

utilities, I believe Tennessee Valley Authority and American Gas & Electric have recently ordered central station turbine-generator units from Brown-Boveri of Switzerland. Even with the 25-percent differential allowed domestic over foreign equipment, foreign companies can undersell General Electric and Westinghouse.

ADVANTAGES ENJOYED BY LARGE FIRMS OVER SMALL FIRMS

Mr. WIDNALL. Isn't it true that some of these companies have stockpiled engineers so that they have taken away the ability of the smaller manufacturers to compete, because they cannot get the engineers, and they have many on their payrolls who are being charged against the entire job and not being fully utilized?

Admiral RICKOVER. I think this may be true in the space industry and in those divisions of large corporations engaged entirely or almost entirely on military, National Aeronautics and Space Administration, and other Government work. I do not believe it is true in those parts of a company that build commercial equipment, because in this case the company itself, not the Government, would have to pay the cost of the idle manpower.

This situation is true in companies that do specialized work for National Aeronautics and Space Administration and the military; they get cost-plus-fixed-fee contracts and, in many cases, their facilities have been given to them or built for them by the Government. I do not believe this is generally true of all industry.

There is no question but that the cards are stacked against small companies. I will touch on this later in discussion of the Renegotiation Act. A large company can lose money in one of its divisions and make money in another division. Yet, in renegotiation, the company is allowed a profit which is based on the average of its total Government business. This confers a considerable financial advantage on the large company over the small one, and certainly tends to reduce competition.

Another factor is that the large companies acquire many patents from the development work they do at Government expense; these patents are not available to small companies except for a fee.

The small company is the underdog in the procurement game. With the rapid increase in mergers, it appears we will soon have a small number of giant corporations. These corporations often build up large staffs so that when they bid on development work they can prove they are ready to go. The Government ends up paying the cost for these staffs. This hoarding of scientists and engineers has created artificial shortages in trained manpower, it has hurt small business, it has delayed essential programs, and has added to Government expenditures.

Further, the antitrust law appears to have become a "motherhood" slogan. It is like the "pious" Christian who doffs his hat respectfully every time he passes a church, but enters only once a year.

LARGE CORPORATIONS THREATEN TO BRING ABOUT A NEW ECONOMIC ORDER

The reality is that a new economic order is emerging, characterized by large industrial organizations that maintain a partnership between themselves and government.