Bush defense cuts expose rotten state of U.S. industrial base

by Leo F. Scanlon

The Bush administration has presented a defense budget to Congress which threatens to throw the U.S. defense industry into a "free fall" of shutdowns, and promises as many as *2 million* layoffs, if the proposed cuts in weapons procurement are enacted. The administration budget contains cuts which will produce a 4% per year decline in spending from now through 1997, with a cumulative 37% drop in spending from 1985 levels. The chief feature of the plan is a proposal to restructure the weapons acquisition system by closing down production lines, while spending more money on research and development. The scheme would sever the relationship between the weapons production lines and the research and development laboratories, a radical experiment which will gut what remains of the U.S. defense industrial base.

Former Reagan Defense Department official Fred Iklé has for years advocated this approach as a means to deter the government from fostering U.S. industrial capabilities. In an article written for the Washington journal *The National Interest* (Winter 1992 issue) Iklé described the strategy he hopes the budget approach will dictate. Iklé proposes that the United States make a strategic alliance with the Russian Army in order to control the spread of weapons technology in the Third World. Iklé's thesis rests on the pessimistic assumptions that the United States has little to offer the world except its military expertise, and that "economically, Russia is a supplicant" and is likely to remain one for some time; therefore the two countries must find the basis for alliance in joint military police operations, not on the common ground of economic development projects.

An unnamed spokesman for a Washington, D.C. think tank told the *Washington Times* that this concept is further premised on the belief that Europe and Japan (which Iklé categorizes as "northern hemisphere" nations with interests identical to those of the United States and Russia) share these assumptions, and "are cognizant that the principal threat to world peace lies with 16 developing nations with missile capability that is bound to achieve intercontinental range, nine of which are developing nuclear weapons, which have scores to settle among themselves—and with the First World."

Bush administration officials lent credibility to the strategies of Iklé and his co-thinkers at the Center for Strategic and International Studies, by preceding their budget announcement with carefully placed leaks about a new Pentagon targeting scheme, which would aim the remaining U.S. nuclear weapons at a smorgasbord of targets comprising "every reasonable adversary." Despite State Department efforts to put out the firestorm of opposition this notion ignited in Japan and elsewhere, Iklé's proposals will exacerbate the conditions which create potential enemies for the United States, and will keep erstwhile allies busy watching their backs.

Huge cuts planned

While few dispute the appropriateness of closing expensive or outmoded weapons plants, the collapsed state of the U.S. economy makes any loss of industrial employment a charged issue. Earlier efforts by Defense Secretary Richard Cheney to cut procurement accounts met resistance for this reason. The new proposal is confronting Congress with the reality that no defense budget of any size can substitute for an economic recovery package.

The cancellation of many weapons systems is the result of the demise of the Soviet empire, and in many other instances—ICBMs and tactical nuclear missiles, for example—the weapons are ones which will soon be outmoded by developments in defensive technologies. In recognition of the national support for strategic defense, the administration continues to propose increases in SDI funding, and this year's paltry request of $5.4 billion makes it one of the largest weapons programs in the budget—up 4% over last year's request. Unfortunately, that is 23% over what the Congress actually allocated.

Major program terminations proposed in this budget include a variety of aircraft improvements and upgrades, some related tactical weapons and missiles, and some strategic missiles, such as the rail garrison Peacekeeper ICBM. The Department of Defense (DoD) has cut or has requested cancellation of the Apache Helicopter, the M-1 tank, the Trident submarine, the F-14D, F-15, and F-16 fighters, the naval Advanced Tactical Fighter (ATF), the Airforce A-12 and ATF, and the Peacekeeper missile.

Weapons programs which will be "mothballed" (halted at the prototype stage, or at minimal rates of production) include: the B-2 bomber and related Stealth programs, the SSN-21 submarine and related technology, the Comanche helicopter, ICBM guidance system upgrades, a variety of

missiles, and the ADATS Air Defense System and technology, various targeting and sensor systems, and the Block III tank (M-1A1 replacement).

The driving consideration in the cuts is the estimated $42.1 billion which will be saved by 1997. Cheney hopes that these savings will allow the Pentagon to plan for manpower reductions which will be limited to 25% of the 1987 force levels. The relatively large standing army the administration proposes will need every penny of the sealift and airlift funds in the budget, and will come into conflict with congressional preferences for a greater expenditure on military reserves and National Guard units.

Hamiltonian policies needed

The issue which is causing the greatest consternation among defense specialists is not the sheer magnitude of the industrial layoffs the cuts will cause, but the much more problematical idea, that it is possible to maintain a healthy research and development capability without actually producing any weapons systems. "The idea is impractical and dangerous," Michael Burch, a McDonnell Douglas spokesman who represented the Weinberger DoD, told the *New York Times*. A Northrup representative pointed out that "in the short run it can work, but in the long run it can't. If you don't put what you do into practice, you lose the ability to do it. You can put blueprints on a shelf and databases in a computer, but it's not practical to put talent on hold."

Despite the fact that congressional hearings held two years ago pointed to the inherent dangers in this approach—not the least of which is the fact that a spending plan which allocates billions of dollars to develop weapons which are never produced has an "Alice in Wonderland" look to the average voter—the Bush administration is fanatically committed to this policy.

Several months before the budget came out, the Pentagon released a report on the defense industrial base prepared for the Congress. The report reflected the "free trade" theology worshiped in the White House, and suggested that defense industries would be able to survive in an era of reduced procurement by diversifying into commercial production. The head of the Aerospace Industries Association (AIA) responded that "the industry has learned the hard way that high-tech labor and facilities are not readily adaptable to low-tech consumer products. The history of our industry is replete with examples of failed attempts to do so." The problem is even more severe in the specialty electronics industries, where "defense companies that have ventured into the commercial market have met with dismal and costly failure across the board," Loral executive Bernard Schwartz told *U.S. News and World Report*. And it is not only the main contractor production lines that are threatened. The shutdown of the Seawolf submarine program, for example, will endanger the makers of specialized small nuclear reactors which power the ships, and such "ripple effects" will destroy an entire layer of high-tech shops which do the most innovative engineering in the world.

Then there is the erosive effect that congressionally mandated cost-accounting reforms have had on the defense R&D establishment during the 1980s. The firms that built prototypes and entered bidding competitions during the Reagan years financed their enormous R&D expenditures by borrowing heavily, whether they won the production contract or not. Now, says the AIA, "Our industry is not making a fair return on its investments. Profits on defense work are declining below a reasonable level; debt is increasing, investments in capital equipment and R&D are declining. Clearly, the government cannot continue to expect industry to help finance defense R&D and production."

The Bush administration record on this point is brutal. Despite lavish expenditures to support the thieves and swindlers who run the banking system, any official who suggests government support for industry or manufacture is routinely purged. Worse, advocates of the new defense strategy, typified by people like Fred Iklé, do not even have a clue as to how the American technology base was created in the first place.

In March 1990, Iklé testified to a Senate committee, where he previewed the current plan to deindustrialize the defense sector, and defended his policy of refusing DoD support to the machine tool industry, even though competitive pressures and inadequate credit drove it out of the country. He sneered that "this does not mean that we should institute what is sometimes called an industrial policy. . . . Anyone who thinks that is a good idea should visit the industries in Romania or Poland or East Germany."

He was countered by fellow panelist Hans Mark, a defense scientist who currently serves as Chancellor of the University of Texas System, who pointed out that Iklé had confused communism with the American System. The most successful high-tech export ever produced by American industry—the modern jet aircraft—is entirely a product of an "industrial policy" which began with the establishment of the National Advisory Committee for Aeronautics (later called NASA) in 1915. "I am an advocate of Hamiltonian economics," says Mark.

As Democratic presidential contender Lyndon LaRouche, the principal spokesman for such Hamiltonian economics, said on Jan. 12, if you demobilize the U.S. aerospace sector, you will never be able to put it back together again, and "the United States will lose—together with the key laboratories and so forth—the large core of its entire technological capability. . . . So, I would keep the thing going. Convert its product output, but maintain its R&D capability especially, and a production facility tied to the R&D capability. Keep together the essential cadres; rather than shutting them down to 'save money,' convert their function to related products which are, shall we say, non-military. . . . Use part of that sector for high-speed rails, magnetic levitation, various projects of that type."