

Eisenhower called upon the Defense Department to take this into consideration.

But I have seen the statistics, and they go straight down, and they have been going down in terms of these relative amounts, small business participation. Oddly enough, just the other day, it has come out that the Defense Department is going to spend an increase of \$2 billion on conventional weapons.

It has also been announced that it is questionable as to how much this can be Small Business Administration activity or small businesses activity because it involves mass production. If we are talking about missiles, it is too complicated for them. Now, we are talking about conventional arms, not complicated any more. But the industry process is too big for them.

This reminds me of when I was a kid flipping nickels with the corner bully. If it came up heads, I got to keep it, but all the others went to him.

It seems to me that under the circumstances, unless you have certain specific descriptions, statutory provisions, nothing is going to take place. And I am sure that President Kennedy is just as sincere as he can be, but I do not think he can implement an administrative decision that way.

There is no way to check on it. Suppose 6 months from now, it shows there has been a further reduction? What recourse does the President have except calling in the Defense people and saying, "Do this." And, certainly, you would be reluctant to do that, at least under the administrative procedure that most executives operate on.

I do not think that is the solution. I do not think it is going to be effective.

Senator PROXMIRE. They can say that national defense must come first.

Mr. SMITH. Absolutely, and this will be the argument.

Interestingly enough, I was a bureaucrat at one time, and I do know that we were concerned at that time with the price control, and we were concerned about the voluntary methods by which the banking industry was working. This was when everyone took an oath and got a little pin, you know, for a member of a commercial bank if you would make only loans in terms of defense policy, no other loans unless you could prove to yourself that it was going to increase and enhance.

I know one commercial bank that made a loan who had a most interesting rationale. They made it for high priced steel kitchenware, and it was good for defense purposes because the morale of the housewife would be immeasurably improved. That was the classification.

I think you can sell almost anything or preclude almost anything on the basis it is good for defense. And I think it is time whether we have another Truman committee or whether it be this committee, I think it is time that the American people started looking pretty close at some of the activities. I know that the actions of General Electric took place only in an outside world. I know it is a thing that could never conceivably happen in Defense, but I think, to keep that record clear, we ought to just keep looking carefully.

I think small business ought to share more in it, and I would again say that much of the activity they contended they cannot do, they can do. I also guess that in many instances, especially in research and development, they will do a better job.

I think there is an excellent book out, Senator, on a study that has been going on since 1900 on 61 basic inventions in industry. The 61 basic inventions come without such benefit of great elaborate research. I am referring now to a book published by Macmillan Co. in 1958 by Jewkes, Sawers, and Stillerman, "The Sources of Invention." I think it is a pretty good analysis.

I think we have been brainwashed of the fact that all our inventions are coming out of these huge corporate laboratories. We mentioned nylon and a few others. I think a careful look at this indicates this is not quite a fact. And I think small businesses can and do an excellent job.

I am not worried about small businesses just for small businesses per se. I am thinking about the overall aspect of our economy. I am not thinking of small businesses, some little business in a musty fashion with simply walls around him, and the Government takes a commitment to support him for the rest of his life. That is not what I am thinking of.

I am thinking of the small businesses that provided the yeast for this economy in the past, the ones that have stuck their head up and challenged others. I would suggest to you that the big innovations that have occurred in the steel companies are not coming from the leaders of the steel companies. The inventions are coming from the small companies—the oxygen converter and various other things that are threatening right now to revolutionize steel.

Let me quote one of the most knowledgeable people I know, Mr. Fairless, who used to be president of the United States Steel. He said, "Unfortunately, bigness in industry also runs to the head." And I think it is extremely important that it does. And they have a tendency quite often to defend their committed capital and not be very representative on inventions.

I am thinking about the things that caused Sunbeam Corp. in electronics to take on Westinghouse and General Electric that everybody said could not be done. I think if we have these small businesses—and I am not interested in saying they will stay small—the same businesses, I hope they have opportunity for growth—will come up, provide new inventions and much of the vigor that our economy has had in the past.

I think one of the most and great paradoxes I have seen, I think more is probably said in behalf of the free enterprise system by the large businesses, and I think that they practice it less and create a climate less for it than any other institutions in the United States.

If the little businessman cannot come up with a patentable product that is a good article that can help, perhaps, and facilitate greatly defensibility and the welfare of society, cannot get money for it, cannot patent it, cannot get into operation himself, then, I think something has gone out of the country and something else is going to have to replace it. And I think the thing is going to replace it is greater and more vigorous Government activity.

And nobody seems to like it, but it seems to be ever increasingly necessary. And I think that is why it is necessary.

I did not mean to get wound up.

Senator PROXMIRE. I think it was wonderful. I was glad to hear it.

A number of witnesses have said that the cost of the defense program will be increased by this bill. What is your answer to that?

Mr. SMITH. It is another thing. Cost of the program, I suppose it could conceivably be increased, but—

Senator PROXMIRE. I am talking about the overall cost of defense.

Mr. SMITH. I think that if the effects of this bill, if both provisions were mentioned in our prepared statement—one, the Attorney General watching very carefully for the competitive action; the other the Small Business Administration who determines this bill, that the total cost of doing business on a dollar-for-dollar basis will be less and not greater.

I am convinced that the competition and the bidding for some of this material, that the lack of it has added to the cost. I am not

questioning anybody's integrity. That is not the important thing, but two people can get together. These people have a budget to go by. They deal with one person. It is handy; it is easy; it is quick. They are interested in defense or not interested in all the hanky-panky or interested in this business of procurement. They want to get it over with. They want to get on with the program.

They are willing to pay a little more to expedite in that fashion. I think the cost will come down. I do not know how anybody can judge this, really, but all I am saying is we have just as much documentation on our side to suggest the cost will be less as they do on their side to suggest it will be more because I think the effect of competition is going to do more than offset some of these other dragons that have been raised in the last day or two.

Senator PROXMIRE. I just cannot see any significant increased cost except the usual kind of argument about more bureaucracy. But I can see specific savings and more competition. Just the section 9 alone would seem to me would provide a greater opportunity for more people to bid. And if more people bid, you are going to get somebody who is going to come in at a lower price.

Mr. SMITH. I think one of the things that is important here, too, it is automatically assumed if you get two bureaucrats together, you get a proliferation of bureaucracy. I do not mind a little quarrelsome attitude. I do not mean raging warfare, but I do not mind a little quarreling of two bureaucracies. There is a tendency to watch each other rather carefully.

Anybody talking about bureaucracy or worried about increasing bureaucracy, if this is the worry regarding the Defense Department, this concern should have been manifested many years ago. I do not think it is terribly important here now, the idea of the increased bureaucracy. I do not see that as offsetting the other obvious values that are involved.

Senator PROXMIRE. You say on page 2, "Small businesses have not participated in the overall economic expansion and have lost ground relatively." And under II D, you say, "Inability to have an agency of sufficient power consider Government procurement procedures."

How important do you think this is because this is, in my judgment, the most significant part of the bill, section A.

Mr. SMITH. Well, I think it is of crucial importance. And, by the way, I think the other things in the bill are nice, but I do not think they are crucial. I think if section A is knocked out of the bill, you might as well forget it. It is my judgment.

Senator PROXMIRE. My name would not be on it; I will tell you that.

Mr. SMITH, Godspeed, Senator. I am glad you feel that way because there is no particular reason to have the bill if section A comes out of it. I think this is important. As I said before, small business in its general posture in the economy is having its troubles.

Now, in some cases, it is not all due to the evil design of either Government or business. In some cases, it is inherent in the technological process. I grant you that. What I am saying is here is an area, just the area of research and development, plus other areas, too, for subcontracting, for participation, for small business. If there is ever going to be an opportunity for them to get their foot back on the rung of the ladder, this is it. And if they fail to do it herein, it is going to be a usual winning away of their effort and impact on society.

And I do not like the maturity aspect of our economic society in the sense of each significant industry being dominated to the

extent that it is. I think it is an unhealthy situation. That is why, one of the reasons, I feel so strongly about the bill. Because I think this will—I do not look at it as a panacea at all. I think it is a step in the right direction. And I think some important results will flow from it. I would certainly like to see us be inventive enough to try it.

Senator PROXMIRE. On page 7, you give these figures that are pretty compelling on the difference between small business portion of advertised awards and of negotiated awards—39 percent compared to 12 percent. This seems to me a tremendously persuasive figure, but I am wondering if there are not some pretty good reasons for that discrepancy. And I think maybe we ought to put them in the record.

Mr. SMITH. I would imagine so. I think we have to remember that 67 percent of these are negotiated with one source. And when you have just one source involved on contract awards, I would imagine that some of that 67 percent, for example, should very definitely be one source.

I do not think there are many things that would come up there would be only one firm, perhaps, in the country that could handle it. I am not willing to put into the record that all the 67 percent being negotiated with one source could not have been opened up to get a bidding. I would agree that a percent very well normally could go into future bidding.

Senator PROXMIRE. Thank you very much.

Mr. CARTER. Senator PROXMIRE?

Senator PROXMIRE. Yes, Mr. Carter.

Mr. CARTER. I would like to inject and refer back to a statement or question that you had asked Dr. Smith about the Small Business Administration in section 8 of the bill.

In our interviews, and also I had the opportunity to attend a small business conference in Troy, N.Y., for small businesses that had been tied to the textile industry, but had been cut loose and were floundering because the textile industry had moved—from them and from the small businessmen in this area and other men I have talked to, they have made the one statement, a one-sentence statement, that I think can adequately sum up their opinion.

They said, "What has the Small Business Administration done for us?"

I wanted to get this into the record because this is the feeling of many.

Senator PROXMIRE. Sounds like one of my constituents talking about me.

Mr. SMITH. Mr. Carter has done a lot of interviewing on the basis of a very elaborate questionnaire, and this is one of the things that has impressed him very much.

Senator PROXMIRE. I think that is a very useful observation because I have heard that in Wisconsin over and over and over again with the SBA. There is great feeling of disillusion and disappointment.

Frankly, it has not got much to do with this kind of thing—procurements—but it has everything to do with loans.

Mr. CARTER. For instance, on loans, Senator, in this conference in New York, a man from the Small Business Administration came up to address this conference on loans. He gave them a four-page statement and immediately after his statement, he said, "I have to fly back to Washington; I have important business. Therefore, we will cut the questioning short, and I have to leave."

And after he left, all the small businessmen who had problems with the loans, getting loans, said, "This is typical of the Small Business Administration." And they felt that the Small Business Administration needs more power and more administrative ability to award loans and to be able to have more latitude in loans.

Senator PROXMIRE. I just wanted to say at this point that I called this to the attention of the Small Business Administrator, Mr. Horne, and indicated that we ur-

gently hoped he would correct that. While there are all kinds of restrictions on SBA and it is about as tough a job as you find, they have to take loans, after all, that the people cannot get from banks, at the same time, they have to be safe because, otherwise, they would get the dickens from the Congress. And it is very, very difficult to meet this combination.

Nevertheless, at least, they can be courteous and attentive and as helpful as they can be.

Mr. SMITH. I should say in behalf of them that all the operative people I know of in SBA are trying extremely hard and are very competent folks. I think the difficulty is the tremendous restrictions of that law. I do not think anyone really fully appreciates it until they get into trying to administer that law.

It started out as a good law. It has been amended pretty significantly, and I think, also, there was an attitude, whether it will continue now or not, that there were certain things and certain areas that SBA just could not get into. And they did not.

So, when you impose these restrictions on that group of people, you cannot expect very exciting results.

Senator PROXMIRE. I thought this was very, very compelling testimony. I thought you were devastating. I think it would be hard for anybody to argue with what you said. Your statement to begin with, explaining why you thought small business would not come down and testify was interesting and useful.

The fact is, we have small business representatives here for the bill. The New England Small Business Association represents many, many people and appeared to support the bill, as did others. We had fairly good balance. I think that by and large, we have had testimony which represents more small businessmen on the side of the bill than against, although there is vehemence and vigor and eloquence on the side of the people opposing it.

Mr. SMITH. I appreciate that, and I can understand why. I suppose if you have been successful under one circumstance, you have a tendency to feel that anyone who has not, it is his fault as well as anything.

Senator PROXMIRE. When I was in the Wisconsin Legislature, I found the strongest desire of those who came to us was to "fence me in; just let us have this all to ourselves." This is the attitude of chiropractors and others. They do not want competition, or as they might put it others butting into their business. They want it for themselves.

I am not charging it is the prime motive of the people appearing this morning, but it is certainly an understandable motive.

Mr. SMITH. It is one that has continued. I do feel, however, that some of the people who are testifying and some of the organizations, I would like to go back and try and find out what their attitudes have been about other measures such as—if I seem to recall, the Chamber of Commerce's testimony—when the Small Business Administration bill was up—didn't feel that it was very effective. I do not say that the Chamber of Commerce is precisely in league with the National Association of Manufacturers because I would not wish to place that brand on anyone, but I do feel that the chamber, in many instances, have taken a pretty strong line, which has not been, in my judgment, financially as—

Senator PROXMIRE. As you may know Senator BENNETT, a distinguished member of this committee, was formerly the national head of the National Association of Manufacturers.

Mr. SMITH. I know. I am aware of that. Senator PROXMIRE. I want to thank you very much, Mr. Smith. This has been a pleasure. The hour is late, and I think this was a fitting climax to our testimony.

## ORDER OF BUSINESS

The PRESIDING OFFICER. Is there further morning business? If not, morning business is closed.

Mr. MAGNUSON. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk proceeded to call the roll.

Mr. MAGNUSON. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

## UTILIZATION OF TELEVISION FACILITIES FOR EDUCATIONAL PURPOSES

Mr. MAGNUSON. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of S. 205, which is the pending business, but which under normal circumstances would not be laid before the Senate until 2 o'clock. I wish to proceed.

The PRESIDING OFFICER. The clerk will state the bill by title.

The LEGISLATIVE CLERK. A bill (S. 205) to expedite the utilization of television transmission facilities in our public schools and colleges, and in adult training programs.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Washington?

There being no objection, the Senate resumed the consideration of the bill.

Mr. MAGNUSON. Mr. President, under a prior arrangement, I yield to the Senator from Nevada [Mr. BIBLE].

Mr. DIRKSEN. Mr. President, a point of order.

The PRESIDING OFFICER. The Senator will state it.

Mr. DIRKSEN. I ask the Chair to state the unanimous-consent request previously made.

The PRESIDING OFFICER. The request was to resume the consideration of the bill.

Mr. DIRKSEN. Did the Chair say that the request was agreed to? I have not yet agreed, and the question was not put.

The PRESIDING OFFICER. The Chair is informed that the request had been agreed to.

Mr. DIRKSEN. It has not been agreed to, because I was on my feet.

Mr. MAGNUSON. No; the Senator from Illinois was speaking with the Senator from Idaho.

Mr. DIRKSEN. But the Senator from Washington yielded to the Senator from Idaho.

Mr. MAGNUSON. To save time, I repeat my unanimous-consent request.

Mr. DIRKSEN. Mr. President, reserving the right to object, first I should like to propound an inquiry to the distinguished Senator from Washington. The Senator from South Dakota [Mr. MUNDT] is vitally interested in the bill. I understand he is out of the city. He had expressed the hope that it would not be called up unless he were here. I recognize full well that the schedule of the Senate cannot be contingent upon