

What Can Industry Do As Pentagon Cuts Back?

Do peace and prosperity necessarily go together?

That question was asked increasingly in boardrooms and government offices last week after the Senate approved the test ban. Following as it did the President's proposal for joint exploration of the moon, installation of the Washington-Moscow hot line, and feelers for an agreement prohibiting nuclear weapons in space, the week's major international development raised hopes that the world's two mightiest military powers might be edging toward a détente—a slackening in the arms race and a cut in mammoth defense budgets.

Clearly, no one expected—not during any period that could be safely predicted—anything approaching massive disarmament that might precipitate convulsive economic adjustments.

Just as clearly, to those who followed the situation closely, the days of rapidly pyramiding arms spending were over. The trend, if anything, was reversing. The thrust and direction which defense spending has long given the economy was weakening and veering a bit off course.

Congress, for one, was finally supporting its perennial palaver about economizing with blunt action.

In the six years that followed Russia's initial space and missile triumphs, Congress allowed military spending to accelerate by \$10 billion, to \$52 billion in fiscal 1963. But the fiscal 1964 defense budget which the Senate approved last week was a full \$1.4 billion below the President's request and \$1 billion less than last year's final bill; the House bill, passed three months earlier, was \$1.6 billion below the White House request.

Diplomatic and technological developments also are assiduously chipping away at arms outlays. In the hope of putting the cold war in cold storage, both Russia and the U.S., with no formal talks, have cut their armed forces since the Berlin crisis buildup. The U.S. has dismantled missile bases in Europe and bomber bases in Morocco; Russia has responded by easing pressures on Berlin, softening its propaganda, and halting the jamming of U.S. broadcasts. At the moment, the Defense Department is awaiting with consuming interest publication of the Soviet military budget in December. "If the Soviets—as is rumored—make some cut-backs or pull back some of their forces, these would be evaluated in the over-all context of our alliance strength," says Deputy Defense Secretary Roswell Gilpatric.

Phase-Out: Obviously, each side is being careful not to yield very important points; for the U.S., each move can be justified on technological grounds. Thus the intermediate-range missiles in Europe became superfluous, as well as a source of diplomatic friction, as more Polaris and intercontinental missiles were produced. But this technological development is also the main reason that the budget cuts became possible.

ICBM's are now being added to the inventory at a rate of one a day, and a Polaris submarine is being turned out every month—a pace that will not continue indefinitely. As Defense Secretary Robert McNamara recently told a Congressional committee: "We begin to encounter the law of diminishing returns . . . Further increases . . . would provide only marginal increases in capabilities."

As the missiles move into their silos, older weapons are constantly being retired. "We are disarming, in a sense, all the time, right under everybody's nose," says one Pentagon official. "We're phasing out the remaining B-47s by 1966, and they're scrapping them out at the graveyard in Tucson, Ariz. (More than 3,000 planes—many serving as cozy homes



Some 1.2 million Americans work in U.S. defense plants. By a sizable margin, eight states led the others in new contracts in the fiscal year that ended last June. California alone landed 23 per cent of all awards. The eight leaders—and amount of their contracts:

