

This is why I think so many people believe that the attempt to justify the telstar proposal, on the ground that the FCC will regulate its economic implications, is little more than humorous.

Now let me turn to another area, that of Federal Government procurement. And I want to spend a bit more time on this, though the hand of the clock moves much too rapidly.

Here is an area, I suggest, where the Federal Government can have a strong impact, either on increasing concentration, preserving existing levels of concentration, or encouraging freer competition.

Well, what is it doing? We know that the Federal Government's position in terms of procurement of goods and services as a percentage of some figure, such as the gross national product, is rising. It now makes up about 11 percent of the GNP, for example. Within this category, we find that the share absorbed by the defense agencies is large, and has maintained this position for a long period of time. For example, in the fiscal year 1961, the Department of Defense alone purchased over \$25 billion worth of goods and services.

Senator BUSH. What percentage of that?

Dr. BARBER. The percentage of allocations for national defense. Let me give you a figure at an annual rate based on the second quarter of this year; that would be about 9.6 percent of the GNP.

Senator BUSH. No. I was speaking of the total Government. You said they did \$25 billion. What was the total Government procurement?

Dr. BARBER. In 1961, the Federal Government's purchases of goods and services were \$57 billion.

Senator BUSH. So it is a little less than half?

Dr. BARBER. That is right.

Now, within this defense sector, I want to look specifically at the procurement of research and development.

Research and development outlays in the economy as a whole constitute one of the most important and most dynamic items.

On page 17, I am reading, now:

Between 1953 and 1961, for example, while the GNP was rising only 43 percent, outlays for research and development from all sources rose by about 300 percent. Even more recently R. & D. has been accelerating at a faster rate than most other sectors of the economy; from 1957 to 1961, the gross national product went up about 18 percent; research and development outlays by about 50 percent.

Indeed, in the year 1961, the best available estimate indicates that \$15 billion was spent on R. & D., from all sources. But within this broad picture one must sense that the Federal Government plays the dominant role.

If you will look at table 1 of the appendix to my statement, at the end of the paper, you will see this. For the period 1960-61 that of a little over \$14 billion that was spent on performance of research and development, the Federal Government put up 65 percent of the money.

But if you will look down across the bottom, to the lower line, you will see that the Federal Government transfers the bulk of its research and development outlays to industry, to private performers, with the result that industry, though it provides only about 32 percent of all funds for R. & D., does 75 percent of the work. An image thus appears of the Federal Government playing a very large role in this picture, transferring most of its funds to the industrial sector.