

Nationalize the US Defense Industrial Base: Public Good Should Trump Private Greed

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In 1969 John Kenneth Galbraith penned a piece for the New York Times titled *The Big Defense Firms Are Really Public Firms and Should be Nationalized* arguing, among other things, that it was folly for defense contractors to claim that they were private corporations. Such claims made a mockery of free enterprise.

Nearly 40 years hence, Charlie Cray and Lee Drutman have resurrected and energized Galbraith's argument in their work titled *Corporations and the Public Purpose: Restoring the Balance* (Seattle Journal for Social Justice, Winter 2005). They make an exceptionally compelling case for putting the defense industrial base (DIB) into the direct service of the American public through a form of nationalization: federal chartering.

"Converting the companies to publicly-controlled, nonprofit status would introduce a key change: it would reduce the entities' impetus for aggressive lobbying and campaign contributions. Chartering the defense contractors at the federal level would in effect allow Congress to ban such activities outright, thereby controlling an industry that is now a driving force rather than a servant of foreign policy objectives. As public firms, they would certainly continue to participate in the policy fora designed to determine the nation's national security and defense technology needs, but the profit-driven impetus to control the process in order to best serve corporate shareholders would be eliminated. Thus, by turning defense and security firms into full public corporations, we would replace the criteria by which their performance is judged from quarterly earnings targets to criteria that is more consistent with the national interest."

If Cray and Lutman's notion seems radical, it's only thanks to a fanciful story telling by those who move back and forth through the revolving, and always open, doors of the national security apparatus that link the Department of Defense, the US Congress, and the players who dot the DIB landscape. Apologists for the DIB have always distorted the importance of the defense industry to the nation's security, particularly after the demise of the Soviet Union. They really believe that their industry should get special recognition for producing the goods and services used to wage war. To sell that concept, they've made sure that the difference between contractor and uniformed government employee is completely blurred. With that, it's impossible to know who is protecting the balance sheet and who is protecting the US Constitution. In short, they've sold the public good.

There's a lot of evidence to show that the DIB is not functioning in the nation's best interest. Two interesting studies stand out. An April 2005 report by the Government Accounting Office titled *Defense Logistics* took a hard look at the system that supplies US troops in Iraq and concluded that it needed repair. The pipeline failed to deliver basic supplies, such as

MRE rations, in a timely manner. Another from the National Defense University (see below) indicated that defense isn't reaping broad benefits from information technology. That does not bode well for the push to network centric warfare.

The inability of the Pentagon to account for billions in missing funds here at home and in Iraq, ongoing criminal investigations spread across the entire national security landscape, and sensational resignations, arrests and convictions are unprecedented in US history. There is more here than just a few "bad apples." It is a systemic problem made worse by the absence of leadership at the highest levels. There is self-interest, to be sure, but that is different from leadership. The American public is rapidly discovering that those running the show in the national security machinery aren't necessarily interested in what's best for them or the USA.

Fierce Competition? Show Me the Data!

According to a formula that measures market concentration, the Herfindahl-Hirschman Index, the DIB is not a competitive industry. At a recent Center for Strategic and International Studies panel discussion on the DIB (csis.org), one participant warned that the myth of competition in the DIB might be exposed. "Some federal agencies use this index [Herfindahl-Hirschman Index] to establish guidelines for when you have to start worrying about the absence of competition. Competition is supposed to be a hallmark of the acquisition system that we've had since the end of World War II, but with only two big firms—which is the case for some categories of military equipment provided by our industrial base—there is little competition in the traditional sense. In fact, this situation—two firms that divide market share—has a name: duopoly. Not monopoly, but duopoly—and it's pretty tough to brand duopoly circumstances fierce competition."

The American public is led to believe that the DIB is unmatched in the broad applications of information technology. Not quite. An astonishing report by the National Defense University titled *Bringing Defense into the Information Economy* (David Gompert and Paul Bracken-March 2006) indicates that the Pentagon and its minions are still trying to figure out how to get into the information age. "One thing is clear [that] the phenomenon of increasing capability at declining cost now common in retail, financial services, telecommunications and other sectors remains uncommon in defense." To that, DIB apologists retort that the defense industry is different. But Gompert and Bracken will not buy into the party line.

"Defense is different is a self-fulfilling excuse that perpetuates poor price-performance and deprives national defense of the benefits of larger, faster, more dynamic, and more inventive IT markets. It condones expensive adaptation and integration services. Moreover, by exaggerating the difficulty of applying IT to defense, this hypothesis legitimizes the ceding of government responsibility. It implies that the challenge of managing, adapting, and integrating IT into military capabilities is so daunting for DOD that it must be left to defense contractors..."

Profiles in Protecting the Status Quo: The Voice of the DIB

Misconceptions About the Defense Industry (National Defense—July 2006, ndia.org), authored by Larry Farrell, president of the National Defense Industrial Association, is representative of defense industry's world-view. Farrell, a retired USAF Lieutenant General,

doesn't believe the American people understand the importance of his industry to national security. He thinks that the defense industry needs to get out there and tell its story because "...it will be critically important with the coming resource crunch, when the Defense Department will have to justify acquisitions and force structure costs against calls for reallocation of resources to other national needs." OK, fair enough. But what kind of story will the American public get?

He divines that the first thoughts that come to the public mind when asked about the DIB are \$600 toilet seats, \$400 hammers (actually they were \$450 a piece), war profiteering, Eisenhower's oft cited military-industrial complex thesis, scandals, and reports critical of the DIB. Naturally, Farrell blames the media for faulty reporting on the \$600 toilet seat part and \$450 hammers.

The NDIA president takes the reader back to World War I and proclaims that "the only things we took to war [WWI] that were truly American made were the Springfield rifles and our fighting spirits." Huh?

It is true that US artillery pieces appeared late in the conflict and that the US had to buy aircraft and other weaponry from the British and French. The US Navy fought in WWI, at least according to the US Army and Navy historical offices. In 1916, American-made Navy destroyers, six of them, were escorting British cargo ships to protect the Brits from German submarine attacks. A US Navy Admiral, William Sims, convinced the British Admiralty to change its ship formations to a convoy pattern. In the end, 37 US destroyers participated in the effort significantly reducing cargo losses to the German U-Boats.

American made ships—one produced by Newport News Shipbuilding, the *USS Fanning* (DD 37)—and the the other by William Cramp & Sons, the *USS Nicholson* (DD 52), sunk a U-Boat in 1917. And, in quite a feat of industrial production, 1200 American-made M1917 Browning machine guns were used late in WWI.

It's worth noting an event of latter day that was putting some strain on the US Army in 1916. The US Army had its attention focused on the Mexican border. The American public was more concerned about securing the Mexican border from the likes of Pancho Villa (attack on Columbus, NM killed 25 Americans) than war in Europe. At the height of the Mexican Campaign, some 150,000 national guard troops were deployed along the US and Mexico border with another 8,000 US Army infantry led by General John Pershing.

In the editorial, Farrell attempts mightily to challenge the stigma of war profiteer, but his argument about the tough "allocation of resources" ends in language that is precisely that of a war profiteer hunting for profits in the midst of resource scarcity. This argument—focused as it is on the corporate interest, ignores the lifetime-care costs for the some 18,356 wounded in Afghanistan and Iraq (and, one supposes, hundreds more wounded during Special Operations and intelligence activities all over the globe). The pay raises, increases in housing allowances and medical benefits over the past few years, for those in the military that matter most, are paltry compared with the bonuses, stock options and salary increases received by DIB leaders, and their partners throughout the national security machinery.

Finally, the American public doesn't hear too much about the Lockheed Martin contracts to upgrade Chinese air traffic control systems. "We Never Forget Who We Work For," says Lockheed. Boeing recently deployed the Sea Based X-Band radar system that's floating off

the coast of Hawaii. The platform for that technological marvel was built by Vyborg Shipping, a Russian firm. Is it really North Korea the Missile Defense people are interested in, or is it the Russian arsenal?

Will the story defense industry provides be the complete or redacted version?

Full Spectrum Corruption

According to Cray and Drutman, “the growth of private military firms and corporate intelligence contractors in the past decade has created additional profit-making pressures on national security policymaking processes. Interlocking relationships exist between the largest defense contractors and the Pentagon—including corporate representation on key defense planning boards, and the regular passage of Pentagon and industry personnel through the proverbial revolving door; that is, to the private sector companies that they formerly oversaw.

The result is a steady stream of abusive contracting practices and a potentially dangerous distortion of American national security objectives. Another result of defense contractors’ influence over Congress and defense policy boards is a long-term commitment to the development of high-tech weapons systems that only specific contractors are able to produce. These weapons systems arguably have little to do with preventing acts of terrorism—one of the nation’s current greatest security concerns.”

The interlocking relationships referred to by Cray and Lutman have led to spectacular levels of corruption. Convictions, resignations, investigations and ethically challenged actions plague the national security machinery. More bad news from the expanding Randy “Duke” Cunningham investigation is likely to further rock the decrepit system.

Some of the more troubling public cases include William H. Swanson, Chairman and CEO of Raytheon, who lifted major portions of his book *Unwritten Rules* from another author. He was censored and had his paycheck cut by the Raytheon Board of Directors. Randy “Duke” Cunningham, former US Congressman and Chair of the US House Intelligence Subcommittee, is serving an 8.4 year sentence in federal prison for fraud and taking bribes. Jerry Lewis, the Chair of the US House Appropriation Committee, is under investigation by the FBI. Porter Goss, former US Congressman and CIA Director is also the subject of an FBI investigation. In May 2006, Reuters reported that the FBI was investigating allegations that four star USAF Generals Michael Moseley and John Jumper helped to steer a Thunderbird contract (the USAF equivalent of the US Navy’s Blue Angels stunt flying team) to a friend, retired USAF General Hal Hornburg, who once commanded the Thunderbirds.

Cray is also the Director of Corporate Watch (corpwatch.org), an invaluable tool for tracking the activities of the players in the DIB. His group reported on what, perhaps, is one of the more frightening trends for US national security: the commercialization of the uniformed military services to the point where distinguishing between corporate operative and uniformed government employee is impossible.

Corporate Watch reports that, “One of Raytheon’s more secretive subsidiaries is E-Systems, whose major clients have historically been the CIA and other spy agencies like the National Security Agency and the National Reconnaissance Office. An unnamed Congressional aide told the Washington Post once that the company was ‘virtually indistinguishable’ from the agencies it serves. Congress will ask for a briefing from E- Systems and the (CIA) program

manager shows up, the aide is quoted as saying. ‘Sometimes he gives the briefing. They’re interchangeable.’

What is the US Military? What is being Defended?

Ultimately, the entire national security apparatus is going to have to make some decisions. Is it country before agency? Is it profit before country? Is it the US Congress saying “No” to campaign contributions? P.W. Singer, who monitors the DIB for the Brookings Institution, put the issue into perspective.

“The final dilemma raised by the extensive use of private contractors involves the future of the military itself. The armed services have long seen themselves as engaged in a unique profession, set apart from the rest of civilian society, which they are entrusted with securing. The introduction of private military firms, and their recruiting from within the military itself, challenges that uniqueness and the military professional identity. Its monopoly on certain activities is being encroached on by the regular civilian marketplace.”

On Singer’s latter point, the civilian and active duty US military leadership is aggressively encouraging the commercial marketplace to take on more military functions. That tactic is being pursued not just for cost savings (dubious as those might be), but also to avoid public oversight and the fallout that would come from being accountable for improprieties ranging from over-billing to the developing of torture techniques.

And what about the status of the USA, its people and its infrastructure that the national security apparatus is supposed to be defending? A day may come when there is not much worth fighting for.. The FBI reports that violent crime increased in 2005 to its highest rate in 15 years. The American Society of Civil Engineers says it’ll take almost \$2 trillion to repair water systems, roads, schools and electrical grids. Nobel Laureate Joe Stiglitz says the total costs of the current Iraq War will cost another \$2 trillion. The Catholic Conference for Human Development indicates that 37 million Americans live in poverty. The US Census Bureau reports that 45 million Americans can’t afford health insurance. On top of that, add a trillion dollars to fully repair hurricane-damaged New Orleans, Louisiana, and cover the costs of neighboring state governments as they absorb hundreds of thousands of displaced Americans from New Orleans. Federal debt, and personal debt is at record levels. The home-front is decaying.

Public good, and the ideals it is based on, must trump private greed. If not, what’s the point of this Republic?

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