**CONGRESSIONAL VIEWS ON DEFENSE PROCUREMENT****Honorable Thomas B. Curtis**

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Reviewed by Col E. J. Ingmire, USA on 7 February 1964.

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

31 January 1964

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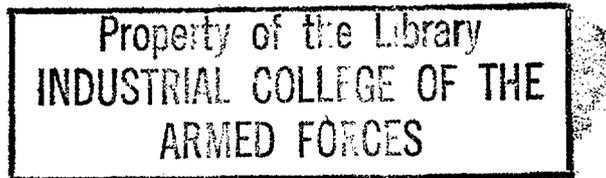
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INDUSTRIAL COLLEGE OF THE ARMED FORCES

Washington 25, D. C.

CONGRESSIONAL VIEWS ON DEFENSE PROCUREMENT

31 January 1964

GENERAL STOUGHTON: We are fortunate to have today as our speaker, a distinguished Member of the U. S. Congress, the Honorable Thomas B. Curtis, Representative of the 2nd District of Missouri, comprising St. Louis County. Mr. Curtis is a key member of the important Ways and Means Committee. He has made many valuable contributions to the Joint Economic Committee where he is now the ranking minority member from the House.

Mr. Curtis has been very kind, as you've noticed, in the past, in coming here and airing his views with many of your predecessors. And we're particularly appreciative at this time when things are popping so on the Hill, for him to come down here and give his knowledge to us. We are going to be indebted to Mr. Curtis again after his presentation this morning.

It's a pleasure to welcome and present, the Honorable Thomas B. Curtis.

MR. CURTIS: Thank you very much. I know of nothing that is more pleasing than to be invited back to a place where you have spoken before. It's a source of encouragement. Of course, it could be that this is simply the opportunity to really get back at you. I'm going to try to present, if I can, this problem of military procurement in the context that the Sub-Committee of the Joint Economic Committee on Military Procurement, seeks

to establish. I must confess that I haven't completely sold my colleagues on the Joint Economic Committee, of this context concept.

I am very hopeful that we're going to approach this in this broader light and not get into so much of the detail that I feel we have in the Joint Economic Committee. It's the impact of military procurement on our whole economy that should be our field. Of our \$600 billion GNP, military procurement is the one single largest item. It's so large that when you can make an error in a decimal point as was done on what I refer to as a "Black February" many years ago, in the procurement of black pepper, you can corner the market and have the housewives all over the states raising Cain with your duly elected representatives in the Congress.

Likewise, we can see the impact when we switch from manned bombers to missiles in the employment sector. We have created a commission on disarmament, as it's called; I think it was an unfortunate title; but nonetheless, the purpose to look into the impact of switching possibly in total dollar amounts the amount that we do spend for the defense of the country. But I would have preferred it in more of the context that I'm trying to have the Joint Economic Committee reach.

Another matter that has developed recently of concern to the Congress, which is important in getting this context, is this special committee in the House, on research - research and development. Some \$14 billion is being spent by the federal government in this area. It has become the overwhelming sum of money, and a good bit of that is directed by our military es-

establishment. This becomes a very important factor. The Joint Economic Committee, by accident, ran into another matter that caused me to be surprised when I found out that our bill for computers was running around \$700 million a year. This is a very sizeable item by itself, and it will come, incidentally, as trends will continue, to about a billion a year. But as sizeable as that is as a single item in the federal budget, consider the importance it is in the computer industry; what a big portion of that industry, and how much the future of that industry depends, upon how well we handle our procurement and our policies on what we should be doing and how we should be directing our resources.

I would call attention to President Eisenhower's sometimes referred to as a "Farewell Address." He warned the nation of the problems that exist because of the fact that for the first time in our history we really have a permanent defense industry and the relationship that's bound to exist - and this is said on the highest plane - between the procurement offices of our military establishments, our other federal establishments, and the people in the defense industries.

I know some of the problems you are all aware of, when high military officers retire or resign and then move into the defense contractors. And indeed, that's a fine thing from the standpoint of the fact that here are great skills that have been developed over a period of years in this area and what a tragedy it would be if we were not to gain the benefits of those skills. And yet we all see the other side of the coin, the difficulty of dealing at arm's

length in regard to these important contracts.

I only pose it in the same way that General Eisenhower, I think, was posing it, as a problem; something, I think, that we have to be concerned about; good men involved in this thing, trying to figure out what sort of personnel setup should be established in order to guard against that which could become dangerous and not for the benefit of our overall endeavor.

I'd like to refer, in building this context, to the two studies that the Bonner Sub-Committee back in 1951 embarked upon, and at least the rationale that I sought to put behind those two studies. One was in regard to coffee roasting. It wasn't just the Navy we were concerned about, although we looked into their operation. The context that I sought to establish was this. When we have an endeavor like roasting coffee that exists in the civilian sector of the economy - and to some degree the military must be concerned about it - and knowing the big problem of our military establishment, which is to maintain the structure of an organization during peacetime so it can be expanded very rapidly in times of war, how do we plan for these things?

Well, the point I was making was this, and this is key, I think, to many areas of procurement in relation to this big problem that you have, which goes beyond the routine procurement. You've got to have the structure at the time you're doing a relatively small job, let's say, to be able to expand to do a tremendous job when you pull 10 million men and women into uniform and a sizeable number into the auxiliary of the military establish-

ment in times of war.

Well, if we have a population of 190 million people I think you can count on their drinking about the same amount of coffee whether you have 2 million in uniform and 188 million out; or whether you have 10 million in uniform and 180 million out. The problem really isn't in the area of production, you've got a problem in distribution, in case of expansion. It seems to me that in these kinds of areas we would do well to rely on the civilian sector and only be concerned in times of expansion to be sure we have the plans where we could commandeer, as it were, that which is necessary for those in uniform.

Now, that is one area and it's only to serve as an example. The other study that we conducted was in the field of medical supplies. And here we were not concerned so much, although this has some overtones too of the problems in coffee roasting, but here we were more concerned with the unification of the services. Is it necessary to run Army Hospitals, Navy Hospitals, Air Force Hospitals, and other hospitals, or are there reasons why the services as services need to run these, or can they be run on an integrated basis?

So, we took this area of medical supplies itself, which was a very opportune time to take it, because this was at the time of the Korean War. So, we were giving it about as tough a task as it could have. We were actually trying to run a war over in Korea based upon a unified supply system. But again, this was a test experiment. I thought the evidence from

that proved quite conclusively that in areas of this nature we did well to unify. There has been misinterpretation, I think, in this business of this move toward unification, by those who fear a complete unification of the military services, to go way beyond the concept of a Defense Supply Agency that would be concerned with areas that fit this kind of pattern I have tried to describe of medical supplies, to include others.

I had a colloquy on the Floor of the House a couple of years ago with Congressmen Porter Hardy and Bill Bates, on this very thing. What did the McCormick-Curtis Amendment actually contemplate, upon which authority Secretary McNamara developed the Defense Supply Agency? I sought to point out an area, for example, where I would expect redundancy to occur if it was going to do its job, and that I would always expect the three services to be independent. That is research and development. I think there, if we have the right concept of research and development, we'll realize that no matter how wise we think we are, essentially we're having to follow the old trial and error method, the laboratory system of trying to find out what will happen, what is the product or the right solution.

And the only way when you're dealing with the unknown is through, I hope, a developed system of trial and error, a laboratory technique - I say developed to the extent that we would try to apply such wisdom as we have. I always like, in illustrating this point, to refer to the name of a drug that was quite commonly known when I was a youngster - and we sort of snickered about it a bit; Salvorsand called 601. And why did it get the

name "601?" Because 600 times before the laboratory tests had failed.

Now, that's an important thing to realize; that in moving forward into the unknown there is going to be a high incidence of error. And if we're constantly picking at the errors, sure, once you find out what the solution is it's easy to go over your working papers and say what idiots we were; why didn't we think of this before. But if we're seeking for solutions we know that we should not disturb this essential system, the laboratory system that has proven itself so successful in the field of physical sciences.

And I think it well behooves those of us who are dealing in the social sciences - and procurement officers are essentially in the field of social science, dealing with human beings and economics, which is basically human beings; what is our laboratory? And our laboratory, regrettably, can't be in the cloistered walls of our academic universities and colleges. Our laboratory is the world itself and it's very difficult to conduct laboratory experiments.

Possibly to get across this thought let me refer to one of Justice Brandeis' statements when he referred to the 48 states as 48 laboratories to test out ideas in the field of political science. Only, I would say 100,000 laboratories, because there are that many taxing units in the United States, when we consider the school boards, the school districts, the counties, the municipalities; 100,000 laboratories testing out ideas and new concepts. And if we look at the market place which has been so denigrated today, it's

really no more than a laboratory system of testing out ideas in the field of economics. What service is a good new service? What new product is a good new product?

And if we'll look at business failures - I was talking to a group last night about this; we always look at business failures and shudder. I say I would shudder if there were no business failures. Because, that would mean nothing was going on in the laboratory, or that we were putting floors under business failures so that they wouldn't fail.

Introductory remarks that I used to accompany my speeches when I was on the Small Business Committee to small business groups were these: "Don't ever let anybody persuade you to give up your basic right, the right to fail. Don't let anyone try to put a floor under you because every one of you is an efficient businessman. What would happen if we put a floor under your inefficient competitor? Where goes your opportunity to grow based upon your efficiency and your superiority?" And, indeed, the answer is they could go nowhere.

So, it isn't the fact that there are business failures; it's what is the percentage of business failures to business starts; what is the innovation? Well, I think these things are very important in getting into this area of military procurement. Because, on the shoulders of our Procurement Officers is a great responsibility to so handle their affairs that this basic system which has been so effective in our society continues to flourish and to grow.

And I think maybe I can illustrate this a bit by referring to some of the inhibitions that Congress has placed upon the military procurement officer and other federal procurement officers, which I think, is quite unfortunate. I can perhaps start out by referring to the Small Business Act. One part of the Small Business Act as it has been developed I think is unfortunate; that we set aside for small business. But let me say this; I think the concept of having a Small Business Act, or having a concern for small businesses, has a sound basis. Here is the basis as I see it.

It's easy - and you can all correct me on this because you all know more about this than I do. I'm really sort of exposing it to you in case I'm in error. I've tried exposing it to groups like yours before, and it seems to stand up. It's relatively easy for a procurement officer to deal with a big company; one with a reputation. Because, if an error develops - and errors do develop in anything - you've got an immediate protection - why did we deal with this business. But it's the same kind of error, which has nothing to do with that part of it, if it were to crop up, and you had had a contract with a smaller business. You would have to defend that aspect of why did you do business with this little dinky outfit without any reputation.

It's this basic proclivity, and I think it's an understandable one, that I think the federal government needs to step in, just to say this. It's very important in preserving this private enterprise system, that the innovation, the experimentation that is this private enterprise system of testing

out the market place for these wee units. And let me say my definition of a small business, which always confuses people as to what is a small business; I have a very easy one. It's one that can't afford to send its representative to Washington.

Now, somehow I was hopeful in the Small Business Act to - and this is being done by the Small Business Administration - get information out into the boondocks; into St. Louis, Missouri, and all over the country, of how military and government procurement operate, so that they will know how to get into this act; so that they can bid and be considered. And then on the other hand, to try to call to the attention of our procurement officers the reasons why it is good to take a chance. And I know the problem. When you make errors that are good laboratory errors someone is always going to say to you, "Why were you so stupid as to take a chance here?" It's this kind of thing that I see behind the Small Business Administration, but not this arbitrary thing of setting aside and disregarding what should be the procurement officer's guiding star, getting the most defense for the dollar, with a regard for your other objective which is to preserve the base on which you can procure in the future as well as being able to expand your organization in the event that you're called upon to mobilize.

So, these are some of the guidelines that I hope our Joint Economic Committee will continue to evaluate. But let me revert now to a point that we emphasize in the Bonner Sub-Committee reports and which has continued to receive emphasis in the Joint Economic Committee reports and other

committees, the importance of using advertised bidding instead of negotiated bidding. I think the statistics show up fairly well that as the incidence of advertised bidding is used over negotiated, the participation of small business goes up. Possibly there's a point at which that will break off, but we haven't yet seen that point. And therefore, whenever we possibly can, I think we should use the sealed bid, advertised bid approach.

Now, this isn't to go way off the deep end on that, because there is many a contract, particularly in the more experimental areas, where you can't really go to an advertised bid and you have to have negotiated bids. And there are criteria that can be established to say, "Well, regrettably, here we can't use advertised bids and we must go to negotiated." But I think it should be on that standpoint that you'd rather go to advertised bids if you can. And it should only be when you can't for other value considerations, that you should go this way instead of, as I frequently suspect is the case, it's so much easier to go to a negotiated bid than it is an advertised bid.

So, this becomes an important factor. And then, another thing I hope will break down a little bit more; we can't just be content to say that the prime contract has to be negotiated and then forget all about advertised bids from then on. Because, even your most secret weapons like a Polaris Submarine or a missile, are made up 90% almost of common use components; or at least components that certainly don't need to have a military uniform put on them and secrecy established. And a great deal of the

advertised bid technique can be employed in the area of the contracting out for the components.

And so, I think we have to dig in - as I know you have been. By saying these things I don't mean that this is anything new; I'm just sort of restating things that seem to me to be basic and important, and to try to put an emphasis on a trend.

A couple of other areas where I think the Congress has followed bad economics and made the problem of the procurement officer unnecessarily difficult - and it's difficult enough as it is - is our depressed area legislation; to interject these important social problems - and economic problems indeed they are - but to interject them into the area where you're trying to get the most for the dollar. I suggest that the way to approach our problems in the field of unemployment, in these shifts etc. isn't to interfere in any way with this process of getting the most for the dollar, but rather, to observe and study it. And then knowing it's going to go this way, to be prepared for it and take what action in other areas - and there are many areas in which we can take action.

For instance, when we began to anticipate the shift from manned bombers to missiles we could have anticipated the unemployment that was going to be created. This gets into this business of training and retraining, which is one of the great problems that faces us in the latter part of the 20th Century. The more rapid we have of economic growth - real growth; that's technological advancement, the higher incidence we're going to have of

obsolete skills, less use for unskilled and semi-skilled labor, the higher the incidence of obsolete plant and equipment and machinery. But we can anticipate these things to a degree if we direct attention to them.

This isn't what we're doing. I'm not here to argue against depressed areas other than to use it to illustrate a point. I was talking about this in our hearings at the Joint Economic Committee just two days ago. I said this business of going into a so-called depressed area like Appalachia, to building community facilities, doesn't do one thing toward unemployment which is largely concentrated among the unemployed miners. Because, what you're doing is giving more business to the construction industry. The building trades, what do they do? They simply put people on for more time-and-a-half, and even double time. It doesn't do a thing for the unemployed who are unrelated to this industry because of the institutional and structural problems.

We've got to get our mind set on what are these problems. But these are areas that I don't believe the Congress should pass on to the procurement officers - and the military establishment particularly - to worry about. Not that you have to worry about these criteria, but when we do give preferences to certain areas it sure messes up, to a large degree, problems. Just like the set-aside for small business does, it interferes with the kind of value judgments that I would hope you would be making.

One of the worst things that has happened, in my judgment, has been this "Buy-American." Sure we've got a balance of payments problem, a

very serious one. But I don't want that to interfere with military procurement, which means that the military budgets have to go up by \$100 million because of the inefficiency connected with this kind of procurement. And I might even add on an ideological basis that we might well, if we wanted to, look at the off-shore procurement from the standpoint of helping to develop some of these economies that we for other value reasons are concerned about.

But certainly, I think we make a mistake in trying to make more complex the job of procurement offices. Again, relating this to the context of what I think the Joint Economic Committee should be doing; trying to figure out how we fit in military procurement in our whole economic picture.

Then I come to a final point on this area which I think is probably the most dangerous, the least defensible, and one that - and I'm really talking to myself here - we'll get to work on and correct and will ease your problem. That is this business of Congressmen announcing contracts awards in military construction in their areas. This creates, and it's bound to create, the impression among the public that in order to get a military contract you've got to know a Congressman or a Senator. Not only that, if you're a good Congressman or a good Senator, that this is the business you've got to be in to some degree; of breathing down the back of a procurement officer, trying to make him alter his judgment a bit based on other value considerations.

Now, I criticize the Congress, but let me say this; there are a lot of

Congressmen like myself who publicly deplore this technique, and have. And I did it under the Eisenhower Administration. I said that this was a very bad thing. But under the Eisenhower Administration at least I'll say it was sort of a low-level kind of thing. And I think that to the extent that when we could call attention to its being done by some of our colleagues we were able to get it corrected. But now not only is this being done but it's being boasted about and becomes the basis of a political campaign; that I can do more.

I've been under pressures in my community to indulge in this kind of thing, and I have publicly stated that only one thing you'll catch me doing - and you will catch me doing this - is that if I hear of any political pressure being tried to be put on to get a contract awarded to a certain party, I'll do everything I know how to stop it; to leave the procurement officer free to make his own judgment.

And there are other Congressmen and Senators who feel as I do on this thing. And I think we've got to realize that what I regard as the "bad actors" have taken over a bit. I think one of the most deplorable things about it is that our political science professors and university teachers are teaching our kids that this is the nature of government; the neo-Machiavellian philosophy. It isn't the nature of government. It has been the nature of people in government, since the Year 1, and Machiavelli was merely restating that which was generally known to be trends. Of course these influences and these temptations exist, but it's one thing to recognize they

exist, and it's another thing to condone it and almost put it as a basis on what a Congressman should be doing.

Now, some of our thought leaders in this country had better start paying attention to this, in my judgment. Because, if we continue much further along this line you all might as well shut up your shop as far as doing the kind of job that has to be done in the field of military procurement. But if I can say anything of encouragement, it is this; don't believe for a minute that this thing has gone by the boards. There are Congressmen and Senators, and other people in our society, who are fighting against this. We're going to continue to fight against it and I think once we get through to the people of this country they'll understand and they'll back us on it. But right now I put this down as probably the greatest danger to continuing to develop this fine military procurement system that we do have.

Now I'm going to talk about one other aspect, and here we might get into some areas of fundamental disagreement, but I don't know. At least it needs to be discussed and commented upon. I've always felt this; that whenever possible we should do things in the private sector of our economy and only go to the governmental sector when for other value judgments it's necessary. Maybe I can pinpoint this discussion a bit by referring to a colloquy that George Meany and I had - George is head of the CIO-AFofL - when he was testifying before the Ways and Means Committee on health care for the aged, using the Social Security System.

I was trying to point out to him how I thought that this was going to lead

to socialized medicine; that is, the governmental sector moving into this area. He said, "Congressman, I can prove that you're a socialist." And I said, "Wait a minute; I didn't say you were a socialist; I was trying to describe this area of endeavor and how we handle it." "But," I said, "go ahead, because I'd be quite interested in how you think you can establish this." And he said, "Well, you're in favor of the federal government handling the military." I said, "Yes indeed I am. And I call that socialistic, and it is." I don't want private armies and I don't want armies by the states, etc. I think that our Constitutional forefathers rightly made the decision that the military operation and endeavor in our society ought to be federalized and ought to be concentrated.

But, I said, "I don't shy away from the dictionary description that that is socialistic in that area." Just as back in the time of our Constitution I'm sure I would have gone along and put into the Constitution that Congress shall establish post offices and post roads, and get us into that area of endeavor. I'm quite pleased, incidentally, to note that the federal government didn't continue in the field of post roads; the states and local communities took over. Things don't always go in one direction.

But I think it is interesting to pose the question - and one does not have to be a John Bircher to suggest it - that we might look at the post office establishment, to figure out whether that might not be done under the market place, through the private sector. But certainly, there is no one who can argue, or would argue, that the military establishment must remain fed-

eral; must remain governmental; and therefore for these policy reasons we have to make this work as best we can.

Now then, why is it that I have said that I think it's necessary whenever we can to perform these functions in the private sector? It's because of the very personnel system that we must set up when we turn something over to the governmental sector. We know the system of spoils politics. Thank goodness back in the days of Chester A. Arthur, whom people don't hear much about, we did establish a Civil Service system to get this kind of personnel system out of spoils politics. And I don't know anyone who would argue that we should go backward. But at the time that we did this, and of necessity, I think we built in a rigidity that makes it a more difficult personnel system than can exist in the private sector where a good bit of the competition that goes on between businesses is the competition between types of personnel systems.

So, in the process you tend to develop better personnel systems. The other reason, which is a matter of budgeting - and the same problems exist in large corporations but not to the same extent, as I like to paraphrase it, a Supply Sergeant who over-buys doesn't tend to get criticized and get bad marks on his business report, but woe betide a Supply Sergeant who under-buys. I think there's a built-in bent toward the business of over-supply rather than under-supply. The discipline, such as it exists, is in our budgetary process. And the way we've got that set up in the Congress it's hard for me to criticize anybody for puffing up a budget, because of the

meat-ax cuts that we tend to indulge in from time to time; where a person who is careful in presenting a fair budget gets cut, and the guy who has wisely padded his budget can laugh up his sleeve at the fellow who didn't.

Nonetheless, this is so. In the private sector a business that over-buys is just as apt to go broke, if not sooner, than a business that might under-buy. So, you have a discipline in the market place that automatically protects against that. This discipline will come into play eventually. And so, in the governmental sector we have to substitute as best we can something that's air-socked; a replacement for these kinds of disciplines. And it's hard to do. But if what I'm saying is so, it is directing to your attention another grave problem that exists in the Civil Service System and the Military Service System too. You've got identical problems in this.

If it is an air-socked kind of thing, then it's something for which we've got to develop more techniques and methods to substitute that will make it adequate. And the reason why, in the Congress, we've got to get into the business of staffing ourselves better in our appropriations, the tendency to meat-ax cut is eventually eliminated and any cutting that would go on would be specific, directly to the point, where those who are being cut will know the reasons why and the arguments pro and con; and will just know that they've been overruled. That is, on a point of judgment. I'm opening up a very big area, but it points to this other thing; that granted, Parkinson's Law exists in government, it exists in the private sector too;

but it is true that there is more discipline in the private sector to counteract the effect of empire building and Parkinson's Law.

To the extent that we can get the process of manufacture and distribution out into the private sector, I think we should do so. My arguments to those who said that Secretary McNamara was trying to build an empire in the military establishment, were three; and these were the arguments that I gave to Porter Hardy and Bill Bates. If I can remember all three,

First, I said the fact that there has been a very fine trend toward the use of advertised bidding. Anyone who is building an empire would prefer to have more and more negotiated bidding because there is more control over it. Advertised bidding is not for one who is trying to build an empire.

The second area, which I think is equally important, and the one I'm stressing right now, is the reliance on the private sector more. And I've seen a very gratifying trend under Secretary McNamara, of getting the military establishment out of some of these kind of endeavors that can be handled in the private sector. And that is contrary to anyone who is trying to build an empire. Because, of course, if you're trying to build an empire you try to bring more in.

The third area, and this establishes some contests between agencies themselves, what is the tendency - and I applaud it - under Secretary McNamara, of turning over to GSA as much of procurement as possible; to get the uniform off of it, as I described it; and the uniform in this sense means the secrecy which, of necessity, must relate to many of the areas

of military procurement. But wherever we can, I think we should get it over into the common use area, and particularly if it's something that is procured in the private sector. I know the argument over hand-tools and paint, for example. Sure, the military in some instances may be the biggest procurer, but that shouldn't be the test, as I see it.

The test is, how do we in the long-run best procure? As I've said in regard to hammers, some of the military supply people argue - and I'm just pulling figures out of the air here - that they could buy a million hammers directly from the factory at a dollar and thereby save two dollars, instead of buying at the retail outlet. I said, "Well, that's interesting, but let's consider what are the costs of warehousing and distribution, and all that goes with getting the hammer to the using unit.?"

And when one begins to figure the cost involved in this tremendous distributive system, I think that it becomes a real question of whether you save, particularly as you're apt to warehouse these things. You have them on the shelf and maybe with our computers we can do a much better job of cutting down in our inventories, etc. But it does pose this problem. Should we duplicate the great distributive system that exists in our private sector?

I remember, going back to the Bonner Committee exercises, one, I think it was an Air Force Officer, was commenting to us over in Europe that what if we had relied upon the Army to procure these wrenches and hand-tools that we needed during the Berlin Airlift; we'd have been in bad shape. I said, "Colonel, I thought the airlift had been highly successful."

He said that it had. And I said, "What happened as far as these hand-tools are concerned?" "Well," he said, "we had to procure them from the hardware stores in Germany." I said, "What a tragedy." That's the point I want to leave. If these things do exist normally, whether it's coffee or whatever, in the private sector, don't hesitate to use the old military techniques that existed in the early 1800s and on back in the 1700s etc., of just moving in and commandeering.

Thank you.

QUESTION: Sir, I'm not going to restrict my question right to the confines of your talk. It seems to me that - - - - (remainder of question was inaudible).

MR. CURTIS: Yes, you indeed are getting out of the procurement field a bit. This is a danger, and in our debates in the Congress over a period of years, I know you're all aware of it, this has been of deep concern. Indeed, this was the concern that Congressmen Hardy and Bates were expressing to me with regard to the Defense Supply Agency. And in my response - this colloquy took about 1 1/2 hour on the Floor at that particular time - I shared their concern in this. But I tried to point out how I felt if we developed guidelines in procurement and particularly in regard to the McCormick-Curtis Amendment and the Defense Supply Agency, we wouldn't get into this.

I would remind you, though, under the Constitution the President is

the Commander in Chief of the Armed Forces, and therefore has much greater powers in the area of defense than he does in other areas which are non-defense, but a function of the government. Relating this question specifically to the Secretary of Defense I think it would be most unfortunate if we ever reached the point where we didn't recognize the three missions of the three services.

I mentioned the research and development; but also, fighting on land is different and has different requirements than fighting on water. Just as I suspect that's true of fighting in the air or space is different. But let me point out where I think the flaw left. When the Congress under the prodding of the people and others failed to take the time necessary to really consider and debate the question of should we have created the third arm of the military - the Air Force - in my judgment that required a Constitutional amendment. Because, we did say in the Constitution in those days, we were only concerned about fighting on land and sea.

I would have been in favor of such a Constitutional amendment. But in going through the debate we would have pinpointed, I think, a lot more accurately what the problems would be in the future. The Air Force is outmoded because it isn't air; it's space; it's beyond the air that has created this situation. But let me now talk a little bit against that point of view. I still adhere to the point of view, but let me give what I think are valid arguments the other way.

Certainly in the developments today, technologically and otherwise,

the differences between fighting on land or water, or in the air or in space, have tended to become less and less significant. And I think the trend will continue that way. The one thing I reserve here and have deep concern about would be anytime - going back to your basic point of the balance of power - ever concentrating too much power in any area. Which leads me to close these remarks out by referring to my last remarks in my speech. That is this.

We talk about the balance of power; of government itself, of judicial, legislative and executive. And we did a pretty good job, I think, of balancing. We also discussed at the time of the Constitutional convention the need to balance these great powers in the field of religion, and in the field of government; and rightly so. And we kept the separation there. In those days, though, there were only seven corporations in the United States. Economics was not concentrated, and so our attention wasn't directed to the necessity of keeping a balance of power between government and economics. And yet, in the 20th Century it has been the combination of political power and economic power that has produced the totalitarian states of Germany under Hitler, and of Russia under Stalin.

And I think it behooves us to pay attention to the need for this balance of power between economic and political, and not have them centered in one group of human beings. So, the balance of power question is most pertinent and really underlies most of what I was trying to say in my original remarks.

QUESTION: In your address you recognized the necessity of doing business with large companies and yet you decry the set-aside. The Congress has seen fit to grant to small business, at which the GAO in many decisions has indicated that a set-aside resolves the criteria for a formally advertised procurement. I would like to have more of your views as to why, specifically, you think the set-aside is particularly bad.

MR. CURTIS: Because it's an arbitrary thing. It doesn't have an economic base to say, in this area 20% - whatever it might be - or 30% shall go to small business. And it will vary greatly between industries. All of you, or many of you have seen these annual statistics they get up of concentration of economic power in certain industries, such as with cigarettes; there are four companies that do 60% or 70% of the business in motor cars; and the balance strings on out there. They all vary industry by industry. And when you start dealing at any time with arbitrary things such as we're bound to in a set-aside, I think we get into some very uneconomic decisions, particularly as you reach this guideline.

I would much prefer to dig into this thing to see what are the problems of paying attention to small business and understanding the need for this innovation, as I've described, what small business essentially is, particularly wee business. One thing I pointed to is the reliance on advertised bidding, because you would verify, would you not, I ask, that as advertised bidding goes up, participation of small business goes up too. Aren't those your figures too?

QUESTION: That's correct. I wondered how there was a proclivity for more and more negotiated contracts.

MR. CURTIS: Yes, but isn't this a better way to approach it? To try to create an understanding of what we're trying to do here and the reasons for it, rather than putting in something that is really an arbitrary thing that I don't think can be defended on that basis. But if we go out and try to explain why the advertised bid, whenever you can use it is a preferable one, and only go to negotiated bids, when for other judgment values - and there are those judgment values that you have to go on a negotiated bid. I think we'd begin to hit the right balance if we'd hit at that. It's a harder job.

Sure, it's always easy just to stop things and just put an arbitrary figure. Sometimes you have to do it, and you certainly have to do those things in emergencies. But we're talking about something that is for the long pull. And to establish a system based upon these kinds of arbitrary decisions I think is erroneous and distracts our attention from the real reasons involved. I would much prefer those who might disagree with me on the need for innovation and the theory of this small business being the laboratory testing that's going on, to come and debate that, and then if they disagreed on that they might establish a policy judgment where they continue on the negotiated approach and prefer that rather than the other.

I wish you all would get across this idea - and some of you do, I know, but most of you don't - that you're not putting a floor under these fellows;

that their right to fail is the most important right they've got. And just because a business fails, this is Nirvana in a sense. Here you can die to live again in this economic thing. That's something human beings can't. You can live again and profit by the mistakes you made that produced your death.

QUESTION: Sir, my question relates to the first question. Congress has said that we're going to have three military departments; we're going to have a Naval Air Arm and we're going to have a Marine Corps. On the other hand, they're giving the military overtime to cut costs. We've been unified now for the last 17 years. I think we'll eventually reach the point where the liaison staffs in the military are larger than the now-standing Army. I wonder how far Congress is willing to go.

MR. CURTIS: Well, if I had my way this thing would have been resolved a long time ago, because I don't recognize that there has been this advancement in bringing about the unifications I thought were necessary. I've seen undercover fighting. I was four years in the Navy and I have an affection for my service, if I may say so, and yet a good bit of this undercover fighting was done by the Navy.

My defense for them - and this will create a real dispute - what that I felt that they were right in one thing; that they did have a better supply system and it was a shame to sort of get an inferior one a little bit in order to bring about this long-time goal of unification. But, we haven't really moved. When we tried to get this understanding of just having a single

service in an area to procure for the other three services, one of the things we ran into was parcelling. I remember, in oil, instead of having one service take over the business of procuring oil we had the Navy handling the West Coast for the Army and Air Force - and I may be wrong in my zones, but the sector is true; the middle sector was handled by the Army; and the third service had the East Zone.

Well, that isn't the kind of economic efficiency we were seeking in this area. And we haven't moved the way I think we should. Now, certainly it's true that if you have a Defense Supply Agency that is merely redundant you're going to have duplication. And when you put up these unified procurement officers you don't displace those who were procuring in this area. There aren't these efficiencies, and I question in many instances whether we've gotten them.

Now I'll give you my real thinking of how the DSA would go; it could go, and it gets into personnel practices. As long as we have a system whereby those who are assigned to the Defense Department really rely on their promotions back in the services from whence they came, you're going to have special pleaders. And this is talking about good people; I don't care who they are. This is going to come about.

Just as the Army found out back in the days, I've been told, when they had separate services and went finally to a united Army Command. When the promotions remained back in their Corps and their services they had a heck of a time. But then they got promotions back into the area of the

unification and they moved forward.

Now, this is the way I see to go forward, but I must say this; I agree with Porter Hardy, Billy Bates and some of these other boys. If this is designed to really bring about the unified command in the special missions of the services, and in the field of research and development and other fields, I would be despondent. But I don't regard that as a valid argument against what I'm talking about in the areas I was talking about, like coffee roasting, medical supplies, paper, typewriters, paint, hand-tools and things of that nature; or something that even might be a bit military in aspect but is so common to the three services that we can gain the advantages for a unification.

This is nothing to put labels on, gentlemen, and then hide behind the labels; this is something that's a very difficult subject, and it's going to change from year to year. But I don't think because it's difficult that we can't put the criteria on it, to establish criteria whereby we can reach decisions as to what should be done. In the hand-tool area, sure, we argued that thing out; where should it be; where should paint be? Should it be in GSA? How much should be procured in the private sector? How much does the military need to go into the distribution aspects of it? How much can we rely on the private sector?

These kind of area judgments, I think, need to be made constantly and they'll be changing all the time. It leads me to make this observation that I wanted to make in my original talk. The future of this depends very much

on the caliber of our procurement officers. And let me pay tribute to this group and others around the country. I may be critical, and you've probably heard me criticize the Civil Service from time to time, but let me tell you this is the outstanding mark of our government. I had an opportunity to talk right after the President's assassination, on radio, which was transcribed throughout the Soviet Empire. And the point I was making was this.

In the transition of power in these critical periods, one hardly knew that it occurred in the United States and why, because of our great Civil Service. This is the day-to-day government that goes on and this is where we're tops. And those of us who have the opportunity to get into the policy area, we change policy only slowly and gradually - and we should - but we've got this time because we can rely on this great Civil Service System, and I include the military.

But it means that we have to do more perfecting here; do just what you've been doing; training our supply officers more adequately; calling to their attention, as I'm trying to do if what I have to say makes any sense, some of these bigger problems that I see that relate to our total economy. I think we're doing all right. I'm not worried about this country; I'll tell you that.

QUESTION: May I ask on behalf of our talent at GSA, would you give us your view on the role of GSA in wartime, in mobilization or war, with specific mention, perhaps, of what are the current responsibilities for

storing mobilization reserves, and how you would staff GSA in the event of a prolonged mobilization?

MR. CURTIS: Well, you're raising a very important question. GSA does have to have some regard for mobilization, to the extent that we do try to move over to them some of the areas of military procurement. I think perhaps one answer - because I don't want to get into the details which you're really asking me to get into, because I would turn that back to you people and say this is something that you have the knowledge to work out - all I would say is that it's important to work it out.

The Cuban crisis was an example of a mobilization of sorts; not as prolonged as your question proposes. But I understand, and your studies would tell me whether I'm right, that this was a pretty good operation and the GSA received kudos from the military in handling their part of it. Whether or not in studying that they could have handled a prolonged situation I don't know. I think they could. Because, the areas I'd like to see them in, again going back to my coffee roasting example; if you've got 190 million people when we mobilize, we're not going to be drinking more coffee. Maybe our nerves would be a little shattered and for awhile we would, but essentially we're going to consume the same amount of coffee. So, we've got a redistribution problem.

I think GSA is perfectly competent to handle those kinds of things. Certainly, in the field of hand-tools you've got a redistribution problem largely. There may be a few specific tools, but those should be pulled out and I'm

sure they are pulled out as specialized tools. So, I'm really in a sense going to avoid answering your question because I don't know the answer. I'll say this; if anybody came to me and pointed out why GSA could not handle this kind of mobilization I would be very interested in those reasons. I don't know of any reasons why they can't and I see every reason why they could. And it would be a healthier thing too, let me say.

I want people who are trained in military science to be directing their brains toward the field in which they're trained rather than to get into this problem of economics. And if we distract Admirals and Generals into getting into things that ought to be relatively routine in the field of economics we distract them.

QUESTION: Sir, I'm sure the commentaries from metropolitan areas run counter to your desire to put more into private enterprise.

MR. CURTIS: They sure do.

QUESTION: However, these are quite selfish, and looking on these as a very sizeable benefit, what is your estimate of how long we'll be able to hold onto our commissaries, etc?

MR. CURTIS: Well, this leads me to make the observation that the strongest lobby group I know in Washington, D. C., is the Executive Branch of the government. And I suspect that you're going to be able to hold on a little longer; I hope not. But let me direct attention to the real area - the fringe benefits.

It leads me to make this observation - I don't know whether you all

know it, but many of you probably do - that I was one of the few who voted against increased salaries in the military. I want to say that I did, though, after having been arguing for that for years, and still argue; that if we're going to have career services and hope to retain personnel in them in competition with the market place, we have got to go ahead in this field of giving - not necessarily fringe benefits; I don't want to do it that way if it's inefficient; I'm not against fringe benefits but I'm against anything that seems to be inefficient - to make this career service more attractive.

What was I talking about? I was the only Congressman who went before the Armed Services Committee early last year to argue as I have each time, against the draft as a basic procurement system for personnel. To me it is just inefficient; it's going contrary to trends; we don't need quantity, we need quality; and if you force people in, even though they say they volunteered, instead of devoting your efforts to recruitment and making the career attractive, you're going to have this costly turnover in personnel that we're experiencing that is eating us up. That's the thing that bothers me.

So, I said, in effect, to Mr. McNamara who I was really talking to, "Look, you all wouldn't look at this basic problem of military personnel procurement. Now don't go putting this bill of increasing salaries ahead of what has to be done basically. Yes, I want to increase the salaries, and even more than we have. But not until we have a system where we're actually going out trying to recruit people and telling them that sure it's

a sacrifice to be in the service, from a financial standpoint, and every American should pay tribute to you all who do make that sacrifice. But be able to recruit people on the basis that there is a career, advancement, etc. But do it on that basis.

Gentlemen, until we get away from this emergency system for wartime when we have to move fast, such as the draft, and back to a recruitment system, I think that the career aspect of the services is going to run into constant difficulty. And I think this is the most important thing that faces us.

CAPTAIN HENRY: Mr. Curtis, for us all, thank you for a fine morning.