

The Department of Defense is thus the most important source of funds. And what does it do with its money in terms of allocation among business units?

Well, you find that in the fiscal year 1961, looking at Department of Defense data, small businesses, defined in the usual technical way, received only 2.9 percent of total awards for EDTR, which is the military terminology for R. & D. And you can take a look at this in more detail, if you wish, in table 3.

I think it worth emphasizing that this is far beneath the share that small businesses get of so-called hardware purchases. In that sector, their relative position is much more significant than it is in R. & D.

This R. & D. performance, if you look at table 3, has been declining for the last several years. For example, small business received as its share of Department of Defense allocations for EDTR, 5.7 percent in 1956. And then there is a steady decline, so that in the 9-month period ending with March of this year it was only 2.6 percent.

Senator BUSH. How about the absolute figures, though—the dollar figures?

Dr. BARBER. I can give you the dollar figure, Senator.

Senator BUSH. Has that declined, or not?

Dr. BARBER. Well, I can get them for you, but we can make some estimate from the fact that we have \$6,023 million for a total in 1961; and we can also give you the detailed figures.

Senator BUSH. If I read it correctly, the total EDTR went up from \$2.4 billion to \$6 billion, and the small business percentage went from 5.7 down to 2.9. That would indicate that they went up in dollar volume, although the percentage declined.

Dr. BARBER. Yes. In dollar volume, in the fiscal year 1956, small business firms received \$137 million for this function. In fiscal year 1961, they received \$161 million. But note that total procurement during that period was rising, as you have pointed out, from \$2.4 to more than \$6 billion.

Senator BUSH. In other words, they did not go down absolutely, but they went down relatively.

Dr. BARBER. That is right. Let us say they are continuing to get a very small piece of this business, a smaller piece than they get generally of military procurement.

In terms of allocation among companies, we find a very highly pronounced concentration. Eight corporations, for example, in the fiscal year 1961 accounted for about one-half of all allocations for research and development; and, indeed, one of those companies accounted for just about 10 percent. Twenty companies took three-quarters of all allocations for this purpose, and if we look at Federal programs generally, you will find that 300 companies took 99 percent of total outlays.

I will not provide the additional detail in which I am certain some of you are interested. I do think, though, it is worth noting that you have here a situation in which a rather small number of companies are getting the great bulk of the funds, that the concentration is more accentuated than it is generally in the economy, and far more than in aggregate military procurement itself.

Now, why is this so? I do not wish to burden you and I discussed some of the reasons for this in my statement.