

More Money, Fewer Jobs: The Stubborn Truth About Employment and the Defense Industry

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A Marilyn has once again seduced a president. This time, though, it's not a [movie star](#); it's Marillyn Hewson, the head of Lockheed Martin, the nation's top defense contractor and the largest weapons producer in the world. In the last month, Donald Trump and Hewson have seemed inseparable. They "[saved](#)" jobs at a helicopter plant. They took the stage [together](#) at a Lockheed subsidiary in Milwaukee. The president [vetoed](#) three bills that would have blocked the arms sales of Lockheed (and other companies) to Saudi Arabia. Recently, the president's daughter Ivanka even [toured](#) a Lockheed space facility with Hewson.

On July 15th, the official White House Twitter account [tweeted](#) a video of the Lockheed CEO extolling the virtues of the company's THAAD missile defense system, claiming that it "supports 25,000 American workers." Not only was Hewson promoting her company's product, but she was making her pitch — with the weapon in the background — on the White House lawn. Twitter immediately burst with outrage over the White House posting an ad for a private company, with [some](#) calling it "unethical" and "likely unlawful."

Not only does the [@LockheedMartin](#) THAAD missile defense system protect our citizens and allies—it also supports 25,000 American workers! ☐☐

More from CEO Marillyn Hewson: pic.twitter.com/u63O5ST9B4

— The White House (@WhiteHouse) [July 15, 2019](#)

None of this, however, was really out of the ordinary as the Trump administration has stopped at nothing to push the argument that job creation is justification enough for supporting weapons manufacturers to the hilt. Even before Donald Trump was sworn in as president, he was already [insisting](#) that military spending was a great jobs creator. He's only doubled down on this assertion during his presidency. Recently, overriding congressional objections, he even [declared](#) a national "emergency" to force through part of an arms sale to Saudi Arabia that he had once [claimed](#) would create more than a million jobs. While this claim has been [thoroughly debunked](#), the most essential part of his argument — that more money flowing to defense contractors will create significant numbers of new jobs — is considered truth personified by many in the defense industry, especially Marillyn Hewson.

The facts tell a different story.

Lockheed Locks Down Taxpayer Dollars, While Cutting American Jobs

To test Trump's and Hewson's argument, we asked a simple question: When contractors receive more taxpayer money, do they generally create more jobs? To answer it, we analyzed the reports of major defense contractors filed annually with the U.S. Securities and Exchange Commission ([SEC](#)). Among other things, these reveal the total number of people employed by a firm and the salary of its chief executive officer. We then compared those figures to the federal tax dollars each company received, [according](#) to the Federal Procurement Data System, which measures the "dollars obligated," or funds, the government awards company by company.

We focused on the top five Pentagon defense contractors, the very heartland of the military-industrial complex, for the years 2012 to 2018. As it happened, 2012 was a pivotal year because the Budget Control Act (BCA) first went into effect then, establishing caps on how much money could be spent by Congress and mandating cuts to defense spending through 2021. Those caps were never fully adhered to. Ultimately, in fact, the Pentagon will receive significantly [more](#) money in the BCA decade than in the prior one, a period when the American wars in Afghanistan and Iraq were at their heights.

In 2012, concerned that those caps on defense spending would cut into their bottom lines, the five top contractors went on the political offensive, making future jobs their weapon of choice. After the Budget Control Act passed, the Aerospace Industries Association — the leading trade group of the weapons-makers — [warned](#) that more than one million jobs would be at risk if Pentagon spending were cut significantly. To emphasize the point, Lockheed sent layoff [notices](#) to 123,000 employees just before the BCA was implemented and only days before the 2012 election. Those layoffs never actually happened, but the fear of lost jobs would prove real indeed and would last.

Consider it mission accomplished, since Pentagon spending was actually [higher](#) in 2018 than in 2012 and Lockheed received a sizeable chunk of that cash infusion. From 2012 to 2018, among government contractors, that company would, in fact, be the top recipient of taxpayer dollars every single year, those funds reaching their zenith in 2017, as it raked in more than [\\$50.6 billion](#) federal dollars. By contrast, in 2012, when Lockheed was threatening its employees with mass [layoffs](#), the firm received nearly [\\$37 billion](#).

So what did Lockheed do with those additional \$13 billion taxpayer dollars? It would be reasonable to assume that it used some of that windfall (like those of previous years) to invest in growing its workforce. If you came to that conclusion, however, you would be sorely mistaken. From 2012 to 2018, overall employment at Lockheed actually fell from [120,000](#) to [105,000](#), according to the firm's filings with the SEC and the company itself reported a slightly larger reduction of 16,350 jobs in the U.S. In other words, in the last six years Lockheed dramatically reduced its U.S. workforce, even as it hired more employees abroad and received more taxpayer dollars.

So where is all that additional taxpayer money actually going, if not job creation? At least part of the answer is contractor profits and soaring CEO salaries. In those six years, Lockheed's stock price [rose](#) from \$82 at the beginning of 2012 to \$305 at the end of 2018, a nearly four-fold increase. In [2018](#), the company also reported a 9% (\$590 million) rise in its profits, the best in the industry. And in those same years, the salary of its CEO increased by \$1.4 million, again according to its [SEC filings](#).

In short, since 2012 the number of taxpayer dollars going to Lockheed has expanded by

billions, the value of its stock has nearly quadrupled, and its CEO's salary went up 32%, even as it cut 14% of its American work force. Yet Lockheed continues to use job creation, as well as its employees' present jobs, as political pawns to get yet more taxpayer money. The president himself has bought into the ruse in his race to funnel ever more money to the Pentagon and promote arms deals to countries like Saudi Arabia, even [over](#)the nearly unified objections of an otherwise incredibly divided Congress.

Lockheed Is the Norm, Not the Exception

Despite being this country's and the [world's](#) top weapons maker, Lockheed isn't the exception but the norm. From 2012 to 2018, the unemployment rate in the U.S. [plummeted](#) from roughly 8% to 4%, with more than 13 million new jobs added to the economy. Yet, in those same years, three of the five top defense contractors slashed jobs. In 2018, the Pentagon committed approximately \$118 billion in [federal money](#) to those firms, including Lockheed — nearly half of all the money it spent on contractors. This was almost \$12 billion more than they had received in [2012](#). Yet, cumulatively, those companies lost jobs and now employ a total of 6,900 fewer employees than they did in 2012, according to their SEC [filings](#).

In addition to the reductions at Lockheed, Boeing slashed 21,400 jobs and Raytheon cut 800 employees from its payroll. Only General Dynamics and Northrop Grumman added jobs — 13,400 and 16,900 employees, respectively — making that total figure look modestly better. However, even those “gains” can't qualify as job creation in the normal sense, since they resulted almost entirely from the fact that each of those companies bought another Pentagon contractor and added its employees to its own payroll. CSRA, which General Dynamics acquired in 2018, had [18,500](#) employees before the merger, while Orbital ATK, which General Dynamics acquired last year, had [13,900](#) employees. Subtract these 32,400 jobs from the corporate totals and job losses at the firms become staggering.

In addition, those employment figures include all company employees, even those now working outside the U.S. Lockheed is the only top five Pentagon contractor that provides information on the percentage of its employees in the U.S., so if the other firms are shipping jobs overseas, as Lockheed has done and as Raytheon is [planning](#) to do, far more than 6,900 full-time jobs in the U.S. have been lost in the last six years.

Where, then, did all that job-creation money really go? Just as at Lockheed, at least part of the answer is that the money went to the bottom-line and to top executives. According to a [report](#) from PricewaterhouseCoopers, a consulting firm that provides annual analyses of the defense industry, “the aerospace and defense (A&D) sector scored record revenues and profits in 2018” with an “operating profit of \$81 billion, surpassing the previous record set in 2017.” According to the report, Pentagon contractors were at the forefront of these profit gains. For example, Lockheed's profit improvement was \$590 million, followed closely by General Dynamics at \$562 million. As employment shrank, CEO salaries at some of these firms only grew. In addition to compensation for Lockheed's CEO jumping from [\\$4.2 million](#) in 2012 to [\\$5.6 million](#) in 2018, compensation for the CEO of General Dynamics increased from [\\$6.9 million](#) in 2012 to a whopping [\\$20.7 million](#) in 2018.

Perpetuating the Same Old Story

This is hardly the first time that these companies have extolled their ability to create jobs while cutting them. As Ben Freeman previously [documented](#) for the Project On Government

Oversight, these very same firms cut almost 10% of their workforce in the six years before the BCA came into effect, even as taxpayer dollars heading their way annually jumped by nearly 25% from \$91 billion to \$113 billion.

Just as then, the contractors and their advocates — and there are many of them, given that the weapons-making outfits spend more than \$100 million on [lobbying](#) yearly, donate tens of millions of dollars to the campaigns of members of [Congress](#) every election season, and give millions to [think tanks](#) annually — will rush to defend such job losses. They will, for instance, note that defense spending leads to job growth among the subcontractors used by the major weapons firms. Yet research has [repeatedly shown](#) that, even with this supposed “multiplier effect,” defense spending produces fewer jobs than just about anything else the government puts our money into. In fact, it’s about 50% [less](#) effective at creating jobs than if taxpayers were simply allowed to keep their money and use it as they wished.

As Brown University’s Costs of War project has [reported](#), “\$1 billion in military spending creates approximately 11,200 jobs, compared with 26,700 in education, 16,800 in clean energy, and 17,200 in health care.” Military spending actually proved to be the worst job creator of any federal government spending option those researchers analyzed. Similarly, according to a [report](#) by Heidi Garrett-Peltier of the Political Economy Research Institute at the University of Massachusetts, Amherst, for every \$1 million of spending on defense, 6.9 jobs are created both directly in defense industries and in the supply chain. Spending the same amount in the fields of wind or solar energy, she notes, leads to 8.4 or 9.5 jobs, respectively. As for the education sector, the same amount of money produced 19.2 jobs in primary and secondary education and 11.2 jobs in higher education. In other words, not only are the green energy and education areas vital to the future of the country, they are also genuine job-creating machines. Yet, the government gives more taxpayer dollars to the defense industry than all these other government functions [combined](#).

You don’t, however, have to turn to critics of defense spending to make the case. Reports from the industry’s own trade association show that it has been shedding jobs. According to an Aerospace Industries Association [analysis](#), it supported approximately 300,000 fewer jobs in 2018 than it had [reported](#) supporting just three years earlier.

If the nation’s top defense contractor and the industry as a whole have been shedding jobs, how have they been able to consistently and effectively perpetuate the myth that they are engines of job creation? To explain this, add to their army of lobbyists, their treasure trove of campaign contributions, and those think tanks on the take, the famed revolving door that sends retired government officials into the world of the weapons makers and those working for them to Washington.

While there has always been a cozy relationship between the Pentagon and the defense industry, the lines between contractors and the government have blurred far more radically in the Trump years. Mark Esper, the newly minted secretary of defense, for example, previously worked as [Raytheon’s](#) top lobbyist in Washington. Spinning the other way, the present head of the Aerospace Industries Association, [Eric Fanning](#), had been both secretary of the Army and acting secretary of the Air Force. In fact, since 2008, as the Project On Government Oversight’s Mandy Smithberger [found](#), “at least 380 high-ranking Department of Defense officials and military officers shifted into the private sector to become lobbyists, board members, executives, or consultants for defense contractors.”

Whatever the spin, whether of that revolving door or of the defense industry’s publicists, the

bottom line couldn't be clearer: if job creation is your metric of choice, Pentagon contractors are a bad taxpayer investment. So whenever Marillyn Hewson or any other CEO in the military-industrial complex claims that spending yet more taxpayer dollars on defense contractors will give a jobs break to Americans, just remember their track record so far: ever more dollars invested means ever fewer Americans employed.

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