

in this field has been done through or with the Department of Defense, as well as in collaboration with the Departments of Commerce and Labor. I think it is fair to say that there has been perceptible progress in improving the data needed for this kind of economic early warning system, through which much more remains to be done. An example of progress is the so-called MA-175, page 1 of the exhibit, a census of shipments to Government agencies by defense-oriented industries, made by the Census Bureau as a supplement to the Bureau's regular Census of Manufactures. This census has been done for 1963, a year preceding the Vietnam buildup, and within a relatively short time 1965 will have been covered, covering a period when the buildup had begun. These forms now show for the first time defense shipments by States and industries, and including subcontractors. This helps determine probable impact, when combined with the knowledge of which industries are involved in which procurement program.

Further work is underway to improve the capability of the Federal Government to trace down the impact of termination of defense contracts.

IMPACT ON INDUSTRY

Three industries heavily involved in defense have been the subject of contract research designed to give us understanding of the effect on the industries of reduced defense demand. These are the electronics, page 6 of the exhibit; shipbuilding, page 8 of the exhibit; machine tool industries, that is on page 13.

The first two have been completed and have been widely distributed, not only within the Government but to the public and to members of the industry. Both are available at the Government Printing Office.

Another interesting study in this group was a case study of the experience of 12 defense-oriented firms which attempted to diversify into nondefense work, page 9 of the exhibit. Six examples were of firms that had succeeded in this effort and six of firms that had not. The size, geography, and kind of manufacturing were varied. The report contains recommendations on Federal policies and guidelines for diversification planning by defense firms. It also has a set of instructional guides for use, in conjunction with the report, in management seminars on diversification. This has been summarized in the Harvard Business Review and quoted elsewhere, and is available at the Government Printing Office.

A current research effort is underway on uses of defense technology for civilian purposes.

IMPACT ON EMPLOYEES

In studying the impact on employees, we decided to examine three cases of defense layoffs in different parts of the country. First was the layoffs after the Dynasoar contract cancellation, affecting employees in Seattle, page 14, and the layoffs at the Martin Co. at Denver, page 16, and at the Republic Aviation facilities on Long Island, page 17.

These studies will be compared analytically in a fourth study which will be called "Analysis of Defense Worker Reemployment." This is described on page 19. These four studies should show us, based