BUSINESS TIDES

Worth the Price?

by Henry Hazlitt

FOR the fiscal year 1963 the Space Director is asking for nearly $4 billion for his agency alone. Before the race to the moon is finished, the program is expected to cost $20 billion or more.

This is a huge sum. How will it be raised? By higher taxes? But taxes already take away from the corporations more than half of what they earn, and from individuals up to 91 per cent of what they earn. As President Kennedy has already told us: "Our present tax system is a drag on economic recovery and economic growth . . . Our tax rates, in short, are so high as to weaken the very essence of the progress of a free society—the incentive for additional return for additional effort." Will the money be raised by deficit financing—i.e., by piling up our national debt still further, by printing more money? That way lies more inflation, further undermining confidence in the dollar.

Of course we must spend whatever is needed on national defense. And it is difficult to view the civilian space program entirely apart from missile and other military programs. Just as what was discovered in developing intercontinental missiles made the civilian space program possible, so the civilian program may in turn lead to discoveries of military application. Yet military advances are more likely to be achieved, and sooner and more cheaply, if they are aimed at directly.

DIVERSION OF EFFORT

The space program may also lead to other incidental scientific discoveries and technical advances. It has already led to Telstar, with its immediately dramatic results and immense future possibilities. Scientists point to other potential benefits: Weather observation and prediction, more accurate navigation, improved mapping and miniaturization, new processes and materials.

Yet when all this has been said, the question remains whether these incidental or possible by-products will be enough to justify the huge spending, the huge diversion of national effort, that the space program involves.

Some basic questions are involved. Is it an appropriate function of government to engage in or finance scientific research? To what extent will government research programs supplement private research? To what extent are they likely, in the long run, merely to displace private research? And if the government is to take over the business of scientific research, how will it decide on the relative usefulness or urgency of a thousand different projects?

MORE URGENT PROJECTS

It might be interesting and even exciting to land a man on the moon, but it would not be difficult to think of more necessary, urgent, or useful projects: Research to increase food production (notwithstanding our own insane farm program) to provide more and cheaper nourishment for the world's 3 billion population. Developing new and cheaper sources of power. Attacking a hundred human diseases, from cancer to the common cold, and prolonging human life. Finding cheaper and better ways to decontaminate air and water, or to turn salt water into fresh. Research on weather control, to mitigate floods and droughts, or to dissipate smog over cities. And scores of other projects that from the standpoint of increasing human happiness or reducing human misery seem to deserve priority over the Buck Rogers stunt of landing a man on the moon.

It is, indeed, not easy to find a satisfactory answer to the questions raised by former President Eisenhower: "Why the great hurry to get to the moon and the planets?" Are we merely engaged in "a mad effort to win a stunt race?" If we are in a race with Soviet Russia for world "prestige," should we let the Communists set the terms and the items?

Suppose, one day, after we have spent many billions in trying to land men on the moon, the Russians get there first?—a not improbable outcome, judging by experience to date. Then our billions of expenditures will acquire a negative value. Our prestige will be lower than if we had never entered the race. And meanwhile we will have diverted world attention (and our own) from our immeasurable superiorities in the things that matter most—human freedom and dignity and standards of living.

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nology. U.S. industry is shelling about $500 million a year out of its own pocket for space R&D on top of the $5.5 billion being spent by the government.

"Initial planning ranges from three to six months with most projects before we even reach the conceptual stage," reports C.J. (Jim) Dorrenbacher, 34, chief engineer of Douglas' space systems. 'Once you decide you want a certain kind of system, you build a basic outline and make diagrams. But the 'think' work never really stops. It goes right on through production."

Despite the elaborate planning and precise testing, space projects still run aground. The Centaur project, being handled by General Dynamics Corp.'s astronautics division, has slipped eighteen months behind schedule because its engineers have been unable to keep the hydrogen propellant from seeping through its container.

With infinite pains, U.S. scientists are beginning to shape the new technology for exploring the solar system. This technological advance, predicts Martin Marietta's Trimble, "will go for 30 to 40 years before it gets to the point where the automobile was before all they could find to change was the chromium. By then, everything we're working on today will seem obsolete."

Bids for Billions

Firms racing to hitch their wagons to a Telstar face hot rivalry, cool appraisals

How do you win a space contract? With NASA and the Pentagon awarding aerospace business by the billions ($132 million last week alone), more and more companies are asking the question.

Within the year, the U.S. will launch six big new projects that will run to some $8 billion. This flood of dollars, and the tens of billions which follow, will trickle down through America's vast industrial complex of firms large and small.

Every would-be Space Age manufacturer asks, in effect, how to hitch his wagon to a Telstar.

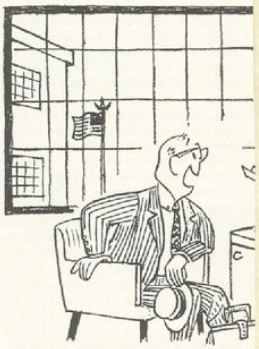
There's a strong suspicion in industry that the surest route to success is through political pull. One New England electronics executive, angered by the cluster of contracts awarded recently to Texas and California firms, snapped last week: 'How do you get a space contract? Why don't you ask Lyndon Johnson?"

Yet there are few specific charges of political favoritism toward individual companies. At worst, it would seem that, given four or five firms of comparable quality, a political push might help send a space contract to a certain geographical area, especially one with a pronounced labor surplus. But every contract, and there were 118,000 of them last year, must clear a special government evaluation board, and here ability is supposed to be the only criterion.

Ernest W. Brackett, NASA's soft-spoken, pipe-smoking "Mr. Contract" (more formally, director of NASA's division of procurement and supply), lists seven key factors the board considers:

- ▶Who has the best technical approach?
- ▶Who has the best people?
- ▶Are the company's facilities sufficient?
- ▶Does the company's location present a transportation or testing problem?
- ▶How will the project be organized?
- ▶What is the company's past performance record?
- ▶What are its time and cost estimates?

"What we're selling," says a spokesman for the Aerospace Industries Association, "is ideas, people, creative talent, and the ability to manage it." The government, in effect, supports the thesis. In



'Well, General, suppose my fi next fiscal year. THEN woul

fact, the names of the key engineering and management personnel who are to head a specific project are now usually written into the contract itself. "Reliability is one of our greatest problems. Salesmanship is beginning to be viewed with suspicion," sums up Brackett.

In an effort to get reliability, NASA and the military conduct more than twenty industry seminars a year at which plans for the future are discussed. When bids on a specific project are required, they call bidders' conferences which any firm may attend. In addition, the Department of Commerce's Business Daily lists the proposals that industry has been invited to bid on. This is to allow subcontractors—who end up with an estimated 40 to 50 per cent of all space work—to get an early start. "There is still