

AUG 11 1979

DSB-SS / UC

The attached was on my desk today. A quick glance on my part suggests it is worth reading. It may also suggest resources for further analytical work.

That report ought, in the main, to be unclassified. May I get a sanitized copy here?

Defense procurement is so important to the national economy that I am not sure that reducing dollar cost to the DoD on a given item ought to be the sole aim. Else we're sure to pay again for bailouts (Rolls Royce, Lockheed, Chrysler) or, if not, in other kind costs.

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Would there be some merit in calling a workshop of leading economists to work over the macroeconomics of defense procurement policy? Ask John Sawhill or Charlie Hiteh to take a look?

My own view is that we design & pay for ^{systems} equipment supposed to last forever; and the environment changes more quickly. Lowest unit cost may end up depriving us of the particular unit we most urgently need at a given time.

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