

elsewhere in his article, experience in the Los Angeles area following layoffs in the ordnance, electronics, and aircraft industries there, implied that although displaced aircraft workers found jobs it was probably at the expense of less skilled and experienced workers.

PRIVATE PLANNING FOR CONVERSION

Hearings held in the fall of 1963 by the Senate Subcommittee on Employment and Manpower regarded the civilian application of technology involved in defense and other government sponsored programs. The testimony touched on the question of industrial conversion from defense to nondefense work. Industrial representatives of companies with heavy defense commitments who testified were understandably cautious about the extent to which it would be possible for them to switch completely from defense to nondefense production. One company thought it would take many years before it could substitute commercial for defense work, although all of the companies that appeared had attempted to diversify into civilian lines.²⁷

Representatives of the Department of Defense (DOD) and the United States Arms Control and Disarmament Agency (ACDA) described a plan enabling DOD and ACDA to keep up to date on principal defense plants and Project 9-A that supplies current information on 150 plants in 75 communities accounting for about 40 per cent of procurement expenditures, the type most likely to feel the effect of defense cutback. It was also brought out that questions in the 1965 Census of Manufacturers will be asked of key companies on the economic impact of defense contracts.

What is the state of private planning for conversion, aside from that undertaken by the companies that answered the Subcommittee's invitation to participate in its hearings—Westinghouse, United Aircraft, Northrup Aviation, Lockheed, Hughes Aircraft, Aerojet-General, Martin Company, and Republic Aviation?²⁸ Posing this question makes two sizeable assumptions: (1) It assumes that private planning is possible or even meaningful to meet an event of unknown timing and size; and (2) it assumes that conversion of defense-oriented resources to civilian production is indeed feasible.

The results of a survey of large prime defense contractors made by Stanford Research Institute late in 1963 illustrates the difficulties of private planning for conversion.²⁹ The replies indicated that few of the companies surveyed had blueprints for diversification into civilian production in the event of Government contract termination. But it should be noted that the "planning" envisaged by the survey was quite precise. It meant a detailed description of alternative courses of action, identification of trigger points at which to initiate new plans, work on prototypes of new products, and assignment of at least one senior executive to this activity. (The slight extent of government planning is indicated on page 268.

Why was this so? The most frequent reason given was the inability "to plan for a catastrophe." It was frequently noted in the replies that the Federal Government should do more to advise industry well in advance of its intention to cancel contracts. The most important reason, however, appeared to be an expectation, based on experience, that cold war and space program requirements would prevent any drastic slash in defense and related procurement.

Strengthening this view has been the success of the major defense companies in shifting from aircraft to missile production.³⁰ Along this same line, Richard Rutter, writing in the *New York Times* for August 16, 1964 (Sec. 3, p. 10), indicates that "on the whole . . . the aerospace-defense industry is not only very healthy but still growing." A projection of 1964 sales at \$20.9 billion (compared to \$20.5 and \$20.6 billion in the two preceding years) breaks down into \$8.6 billion for aircraft, \$5.5 billion for missiles, \$4.9 billion for space vehicles and \$1.9 billion for nonaerospace products.

Small dips in aircraft and missile sales are being more than offset by small rises in space-vehicle and nonaerospace sales, including exports. Furthermore,

²⁷ Betty Goetz Lall, "Congress Considers Impact of Defense Reductions," *Bulletin of the Atomic Scientists*, February 1964, pp. 31-32.

²⁸ See Appendix, below, for the relative importance of defense to total sales for 35 major defense contractors.

²⁹ Referred to by Murray L. Weidenbaum in a talk at Brookings Institution, Washington, D.C., on July 28, 1964.

³⁰ See Murray L. Weidenbaum, "Can Defense Technology Be Used?" *Business Scope*, Cambridge, Massachusetts, July 1964, p. 2.