today that the profiteer can successfully push his special interest legislation with one hand while pocketing "excess profits" with the other.

There was a time when war profiteering was a more glamorous and a more newsworthy issue. Some of us can recall the headlines made by the then Senator Harry S. Truman with his extensive Senate investigations into profiteering during World War II.

The War Contracts Price Adjustment Board, predecessor to the present Board, recovered more than $11 billion dollars in "excess profits" from private contractors doing business with their Government during World War II. More than $800 million was recovered in the aftermath of the Korean War. The real question is, how much got away?

The reason that profiteering increases in time of war is easily understood. During such periods the Government's need for supplies and materials increases suddenly to great heights. The requirement for speed in production eliminates the opportunity for often long, cautious negotiations, careful surveys, and other steps which sound purchasing policy otherwise requires. The practice of inviting bids for Government contracts is set aside; competition decreases and often disappears. The forecasting of costs of production becomes impossible except as a matter of guesswork. As a result, contractors, in seeking to guard against contingencies and often for less justifiable reasons, skyrocket their costs. It is during this crucial time, when the nation's need is greatest but its ability to proceed with caution is least that negligent and unscrupulous dealings are widely practiced.

Senator William Proxmire of Wisconsin, chairman of the Economy in Government Subcommittee, recently said that when he found out how the Defense Department is currently spending its enormous budget—an annual average of $1,600 for each American family—it "shocked me out of my chair."

No better example of the taking of "excess profits" exists than the one documented by the case of *Boeing Airplane Co.* v. *U.S.*, decided by the United States Tax Court in 1962. Boeing had attempted to charge, as a legitimate expense on its Government contract for military aircraft, the cost of the design, development, and construction of the prototype of the 707 commercial airliner.

Another item claimed by Boeing as a legitimate expense against its contract was $629,000 for "institutional" advertising, selling expense, and entertainment expense. The court found that the "institutional" advertising consisted in Boeing keeping its name before the public as a producer of commercial aircraft. This is not a new practice. Then Senator Harry S. Truman wrote in *The Progressive* in 1943 of parallel abuses in World War II, and pointed out that "the advertising costs the corporations practically nothing because the taxpayer foots the bill."

In the Boeing case the selling expenses were incurred in connection with its commercial business, and the entertainment expense was in part for the purchase of meals and the general entertainment of visitors and business associates. None of these items was allowed by the court.

Boeing had appealed a $9.8 million determination of excess profits by the Renegotiation Board. The court determined that Boeing owed the government not $9.8 million, but $13 million in excess profits, underscoring the weakness, or at least the moderation, of the Renegotiations Board. But renegotiation cases seldom reach the courts. If they did there might well be more Boeing-type cases.

A North American Aviation, Inc. case, decided by the Board in 1962, held that the company had received excess profits in the total amount of $16.5 million. And a $10 million refund of excess profits was obtained from General Motors in 1958, as a result of a Congressional investigation into the production of the F081F airplanes.

It is no surprise, then, that there is a movement to abolish the Renegotiation Board, or that among the strongest members of the movement are the aerospace industries. In a letter dated March 23, 1966, the Aerospace Industries Association of America, Inc. stated to the House Ways and Means Committee:

"This association is convinced that expiration of the [Renegotiation] Act would not harm the nation's defense effort and would not increase the cost of procurement."

It is the level of procurement and the relative rate of procurement that determines the profiteer. As an obvious example, Government procurement reached