

The Real Winner of the 2016 Elections Is The Weapons Industry. Military Contractor Stocks Soar...

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Although political and media analysts will be parsing the election results for months to come one winner is blatantly obvious, and it is not Donald Trump. Rather, it is something all tax-paying Americans support, even if they don't think about it: the military-industrial congressional-complex (MICC).

To confirm that one need look no further than the stock market on November 9. As Defense One [reported](#), military contractor stocks soared:

- Lockheed Martin: Up 4.8 percent
- Northrop Grumman: Up 5.1 percent
- Raytheon: Up 6.2 percent
- General Dynamics: Up 4.1 percent
- L-3 Communications: Up 5.4 percent
- Textron: Up 2.2 percent
- Boeing: Up .76 percent
- Huntington Ingalls: Up 6.5 percent

As the title of an [op-ed](#) in Forbes put it, "For The Defense Industry, Trump's Win Means Happy Days Are Here Again."

It is hardly surprising that military contractors anticipate good times. Trump's campaign website [calls](#) for fully repealing "the defense sequester and submit a new budget to rebuild our depleted military."

Although how an annual military budget of about \$600 billion dollars, not counting military related expenditures in other parts of the federal budget, can be called depleted is the subject of another article.

The Revolving Door

To make sure that happy days are here again the MICC is taking a hands-on approach. Inside Defense [reports](#) that Mira Ricardel, a former Boeing vice president for international business development for network and space systems, will be working under former Army general and defense executive Keith Kellogg to run President-elect Donald Trump's Defense Department transition team. Kellogg will run Trump's defense team, with Ricardel in charge of the Pentagon transition.

This just another example of the classic revolving door between private and public sector

work. Between 1994-1998, according to an [analysis](#) by the Boston Globe, fewer than 50 percent of retiring three- and four-star officers went to work as consultants or defense executives. By 2004-2008, that number had jumped to 80 percent.

The door has been spinning steadily since then. In 2012 Citizens for Responsibility and Ethics in Washington (CREW) [found](#) that at least nine of the top-level generals and admirals who retired between 2009 and 2011 took positions with the five largest defense companies contracting with the government: Lockheed Martin, Boeing, General Dynamics, Raytheon, and Northrop Grumman. In 2013, in new data on people retiring from Department of Defense employment, 13 people listed Lockheed Martin as a possible employer, seven listed Boeing, eight listed General Dynamics, 10 listed Raytheon, and 13 listed Northrop Grumman. Defense contractors SAIC, Booz Allen Hamilton, and BAE were also listed by multiple people.

A notorious example of the phenomenon involves former Air Force Secretary James G. Roche, who before his nomination in summer 2002 was a top executive at Northrop Grumman for 17 years. In October 2002, he awarded Lockheed-Grumman a \$250 billion contract to build the supersonic Joint Strike Fighter combat aircraft. The order, expected to provide 40 years of work and revenue, called for the development and manufacture of 3,000 (later reduced to 2,443) fighter planes for the Air Force, Navy, and Marines. A similar number was to be sold to countries such as Turkey, Israel, and Canada. Toward the end of Roche's tenure at Northrop Grumman, he was president of the Electronic Sensor and Systems Sector, a division of which is now a key subcontractor for the fighter.

Repealing the Sequester?

Still, there are some potholes on the happy days road. For example, repeal of the sequester will pose an early challenge for the Trump administration.

The next president will face a 254-day deadline to either negotiate a budget deal with Congress or watch the military budget suffer automatic cuts. August 2 marked the fifth anniversary of the Budget Control Act (BCA), the 2011 law that placed caps on the federal budget for a decade. Its restrictions last through fiscal 2021, encompassing almost the entire four-year term of the next president.

But the Pentagon has strongly argued it cannot operate effectively at these levels. The Obama administration was unable to strike a long-term budget deal repealing the BCA, although it has supported [three smaller, two-year deals](#) that increased Pentagon and non-defense spending caps. The latest of those deals will expire on October 1, 2017. Thus, the next administration will find itself facing a budget deadline just 254 days after taking the oath of office on Jan. 20.

Things could get worse thanks to the influence of dark money groups. Freedom Partners, a group with close ties to the Koch brothers, is [reportedly](#) trying to rally congressional Republicans behind a plan that would postpone this year's appropriations process until at least spring 2017, after the next president takes office, as part of an effort to reduce government spending.

If a Trump administration does significantly increase the military budget he will, in the view of past senior government officials, imperil the country.

More Money, Less Security

In 2010, the [final report](#) of [The National Commission on Fiscal Responsibility and Reform](#) stated:

As the Chairman of the Joint Chiefs of Staff, Admiral Mike Mullen, has noted, the most significant threat to our national security is our debt. The ability of the United States to keep our country secure over time depends on restoring fiscal restraint today. Any serious attempt to reduce the deficit will require deliberate, planned reductions in both domestic and defense spending.

Indeed, recent history suggests that increased military spending would hurt, not help. Consider, for example, the huge military increases of the Reagan administration. As Chuck Spinney, a former Pentagon analyst who became famous in the early 1980s for criticizing what he described as the Pentagon's reckless pursuit of costly complex weapon systems without regard to budgetary consequence, [wrote](#) in 2011:

A telling vignette of the buy-our-way-out fantasy is the Ronald Reagan spending spree beginning in 1981: his budget increases unleashed a round of cost growth wherein weapons costs grew at a far faster rate than ever before, thereby widening the gap between accelerating unit costs and the much slower growth of the overall budget. Those Reagan budget increases led directly to a 1990 combat force structure that, overall, was smaller and older than in 1981. Similarly, the ongoing Clinton-Bush-Obama spending spree that began in 1999 merely set the stage for today's much larger crisis.

Yet if more money is needed it is not because of external threats. It is because of a corrupted Pentagon management system. Later, in 2011, Spinney [wrote](#):

The central management problem plaguing the Department of Defense — i.e., the meltdown of the entire defense program — can be characterized in a general sense as being produced by the mutually reinforcing effects of:

1. A modernization program that cannot buy enough new weapons to modernize the force structures of the Army, Navy/MC, and Air Force, because the unit costs of new weapons always grow faster than budgets, even when budgets increase sharply, as they did in the 1980s and after 1998;
2. Continual budgetary pressure to reduce readiness and shrink force size to contain the growth of operating costs (from operating aging, more complex hardware, but also from the growing personnel costs of the all-volunteer force) to free up funds to finance the bankrupt modernization program; and
3. Corrupt and unauditable accounting, financial management, and program planning systems that lubricate the degenerative process by making impossible to assemble the information needed to sort out and correct the first two problems.

Indeed, “unauditable” is putting it mildly. The Pentagon has [not undergone a full audit in almost two decades](#), despite being legally mandated to do so.

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