

in the province of the budget message and the Budget Bureau. I do not feel that the Council really has the competence to evaluate these in detail. We did have some—

Senator PROXMIRE. You certainly have the only competence in Government as I see it, to evaluate the economic impact in detail, to tell us what defense spending is doing. For instance, yesterday we had testimony from Assistant Secretary Charles of the Defense Department, in which he conceded that there was extraordinary inflation in those industries in which we have a great deal of defense procurement, and I am convinced that the principal reason for this extraordinary inflation is because of the impact of our procurement policies and practices with the kinds of contracts we have, and so forth. This is something that seems to me in view of the problem of inflation that the Council of Economic Advisers should tell us about, explain to us, give us some recommendations on.

Mr. OKUN. We do call attention to that in chapter 3 of our Report.¹ We speak of the importance of efficiency in procurement practices and talk about some of the reforms and improvements there. I call your attention to pages 113 and 114 of the Council's Report.

Senator PROXMIRE. But at no place do you as I understand it, or perhaps the Council has and I missed it, recommended fiscal restraints on the defense budget.

Mr. OKUN. We feel that the estimate of defense expenditures in the budget has been reviewed and is the administration's view on what a minimum necessary budget is for that purpose. Obviously, any program is subject to further refinement and greater efficiency and if that can be achieved, all to the better. But I think our job has to begin by taking the figure that my colleague and his staff and the people in the Defense Department develop, present to the President, get his approval on it, as the desirable minimum defense needs of the country.

Senator PROXMIRE. Let me ask Mr. Zwick: the Subcommittee on Economy in Government has been holding hearings, Mr. Zwick, on military procurement, which is the largest single item, as you know, in the military budget. It is \$40 or \$43 billion, depending on precisely how you define it. Testimony has shown that there is widespread mismanagement and waste and inefficiency in defense purchasing. Mr. Charles, who some people feel wrote the book in the Air Force area on procurement, a very competent man, agreed yesterday with what Admiral Rickover had estimated—and others—that when we procure on a noncompetitive basis, we pay 30 to 40 percent more than if we procure on a competitive basis and, of course, the overwhelming amount of our procurement is noncompetitive.

Furthermore, Admiral Rickover estimates that at least \$2 billion per year is wasted exclusive of that from procurements because of high profits. So I would like to ask you this question: Does the Bureau of the Budget scrutinize the defense budget with the knowledge of the immense waste in this program? [Laughter.]

Mr. ZWICK. Let me comment several different ways. Let me first join with all in our interest in efficient government and efficient management. A major responsibility of the Bureau of the Budget is this

¹ "Economic Report of the President, Transmitted to the Congress, January 1969. Together with the Annual Report of the Council of Economic Advisers," available from Superintendent of Documents, U.S. Government Printing Office, Washington, D.C.