



Merger Mania: The Military-Industrial Complex on Steroids

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*When, in his [farewell address](#) in 1961, **President Dwight D. Eisenhower** warned of the dangers of the “unwarranted influence” wielded by the “military-industrial complex,” he could never have dreamed of an arms-making corporation of the size and political clout of Lockheed Martin. In a good year, it now receives up to [\\$50 billion](#) in government contracts, a sum larger than the operating [budget](#) of the State Department. And now it’s about to have company.*

Raytheon, already one of the [top five](#) U.S. defense contractors, is planning to [merge](#) with United Technologies. That company is a major contractor in its own right, producing, among other things, the [engine](#) for the F-35 combat aircraft, the [most expensive](#) Pentagon weapons program ever. The [new firm](#) will be second only to Lockheed Martin when it comes to consuming your tax dollars — and it may end up even more powerful politically, thanks to President Trump’s fondness for [hiring](#) arms industry executives to run the national security state.

Just as Boeing [benefited](#) from its former Senior Vice President Patrick Shanahan’s stint as acting secretary of defense, so Raytheon is likely to cash in on the [nomination](#) of its former top lobbyist, **Mike Esper**, as his successor. Esper’s elevation comes shortly after another former Raytheon lobbyist, **Charles Faulkner**, left the State Department amid [charges](#) that he had improperly influenced decisions to sell Raytheon-produced guided bombs to Saudi Arabia for its brutal [air war](#) in Yemen. **John Rood**, third-in-charge at the Pentagon, has [worked](#) for both Lockheed Martin and Raytheon, while **Ryan McCarthy**, Mike Esper’s [replacement](#) as secretary of the Army, worked for Lockheed on the F-35, which the Project on Government Oversight (POGO) has [determined](#) may never be ready for combat.

And so it goes. There was a time when **Donald Trump** was enamored of “his” [generals](#) — **Secretary of Defense James Mattis** (a former [board member](#) of the weapons-maker General Dynamics), **National Security Advisor H.R. McMaster**, and White House Chief of Staff **John Kelly**. Now, he seems to have a crush on personnel from the industrial side of the military-industrial complex.

As POGO’s research has [demonstrated](#), the infamous “revolving door” that deposits defense executives like Esper in top national security posts swings both ways. The group estimates that, in 2018 alone, 645 senior government officials — mostly from the Pentagon, the uniformed military, and Capitol Hill — went to work as executives, consultants, or board members of one of the top 20 defense contractors.

Fifty years ago, Wisconsin Senator William Proxmire identified the problem when he [noted](#) that:

“the movement of high ranking military officers into jobs with defense contractors and the reverse movement of top executives in major defense contractors into high Pentagon jobs is solid evidence of the military-industrial complex in operation. It is a real threat to the public interest because it increases the chances of abuse... How hard a bargain will officers involved in procurement planning or specifications drive when they are one or two years away from retirement and have the example to look at of over 2,000 fellow officers doing well on the outside after retirement?”

In other words, that revolving door and the problems that go with it are anything but new. Right now, however, it seems to be spinning faster than ever — and mergers like the Raytheon-United Technologies one are only likely to feed the phenomenon.

The Last Supper

The merger of Raytheon and United Technologies should bring back memories of the [merger boom](#) of the 1990s, when Lockheed combined with Martin Marietta to form Lockheed Martin, Northrop and Grumman formed Northrop Grumman, and Boeing absorbed rival military aircraft manufacturer McDonnell Douglas. And it wasn't just a matter of big firms pairing up either. Lockheed Martin itself was the [product](#) of mergers and acquisitions involving nearly two dozen companies — distinctly a tale of big fish chowing down on little fish. The consolidation of the arms industry in those years was strongly encouraged by Clinton administration **Secretary of Defense William Perry**, who held a dinner with defense executives that was later dubbed “[the last supper](#).” There, he reportedly told the assembled corporate officials that a third of them would be out of business in five years if they didn't merge with one of their cohorts.

The Clinton administration's encouragement of defense industry mergers would prove anything but rhetorical. It would, for instance, provide tens of millions of dollars in [merger subsidies](#) to pay for the closing of plants, the moving of equipment, and other necessities. It even picked up part of the tab for the golden parachutes given defense executives and corporate board members ousted in those deals.

The most egregious case was surely that of **Norman Augustine**. The CEO of Martin Marietta, he would actually take over at the helm of the even more powerful newly created Lockheed Martin. In the process, he received [\\$8.2 million](#) in payments, technically for leaving his post as head of Martin Marietta. U.S. taxpayers would cover more than a third of his windfall. Then, a congressman who has only gained stature in recent years, Representative Bernie Sanders (I-VT), began to fight back against those merger subsidies. He dubbed them “[payoffs for layoffs](#)” because executives got government-funded bailouts, while an estimated [19,000](#) workers were laid off in the Lockheed Martin merger alone with no particular taxpayer support. Sanders was actually able to shepherd through legislation that [clawed back](#) some, but not all, of those merger subsidies.

According to one [argument](#) in favor of the merger binge then, by closing half-empty factories, the new firms could charge less overhead and taxpayers would benefit. Well, dream on. This [never came near happening](#), because the newly merged industrial behemoths turned out to have even greater bargaining power over the Pentagon and Congress than the unmerged companies that preceded them.

Draw your own conclusions about what's likely to happen in this next round of mergers,

since [cost overruns](#) and lucrative contracts continue apace. Despite this dismal record, Raytheon CEO Thomas Kennedy [claims](#) that the new corporate pairing will — you guessed it! — save the taxpayers money. Don't hold your breath.

Influence on Steroids

While Donald Trump briefly expressed [reservations](#) about the Raytheon-United Technologies merger and a few members of Congress struck notes of [caution](#), it has been welcomed eagerly on Wall Street. Among the [reasons](#) given: the fact that the two companies generally make different products, so their union shouldn't reduce competition in any specific sector of defense production. It has also been claimed that the new combo, to be known as Raytheon Technologies, will have [more funds](#) available for research and development on the weapons of the future.

But focusing on such concerns misses the big picture. Raytheon Technologies will have more money to make campaign contributions, more money to hire lobbyists, and more production sites that can be used as leverage over members of Congress loathe to oppose spending on weapons produced in their states or districts. The classic example of this phenomenon: the F-35 program, which Lockheed Martin [claims](#) produces 125,000 jobs spread over 46 states.

When I [took a careful look](#) at the company's estimates, I found that they were claiming approximately twice as many jobs as that weapons system was actually creating. In fact, more than half of F-35-related employment was in just two states, California and Texas (though many other states did have modest numbers of F-35 jobs). Even if Lockheed Martin's figures are exaggerated, however, there's no question that spreading defense jobs around the country gives weapons manufacturers unparalleled influence over key members of Congress, much to their benefit when Pentagon budget time rolls around. In fact, it's a commonplace for Congress to [fund](#) more F-35s, F-18s, and similar weapons systems than the Pentagon even asks for. So much for Congressional oversight.

Theoretically, incoming defense secretary Mike Esper will have to recuse himself from major decisions involving his former company. Among them, whether to continue [selling](#) Raytheon-produced precision-guided bombs to Saudi Arabia and the United Arab Emirates (UAE) for their devastating air war in Yemen that has [killed](#) remarkable numbers of civilians.

No worries. President Trump himself is the biggest [booster](#) in living memory of corporate arms sales and Saudi Arabia is far and away his favorite customer. The Senate recently [voted down](#) a package of "emergency" arms sales to the Saudis and the UAE that included thousands of Raytheon [Paveway](#) munitions, the weapon of choice in that Yemeni [air campaign](#). A similar vote must now take place in the House, but even if it, too, passes, Congress will need to override a virtually guaranteed Trump veto of the bill.

The Raytheon-United Technologies merger will further implicate the new firm in Yemeni developments because the Pratt and Whitney division of United Technologies makes the [engine](#) for Saudi Arabia's key F-15S combat aircraft, a mainstay of the air war there. Not only will Raytheon Technologies profit from such engine sales, but that company's technicians are likely to help maintain the Saudi air force, thereby enabling it to fly yet more bombing missions more often.

When pressed, Raytheon officials [argue](#) that, in enabling mass slaughter, they are simply

following U.S. government policy. This ignores the fact that Raytheon and other weapons contractors [spend](#) tens of millions of dollars a year on lobbyists, political contributions, and other forms of influence peddling trying to shape U.S. policies on arms exports and weapons procurement. They are, in other words, anything but passive recipients of edicts handed down from Washington.

As Raytheon chief financial officer **Toby O'Brien** [put it](#) in a call to investors that came after the murder of *Washington Post* columnist Jamal Khashoggi,

“We continue to be aligned with the administration’s policies, and we intend to honor our commitments.”

Lockheed Martin CEO Marillyn Hewson made a similar point, [asserting](#) that “most of these agreements that we have are government-to-government purchases, so anything that we do has to follow strictly the regulations of the U.S. government... Beyond that, we’ll just work with the U.S. government as they are continuing their relationship with [the Saudis].”

How Powerful Are the Military-Industrial Combines?

When it comes to lobbying the Pentagon and Congress, size matters. Major firms like Lockheed Martin, Boeing, and Raytheon can point to the jobs they and their subcontractors provide in dozens of states and scores of Congressional districts to keep members of Congress in line who might otherwise question or even oppose the tens of billions of dollars in government funding the companies receive annually.

Raytheon — its motto: “[Customer Success Is Our Mission](#)” — has primary operations in [16 states](#): Alabama, Arkansas, Arizona, California, Colorado, Florida, Indiana, Kentucky, Massachusetts, Michigan, Minnesota, New Mexico, Pennsylvania, Rhode Island, Texas, Utah, and Virginia. That translates into a lot of leverage over key members of Congress and it doesn’t even count states where the company has major subcontractors. The addition of United Technologies will reinforce the new company’s presence in a number of those states, while [adding](#) Connecticut, Iowa, New York, and North Carolina (in other words, at least 20 states in all).

Meanwhile, if the merger is approved, the future Raytheon Technologies will be greasing the wheels of its next arms contracts by relying on nearly [four dozen](#) former government officials the two separate companies hired as lobbyists, executives, and board members in 2018 alone. Add to that the \$6.4 million in campaign contributions and \$20 million in lobbying expenses Raytheon [clocked](#) during the last two election cycles and the outlines of its growing influence begin to become clearer. Then, add as well the \$2.9 million in campaign contributions and \$40 million in lobbying expenses [racked up](#) by its merger partner United Technologies and you have a lobbying powerhouse rivaled only by [Lockheed Martin](#), the world’s largest defense conglomerate.

President Eisenhower’s proposed [counterweight](#) to the power of the military-industrial complex was to be “an alert and knowledgeable citizenry.” And there are signs that significant numbers of individuals and organizations are beginning to pay more attention to the machinations of the arms lobby. My own outfit, the Center for International Policy, has launched a [Sustainable Defense Task Force](#) composed of former military officers and Pentagon officials, White House and Congressional budget experts, and research staffers

from progressive and good-government groups. It has already crafted a plan that would cut \$1.2 trillion from the Pentagon budget over the next decade, while improving U.S. security by avoiding unnecessary wars, eliminating waste, and scaling back a Pentagon nuclear-weapons buildup slated to cost [\\$1.5 trillion](#) or more over the next three decades.

The Poor People's Campaign, backed by research conducted by the National Priorities Project of the Institute for Policy Studies, is [calling for](#) a one-year \$350 billion cut in Pentagon expenditures. And a new network called "[Put People Over the Pentagon](#)" has brought together more than 20 progressive organizations to press presidential candidates to cut \$200 billion annually from the Department of Defense's bloated budget. Participants in the network include Public Citizen, Moveon.org, Indivisible, Win Without War, 350.org, Friends of the Earth, and United We Dream, many of them organizations that had not, in past years, made reducing the Pentagon budget a priority.

Raytheon and its arms industry allies won't sit still in the face of such proposals, but at least the days of unquestioned and unchallenged corporate greed in the ever-merging (but also ever-expanding) arms industry may be coming to an end. The United States has paid an exorbitantly high price in blood and treasure (as have countries like Afghanistan and Iraq) for letting the military-industrial complex steer the American ship of state through this century so far. It's long past time for a reckoning.

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