



U. S. Senator

William Proxmire

*reports to you
from Washington*



APRIL 1976

HOW MUCH IS ENOUGH FOR DEFENSE?

The President has sent Congress a record high defense budget request of \$114 billion. This is a 13 percent increase over last year. Is this too high, too low or just right? That is the question facing Congress.

First, what are the budget facts? Is that \$114 billion the whole defense budget? No! Not by a long shot. First it does not contain the atomic energy warhead costs, or the defense stockpiling or foreign military aid. That adds billions to the total. Furthermore, the President has asked for legislation which if not passed, will add \$3.5 billion more to the defense budget.

THEREFORE, THE REAL DEFENSE BUDGET COULD WELL BE OVER \$120 BILLION THIS YEAR!

Do we need that much defense? The answer is we need a defense establishment that is second to none in the world. But how much is that?

THE SOVIET THREAT

Obviously we have to keep a wary eye on the Russians and other potential threats. Recently there have been reports that the USSR is spending much more on defense than previously thought. Those reports have been greatly exaggerated. Due to the type of analysis used in these reports, Soviet military spending is overstated and U.S. spending is not given credit for its sophistication. Thus the conclusions that the USSR is outspending the U.S. by 50 percent is in error and very misleading.

That is not to say that the Russians are not building up. They are. But they have different defense needs. They have hostile forces on

two borders, China and NATO. Think of our defense needs if Canada and Mexico were powerful enemies of the U.S.

The important issue is, does the U.S. have enough power to stop the USSR from launching a nuclear attack? Clearly we do have that power. We have a four-to-one lead over the USSR in nuclear warheads, a three-to-one lead in bombers. We have 7,000 tactical nuclear weapons compared to their 3,000. We have 14 aircraft carriers while they are still trying to develop one like ours.

From any perspective, the U.S. holds a strong hand and we certainly are not second to the USSR in strategic weapons.

U.S. POLICIES UNWISE

These are reassuring facts but we cannot afford to become complacent. All is not well with the U.S. defense establishment. As a result of unwise procurement decisions, our force levels actually are going down. In the last 10 years, the numbers of tactical aircraft in the U.S. have fallen 20-30 percent. The U.S. fleet is at the smallest number of vessels since 1939. We have fewer tanks now than in 1964.

How can this be with record high defense budgets year after year? The answer lies in the choice of the weapons we buy. The Pentagon has insisted on purchasing the most exotic, goldplated, expensive hardware available. When that happens, the cost of individual weapons goes so high that the country cannot afford to replace the obsolete weapons on a one-to-one basis. This means that our force levels get lower each year. This is an extremely dangerous policy and, in fact, is our own unique form of unilateral disarmament.

MORE MONEY FEWER WEAPONS

Instead of more small to medium sized navy vessels we build giant billion dollar aircraft carriers that are vulnerable to cheap anti-ship missiles. We get fewer ships that way.

Instead of cheap reliable tactical aircraft, we continue to purchase quantities of the expensive F-14s and F-15s. We get fewer planes that way.

Instead of continuing to buy the effective, M-60 tanks, at



Every B-1 bomber will cost \$84 million by latest estimates. It could go up to \$100 million each.

\$500,000 each, we will buy the XM-1 at a cost of \$1.34 million each. We get fewer tanks that way.

The list is endless but the point is clear. Current defense policies are hurting our force levels. We need to return to building cheaper reliable weapons that can be purchased in sufficient quantities to keep the force levels up.

WHERE WE CAN SAVE TAX DOLLARS

Now what about this year's budget? Is it any better?

Not much! This budget is loaded with wasteful and just plain unnecessary spending. Let me show you where.

First, there are just under one million civilians employed by the Defense Department. That is more than every other department and agency of government combined, except for the Post Office. Think of it. More employees in Defense than HEW, Transportation, Agriculture, Commerce, State Department and all the others. Sixteen percent of the defense budget goes to pay these civilians. That is far too high for far too little results. We should cut back the number of civilians severely--particularly in the Pentagon itself.

Second, there is \$1.5 billion in this budget for the B-1 bomber. Of all the weapons systems asked for, this bomber makes the least sense. It is out-of-date in the nuclear age; far too expensive at \$21 billion; and far less effective than a cheaper stand-off bomber platform. Furthermore our existing B-52 fleet will last into the 1990s.

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Today's M-60 tank costs about \$500,000 each.



Tomorrow's XM-1 will cost \$1.3 million each.

Third, the Pentagon's budget has been padded in the expectation that Congress will cut it back. An Administration memorandum earlier this year identified \$3.1 billion in extra funds put in the defense budget for padding. This unethical maneuver should be stopped short by denying that increase.

And fourth, at the last minute the new Secretary of Defense asked the President to add \$2.7 billion to the defense budget before it was

sent to Congress. That last minute add-on can be eliminated without any negative effect on the defense effort.

The four items mentioned above would save you over \$7 billion in taxes for defense just this year. And our defense would be stronger for it. By cutting out the waste and fat, by insisting on a "lean-mean" military establishment, your tax dollars will go further and still save you money.

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U. S. S.



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DECEMBER 1978

WHY IT'S SO TOUGH TO CUT THE FEDERAL BUDGET

So you want to cut the President's budget!
So do I. So does the country.

Not only should we cut the budget but we must cut the budget if we are to get a grip on the nation's number one problem, namely roaring, rampaging, endemic inflation.

Why is it that if the President wants to cut the budget and the people want to cut the budget and virtually every official elected in 1978 says he or she wants to cut the budget, the budget doesn't get cut?

Here are some of the reasons.

Split Personality or the Schizophrenia Complex

First and foremost is the fact that while everyone wants to cut the budget, everyone wants to cut someone else's budget.

When we try to cut the military budget, the Pentagon brass tells us to cut the housing budget. When we go after waste in welfare or education we are told to look at the money for consumer protection or environmental programs.

Members of local business or community groups write hundreds of letters to tell me to cut the budget. Meanwhile many of the same people have written to ask support for their local public works project. You may remember that when I opposed a dam on the Kickapoo because the costs had risen out of sight, I was hung in effigy.

"Cut the budget! But don't cut my budget," is the cry.

Ex Parte Testimony

A second reason is ex parte testimony. This happens both in the Executive Branch and in Congress.

What this means is that the people who want the money are the only ones who testify. It's like a court case where only one side is heard.

When the President puts his budget together it is done in secret. Each agency of government, one by one, appears before a representative of the Office of Management and Budget to ask for its

money. Agencies spend thousands of man hours on this job. They come armed with hundreds of pages of detail, charts, graphs, and written arguments. But no one appears to oppose the spending.

When the budget gets to Congress and hearings are held, once again, only those who want the money testify. First we hear from government agencies who support the funds for their budget. Then we hear from interested private parties -- the people who get the money. They all tell us they need that much money or more.

A former staff director of the Senate Appropriations Committee told me that in his 40 years experience on the Hill a thousand witnesses appeared to ask for money for every one person who appeared to oppose.

It's an example of how small, concentrated, determined interest groups can overcome the diffused and dispersed public interest. It's done the same way a small band of Spanish soldiers under Cortez conquered all of Mexico and hundreds of thousands of people by concentrating their troops and picking off the other side one by one.

Spend, Spend, Spend, -- Hire, Hire, Hire

Another reason is the way federal agencies are set up. Government officials are promoted for two major reasons. First, the number of people they supervise. Second, the amount of money they spend.

A few years back the Navy sent out a telegram at the end of the fiscal year telling all its ships, stations, and personnel to "spend, spend, spend" so they wouldn't have to turn any money back.

This fiscal year, because the President announced a forthcoming hiring freeze, agency after agency hired hundreds of new people to fill their vacant allotted spots at the end of the fiscal year. No one considered abolishing the jobs. You could call this a soil bank for bureaucrats in which they stockpiled their personnel for future use.

Something In It For Everybody

When bills are passed they must pass by a majority vote. Often the only way to get a majority in both the House and the Senate is to include everybody in. This wastes money, keeps it from being targeted to the most needy people or areas, pushes up spending, and increases the debt.

For example, last year the President proposed an Urban Bank (Urbank) where firms located in distressed cities could come to borrow money for needy purposes. But there are not enough Congressmen from distressed cities or Senators from states with needy central cities to pass it! Now the program has been widened. It's called the "National Development Bank." To get the votes urban, suburban, and rural areas are all included in.

This reminds one of the debate that took place in the Senate a few years ago when Senator Chavez of New Mexico was handling the public works or pork barrel bill. Paul Douglas of Illinois objected. Chavez rose at his desk and said, "I don't know why the Senator from Illinois is against this bill. There's something in it for everybody."

In the Senate each state has two Senators and two votes. The smallest 17 states with seven percent of the population have the same 34 votes as the largest 17 states with 70 percent of the population or ten times as many people. To get the votes to pass bills too often every state is included in. The states with very small populations who may not even need the program almost always get far more than their fair share.

Loaded Committees

Under the Committee system in Congress, members flock to those committees which can give the most help to their states or districts. Then a rather cozy -- often incestuous -- relationship between Members of Congress and leading bureaucrats in its agencies takes place. In return for putting defense plants or a new base in Senator A's state, Senator A votes for virtually all the Pentagon programs. The Interior Committee, essential to the interests of Western states, is loaded with Western Senators. The Foreign Relations Committee, which authorizes foreign aid, has more than a majority of Senators who

favor foreign aid. And the banks and savings and loan institutions make certain that the majority of the members of the House and Senate Banking Committees vote with them when it comes to their vital interests. How do they do that?

Answer. Through campaign contributions, and through the influence they have with local business and commercial institutions.

Other Reasons

There are other reasons too why spending is so hard to cut. There is what is known as the "uncontrollables in the budget." These are programs where the spending must take place unless the law is changed. Examples are retirement checks for military and government civilian personnel, government contracts, trust funds (highways for example), interest on the debt, and social security.

There are programs which provide "entitlements", i.e., some one or some city or some area is entitled to the money for a long period of years. Examples abound. There is unemployment insurance (under permanent law), revenue sharing (five years), community development (three years), medicare and medicaid (permanent), and impacted school aid.

Conclusion

As long as the public has a split personality about spending, if only those who want the money testify, if bureaucrats continue to be promoted for the number of employees they supervise, as long as we have to provide something to everybody to get a little bit for the few, when citizens demand that Senators and Congressmen bring home the bacon, and as long as we retain a political system where tens of millions of dollars are raised and spent to win elections, spending will remain out of control.

Test of Democracy

The people want less government, spending cuts, and a reordering of government and private priorities.

To get this done will take more than words. To understand how the system works and why we have a \$38.9 billion debt in a year of runaway inflation, is the first step to action. If we know why spending is out of control, we can do something about it.

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NOVEMBER 1980

THE FLEECE OF THE MONTH-- NOW AN INSTITUTION

Would you believe it? The National Science Foundation spent \$84,000 to find out why people fall in love.

The National Institute of Alcohol Abuse and Alcoholism spent a part of a \$102,000 study to determine whether sunfish that drink tequila were more aggressive than fish who drink gin. The fish were stewed to the gills, and you paid for it.

The National Institutes of Mental Health spent \$75,000 to study why bowlers, hockey fans, and pedestrians smile.

These are all Golden Fleece of the Month Awards. We give it every month for the biggest, most ridiculous, or most ironic example of wasteful government spending for the period.

Now the Fleece is an institution. Started in March, 1975, it is now only a few months short of being six years old.

So far we have given 67 Fleeces to 44 different government agencies. In addition, nine merit awards have been handed out for extraordinary good work.

Every one of the 13 major Departments of the government has received at least one Fleece of the Month. Seven of the 13 have had three or more.

The big winner is the Pentagon with a grand total of 11. To be fair to them, no one service --

Army, Navy, Air Force -- has had more than three. The Department of Transportation and the National Science Foundation share runner-up honors. They've each had five.

Three of the monthly awards have gone to Congress itself. One of those -- the fourth one in June 1975 -- first exposed the runaway costs of the new third Senate Office Building. The original estimate was \$48 million. By June of 1975 it was \$85 million, a \$37 million increase or 78% overrun. That golden palace will now probably cost \$200 million or four times its original estimate.

The same Fleece of the Month also criticized the House of Representatives for spending \$1.3 million to automate 19 elevators while keeping the operators to run them on the payroll. Absurd?

RULES FOLLOWED

Certain rules are followed in giving the award. It is always given to the government agency or department which has done the spending, not to the individual or private contractor who gets the money. It is given for some wasteful expenditure which has not yet been exposed. Usually there are a half a dozen candidates which end up in the wastebasket because what appears to be a bad expenditure turns out to have some merit. It is never given merely because of a clever title for a study or grant.

NOTHING TOO BIG OR TOO SMALL

Some people think the Fleece goes only for small items of waste. Sometimes small waste wins. The Fleece for May of 1977 went to the National Endowment for the Humanities for spending \$2,500 through the State of Virginia to find out why people are rude, cheat, and lie on the tennis court? Answer. More people wanted to play tennis than there were courts available.

The September 1977 Fleece went to the National Endowment for making a grant of \$6,025 to an artist to film the throwing of crepe paper and burning gases out of an airplane. The purpose of the film, according to the Endowment was to "document on film an event designed to alter an audience's immediate environment for a short period of time."

But there have been some big one's too. In December, 1977 the Fleece went to the Air Force for the 23 plush jets costing \$66 million which they used solely to transport government big shots around the country. That then little known executive airline cost the taxpayers at least \$6 million a year to operate. It's now been cut back by about one-third.

The July 1977 Fleece went to the Postal Service for spending over \$3.4 million on a Madison Avenue advertising campaign to get Americans to write more letters to each other. Then they spent almost \$775,000 more in a follow-up study to test whether the campaign worked.

The biggest Fleece was the expose in May of 1975 of the attempt by the Army Corps of Engineers to commit \$6 to \$10 billion to build a series of new locks and dams on the Mississippi without getting approval from Congress. They tried to use a little known 1909 law, giving them the right to maintain, repair or replace *existing* dams, as authority to build 34 new dams on the Mississippi and Illinois Rivers. The Fleece helped stop that one.

WHERE WE FIND THEM

Where do we get them? In October, 1980 alone the public sent in more than 40 candidates for the award.

Then there are the "secret patriots" in the

government agencies. One of them sent me a copy of a \$57,800 Federal Aviation Administration study of 79 body measurements of airline stewardess trainees. Entitled "Anthropometry of Airline Stewardesses" it was done ostensibly to design safety equipment but, in fact, (stated in the report itself) had no application beyond the stewardess trainees involved.

My own staff keeps a sharp eye out for candidates as they work through the money request of the government agencies. One Pentagon budget included a little known category called the "Emergencies and Extraordinary Expenses" account. When the military was asked for the details they said it was "classified". It turned out to be a \$1.2 million slush fund to pay for flowers, tea parties, receptions, visits to Disneyland, and trophies, green fees, and reception for an Air Force golf tournament. It was truly an "extraordinary" fund, but there was nothing of an "emergency" about it.

PUT IT ON THE STUMP AND RUN

There are two places you can almost always find wasteful spending merely by looking. The first is in any program where the agency gives the money to the states or localities without any strings. The Revenue Sharing program, community development funds, the Law Enforcement Assistance Administration, or CETA funds invite abuse. They are "put the money on the stump and run" programs which in the past have had little or no oversight or examination. One result of a Fleece of the Month to CETA for a \$384,948 grant to count the dogs, cats, and horses in Ventura County, California led the Secretary of Labor to tighten up on their standards.

BEHAVIOURAL STUDIES INVITE ABUSE

The second area is where research grants go to the behavioural sciences. There was the \$46,000 Department of Agriculture study to find out how long it takes to cook breakfast. The USDA did more than lay an egg on that one. They also spent some of the money to figure out how many minutes it took to cook them. Using something called a TMU (Time Measurement Unit) equalling 0.036 of a second, they found it took 838 TMU's to fry two eggs in a skillet.

The LEAA spent nearly \$27,000 to find out why inmates want to escape from prison. Their findings rested heavily on a questionnaire they sent to the inmates.

Part of a \$97,000 grant for an 18 month field trip to Peru to study ethnic and class relationships among Indians and non-Indians in the Peruvian Andes was spent to study behaviour and social relationships in a Peruvian brothel. They interviewed 21 prostitutes both formally and informally. "By visiting the brothel at various times it was possible to obtain a good idea of its everyday functioning", the study said.

The Federal Highway Administration put out \$222,000 to study "Motorists' Attitudes Toward Large Trucks." Do you consider that large trucks contribute to traffic congestion, block a driver's vision, travel too fast on highways, or travel too slow going up hills? These were among the detailed questions to be asked of 2,430 drivers.

HAS IT DONE ANY GOOD?

Has it been worth it? Has it done any good? You bet your life!

A study of the results in the first year showed that in two-thirds of the cases the funds or the objectionable activities were either reduced or cut out altogether. The National Science Foundation

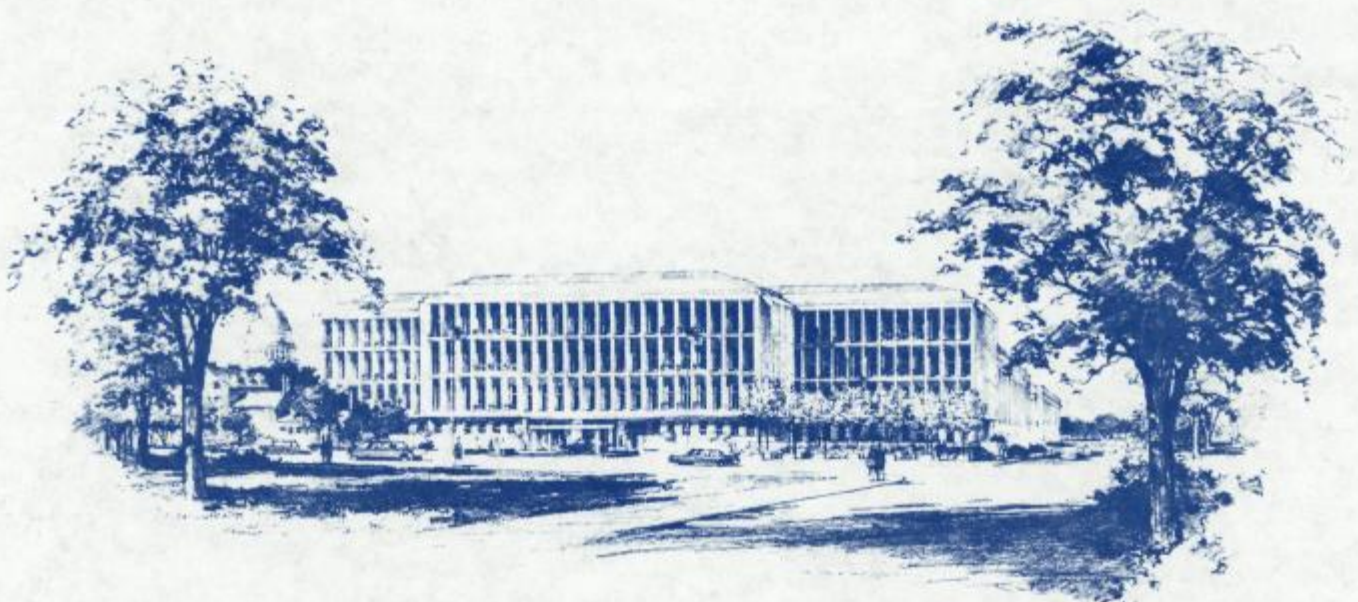
revised its peer review system as a result of the Fleece's criticisms. The head of the then Office of Education acknowledged that the \$219,592 spent to develop a curriculum package to teach college students how to watch television was a corruption of what he had originally proposed be done.

Sometimes the results are superficial, as when the National Science Foundation set up a procedure merely to check all the titles of their studies to make certain they didn't appear foolish. But agency after agency reports that the danger of getting a Fleece has led them to make a sharper review of their grants and studies than before.

THE FLEECE LIVES

A lot still needs to be done. There is still no single place in the government, even in this computer age, where one can find out what has been studied, what is being studied, and what is being proposed for study. This failure of the left hand to know what the right hand is doing led to a Fleece of the Month for the Department of Housing and Urban Development for a \$245,000 study of New Towns even though the Library of Congress had an annotated bibliography at the time of 67 previous New Town studies, many of them paid for by federal grants.

For all these reasons, the Fleece of the Month will go on.



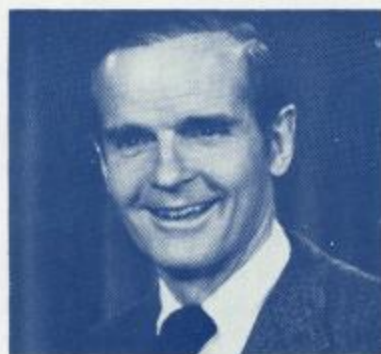
Artist's concept of the new third Senate Office Building.



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January 1982

DEFICITS, DEFICITS, DEFICITS

A member of the President's Council of Economic Advisers, William Niskanen, said a few days ago that "There is no direct or indirect connection between deficits and inflation."

Recently I wrote to the Chairman of the President's Council of Economic Advisers, Murray L. Weidenbaum, to urge a balanced budget in fiscal year 1983 and to urge that the President refuse to sign any bill which would increase the debt limit. Chairman Weidenbaum replied:

"Apart from the critical issue of credibility, a balanced budget is only one among several goals of economic policy. . ."

He then listed other goals as well; cutting taxes, restraining credit, getting the government off the backs of the public, strengthening our defenses, and helping citizens who really need help.

He then went on to say:

"Refusing to raise the debt ceiling is tantamount to sacrificing some of them (other goals) at the shrine of a balanced budget."

SHRINE OF A BALANCED BUDGET?

Shocked? I was.

No direct or indirect connection between deficits and inflation?

Proposing a ceiling on the debt sacrifices some of the goals ". . . at the shrine of a balanced budget?"

Who was this talking?

Was it John Maynard Keynes, some radical New Deal or Fair Deal economist, a leader of the British Labor Party, or a member of the French Socialist Government?

No! These came from the two most senior economic advisers to the President who campaigned up and down the country plugging a balanced budget, first by 1982 and then by 1984, and who only last February on nationwide television said "We all know that inflation results from all the deficit spending."

The President was right last February. His economic advisers were wrong in December.

DIFFERENT KIND OF RECESSION

We find ourselves in a very different kind of recession than we have ever had. In past recessions we had falling prices and low interest rates. Waning personal incomes shoved the economy down a toboggan. But in this recession huge government deficits and enormous government borrowing have driven interest rates so high that the credit sensitive industries -- housing, automobiles, small businesses, and farm implements, to name only a few -- are now basket cases. Personal income remains high but sky-high interest rates have paralyzed our major industries. So we have a federal deficit induced recession.

WHY WE'RE IN TROUBLE

In 23 of the last 25 years, the federal budget has run a deficit. Except for fiscal year 1960, when there was a tiny \$269 million (not billion) surplus, and in fiscal year 1969, when there was a slight \$3.2 billion surplus, we have had a deficit every year for the last 25 years.

The total deficit for those 25 years has been an unbelievable, whopping, incredible figure of more than \$525 billion.

If you want to know why the country and the economy are in trouble; why auto sales are off and housing is in a depression; why prices have taken the elevator -- the "up" only elevator -- and wages have taken the stairs, this figure tells us. It doesn't tell us everything but it tells us plenty.

NOT ALL DEFICITS ARE BAD

Not all deficits are bad. During the 1920's the prevailing economic theory called for a balanced budget every year.

Then during the great depression we adopted a counter cyclical budget policy. We should have surpluses in good years and deficits in bad years. Over the business cycle they would cancel each other out to produce a rough balance.

The problem?

We never carried out that policy. We had budget deficits in bad years. But we could almost never bring ourselves to provide a budget surplus in good years.



SHOULD HAVE HAD 15 SURPLUSES

Historically the economy has grown on the average of three percent a year in real terms (after taking account of price rises). Using this as a bench mark, over the last 25 years we should have had surpluses in the 15 years when the economy grew at three percent or more and 10 deficits when it grew at three percent or less.

Instead we had 23 of 25 deficits and added \$525 billion to the national debt.

In this fiscal year, we will have a deficit of \$100 billion or more.

The deficit in fiscal year 1982 will be more than the government spent in any one year from 1789 to 1961, or for the first 172 years of our history.

The President -- every President -- in the last quarter of a century has been unable to restrain the budget. The Congress, for a quarter of a century, has been unable to discipline either itself or the budget.

PROXMIRE PROPOSAL

What I propose is that the President use the ceiling on the national debt as a weapon to make us put our house in order. Here's how he could do it.

Last September 30th we raised the ceiling on the national debt by \$94 billion. It went up from \$985 billion which it was then to \$1.079 trillion. That authority ends next September 30th.

By December 9, 1981, the government had already added another \$29 billion to the debt and it had risen to a whopping \$1.014 trillion.

The President should announce now that there will be no further increase in the debt ceiling. Both the Executive Branch and the Congress must live within the \$1,079 trillion figure.

The President's budget to be announced at the end of January should carry that out. It should give us a balanced budget in fiscal year 1983 -- the fiscal year which begins September 30, 1982.

Every budget officer of every agency should be called in today, given the new policy, and told to find the places to cut his budget to live within the ceiling.

Every Congressional Committee when Congress comes back in January, would have to find places to cut. They would have to both change the laws and cut back on spending.

That would send a message to the financial markets that we all mean business.

It would limit the amount of new money the government had to borrow and free up funds for housing, autos, small businesses, farmers, and farm implements.

It would still allow for a generous, mammoth, \$65 billion increase in the national debt between now and then.

RIGHT TIMING

The timing is right.

With 8.4 percent unemployment and the economy growing at a very slow rate, we would still have a big deficit in fiscal year 1982 -- the fiscal year that ends next September 30th.

But almost every economist predicts that the economy will begin to pick up in the third or fourth quarter of 1982.

What this means is that at the time the economy is picking up and growing at a rate of more than three percent, we would produce a balanced budget.

Instead of massive new spending now which, because it takes months and months to take effect and, means more inflation, more debt, and more spending at the wrong time, we would have a balanced budget at the right time.

This policy could work.

It could stop the rise in prices.

It would reduce inflationary pressures.

It would bring a balanced budget at the right time.

The President should adopt it. He should announce it now.

NO INCREASE IN THE DEBT CEILING. Enough is enough.

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May 1984

STAR WARS WORKS ONLY IN THE MOVIES

How many of you would like to have the federal government spend \$25 billion the next five years -- that translates out to be about a half million dollars an hour -- for a project:

- a. that you don't need,
- b. that won't work,
- c. that'll do you more harm than good.

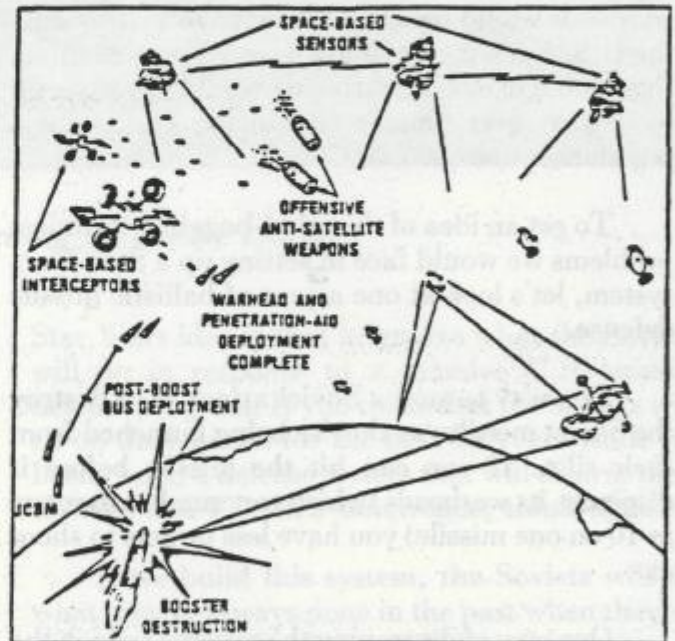
Not many, I guess. But this is exactly what the Administration is proposing to do with the so-called "Star Wars" program.

A year ago, the President announced he was launching a massive new program to build a defensive system in space to protect this country from a nuclear attack.

This program, which would make Buck Rogers blush, envisions putting orbiting battle stations in space that will zap Soviet missiles and warheads before they hit the United States.

The \$25 billion over the next five years is just the tip of the iceberg. It will be used just for research into the idea. The actual production of the Star Wars system would cost hundreds of billions of dollars more. In fact it could cost more than what we're spending on all our defense at the moment.

(OVER)



The drawing above shows how a ballistic missile defense system is envisioned to destroy Soviet missiles as they are launched. The space-based sensors above would detect the launch of a Soviet rocket. The attack satellite (right) would fire a laser beam at the missile in the first few minutes after its launch. A space-based interceptor (left) would try to destroy any warheads that escaped from missiles the attacked satellite missed.

The Star Wars Dream

Of course, the idea of a Star Wars defense is a popular one. We all wish there were some quick easy way to eliminate the threat of nuclear war. We'd all like to think that American technology and know-how can solve any problem -- even the problem of stopping 8,000 Soviet warheads from landing on the U.S. during a nuclear attack. And nobody likes to be pessimistic about what this country can accomplish if it sets its mind to it.

But when you look at the cold hard facts in this case, you quickly discover that Star Wars works best in the movies, not in real life.

It Won't Work

The plain truth is that Star Wars won't protect us. Even if Star Wars was a spectacular success, most experts agree that it would only be effective in stopping about 90 percent of the incoming warheads. That would mean that 800 Soviet warheads would penetrate the system to devastate the U.S. Even if Star Wars were 99 percent effective, enough Soviet warheads would get through to destroy every major city in the U.S. with a population over 500,000!

To get an idea of the mind-boggling technical problems we would face in setting up a Star Wars system, let's look at one aspect of ballistic missile defense.

One way to stop a Soviet attack is to destroy the Soviet missiles as they're being launched from their silos. If you can hit the missile before it dispenses its warheads (which can number as many as 10 on one missile) you have less targets to shoot at.

One way of destroying the missiles, which the Administration is considering, is to use orbiting satellites that would shoot down Soviet missiles with chemical laser guns.

To shoot down the 1,400 missiles the Soviets now have in their silos, the United States would have to put about 160 laser satellites in orbit. We would have to launch about 1,000 space shuttles to put in orbit all the satellites, the mirrors, the construction and deployment equipment, and the 2,000 tons of chemicals needed to operate the lasers.

And when all of this gets up in space, here's what the laser satellites have to do. Each one of them would have to hit about 90 missiles 2,500 miles away in about three minutes. To get an idea how complex a job this would be, imagine yourself sitting with a machine gun in the top bleachers of Milwaukee County Stadium and the starting lineup of the Milwaukee Brewers is on the field. All of a sudden the Brewers begin throwing baseballs in the air and your job is to shoot down all the baseballs before they hit the ground.

You can see how difficult this would be. Remember, one miss and you'd be blown out of the stadium!

Now there are other missile defense systems the Administration is investigating -- exotic hardware, such as ground-based lasers with space-based mirrors, nuclear bomb-pump X-ray laser, and space-based particle beam weapons. But they all have serious problems. In fact, a report for the Congressional Office of Technology Assessment has just concluded that the prospect of the President's Star Wars plan providing a near perfect defense system against Soviet missiles "is so remote that it should not serve as the basis of public expectation or national policy about ballistic missile defense."

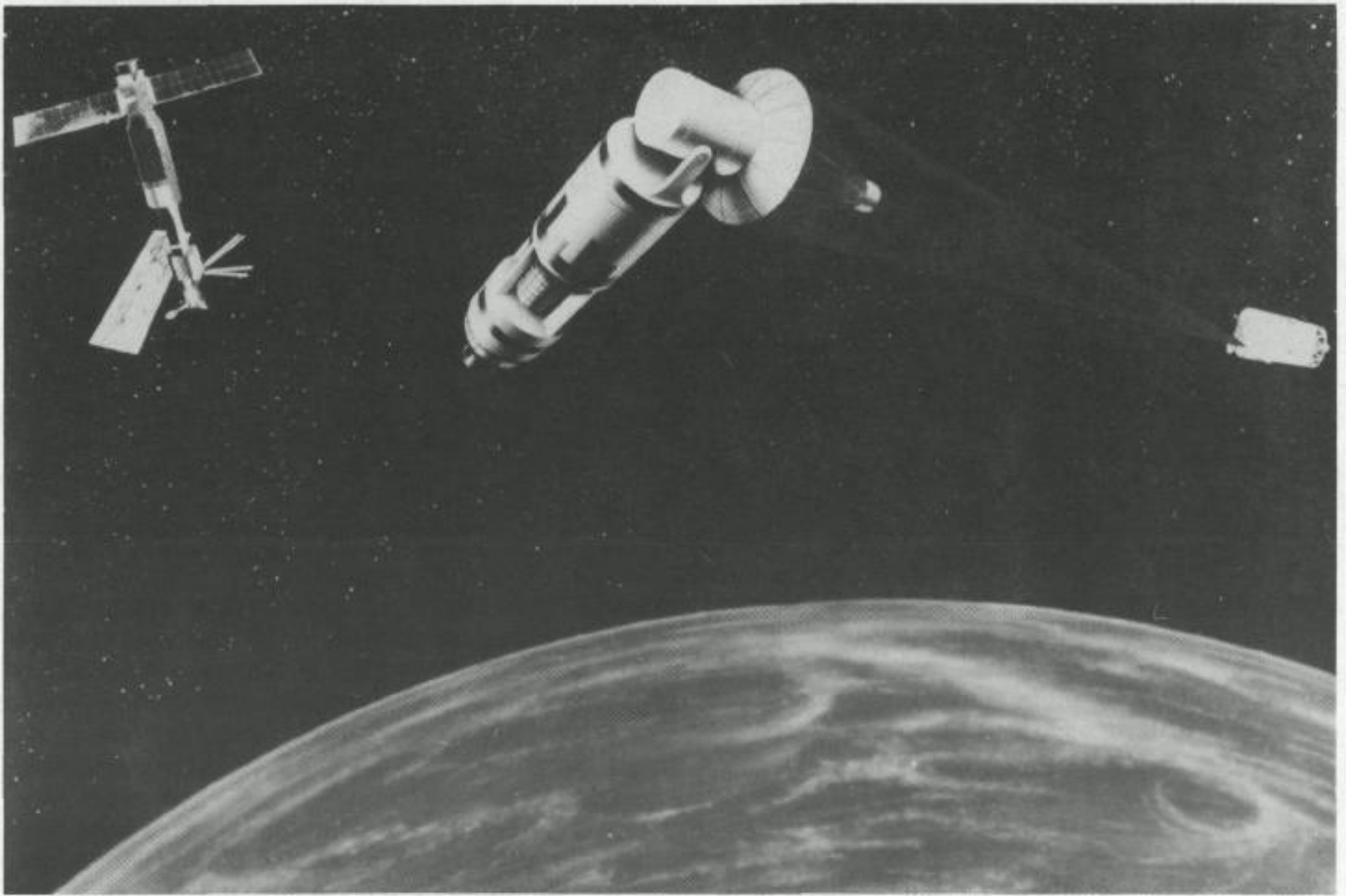
In other words Star Wars belongs on Fantasy Island.

Leaks in the Defense

Even if we could build a ballistic missile defense that did work and didn't send our nation to the poorhouse, we still wouldn't be protected. We'd still have to contend with the Soviet's nuclear-armed bombers and cruise missile, which can fly low and are more difficult to shoot down.

Also, nothing in technology is forever. The billions and billions of dollars we spend on a missile defense in 1995 may be worthless by the year 2000 -- especially if the other side has some technological aces up its sleeve.

For example, in order for the laser I described above to be effective, it has to dwell on the side of the rocket at least about two seconds so it can burn a hole through the rocket's outer skin. The effect of the laser, however, could be thwarted



A space-based laser attacking an enemy target.

some if the Soviets simply spin the rocket as it comes out of the silo. That way, the laser beam would dwell less time on a particular spot on the missile's skin.

Or the Soviets could put a heatshield on the outside of the missile to make it more resistant to laser damage.

It turns out that the ways to circumvent the missile defense may be more imaginative than the missile defense itself. For example, instead of an attack by air, the Soviets could have carefully organized and trained commandos sneak across the endless miles of U.S. borders with small portable nuclear bombs and plant them at military targets and cities across the country.

Heating up the Arms Race

Indeed, the biggest problem with the entire

Star Wars idea is that it ignores what the Soviets will do in response to a massive U.S. missile defense program. If you think that the Soviets will sit on their hands for the next 20 years while we busily build a defense system that will disarm their missiles and kill their deterrence, think again.

If we build this system, the Soviets will do what they've always done in the past when they've faced a U.S. technological challenge.

They'll build.

If we build a defense system that's, say, 90 percent effective, the Soviets could just add 8,000 strategic warheads to the 8,000 they already have. That way 1,600 warheads would get through -- more than enough to destroy the U.S. many times over.

Even the Pentagon admits that a missile defense system could be easily overwhelmed if the

Soviets accelerated their warhead production. It's top research expert, Under Secretary of Defense Richard DeLauer, has even said that the only way our defensive system would really work is if the Soviets agree to limit their offensive nuclear force in an arms control agreement with us.

But does anyone really think that the Soviets would agree to cut back on their nuclear forces so we could be able to have our missile defense system work against them?

The Soviets may be a lot of things, but they're not crazy enough to buy an arms control agreement that kills their deterrence.

No, what will likely happen is that the Soviets will build more nuclear weapons. What's more, if they also build a defensive system, where does that leave the United States? You guessed it -- forced to pour more money into more nuclear weapons.

And the American public doesn't end up with a dime's worth of security.

Two Choices

We now face two choices. We can throw billions, perhaps trillions, of dollars away on a missile defense system, we can heat up the nuclear arms race, and we can pay lip service to arms control.

Or, we can make a genuine commitment to arms control. Building a ballistic missile defense

would gut one of the most important treaties we've ever signed with the Soviets -- the 1972 Anti-Ballistic Missile Treaty, which bans these defensive systems. Instead of doing that, we should be looking for ways to strengthen the ABM Treaty so neither side ever gains the advantage with missile defense.

Instead of Star Wars, we should be devoting our energies toward negotiating a mutual and verifiable nuclear weapons freeze and deep reductions with the Soviet Union.

We need to do this not because we like the Soviets or approve of their form of government. We don't. We need to do this because there's no other choice. There's no magic answer to this problem.

The key to protecting ourselves against nuclear war is reducing the tremendous nuclear stockpiles both superpowers have accumulated and negotiating verifiable arms control agreements that reduce the likelihood that either side would start a nuclear war.

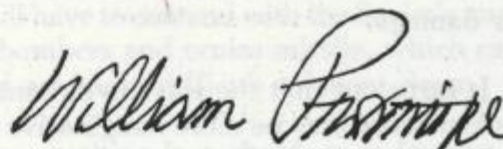
Sitting at the bargaining table may not be as flashy an undertaking as Star Wars. It doesn't offer a lot of quick fixes -- only tough negotiations with the Soviets.

But it does one thing that Star Wars doesn't.

It works.

United States Senate

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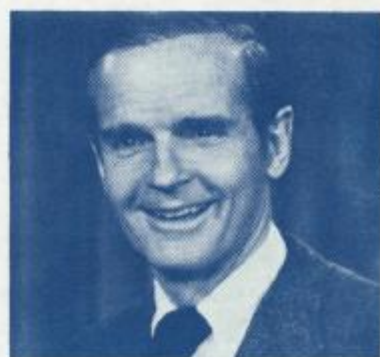
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U. S. Senator

William Proxmire

*reports to you
from Washington*



May 1985

THE BIG SHIPBUILDING BAILOUT

You paid for them: \$436 hammers and \$2,228 wrenches. Courtesy of the Defense Department. But that is only the tip of the iceberg. The big money comes from big defense contracts. And they have been just as bad — if not worse.

Two Categories of Problems

There are 2 broad categories of military procurement problems. One concerns the way prices are set for new contracts. We spend far too much for the weapons we buy largely because of the "cost-plus" pricing system. Under this system, when new contracts are negotiated, the Defense Department accepts costs based on previous history without regard to whether they were inflated by inefficiency, waste or mismanagement. The result is a constant escalation of prices far above what defense equipment should cost. The ridiculously high prices for spare parts is only one symptom of what is wrong with the system.

Cheating in Defense Contracts

The second category is cheating. We know that procurement fraud exists. In fact, the Justice Department has created an Office of Defense Procurement Fraud to deal with the large numbers of alleged wrongdoing in defense contracting. Many actions have been taken by the Pentagon and the Justice Department against small contractors who have broken the law. But the government has rarely acted against the giant defense contractors who have engaged in wrongful or questionable activities. That is the heart of the problem.

The law enforcement agencies are the last bulwark of defense against cheating in military procurement. If wrongdoers who happen to be large defense contractors are not prosecuted for breaking the law, then the taxpayer has no real protection against military procurement crime. Defense contractors will act as if they are exempt from the laws that everyone else must obey. And that is how some of them act!

General Dynamics and the 688-Class Submarine

Navy shipbuilding at General Dynamics is a prime example of the ineffectiveness of law enforcement in military procurement. Contracts for the construction of 18 nuclear attack submarines, called the 688-class, were awarded to General Dynamics in the early 1970s.

The construction program was in trouble almost as soon as it began. The submarines were supposed to cost about \$1.4 billion, including future inflation. The Navy actually paid \$2.5 billion, a cost overrun of more than \$1 billion. The ships were delivered from 2 years to 4 years late. The last ship in the series was delivered just this past December, 46 months late.

Allegations of Wrongdoing by Admiral Rickover

General Dynamics blamed the Navy for all its problems and in 1976 submitted a \$544 million claim, seeking reimbursement for the cost overruns. Later, the claim was increased to \$843 million.

Admiral Rickover, who was in charge of the nuclear engines in the submarines, acknowledged that the Navy was responsible for some of the overruns. But he believed the claim was grossly exaggerated, if not fraudulent. He prepared a memorandum for his superiors detailing the areas of possible fraud. The Navy hierarchy at first acted as if it wanted to ignore the allegations. After they were disclosed to Congress, the Navy referred them to the Justice Department. While the matter was pending in the Justice Department, the Navy agreed to a very controversial settlement with General Dynamics, agreeing to pay it \$642 million.

The Justice Department began investigating the matter in the Spring of 1978. The pace of the investigation could not have been more leisurely. A single Assistant U.S. Attorney worked on it as the prosecuting attorney for the better part of 4 years, aided for a brief time by another attorney. Although the prosecuting attorney submitted 2 reports recommending that the company be indicted, and although the FBI also submitted a report recommending that the company and one official be indicted, the Justice Department terminated the investigation at the end of 1981. Its explanation was that there was insufficient evidence to warrant prosecution.

Allegations of Wrongdoing by an Ex-Official of General Dynamics

The case was dormant until January, 1984 when P. Takis Veliotis, a former Vice President of General Dynamics publically accused his former employer of wrongfully bilking the Navy out of millions of dollars through various fraudulent activities, including the falsification of the claims on the 688-class submarine program.

Veliotis has his own axe to grind. He was indicted on kickback charges in 1983 and fled the country for Greece where he is presently a fugitive from justice. He and General Dynamics have sued each other over millions of dollars of assets.

What is significant is that Veliotis was in charge of the shipyard where the submarines were built. He was also a member of the Board of Directors of General Dynamics, as well as a Vice President. If anyone knows where the defense contract bodies are buried it is someone like Veliotis.

The Justice Department is Slow to Move

The Justice Department first learned that Veliotis was offering to give it information about wrongdoing at General Dynamics in September 1983. For months it did nothing. In March, I directed the staff of my subcommittee of the Joint Economic Committee to interview Veliotis and determine whether he could corroborate his allegations. It was obvious from the interviews, and the analysis of documentary materials obtained from General Dynamics, that much of the allegations could be corroborated. Still the Justice Department did not move.

Finally, after hearings were held in July of last year, the Justice Department announced it was re-opening its investigation of alleged wrongdoing at General Dynamics. Since then it has been revealed by congressional investigations that General Dynamics included in its defense contract charges to the government the costs of country club fees, kenneling a dog, parties, liquor bills and personal travel by top corporate executives. The Pentagon now concludes that the company was guilty of overcharging the government \$244 million over the past 12 years.

Recent Disclosures

The staff of the Joint Economic Committee, assisted by 2 auditors detailed to the committee by the General Accounting Office, analyzed thousands of company and Navy documents over a 9 month period. They uncovered evidence of more serious questionable actions and possible wrongdoing. The study concluded that the company bought-in to the second submarine contract, intentionally bidding

less than the company knew the contract would cost and concealing the cost overruns that were already occurring on the submarines being built under the first contract.

The investigation found that the company in effect had 2 sets of records. It submitted one series of reports of costs and delivery schedules to the Navy, while withholding other estimates that would have raised greater concerns about its performance of the contracts.

These findings suggest that the company may have intentionally submitted false information to the Navy and also to the Securities and Exchange Commission. It may have engaged in a conspiracy to defraud the government, and it may have obtained the settlement of its claims against the Navy on the basis of misrepresentations. The report and a large number of supporting documents have been sent to the Justice Department.

It has now been 9 months since the Justice Department re-opened its investigation. The last thing we need is another protracted, multi-year investigation with no results. The taxpayer is entitled to demand that the Justice Department complete its work without further delay, and act one way or the other.

Where to from Here?

So that's where we stand. Can you imagine the Justice Department deciding not to prosecute even though their own U.S. Attorney and the FBI said to go ahead?

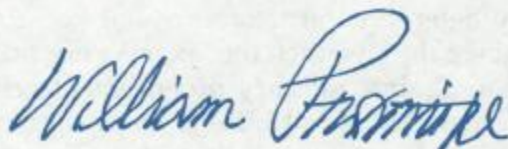
That's what I mean by our government officials never going after the big defense contractors.

There is nothing that would help our defense procurement system more than a successful prosecution of one of the giant defense firms. It would only take a jail term for one or two Chairmen of the Board and I can guarantee that many of these over-charging abuses would come to a swift stop.

As a taxpayer you should demand action. I have. The ball is now in the court of the Justice Department. Let's hope they do a better job the second time around.

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