended a meeting of a Chamber of Commerce where he was telling the businessmen they had to get together with those in an adjoining state, to gather together the political pressures; this business of using where a contract is going to go, to relate to a Congressman's vote on some other area. Now, we all have to stand up, whatever our party is, and stop this as soon as we can. It's going to destroy our government and it's going to destroy the orderly and efficient procurement of defense in our country.

This is a matter of real integrity and something that those in the highest positions in this country had better take to heart.

I said the same things under the previous Administration, so, as far as I am concerned, there is no politicking in this.

Let me go on, though, to relate another thing that I usually do in these messages. With regard to Congressional letters, look at the Congressional letter in the spirit in which it should be written; and I would say that 95% of the time it is written. It is written as the Congressman being the liaison officer with the civilian society on the home front, for information, for knowledge, to clarify, to explain. That is what our people really want done. When I write a letter to anyone in the military establishment, saying this has been alleged, etc., etc., etc. "Will you report back?" that is all I really mean. What I want is to be able to explain - it also informs me - but to explain to the constituent. Many's the time - I would say the exception is the case where a constituent writes back where the decision has gone against what they want - they're so appreciative - the decision has gone against what they want and they're appreciative of the fact that somebody looked at it and explained to them what happened.

We have never in our society had to worry about the morale of the home front, thank God. But we can review wars in history - recent wars of other societies - where the home front morale became crucial. This is in the area of maintaining home front morale, these Congressional inquiries. So, just take the time. I know you do. And let me say that the replies are good, generally, and I know that you get impatient with them. If you get impatient with them, think of the Congress;

we're the funnel through which all of them go. You only get a few of them; we get a raft of them. And most of them we think are stupid questions too. But it's our job to perform this liaison, to pass it on. And I can add this; if anybody does try to put pressure on you that you think is wrong the bulk of the Congressmen will be there to defend you; not the other way. And if another Congressman is trying to put pressure on you that's all I need to know. I'll move in to try to take it off, and there are enough of us in the business to do that too. We don't want this; it isn't a good system.

QUESTION: Some of your colleagues in Congress have indicated that Mr. McNamara overstepped his bounds with the McCormack-Curtis Amendment of July 6, 1958. He created something of a sensation. Do you share that view?

MR. CURTIS: No, I don't. I had a debate on the Floor of the House with Porter Hardy - Congressman Hardy - and Congressman Bates of Massachusetts. Some of you might have seen our exchange of views on this. I wrote a letter which appears in the Hardy hearings and I referred back to the adoption of the original McCormack-Curtis Amendment. I think my colleagues were doing me an injustice in the beginning because they referred, in the original conducting of these hearings, to what I said on the Floor of the House on the second day of debate. But what they conveniently missed was the fact that I said on the second day of debate that I wanted everyone to look at yesterday's Congressional Record where I took the floor and extended my remarks to include some two or three pages of exposition of what we were trying to get at in the McCormack-Curtis Amendment.

That's a technique I used because I think it is the

the right technique; to let your colleagues know ahead of time to what you're going to be referring to - your documentation - so that when you're in debate they can pick it out of the record and follow it - and they did.

In this I think we tried to make our position clear that against this was an example we were talking about - if you can use that - in actual legislation, of where we thought there could be this kind of consolidation. One of the points they made was that we were talking about common use. Well, we didn't mean just common use with the civilian sector. Although, I must say that was uppermost in my mind because it's the most important, or was the biggest area. But we also meant those things that might be common use to the three military services even though they aren't something that indicates coordination.

I certainly would not relate it to material goods; I would relate it to a service whether it's in the field of meteorology - and, of course, it meant service, because one of the illustrations was the Bonner Committee work in the field of medical supply. That is a service more than it is a material.

No, I think Secretary McNamara has followed the intended theme of this. Now, let me add a caveat. I happen to feel very strongly that the three services need to be kept separate in their military mission areas. This was said in our dialogue between Congressmen Bates, Hardy and myself, for a number of reasons. So, we are not talking about black and white. We are talking about a balance here. I want to see an Army, Navy and Air Force. And I don't want their supply that is peculiar to them, or something that they have to have - a supply system in being, to expand in the event of mobilization - I don't want that eliminated in the guise of cen-

tralization or coordination. This ~~was~~ the area of debate.

And as I tried to tell Porter Hardy and Bates - and I don't think they are too much in disagreement - you have got to decide these things on your own bottoms. We can set the guidelines out, and even if you made a decision here, changed circumstances can change it. This is an art; not a matter of something of absolutism.

I can add this final comment. I think Chairman Vinson and I are in fundamental agreement on this. I have discussed it with him at some length. The only difference, I think, is that they are alarmed about the possibility of - as they have put it - the old German High Command kind of thing where there is a real centralization. I am worried about that too because of the inefficiencies in such a complete centralization. And also because of the implications that it has for the civilian society, this worry that we do have, of where do you balance off your military in your civilian area.

But I have no real true-false answers to this thing, because I don't think they are the kind of answers you get in these areas. One who disregards either of these two values, in my judgment, is in error. What we're trying to do is balance between these values.

QUESTION: Sir, I'd like to go back to this point of yours about the proper role of Congress with regard to the procurement of contracts. Some people have alleged that the legislation on depressed areas complicates the whole situation because it injects what is essentially a political judgment. And if an area is depressed, you might say that a Congressman has a duty to try to get his county the contract. Do you feel that this legislation is in error because it complicates the whole question

of procurement?

MR. CURTIS: Yes, I do. I said it in debate. I wish we could eliminate it. I think it's bad economics also. I don't think this is the right approach. I wrote a book on what I think the right approach is - "87 Million Jobs." There is no such thing as a depressed area; what there is is an area where a particularly important industry or industries, is suppressed. Because, in the same area there are other economic endeavors that are going great guns.

Take a coal mining area. Coal mining is important and very vital to an area. It is depressed; it has gone down. Therefore, they say that's a depressed area. Well, in that same area I again point out, there are many industries that are booming. Not enough to do the job, but the economic approach in the depressed areas bill being on public works instead of emphasis on retraining is in error. And this very idea of trying to use military procurement, which is a difficult art in itself, to try to describe where there are these very important values that are hard to equate, to interject this new kind of thing in here, which is political in a lot of ways, I think is very dangerous. And perhaps there has been encouragement behind the techniques of some of my colleagues trying to put pressure on, trying to get a particular contract in a particular area. That's another reason I was so anxious to have our Subcommittee of the Joint Economics Committee set up so we could study this - is this the way to do?

Should we be using the \$50 million military expenditure to do these kinds of things? I think no. I think there are small business things so overly rigid it interferes with orderly processes. And yet, I tried to point out why I thought there

was the need to have some attention paid to the small business sector to counteract what I think is a normal tendency to contract with the larger units. Yes, I am very depressed about the depressed areas of legislation.

QUESTION: My question has to do with the role of the General Accounting Office in defense procurement. Would you expand that role, reduce it, or is it just right as it is?

MR. CURTIS: Well, the essential function is excellent. In other words, that is the arm of the Congress looking over to see whether the money that we have appropriated has been spent (1) according to law, and (2) efficiently. What I want to do - and this is a criticism of the Congressional procedures - is to bring about a coordination, a better coordination - there is practically none today - between our Expenditures Committee - it used to be called "Expenditures" in the Executive Department; now Government Operations; the Expenditures Committee whose job it is to see whether the money appropriated was spent in accordance with law, and efficiently. And the Comptroller General's Office in the General Accounting Office is their big arm to find out these things.

There should be a very close liaison between that work and the Appropriations Committee. I remember as a Marine Congressman serving on the Bonner Subcommittee, insisting that we testify before the Appropriations Committee. It was almost unheard of, I think, to think that one committee would testify before another committee. It's a process that we ought to develop a great deal more of.

Now, as to the techniques themselves in the General Accounting Office, I think that we always should review them to see if their techniques are good. It's always

going to be a sampling kind of technique. It's going to be the technique where they will look into things that Congressmen or others alert them to. But certainly the essential procedures established in the Government Accounting Office are sound. We have to have it. I'm glad that the Comptroller General is appointed for 14 years. He ought to be out of this political swim as he is. His job should be that of a rigid accountant, because if something could still be spent illegally and yet that be more efficient, the way to do it is to get the law changed. Much of what the GAO digs up - or some of it - indicates errors in our laws, and that is what Congress is supposed to be in the business of.

If you in the process of your work see something where you think that the law is not written as it should be, where it should be more efficient, point it up any way you can - even call it to the attention of a Congressman if you can without violation of your own orders. There are ways of getting information out where you think things are in error. We need to know these things. The Government Accounting Office digs this kind of material up for us. Regretfully it's not used, largely because it's not channeled back to the committees that are working in the areas of appropriations and missions like the Armed Services Committee.

QUESTION: Sir, how far does the Defense Supply Agency go toward meeting your concepts of integrated supply management in the Department of Defense?

MR. CURTIS: Pretty good. I am real pleased with the development. But let me say this; I am anxious for the criticisms because this is new. This can be in error. So - yes - I am real pleased; we are moving here. Because, that is the one way we are going to find out whether these basic theories are sound - at least, as I

think they are. Not that a lot of this has been based upon the uniform catalog with which we have so much trouble over a period of years, of keeping at it to be sure it was done. No, I am highly pleased with this development. But I again say, I am most anxious to get the criticisms of it. And I hope there will remain this kind of critical - it will be; I don't think I have to encourage that, but directed along the line of why I would say the key to it is coordination as opposed to centralization.

The coordination can be centralized and that can be the real answer. On the other hand, you don't have to centralize in this sense, to coordinate. I think there we'd see it. But I am very pleased with the results.

McNamara has suggested that he is going to save \$3 billion in the next five years in this process. I always like to see where those savings come out, because it's sometimes very hard to find out where you have saved the money.

QUESTION: Sir, you mentioned many things that make good economic sense. One of the things that appealed to me as making good economic sense and that has a lot of practical difficulties, is this idea of cooperative research and development with our NATO Allies. What is the outlook in this area?

MR. CURTIS: Well, I think this whole business of cooperative effort is always a difficult effort as long as we have human beings. I think it's just a better understanding of the system. In the coffee break the point was made by someone who said, "Gee, we wish that it were better understood in our personnel system that mistakes not only can be made, but should be made; and an understanding approach to that." If we would understand that a little bit better, of why mistakes are necessary - and any well-run system is going to have them. To me, the test of a good

system is when a mistake has been made, somebody is waiting to catch it and see it, and is anxious to know about it, and not when a mistake is made and is called to attention it is pushed under the rug. That is when you don't gain from it.

And so, in this cooperative effort, whether it's with our NATO Allies or whoever, I think that this understanding of the process, again, is the scientific method which broke us loose in the Renaissance from the repetitive days of society just on a treadmill going nowhere, based as it was, on scholasticism. That is, a bright bunch of bureaucrats; only, they were called philosophers, came up with the answers instead of using the laboratory.

We, by the Grace of God, translated this same scientific theory that the physical sciences had developed, into the field of economics. And if we understand it as part of the scientific process, the trial and error in the field of economics, and its existence to the extent that the military establishment, particularly your group is in the field of economics as you have to be, you have a tremendous impact on our economic system. In order to use it to the best advantage you have to understand it and see that it isn't abused so that it can base further development.

So, in our dealing with our friends abroad I think a few of our people need to understand the private enterprise system and start selling it. I see entirely too much apology and actually going to what I call a socialistic system. That is not an epithet; I mean a government moving more and more into the area of these economic decisions, and replacing this market place process.

QUESTION: Mr. Curtis, my question is somewhat divorced from your main topic, your unique position as a Member of the Joint Economic Committee and the

Ways and Means prompts it in the current debate and question on the tax reduction of \$10 billion. Can we have your views on it?

MR. CURTIS: Yes. I was on the "Today" show this morning and I was asked that very question. This issue has been confused in the public's mind because of a basic confusion that is inherent in this question. The confusion lies between what we call a tax cut to produce an economic effect, and tax reform which is in the field of the art of taxation, the delicate art of extracting dough from the civilian sector as efficiently as possible with a minimum of impact on the economy.

Tax reform is always in order regardless of prosperity, recessions coming and going. To the extent that a tax cut can be tax reform, you can question it beyond the point of diminishing returns, and I think we are. And actually, a lower rate would produce more revenue. Some people question it. Let me say that this is not just theory. The whole point of the protective tariff is involved. In this theory of diminishing returns you increase your rates high enough so you have no goods coming in. We used to derive a great deal of our revenues from tariffs.

So, this is the area of reform. And that, I hope, we'll continue. The Ways and Means Committee will do it. And we may even find that in the cutting of your rates there would be a loss of X billions of dollars from the revenues that are going to be derived right now. But if the theory is correct, then within a very short period of time you have recouped it, and indeed that is what happened in 1954.

On paper we were going to lose \$7 billion with the tax cut. But we were not talking about a tax cut to stimulate the economy; we were talking about removing impediments to growth that we knew existed. And, instead of being \$7 billion it was

\$3 billion. And then, the next year it was nothing. In fact, it was a gain.

The theory of Dr. Heller and the deficit financiers - the Cainsians - is, they are not talking about reform. In fact, a quicky tax cut reveals what their thinking is. The message of the President this year, to give him stand-by authority in the event of a recession, to cut rates and then those rates go back again is on this economic theory that by cutting your taxes and releasing that money to the civilian sector you increase consumer purchasing power which, in turn, creates consumer demand, which gets the factories turning again, gets the unemployment and more utilization of the plant. I think that is cockeyed. The theory has never been proven.

There is the question I posed to Dr. Heller and Mr. Dillon. We had hearings on this Joint Economics Committee in the Ways and Means last August, and the question I posed was this. In deficit financing, all right, you give us \$7 billion or \$10 billion cut in taxes and then we on the Ways and Means Committee have to figure out how to market \$7 to \$10 billion - whichever it is - additional federal bonds. We have a tremendous debt management problem as it is. We aren't selling our government bonds. We have a weak market. I said, "How do you figure that you stimulate the economy by giving them \$7 billion and then come along and take it back in the bonds that we want the people to buy?" He said, "Well, if you did that I would agree with you." But, he said, "I don't expect the people to do that; I want the Federal Reserve System to do it." Bill Martin, Chairman of the Federal Reserve, says "You can't have us take them because this is just printing money," and I happen to agree with him.

That creates other economic problems. So, there is a basic difference of opinion that none of these people are advocating this kind of theory will discuss. And maybe they are right; we can handle the problems in the field of debt management. I doubt it, with the balance of payments problem. We don't owe the debt to ourselves. There are a lot of foreigners who own a lot of that debt and they've been cashing in their bonds and may cash in more. But, this is the area for debate. What I have said is that we cannot have tax cutting in this sense, badly as we need it and badly as we need tax reform, until we have expenditure reform. Let's get our budget balanced and get this expenditure levels down. And it isn't in the defense area.

There has been an increase in the non-defense area of almost two to one in the past few years. If we just held our expenditures to the \$94 billion of this Fiscal Year instead of going to the hundred, or if we held the \$94 to the \$88 billion. There are plenty of areas to do it. But, at any rate, this is the area of discussion. And I personally feel that the economic damage that we would create through putting these additional burdens on debt management would far outweigh any benefits which I even question, whether they would come - any benefits that might be derived from the Cainsian theory of releasing \$7 billion to the private sector in the way of a tax cut.

This is going to be one of the big debates in the Congress next January, February and March.

COLONEL WIKEN: Mr. Curtis, we certainly appreciate your taking time from a busy schedule to come over and be with us this morning. I speak for all in

thanking you for an interesting morning.