

The Raytheon United Technologies Merger and the Military Industrial Complex. William Hartung

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The planned merger between Raytheon and United Technologies will only further consolidate a bloated military-industrial complex.

That's the take of William D. Hartung, the director of the Arms and Security Project at the Center for International Policy.

He is is the author, most recently, of a *Nation* magazine article titled [Defense Contractors Are Tightening Their Grip on Our Government.](#)

“When you build one of those huge, industrial defense conglomerates like we have in Lockheed Martin, they multiply their power,” Hartung told Corporate Crime Reporter in an interview last week. “They have more money to make campaign contributions, more money to spend on lobbying, they have more facilities in more states and Congressional districts and thus they have leverage over more members of Congress. They can drive a better bargain for themselves with the Pentagon.”

“And also, you have the revolving door. Most notably you have a former Raytheon lobbyist, Mike Esper, who is now Secretary of Defense. You had a former Raytheon lobbyist, Charles Faulkner, at the State Department, who lobbied for arms sales for Saudi Arabia - bombs - Raytheon products - they were going to use in Yemen. He left under a cloud.”

“This is just a small proportion of what is out there. Hundreds of people go back and forth every year - either from the Pentagon to the major contractors or from the contractors into government. The revolving door swings both ways. You have this elite that works back and forth. If you are at the Pentagon and used to work at Lockheed Martin you might look more favorably on Lockheed Martin. If you come from the Pentagon and go to Lockheed Martin, you can use your connections with your former colleagues to try and get a better deal for your company.”

“And perhaps most insidious, if you are at the Pentagon and are looking ahead to employment in the defense industry, you may go lightly on the companies because you are going to turn around in a few years and be asking them for a job where you will make a lot more money than in government.”

Who are the top five Pentagon contractors?

“Lockheed Martin, Boeing, Raytheon, Northrop Grumman and General Dynamics split about \$100 billion of Pentagon spending a year. They are the

huge corporate beneficiaries.”

When we started this publication more than thirty years ago, a major issue we covered was defense contractors ripping off the Pentagon and being brought to justice under the False Claims Act. That’s the law that allows whistleblowers to recover a bounty if they blow the whistle on corporations defrauding the government.

You see very few of those cases in the defense procurement field anymore. Why is that?

“I’m not sure why there haven’t been more of those kinds of cases. I know the Project on Government Oversight works closely with whistleblowers. They try to help whistleblowers protect themselves. And there have been whistleblowers on things like overpriced Coast Guard combat ships and the F-35. As for these kinds of False Claims Act cases, they do seem to be reduced, even though there is a new wave of revelations about fraud, waste and abuse.”

“Under Reagan, there was a big scandal on overspending on spare parts – hundreds of dollars on toilet seats, thousands of dollars for a coffee maker for a transport aircraft. Stories like that are coming back. There is a company called Transdigm which has been charging the Pentagon many multiples of what things should cost.”

“That case has gotten a little bit of attention. The Project on Government Oversight has done a report on how prevalent this practice has been in recent years. The Pentagon hasn’t cleaned up its act on that front decades later.”

Defense attorneys say that in fact the reason there has been a decline in False Claims Act cases in this area is that contractors have cleaned up their act and there are stricter compliance programs within the companies.

“You may not have as many cases of outright fraud and illegal activity. Much of the waste is because of poor management procedures at the Pentagon. And it’s a little harder to proportion blame. Is it primarily the Pentagon? Or is the greedy contractors? It seems to be a symbiotic relationship between the two.”

Support for the Pentagon budget is a bipartisan issue on Capitol Hill.

“Trump came in initially at \$700 billion. Under pressure from the industry and the hawks, he went up to \$750 billion. The Democrats in the House said – oh, no, let’s do \$733 billion. It was only a couple of percentage points difference. And part of that was a dispute over whether Trump’s border wall should be paid by Pentagon funds”.

“Now it is true that the number that the Democrats came up with was an increase over the prior year, from \$716 billion to \$733 billion, even though it was already at historically high levels.”

“There are also a lot of cases of members trying to increase funding in weapons systems built in their districts – more than the Pentagon has asked for. That includes the F-18, more F-35s, more combat ships, more transport planes. Sometimes that pushes up the top line. And sometimes they just steal it from other parts of the budget like operations and maintenance.”

“It is kind of ironic because there is this standard complaint about readiness – not enough spare parts, not enough training, not enough flight hours. And as a result, there are accidents. Yet Congress periodically dips into the operations and maintenance accounts where some of those readiness funds reside and throws those funds at big ticket weapons built in their districts.”

“If there is a readiness problem, which is substantially overblown, Congress has been complicit.”

You said that the primary objection to the Raytheon United Technologies merger is the concentration of corporate power. But corporate power has been effectively written out of the antitrust laws. There were people like former Supreme Court Justice William O. Douglas who wanted to put curtailing corporate power as a goal of antitrust laws. You wouldn't just look at consumer welfare, but also at the question of corporate power.

Is there an antitrust review of the merger?

“I believe there is a review ongoing. But I don't think anyone thinks the government will block the merger. There is some overlap of businesses, but the solution will be divestment of certain units if necessary.”

“Raytheon focuses heavily on bombs and missiles. United Technologies makes military aircraft engines through its Pratt and Whitney division. At least on the big items, there is no clear overlap. If you take a narrow question – is there going to be less competition in the defense industry, where there is very little competition left anyway? the answer is probably going to be no.”

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[For the complete q/a format Interview with William Hartung, see 33 Corporate Crime Reporter 31\(10\), Monday August 5, 2019, print edition only.](#)

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