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POLITICS AND PROCUREMENT: THE CLASH BETWEEN LOCAL INTEREST
AND STRATEGIC IMPERATIVE IN U.S. DEFENSE ACQUISITION

BY

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This study analyzes the military acquisition process to determine if service parochialism or local politics prevents the procurement of the necessary military capabilities required for safeguarding national defense and securing national interests. First, the author introduces the highly systematic acquisition process and expands upon the multiple layers of decision-making inherent within the system. By highlighting its joint nature and arduous vetting process, the author concludes that the procurement system is designed to expunge service parochialism from the process. Next, the writer explores the budgetary approval authority given to Congress and the three most cited reasons for altering federal programs requested by the DoD and the Executive branch. Each reason is analyzed utilizing an historical case study. The first case examines earmarks awarded to Digital Fusion Inc. under the guise of expanding future markets. The second case study examines the forced procurement of Abrams tanks and the national security argument. Finally, the industrial-base argument is scrutinized through the procurement of the Seawolf class submarine. The results of this process show that all three arguments are hollow and are used to distract Americans from the real issue Congressmen and Senators utilizing the military procurement process as an economic stimulus for their districts. This in turn, has significant adverse consequences for the long-term strategic defense of the nation. Fortunately, the problem is one of systemic design and not of moral turpitude of elected officials. The author concludes that legislators are forced to choose between their local obligations and national responsibilities, and the acquisition system needs to be altered to remove such decisions. The final section of the study includes several recommendations for such an alteration.

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DISCLAIMER

The conclusions and opinions expressed in this document are those of the author. They do not reflect the official position of the US Government, Department of Defense, the United States Air Force, or Air University.



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ABSTRACT

This study analyzes the military acquisition process to determine if service parochialism or local politics prevents the procurement of the necessary military capabilities required for safeguarding national defense and securing national interests. First, the author introduces the highly systematic acquisition process and expands upon the multiple layers of decision-making inherent within the system. By highlighting its joint nature and arduous vetting process, the author concludes that the procurement system is designed to expunge service parochialism from the process. Next, the writer explores the budgetary approval authority given to Congress and the three most cited reasons for altering federal programs requested by the DoD and the Executive branch. Each reason is analyzed utilizing an historical case study. The first case examines earmarks awarded to Digital Fusion Inc. under the guise of expanding future markets. The second case study examines the forced procurement of Abrams tanks and the national security argument. Finally, the industrial-base argument is scrutinized through the procurement of the *Seawolf* class submarine. The results of this process show that all three arguments are hollow and are used to distract Americans from the real issue: Congressmen and Senators utilizing the military procurement process as an economic stimulus for their districts. This in turn, has significant adverse consequences for the long-term strategic defense of the nation. Fortunately, the problem is one of systemic design and not of moral turpitude of elected officials. The author concludes that legislators are forced to choose between their local obligations and national responsibilities, and the acquisition system needs to be altered to remove such decisions. The final section of the study includes several recommendations for such an alteration.

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Chapter 1 Introduction

Simply put, the DoD acquisition process is broken. The ability of the Department to conduct the large scale acquisitions required to ensure our future national security is a concern to the committee. The rising costs and lengthy schedule of major defense acquisition programs leads to more expensive platforms fielded in fewer numbers. The committee's concerns extend to all three key components of the acquisition process including requirements generation, acquisition and contracting, and financial management.

House Report of the Committee of Armed Services

The military acquisition process is flawed. This statement is not an earth-shattering revelation bound to garner much opposition in itself. However, there are large differences of opinion concerning where the fault lies and who can improve the process. Typically, elected officials criticize the military procurement process for being too lengthy, inflexible, and above all, too expensive. Senior ranking Department of Defense (DoD) officials argue that the current procurement process identifies necessary capabilities required to safeguard national security interests, but Congressional micromanagement of the military budgets and programs inhibits the actual procurement of the necessary capabilities.

As in every political debate, context matters. Congressional representatives control the national purse, and so they frame defense acquisition as an issue relating to local economies and constituents' jobs. DoD officials are charged with providing for the security of the nation and protecting its national interests, but they often frame the problem as an issue relating to military capabilities associated with a given service in the context of executing national strategies. In essence, both factions are not wrong, but neither is completely right either. Interestingly, the oath of office for military officers and

Congressional representatives is identical. Yet, to Congress, which is elected by the people, “to support and defend the constitution” means stabilizing local economies and creating constituent jobs, while to military personnel, charged with protecting the people, it means acquiring specific capabilities for the national defense. Usually these capabilities inhere in the service of the advocate. Questions naturally follow: whose context is more accurate, and is either sufficient to secure the nation? At first blush it would appear that in defense acquisitions both uniformed personnel and congressional leaders are willing to assert parochial or local concerns over national security. For the moment, let us concentrate on the legislative bank of the Potomac.

Congressional leaders are correct when they identify faults in the military procurement process associated with a shrinking number of defense contractors, complicated joint-service requirements, lengthy planning processes and procurement cycles, and an increase in the cost of technology - in essence, inefficiencies. Some would argue that inefficiencies are a sunk cost associated with the democratic form of government the United States has adopted. Some may argue these inefficiencies are a byproduct of market capitalism. Regardless, these issues do not directly threaten the ability of the armed forces to protect national interests and security. They are secondary and tertiary concerns being highlighted to avoid what some would call the biggest issue that is threatening US national security: Congressmen and Senators utilizing the military procurement process as an economic stimulus for their districts. Although there may be legitimate reasons for legislators to favor local constituencies, of primary concern here: does the acquisition process provide the DoD with the necessary capabilities required to execute missions needed for national defense?

Before an interpretation of what constitutes national interests and a process to prepare for the national defense can be codified, an overall national strategy is required. A national strategy allows for a cohesive and comprehensive approach to decision-making, planning, and execution at all levels of government. In addition, Congressional oversight and budgeting focused in a similar fashion would ensure national objectives are being met with the best interests of the American people in mind. According to international security specialist and Congressional Research contributor Catherine Dale, “In theory, effective national security strategy-making can sharpen priorities and refine

approaches; provide a single shared vision for all concerned agencies; clarify the roles and responsibilities of all concerned agencies so that they may more effectively plan and resource; offer a coherent baseline for congressional oversight; and communicate U.S. government intent to key audiences at home and abroad.”¹

American national strategy originates from the President and his National Security Strategy (NSS). Many other strategy-related documents are drafted utilizing the President’s NSS, which gives guidance not only to the DoD, but also to every other department in the US government. From these overarching strategies, each department is able to develop the foundations of their own missions, policies, procedures, capabilities, and requirements. In bold letters on its official website, the DoD lists its mission as, “Provide the military forces needed to deter war and to protect the security of our country.”²

To accomplish this mission, the DoD utilizes the acquisition process to help identify the material capabilities required to protect the security of the country, prioritize and budget them, and ultimately manufacture and sustain them. First, it must identify a need for a weapon system from a current capabilities gap. Then, it allocates resources and budgets the weapon system, always balancing against existent projects and future priorities. Finally, it develops and buys the weapon system required and distributes it to the fielded forces.

This acquisition process involves tens of thousands of individuals making just as many decisions throughout the process to ensure the capabilities being developed and acquired are in fact meeting the needs of national security. Hundreds of programs are compared against each other and either supported to fruition or eliminated based on priorities and available resources. This is a lengthy and in-depth process, with many layers of validation and quality-assurance measures. A single individual cannot alter the final product of the acquisition process because of the checks and balances incorporated along the way.

¹ Catherine Dale, *National Security Strategy: Mandates, Execution to Date, and Issues for Congress*. CRS report R43174 (Washington, DC: Library of Congress, Congressional Research Service, 6 August 2013), summary.

² <http://www.defense.gov/about/> (accessed 28 January 2014).

However, the money to design, develop, produce, and field these capabilities is controlled by Congress through committees and subcommittees in both the House and Senate. Through authorizing measures and the appropriations process, elected officials have the authority to alter DoD programs in part or in total. Congress has the power to appropriate funds for programs that the individual services may not want to develop, and the ability to defund the ones they want to expand. Congress also has the authority to prohibit the retirement of military platforms, even if they are outdated and costly programs. In short, these committees have the ability to influence long-term national strategy by adjusting the national resources committed to military programs.

If Congressional representatives make alterations to military programs in the budget, they typically have to justify those modifications to the American public. Although American voters may not understand the details of a complicated acquisition process, they believe that the military is asking for capabilities it needs to protect the American way of life. If Congressmen and Senators interfere with those capabilities, American voters want to know why. Over the years, politicians have defended the adjustments made to military programs in the DoD budget for many reasons, but three recurring themes continue to surface.

Many times, politicians will emphasize the importance of expanding future markets and utilize this as a basis for making program and budget amendments. By awarding federal dollars to a small business, Congress is attempting to help a young company break into a market by allowing it to compete with larger, already-established corporations. These federal dollars are given as no-bid contracts, meaning the small businesses are given the money without competing for it as long as a representative adds in a line of legislation somewhere in the budget.

Another explanation used to alter procurement programs is that national security concerns require it. Typically, elected officials will highlight a shortfall in a critical area that senior military officials failed to account for in their budget requests. This may require the additional purchase of commodities such as planes, ships, trucks, or tanks not originally requested in the budget.

Finally, the third common theme used to explain the alterations of military programs in the DoD budget is to support a critical industrial base. This argument focuses

on the unique labor skills necessary to produce even the most advanced technologies. It also requires maintaining the infrastructure that produces today's equipment, and finally investing in the research and development laboratories that often empower tomorrow's capabilities.

All three explanations sound like reasonable arguments, yet each must be viewed with a critical eye. Often what is left unsaid is most important, and politicians rarely mention campaign contributions, votes, or local politics. With the diligence given to associating military capabilities to military strategies in recent years, Americans are aware of the politics often present in military acquisition programs. Additionally, the military currently enjoys widespread support from Americans, while Congressional approval is at an all-time low.

The debate over programs within the military budget will only become more intense as the nation tightens its belt around a stagnant economy. In addition, the military will experience dramatic budget reductions as recent wars in Iraq and Afghanistan draw to an end. This post-war draw-down is an expected occurrence, as similar events transpired after World War I, World War II, Korea, Vietnam, and after the end of the Cold War. However, what is unique to the current economic environment is the energized focus on debt-reduction and fiscal responsibility, with the national debt now at an unprecedented \$17.5 trillion. With both political parties interested in reigning in the debt, discretionary funds will inevitably become the target of deep cuts, as already witnessed with the Budget Control Act of 2010 establishing sequestration.

Military planners are now eliminating all non-essential programs based on massive cuts in the post-war budget, shrinking the size of each service branch, and making difficult decisions to abolish future programs prioritized with resource considerations in mind. If elected officials are in fact more concerned with local economics and constituent jobs, instead of the expansion of markets, national defense, or industrial base, a conflict of interest arises. America needs to assess how much freedom, if any, should be given to politicians to alter the national strategic security road map if their main concerns are to garner local jobs.

This study will, case by case, assess the veracity of the three common explanations given for modifying military programs. It will attempt to determine if

Congress is in fact sacrificing the long-term strategic capabilities of the nation. Ultimately, Americans need to know if their security is being sacrificed to parochial or local interests. In that regard, both the services and the Congress, as agents of the American people, have obligations to fulfill. Americans need to be reassured that the military procurement process identifies and obtains the war fighting capabilities required to safeguard their way of life. This study will attempt to determine if, at the end of the day, the military procurement process guarantees more than local investment and employment.

Chapter two will explore how the military links national strategic guidance to its request for material capabilities. First, strategy will be defined, and all the strategic guidance documents utilized for planning will be introduced. Then an in-depth review of the Joint Capabilities Integration and Development System (JCIDS), the Planning, Programming, Budgeting, and Execution System (PPBE), and the Defense Acquisition System (DAS) will be discussed. Ultimately, the reader should gather a greater understanding for the complexities of defense acquisition, and most importantly, recognize that it is used to identify material required for national defense.

Chapter three will explore the role of Congress in the military acquisition process. The chapter will encompass a brief review of some of the most widely used federal support agencies offering nonpartisan analysis and research to policymakers. It will also include a brief review of the Congressional budget process. Additionally, the committee process will be analyzed, focusing on the four most influential committees in both the House and Senate.

Chapter four will investigate three separate case studies, each focusing on one of the arguments previously mentioned for making alterations to military programs in the defense budget. The first study will pursue the influence of the no-bid contract and attempt to assess its strategic value for expanding future markets. The second case study involves the Army and the forced procurement of Abrams tanks. This was justified under the auspice of national defense, but consequentially cut future Army programs. The final example is the production of *Seawolf* class submarines and the ostensible preservation and defense of the military industrial base.

Chapter five presents recommendations to improve the procurement process, borrowing from successful practices in other countries and contexts. This chapter will briefly discuss Presidential impoundment, arsenals and shipyards, and the recent French acquisition reform. Each one of these topics offers valuable insight for possible solutions to America's current model. The final chapter offers a brief summary of findings.



Chapter 2

National Strategy and the Acquisition Process

The U.S. military receives billions of dollars of weapons and their supporting equipment each year. Those weapons and their supporting equipment flow out of what must be one of the most complicated decision-making systems in the world, which employs thousands of people across the United States who follow hundreds of thousands of pages of arcane documents containing millions of rules and regulations as they convert billions of dollars into military hardware.

David S. Sorenson

To support and sustain military operations, the Department of Defense (DoD) acquires goods and services through private contractors and a few federally owned arsenals and shipyards. As one might expect, there are thousands of laws, regulations, and codes that define, authorize, regulate, and supervise the acquisition of military goods and services. Additionally, this complex and lengthy process involves thousands of military planners, acquisition officers and strategists, and numerous civilian contractors, political representatives, and their staffs.

The mission of the Department of Defense, as directly quoted from its official website, “is to provide the military forces needed to deter war and to protect the security of our country.”¹ Before the armed forces are able to determine what equipment is necessary to provide for national security, they first must understand the responsibilities assigned to them in the broad context of national strategic direction composed of national security interests, national policies, national priorities, and long-term national strategies.

The national strategic direction is created by a handful of core documents intended to establish cohesion among all federal agencies that wield American power and influence. In theory, these documents are created by the highest authority, the President of the United States, and then influence the tiered levels of agencies within the federal government. In his National Security Strategy (NSS), the President of the United States is

¹ U.S. Department of Defense Website. <http://www.defense.gov/about/> (accessed 28 January 2014).

able to clearly articulate his major national security concerns and areas the nation and its associated federal agencies must focus on to address those issues. According to Congressional Research author and international security specialist Catherine Dale, “The [NSS] must address U.S. interests, goals and objectives; the policies, worldwide commitments, and capabilities required to meet those objectives; and the use of elements of national power to achieve those goals; and it must provide an assessment of associated risk.”²

Utilizing the NSS, lessons learned from previous military operations, and military strategic reviews, the Secretary of Defense is able to create more specific strategic guidance specifically for the DOD. This will be collected and disseminated in the form of the National Defense Strategy (NDS). The Chairman of the Joint Chiefs of Staff also utilizes the NSS to create his National Military Strategy (NMS) that provides a description of the national military interests and objectives of the United States. It details the opportunities and challenges associated with the current strategic environment including current military missions and activities, force planning and sizing, and current resource constraints affecting strategy. In addition, it must describe not only significant regional threats, but also global threats to include terrorism, weapons of mass destruction, and other potential asymmetric challenges.³

Another guidance document used to formulate strategy is the Quadrennial Defense Review (QDR). The QDR is designed to be a 20-year review with no consideration of resources, also known as, “resource-unconstrained,” and is required by law every four years. “The congressionally mandated QDR directs the DOD to undertake a wide-ranging review of strategy, programs, and resources. Specifically, the QDR is expected to delineate a national defense strategy consistent with the most recent National Security Strategy by defining force structure, modernization plans, and a budget plan

² Catherine Dale, *National Security Strategy: Mandates, Execution to Date, and Issues for Congress*. CRS report R43174 (Washington, DC: Library of Congress, Congressional Research Service, August 6, 2013), 3.

³ Catherine Dale, *National Security Strategy: Mandates, Execution to Date, and Issues for Congress*. CRS report R43174 (Washington, DC: Library of Congress, Congressional Research Service, August 6, 2013), 8.

allowing the military to successfully execute the full range of missions within that strategy.”⁴

These strategic documents provide a foundational vision for the acquisition of material goods, but the process also requires a legal framework. All regulations are derived first from Title 10 of the Code of Laws of the United States of America, which is the foundation and governing document for the organization, structure, and operation of the Armed Forces of the United States. Several sections within Title 10 charge the Secretaries of the Army, Navy, and Air Force with the responsibility to equip their respective service branches. Also dispersed throughout the sections are provisions assigning procurement responsibilities, acquisition procedures, and Congressional reporting requirements.

Another foundational directive body for regulating acquisitions and providing uniform policies and procedures is the Federal Acquisition Regulation (FAR). The FAR is the federal document that actually defines the term “acquisition” which goes beyond simply purchasing a product or service. In fact, “acquisition” is better understood as a process which encompasses the entire lifespan of a good or service to include design, fabrication, testing, utilization, maintenance, and eventual retirement. The FAR states:

Acquisition means the acquiring by contract with appropriated funds of supplies or services (including construction) by and for the use of the Federal Government through purchase or lease, whether the supplies or services are already in existence or must be created, developed, demonstrated, and evaluated. Acquisition begins at the point when agency needs are established and includes the description of requirements to satisfy agency needs, solicitation and selection of source, award of contracts, contract financing, contract performance, contract administration, and those technical and management functions directly related to the process of fulfilling agency needs by contract.⁵

Every weapon system obtained by the United States is created to satisfy a very specific requirement identified first by the armed forces. It is then designed and manufactured through an acquisition process, which is paid for through the federal

⁴ Jeffrey D. Brake, *Quadrennial Defense Review (QDR): Background, Process, and Issues*. CRS Report RS20771 (Washington, DC: Library of Congress, Congressional Research Service, June 21, 2001), 1.

⁵ Federal Acquisition Regulation FAC 2005-65 January 29, 2013, Section 2.101.

budget. This is broken down into three overlapping aspects that collectively define the process of identifying the need for a required material weapon system, establishing a budget, and developing and acquiring the system. These three aspects are displayed in figure 1 and organized as:

1. The Joint Capabilities Integration and Development System (JCIDS) – which identifies a requirement gap and the need for a material resource to fulfill the requirement.
2. The Planning, Programming, Budgeting, and Execution System (PPBE) – which allocates resources and budgets the acquisition of the required material resource.
3. The Defense Acquisition System (DAS) – which develops and or buys the material requirement.⁶

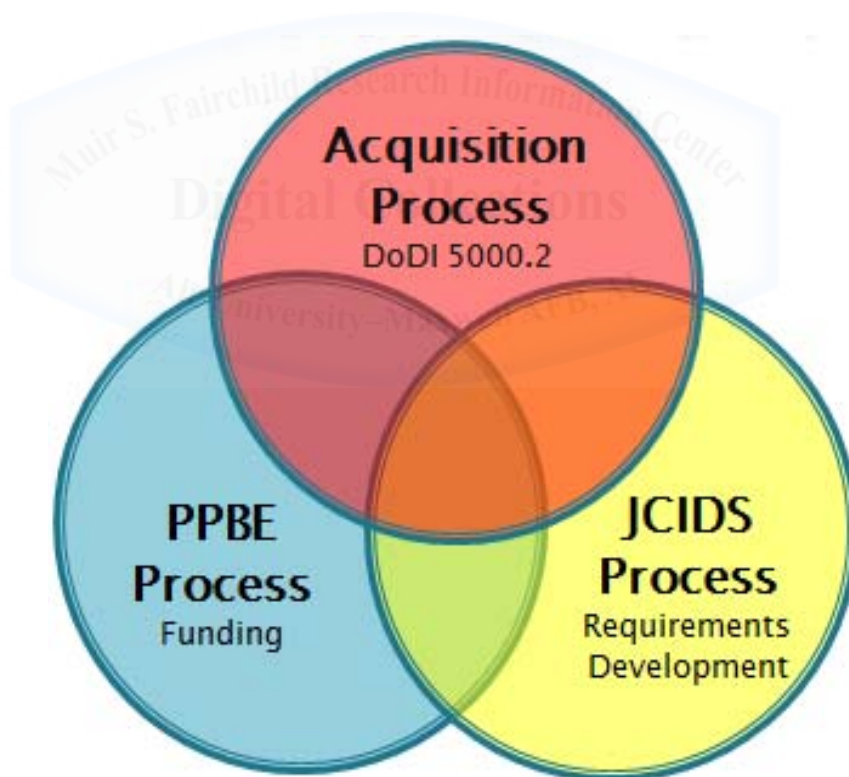


Figure 1: The Three Overlapping Aspects of Military Acquisitions

Source: <http://www.acqnotes.com/Acquisitions/Procurement%20Overview.html>

⁶ Moshe Schwartz, *Defense Acquisitions: How DOD Acquires Weapon Systems and Recent Efforts to Reform the Process*. CRS Report RL34026 (Washington, DC: Library of Congress, Congressional Research Service. January 2, 2013), 3.

JCIDS

The most important aspect of the acquisition process is the initial step labeled JCIDS, also commonly known as the requirements-generation process. This initial step identifies the requirement to obtain a material capability in the first place. It is also the process by which the DOD identifies and prioritizes the capabilities deemed necessary to fulfill its mission.

The JCIDS process was created in 2003 and replaced the older process known as the Requirements Generation System (RGS). This was a fundamental change in the way the DOD developed requirements as it changed from the old threat-based approach to the new capabilities-based approach. The previous system allowed perceived enemy threats and their associated capabilities to dictate the systems DOD procured. Today, the DOD uses the strategic direction and priorities set forth in the previously discussed strategic documents to drive the capabilities needed to meet national security objectives. This increases the importance of understanding the strategic narrative within the documents and ensuring capabilities are in fact tied to those objectives. The capabilities approach also decreased the number of weapon systems being created in duplicate when multiple branches independently identified similar threats. By focusing on required capabilities and capability gaps across services, the collaborative effort increased the number of systems being developed jointly among services.⁷ Conversely, if the requirements are altered and specific capabilities are not developed in this new system, a significant gap could potentially develop and leave the US vulnerable.

The first element of the JCIDS process is to conduct a Capabilities Based Assessment (CBA). This assessment analyzes the military's capabilities and gaps required to execute the missions laid forth in the strategic guidance documents. If a material gap is identified and a material solution is considered appropriate to correct the problem, an Initial Capabilities Document (ICD) is prepared. This document will be given to the Joint Requirements Oversight Council (JROC), which is responsible for identifying and prioritizing all war fighting requirements. The JROC reviews every ICD

⁷ Moshe Schwartz, *Defense Acquisitions: How DOD Acquires Weapon Systems and Recent Efforts to Reform the Process*. CRS Report RL34026 (Washington, DC: Library of Congress, Congressional Research Service. January 2, 2013), 4.

and validates the capabilities required to perform the specific mission, the gap in capabilities required to perform the mission, and the need to address the capability gap. Only when the ICD is validated will the proposed weapon system enter the next phase.⁸

PPBE

The second aspect of acquisitions is the budgeting process known as Planning, Programming, Budgeting, and Execution System (PPBE). This four-stage process develops the budget for all material capabilities and provides the DoD with the most effective mix of forces, equipment, manpower, and support attainable within fiscal constraints. The system is also designed to align the appropriate resources to prioritized capabilities based on an overarching strategy. This is done through balancing the requested warfighting capabilities with risk, affordability, and effectiveness.⁹

The first stage of the four stage process is planning, which analyzes the needs of the combatant commanders and publishes those findings to facilitate the programming of the proposed system. The second stage, programming, builds and clarifies the anticipated missions and objectives of the proposed system along with the projected budget requirements. Budgeting is the third stage but occurs simultaneously with programming. This step simply allocates monetary resources in a prioritized fashion. The final stage is execution and takes place during program and budget reviews. Execution simply measures and evaluates the programs against established performance metrics to justify grounds for elimination or continuation.¹⁰

DAS

⁸ Moshe Schwartz, *Defense Acquisitions: How DOD Acquires Weapon Systems and Recent Efforts to Reform the Process*. CRS Report RL34026 (Washington, DC: Library of Congress, Congressional Research Service. January 2, 2013), 4.

⁹ Department of Defense Directive 7045.14, *The Planning, Programming, and Budgeting System (PPBS)*. January 25, 2013, 2.

¹⁰ Moshe Schwartz, *Defense Acquisitions: How DOD Acquires Weapon Systems and Recent Efforts to Reform the Process*. CRS Report RL34026 (Washington, DC: Library of Congress, Congressional Research Service. January 2, 2013), 5.

The third and final aspect of acquisitions is the Defense Acquisition System (DAS), which is the management process by which the DoD buys and develops the material capabilities required to execute its mission. This system is further broken down into a milestone organization consisting of three stages, each requiring its own specific statutory and regulatory requirements. Each proposed weapon system is assigned to and managed by an acquisition program office through all three milestones. This office is run by a program manager supported by a team of engineers, contracting specialists, financial managers, test and evaluation personnel, and logisticians. Because there are hundreds of ongoing programs, there is a hierarchical structure in place beginning with the program managers. These managers are responsible to program executive officers, who report to Component Acquisition Executives, who ultimately answer to the Under Secretary of Defense for Acquisition, Technology, and Logistics.¹¹

Milestone A is mainly concerned with technology development, maturation, and testing. Competing companies will design and develop prototypes to showcase their technological solution and market their weapon system. Milestone A is considered complete when an affordable program is identified and the required technology and manufacturing process have proven competent and reliable.¹²

Milestone B initiates the engineering and manufacturing development of the specific technology. During this phase, multiple facets of technology and subsystems are fully integrated into a single system. This system will then enter developmental testing and evaluation. Tests and evaluations must meet the basic performance standards for the desired military capabilities, but also prove supportable through a manufacturing process. Only a fully integrated, proven, and supportable system will advance to the final milestone.¹³

¹¹ Moshe Schwartz, *Defense Acquisitions: How DOD Acquires Weapon Systems and Recent Efforts to Reform the Process*. CRS Report RL34026 (Washington, DC: Library of Congress, Congressional Research Service. January 2, 2013), 6.

¹² Moshe Schwartz, *Defense Acquisitions: How DOD Acquires Weapon Systems and Recent Efforts to Reform the Process*. CRS Report RL34026 (Washington, DC: Library of Congress, Congressional Research Service. January 2, 2013), 8.

¹³ Moshe Schwartz, *Defense Acquisitions: How DOD Acquires Weapon Systems and Recent Efforts to Reform the Process*. CRS Report RL34026 (Washington, DC: Library of Congress, Congressional Research Service. January 2, 2013), 9.

Milestone C initiates production and deployment. This phase authorizes a relatively small production of initial systems intended to be used as operational test and evaluation (OT&E) models. This low-rate production also serves as a building block approach for manufacturing, allowing for a better controlled quality product and increased efficiencies once in full production. Full-rate production occurs only after the successful completion of OT&E, demonstration of adequate production processes, and final approval from the Under Secretary of Defense.¹⁴

The myriad aspects, phases, and stages of military acquisition all incorporate and revolve around national strategic direction. The core strategic documents created by the nation's civilian and military leadership drive military procurement. The acquisition process involves tens of thousands of individuals making tens of thousands of decisions. This deliberately complicated and extraordinarily structured process ensures the capabilities being pursued by the DoD are in fact meeting the needs of national security. Hundreds of potential programs are compared against each other and either supported to fruition or eliminated based on priorities and available resources. The lengthy process contains many layers of validation and quality control to ensure the most efficient and effective capabilities are being generated. This system is inherently guided by checks and balances along the way which eliminates the alteration of a final product by any single individual.

The systematic process of military acquisition may occasionally come under fire for different reasons, but it is rarely criticized for ignoring the security needs of the United States. The thousands of decisions made throughout the journey act as a filter to ensure the national objectives remain the focus, waste and excess are eliminated, and ultimately, the military obtains the most affordable weapon systems needed to safeguard national security needs. However, the money to design, develop, produce, and field these capabilities is controlled by Congress in Committees and Subcommittees in both the House and the Senate. Through authorizing measures and the appropriations process, elected officials have the authority and power to alter the DoD programs in part or in total. These revisions can have a significant impact on the military force structure and its

¹⁴Moshe Schwartz, *Defense Acquisitions: How DOD Acquires Weapon Systems and Recent Efforts to Reform the Process*. CRS Report RL34026 (Washington, DC: Library of Congress, Congressional Research Service. January 2, 2013), 10.

associated capabilities and can, therefore, dramatically alter the strategic direction of the nation.



Chapter 3

The Role of Congress in the Acquisition Process

The American Republic will endure until the day Congress discovers that it can bribe the public with the public's money.

Alexis de Tocqueville

The United States Congress plays a significant role in the military acquisition process. To begin with, Congress creates the very laws the Department of Defense is required to follow when attempting to acquire material capabilities. It also has the authority to conduct investigations and is responsible for the oversight of all military programs. However, the most important and influential role given to Congress is, by far, budgetary approval.

Whereas the DoD has tens of thousands of individuals whose entire mission is dedicated to the procurement process, Congressional representatives and their personal staffs are minute in comparison. As of 2014, members of the House of Representatives are authorized no more than 18 permanent staff members whose salary is paid utilizing the Members' Representational Allowance (MRA). In certain cases, up to four additional employees may be hired on a temporary or part-time basis. This includes paid interns, shared employees, and employees on leave without pay.¹

The staff of a Senator is not limited by number, but by available dollars. Each Senator is given a Senators' Official Personnel and Office Expense Account (SOPOEA), which is different for every member as it is based on state population and the distance of his or her home state from Washington, DC.² For example, Senator Jeff Sessions from Alabama had 77 personnel listed as part of his staff from April through September of 2013. These staff members ranged from paid interns, law clerks, special counsels, press secretaries, caseworkers, staff and executive assistants, and policy advisors, to his chief

¹ Ida A. Brudnick, *Congressional Salaries and Allowances*, CRS Report RL30064 (Washington, DC: Library of Congress, Congressional Research Service, January 7, 2014), 4.

² Ida A. Brudnick, *Congressional Salaries and Allowances*, CRS Report RL30064 (Washington, DC: Library of Congress, Congressional Research Service, January 7, 2014), 7.

of staff. Over this six-month period, the combined salaries of his staff totaled \$1,119,824.³ Senator Dianne Feinstein from California has a comparable-sized staff with 80 paid members listed for the same time period but with salaries totaling \$2,183,268⁴, while Senator Max Baucus from Montana has only 57 paid employees on staff with combined salaries worth \$1,311,263.⁵

With personal staffs this small, at least relative to the number of DoD individuals involved in the procurement process, obtaining and processing information related to acquisitions becomes a significant problem facing elected officials. Arguably, this creates an information asymmetry and complicates the civil-military relationship. According to Peter Feaver, author of *Armed Servants*, “Certainly civilians can gain experience on a wide variety of defense policy issues, but civilians, by definition, leave combat to the military, and combat is the distinctive mark of military expertise. Like many other complex policy issues, questions about technical competence and specialized knowledge exacerbate the basic informational challenges facing civilian principles.”⁶ Feaver claims all principle-agent models involve information asymmetries, but in the case of the civil-military model, the information asymmetry favors the DoD as the military agent.

To eliminate the information asymmetry and aid Congressional representatives, lawmakers have created a web of federally funded support agencies to conduct independent, nonpartisan analysis, investigations, and research. These agencies comprise thousands of dedicated full-time employees committed to increasing the level of awareness of Congress and its staff members. In the end, for example, Congressman Mike Rogers (R-AL) has a dedicated personal staff of 18 members focused on his political agenda, but he and his staff are also aided by thousands of the most qualified experts from several different federal agencies in every known field to help inform his policy decisions.

One of the smaller, but more frequently used agencies, serving both parties in Washington, is the Congressional Budget Office (CBO). Congress created the CBO in 1974 to produce nonpartisan, objective, impartial analysis of budgetary and economic

³ http://www.legistorm.com/member/86/Sen_Jeff_Sessions/189.html (accessed 9 April 2014).

⁴ www.legistorm.com/member/42/Sen_Dianne_Feinstein.html (accessed 9 April 2014).

⁵ www.legistorm.com/member/5/Sen_Max_Baucus/189.html (accessed 9 April 2014).

⁶ Peter D. Feaver, *Armed Servants: Agency, Oversight, and Civil-Military Relations*. (Cambridge, MA: Harvard University Press, 2003), 70.

issues to support the Congressional budget process. According to its website, the CBO currently employs approximately 220 staff members with advanced degrees in economics, public policy, law, information technologies, and many other pertinent areas.⁷

The United States Government Accountability Office (GAO), commonly referred to as the “Congressional Watchdog,” is another nonpartisan agency that works for the legislative branch of the federal government. With over 3,300 employees, this agency is one of the largest support structures for politicians in Washington. The GAO is responsible for auditing federal agencies to ensure they are spending federal funds efficiently and effectively, conducting investigations of fraud or misuse, preparing progress reports on government programs, and producing general policy analyses.⁸

The third Congressional support agency is the Congressional Research Service (CRS). This agency consists of approximately 675 employees ranging from lawyers, economists, and reference librarians, to various social, physical, and natural scientists. In addition to responding to congressional requests for information, CRS offers research and analysis to Congress on all current and emerging issues related to national policy. As with the other two support agencies, the CRS is a nonpartisan agency committed to ensuring the most accurate information is available to elected officials to aid policy decisions.⁹

Even with the dedicated, independent support agencies at their disposal, politicians still rely mostly on the information provided by the Department of Defense, and the thousands of lobbyists who specialize in specific defense issues, argues David Sorenson, author of *The Process and Politics of Defense Acquisition*. This is not particularly concerning if one assumes that the acquisition process, although cumbersome and some argue inefficient, accurately identifies the required capabilities necessary for providing for the national defense.

According to Feaver’s principle-agent model, this would still place the information asymmetry in favor of the military agent. According to the model, the DoD

⁷ Congressional Budget Office website, www.cbo.gov/about/our-organization-and-people (accessed February 5, 2014).

⁸ U.S. Government Accountability Office website, www.gao.gov/about/index.html (accessed February 5, 2014).

⁹ Ida A. Brudnick, *The Congressional Research Service and the American Legislative Process*, CRS Report RL33471 (Washington, DC: Library of Congress, Congressional Research Service, April 12, 2011), 2.

could therefore shirk its responsibility to identify efficient and cost-effective capabilities required and procure non-pertinent capabilities. Since this information asymmetry still exists, Congress has created additional layers of oversight and control measures. Arguably, the largest source of congressional power is the power of the purse; so, consequently, Congress focuses its attention on budgetary issues. Therefore, a quick review of the Congressional budget process will help clarify an understanding of the military procurement process. This process is illustrated in figure 2.

The first step in the Congressional budget process begins after the President submits his budget, typically in January or February. The President's budget will include the recommendations made by the DoD through its budget process discussed in chapter two. According to law set forth in the Congressional Budget and Impoundment Control Act of 1974, Congress then reviews the President's budget proposal and will approve, disapprove, or modify the proposal through a process known as the budget resolution. However, before individual Congressmen can begin discussions about specific details of the budget and the programs it contains, the resolution must set the levels for total spending, revenues, and often - other budget-related legislation. To accomplish this, the budget committees in the House and Senate formulate the budget resolution by establishing the levels of budget authority both in total and by functional areas (such as Defense, Agriculture, and Transportation, to name only a few). The members of Congress then vote on this resolution by April 15 for approval. Unfortunately, as Americans have witnessed in recent years, the resolution is subject to numerous delays and rarely meets the required approval deadline.¹⁰ Once approved, appropriation committees in both the House and Senate will further divide the allocated amounts to functional areas under the jurisdiction of individual subcommittees. These subcommittees will analyze the detailed budget items relevant to their jurisdiction and make adjustments, as they deem necessary, staying inside the monetary budget allowed them by the appropriations committee.

¹⁰ *Fiscal Year 2006 Army Budget: An Analysis*. The Institute of Land Warfare Association of the United States Army. September 2005. Arlington, VA. 96.

A guide to the federal budget process

The president's budget request is the first step in the complex process of funding the federal government.

By Karen Yourish and Laura Stanton

1 On or before the first Monday in February, the president submits to Congress a detailed budget request for the next fiscal year, which begins Oct. 1.

2 Based on the president's proposal, the House and Senate budget committees propose budget resolutions that set targets for spending and tax revenue and identify any policies that will need to move through reconciliation. These are sent to the floor for a vote, and differences are resolved in conference.

3 The House and Senate appropriations committees divide the discretionary spending set forth in the budget resolution among each of their 12 subcommittees.

Each subcommittee conducts hearings on the programs under its jurisdiction and votes out a bill. The full committee marks up the bill and sends it to the floor. Both chambers pass their bills and iron out the differences in conference. The House and Senate vote again, and the conference report is sent to the president for his signature or veto.

All of the appropriations bills are supposed to be signed by the president by Oct. 1, but this rarely happens. To avoid a government shutdown, a series of continuing resolutions are approved to continue funding the agencies at their current levels.

Reconciliation occurs if Congress needs to legislate policy changes in mandatory spending or tax laws to meet the annual targets laid out in the budget resolution. The resolution requires the relevant authorizing committees to come up with a plan and report back to the budget committees. The budget committees combine all of the authorizing plans into an omnibus package and send it to the floor for a vote. The House and Senate work out differences in conference, vote again and send the final version to the president for signature or veto.

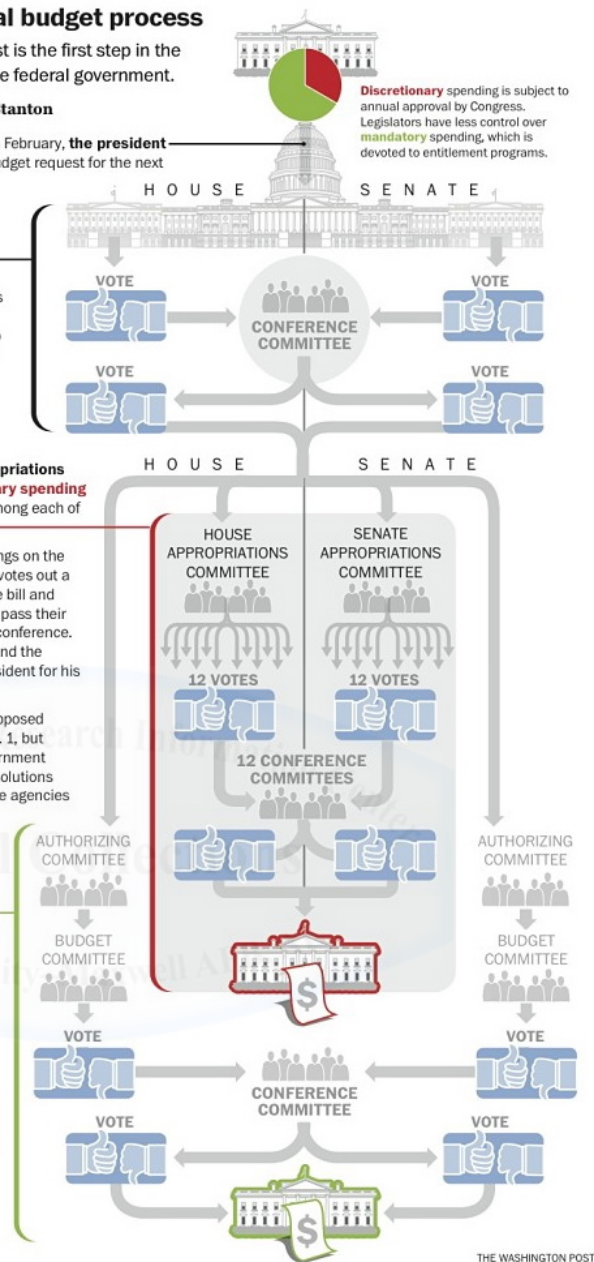


Figure 2: A Guide to the Federal Budget Process

Source: <http://www.washingtonpost.com/wp-srv/special/politics/federal-budget-process/>

To better understand the intricacies of the Congressional budget process, one must understand the congressional committee system that provides the functional foundation for Congress. Lawmakers have created this committee system to allow for a more focused approach to each specific function of the federal government. These functions are broken down into 21 separate committees in the House and 21 committees in the

Senate that range from Agriculture, to Finance, to Science, Space, and Technology, and everything in between. However, with regard to military procurement, there are four committees, two in the House and two in the Senate, that have a significant amount of influence over the DoD budget and therefore the strategic capabilities of the military. These influential and tremendously powerful committees are the House and Senate Armed Services Committees and Committees on Appropriations.

The House Committee on Armed Services is responsible for all matters relevant to the national defense. According to House Rules,

The Committee retains jurisdiction of all subjects listed in clause 1(c) of clause 3(b) of rule X of the Rules of the House of Representatives and retains exclusive jurisdiction for: defense policy generally, ongoing military operations, the organization and reform of the Department of Defense and Department of Energy, counter-drug programs, security and humanitarian assistance (except special operations-related activities) of the Department of Defense, acquisition and industrial base policy, technology transfer and export controls, joint interoperability, the Cooperative Threat Reduction program, Department of Energy nonproliferation programs, detainee affairs and policy, force protection policy and inter-agency reform as it pertains to the Department of Defense and the nuclear weapons programs of the Department of Energy.¹¹

This committee is further divided into subcommittees, which hold the original hearings for their specialized portion of the overall defense budget. These committees are organized as follows:

- Tactical Air and Land Forces
- Military Personnel
- Oversight & Investigations
- Readiness
- Seapower & Projection Forces
- Strategic Forces
- Intelligence, Emerging Threats and Capabilities

The hearings that take place for each subcommittee typically include testimonies from military officials, state department representatives, or other service leaders who outline the overall budget request. Generally, each committee member's staff prepares a

¹¹ House of Representatives of the United States, *Rules of the Committee on Armed Services*. 113th Congress 2013-2014, 2. Printed for the use of the Committee on Armed Services. U.S. Government Printing Office, Washington, 2013.

list of questions for its representative based on a preliminary review of the budget request. The subcommittee then makes appropriate adjustments it deems necessary to its portion of the budget. Following a subcommittee decision on its jurisdictional portion of the budget, the bill is then submitted to the full House Committee on Armed Services. The entire committee will then vote on the final proposed budget amounts. Once through the committee, the entire House of Representatives will vote on the proposal submitted by the Armed Services committee.¹²

The Senate Committee on Armed Services plays a very similar role in the Senate as the House Committee on Armed Services plays in the House. It holds hearings, calls witnesses, and deliberates on the defense budget through the subcommittee process. However, one difference is the Senate only has six subcommittees, differing slightly from the House, which are organized accordingly:

- Airland
- Emerging Threats and Capabilities
- Personnel
- Readiness and Management Support
- Seapower
- Strategic Forces

Having identical procedures to the House, the Senate subcommittees will utilize expert testimony from summoned DoD personnel, economic experts, and other pertinent witnesses to inform their decisions. After the subcommittee members have made additions, deletions, or modifications, the proposals are forwarded to the full Senate Armed Services Committee where members will have a chance to add amendments or debate specific programs before another vote for approval. After the full Armed Services Committee accepts the final proposal, the bill is then sent to the Senate floor for a full vote.¹³

The House Committee on Appropriations is responsible for the final authority to spend federal dollars. This authority is granted to the committee from the U.S.

¹² David S. Sorenson, *The Process and Politics of Defense Acquisition* (Westport, CT: Praeger Security International, 2009), 35-37.

¹³ David S. Sorenson, *The Process and Politics of Defense Acquisition. The Process and Politics of Defense Acquisition* (Westport, CT: Praeger Security International, 2009), 38.

Constitution, Article I, Section 9, which states, “No Money shall be drawn from the Treasury, but in Consequence of Appropriations made by Law; and a regular Statement and Account of the Receipts and Expenditures of all public Money shall be published from time to time.”¹⁴ Considered one of the exclusive committees in the House, meaning all but a select few of its members sit on no other committees, Appropriations Committee seats are highly contested and are often given out as rewards for service and loyalty.

Similar to the House Committee on Armed Services, the Appropriations Committee contains subcommittees that specialize in different jurisdictions. The most influential subcommittee affecting the procurement process is the subcommittee on Defense. This subcommittee will hold hearings on Defense that usually include the same witnesses brought before the Armed Services Committee attempting to justify their proposed programs. After the subcommittee has made its add-ons, deductions, and modifications to the proposal they deemed necessary, the final product is sent to the full Appropriations Committee for a vote. Once again, the proposal will undergo changes as amendments are added and general debate alters specific pieces of legislation. Once a final vote passes the Appropriations Committee, the bill is forwarded to the full House for a vote of approval.¹⁵

The Senate Committee on Appropriations has an identical process, and conveniently, also has the same twelve subcommittees as the House. After subcommittees conduct jurisdictional hearings involving expert witness testimony, additions, deletions, and adjustments are made to the proposal. After passing a vote in the subcommittee, the proposal is forwarded to the full Appropriations Committee where it will undergo another round of modifications before being approved and sent to the Senate floor for a full vote.

The House and Senate utilize this parallel process in their respective chambers, but each may have different visions, agendas, and, most often, different political affiliations; therefore, the outcomes of each chamber can be vastly different. If this is the case, a Conference Committee will be established from select members of both the House and Senate to resolve differences between the two proposals. After reaching a resolution

¹⁴ U.S. Constitution, Article I, Section 9.

¹⁵ David S. Sorenson, *The Process and Politics of Defense Acquisition* (Westport, CT: Praeger Security International, 2009), 37.

in the Conference Committee, both the House and Senate must ratify the final product before it can be sent to the President for his final signature or veto. If this process is not finalized before the beginning of the fiscal year starting on 1 October, continuing resolutions need to be passed by both the House and Senate to fund the federal government at the previous year's fiscal levels until a final solution can be achieved. Regrettably, this has become common practice in the last few decades and has had significant negative impacts upon the nation. Although the procurement process marches on under a continuing resolution, the ability to predict future available funds and determine the proper allocation of those funds to specific programs becomes almost impossible. Arguably, the larger impacts affect the near-term economy as investor confidence is refuted by uncertainty, but this issue is outside the scope of this paper, although its effects upon the DoD definitely demand further research.¹⁶

As mentioned in the second chapter, at first glance it appears that both uniformed personnel and congressional leaders are willing to assert parochial or local concerns over national security in defense acquisitions. Focusing our attention now on the five-sided building in Washington, it would appear that military strategy and the procurement process have rid themselves of most service parochialism. This is not to say that episodes of the services supporting small amounts of wasteful spending on projects that could be viewed as parochial do not exist, only that the vetting process for military programs is deep and laborious. Military programs must first survive the arduous procurement process; some would say a feat within itself. The process is designed to eliminate service parochialism by approaching acquisitions through a joint system, JCIDS. After the DoD approves and requests funding for the program, it then must survive the executive branch's surgical budget scalpel. Additionally, the four Congressional committees have the authority to reduce or defund any program they deem as parochial and not in the best interests of the nation. Hence, the military procurement process stands a reasonable chance to adequately identify the required capabilities needed to provide for the national defense as assigned to the DoD through strategic guidance from senior leadership, and usually does.

¹⁶ David S. Sorenson, *The Process and Politics of Defense Acquisition* (Westport, CT: Praeger Security International, 2009), 38.

The second phase of appropriating the necessary funds to execute the required programs is then left in the hands of Congress, or more accurately stated, in their purse. After reviewing the Congressional Committee process, this paper has identified multiple layers of committees and subcommittees with the ability to alter the recommendations from the DoD and the President. The motives and, more importantly, the long-term impact of these alterations require analysis to ensure they provide the required capabilities for the military to execute its assigned missions.

To avoid any potential confusion, an obvious, yet critically important assumption must be made abundantly clear. To assess long-term strategic capabilities accurately, one must assume the military procurement process is in fact designed to procure military capabilities to provide for the national defense. If, from the analysis, one can logically conclude that Congressional adjustments are being made by informed representatives, dedicated to national defense, then the system is functioning as designed. If, however, the alterations are diminishing military capabilities at the expense of some other variable, then the system is flawed. As chapter four will illuminate, many political analysts argue this is currently the case, and some of those analysts identify the most influential variable as local politics motivated by economic incentives.

Chapter 4

The Local Nature of Politics

The greatest obstacle to modernizing our military forces may be the Congress of the United States.

Senator John McCain

Congressmen who willfully take actions during wartime that damage morale and undermine the military are saboteurs and should be arrested, exiled, or hanged.

Abraham Lincoln

Helmuth Von Moltke famously wrote that no plan survives first contact with the enemy, and, surprisingly, the same holds true for the procurement process and Congressional oversight.¹ No DoD budget proposal remains intact after extensive review by the layers of committees and subcommittees in Congress. Alterations to the budget proposals are not inherently bad as they are proof of the democratic process in action. When used properly, they can be an excellent oversight tool used to increase efficiency and effectiveness and ensure the military material capabilities are prioritized properly in support of the greater national defense. However, if abused, a potential exists for the budgetary system to morph into a government jobs program that may have very little to do with national security interests or national defense.

Because the DoD budget proposal, including procurement programs, has been carefully constructed utilizing national strategic guidance and prioritized by senior military leadership prior to reaching Congress, legislators should justify their alterations to the public. Most of the budget is at the unclassified level, and with today's technology, live television airs most of the debates, interviews, and committee meetings for public consumption. Politicians draft creative ways to defend their adjustments to the submitted proposals, but there are three recurring themes used to justify the largest of the modifications.

¹ Helmuth von Moltke, *On the Art of War; Selected Writings*, ed. by Daniel J. Hughes (New York, NY: Presidio Press, 1993), 45.

The first explanation used by committee members is that adjustments are necessary to expand future markets for the good of the defense industry. This typically occurs in the form of no-bid contracts awarded to small businesses, more commonly known as “earmarks.” The second explanation used to alter procurement programs is that the adjustments are necessary for national security. This normally occurs when Congressmen attempt to justify program cancellations or additions. Finally, the third common, and now most often used explanation, is that adjustments are necessary to maintain a critical industrial base. This argument focuses on the critical and unique labor skills required to maintain production of a specific weapons platform.

The case studies that follow will attempt to show that the three explanations usually given to alter military programs very seldom have anything to do with expanding the defense markets, national security, or the industrial base. The recurring theme is constituent jobs in a representative’s district. In most cases, legislators elect to support local jobs in their district over the greater good of procuring critical military capabilities for national defense.

Earmarks: Growing the Defense Market

The no-bid contract is a fast, effortless, and politically unchallenged way to add jobs to a district. These no-bid contracts are most often given to third-tier contractors, which are the smallest corporations involved in the procurement process, qualifying as “small businesses.” This classification is given to small companies that do not have the capital to compete for contracts with larger corporations, and hence the federal government has removed the barriers of competition in order to open the market to new companies that may potentially grow into larger suppliers. However, because there is no competition, and no selection process, these no-bid contracts, more often than not, reward affiliation between small contractors and political figures.²

An example of these local politics at play surfaced in a Wall Street Journal article from 2008, accusing Texas Democratic Representative Silvestre Reyes of abusing the no-

² David S. Sorenson, *The Process and Politics of Defense Acquisition* (Westport, CT: Praeger Security International, 2009), 72.

bid contracts. Representative Reyes had an influential seat on the House Armed Services Committee that gave him unfettered access to the DoD budget and programs and the ability to make significant adjustments to those programs. According to the article, and confirmed through several other sources, Representative Reyes received \$24,000 for his re-election campaign from a small-business defense contractor named Digital Fusion, Inc. According to its webpage, Digital Fusion is “A wholly-owned subsidiary of Kratos Defense & Security Solutions Inc. Founded in 1995, Digital Fusion provides innovative technical solutions in the areas of advanced technology research and development; engineering services; and integration, test, training and analysis support services to a wide variety of government and commercial customers.”³

Receiving re-election campaign funds from small businesses is not out of the ordinary in itself. However, just five weeks earlier, Congress had approved the \$461 billion defense-spending bill, which included a \$2.6 million provision inserted by Representative Reyes awarded to Digital Fusion, Inc. This was in the form of a no-bid engineering contract to Digital Fusion’s Texas branch located near Ft. Bliss, inside the representative’s El Paso district. From a skeptic’s point of view, the campaign contribution seemed to be a payment for awarding the lucrative contract. As expected, both the Congressman and the corporation claim there is no connection between the campaign contributions and the awarding of the contract. They further clarify that there was nothing illegal about their actions, and this type of activity is commonplace among politicians and defense contractors in today’s military industrial complex.⁴

The same Wall Street Journal article accuses Digital Fusion of illegally reimbursing its company executives who donated to Representative Reyes’s campaign fund by issuing them larger-than-expected year-end bonuses. These bonuses presumably matched or exceeded their donations to the Congressman’s fund. A lawsuit was filed against the company by its former ethics officer, Elena Crosby, who was fired in 2006 for

³ <http://kratosdrss.com/page/digitalfusion> (accessed 25 February 2014).

⁴ John R. Wilke, “Defense Firm Forged Close Ties to Congress to Get No-bid Contracts,” *Wall Street Journal*, 14 April 2008, 4.

raising concerns about executives receiving reimbursement for contributions, contract irregularities, and other ethical issues.⁵

This controversial \$2.6 million earmark to Digital Fusion was only one in a series of no-bid contracts awarded to the company through actions by Congressman Reyes over a four-year span. It also received \$1.95 million in 2007, \$2.6 million in 2008, \$2.4 million in 2009, and \$1.0 million in 2010. The money allocated in all four years comprised add-ons not originally included in the defense budget. Representative Reyes single-handedly added a total of \$7.95 million to the budget for a small company that conducts business in his district and happens to make large contributions to his campaign fund.⁶

Upon further investigation, Digital Fusion is actually an Alabama-based company with most of its business focused on its Huntsville operations. From 2004 to 2008, Digital Fusion contributed \$150,000 to four lawmakers. One of those lawmakers was Representative Reyes with ties to Digital Fusion's local affiliate in his El Paso district, as previously mentioned. The other three were Alabama representatives who also had large influence over the awarding of no-bid contracts to Digital Fusion.

The first of these was Senator Richard Shelby, who currently presides as the senior Republican member of the Senate Appropriations Committee, but has been on the committee since he changed parties in 1994. As a member of the Appropriations Committee, he had the ability to add earmarks for corporations within his district, including Digital Fusion, which claims to employ 300 workers. According to a USA Today article, Senator Shelby has showered his home state with federal dollars for two decades, mostly in defense and aerospace industries.⁷

The second Alabama representative that received campaign contributions was Congressman Terry Everett, representing the 2nd district of Alabama, home to both Fort Rucker and Maxwell Air Force Base. Representative Everett also was on the House

⁵ John R. Wilke, "Defense Firm Forged Close Ties to Congress to Get No-bid Contracts," *Wall Street Journal*, 14 April 2008, 4.

⁶ Tom Barry, "Reyes the Rainmaker: Electronics and earmarks on the border," *Newspaper Tree*, 17 September 2009, <http://archive.newspapertree.com/politics/4235-reyes-the-rainmaker-contributions-and-contracts> (accessed 25 February 2014).

⁷ Mary Orndorff Troyan Gannett, "Shelby takes top GOP seat on Appropriations," *USA Today*, 7 January 2013, <http://www.usatoday.com/story/news/politics/2013/01/07/richard-shelby-appropriations-committee/1815081/> (accessed 25 Feb 2014).

Armed Services Committee for four years, two as chairman of the subcommittee on Strategic Forces. Not only was Digital Fusion located within his state, it was a subsidiary of Kratos Defense & Security Solutions Inc., which focuses on defense and rocket support services. In 2005, the Subcommittee on Strategic Forces was newly created in order to place nuclear weapons, intelligence, satellites, and missile defense systems under one subcommittee with an authorizing budget of \$50 billion. This was the subcommittee from which Kratos Defense and Digital Fusion would receive government contracts. The arrangement raises questions about the company's contribution to Representative Everett's campaign chest.⁸

The third Alabama representative to receive campaign contributions from Digital Fusion was Robert Cramer, who represented the 5th congressional district. The 5th congressional district is in northern Alabama and encompasses Redstone Arsenal, the home to the United States Army Aviation and Missile Command (AMCOM) and NASA's Marshall Space Flight Center. This district also happens to be where Digital Fusion's headquarters is located. Not surprisingly, Representative Cramer was also a member of the House Armed Services Committee and showed keen interest in space and missile defense programs for his district.⁹

To be absolutely clear, these four elected officials have not broken any laws, have not exceeded any ethical boundaries, nor violated the trust of the American citizens in any way. They are simply operating within the confines of a system created by their predecessors in Washington. This system favors the local businesses and their campaign contributions, which legally donated, seem to have considerable influence on elected officials. However, each individual earmark whittles away at the larger strategy for national defense. When viewed collectively, the total dollar amount of earmarks is substantial, while their contribution to national defense is often debatable.

Utilizing the award-winning website opensecrets.org, run by the Center for Responsive Politics, a research group that tracks money in American politics and its effects on elections and public policy, a concerned citizen can view campaign contributions, earmarks, voting history, and many other facets of American politics.

⁸ www.wikipedia.org/wiki/Terry_Everett (accessed 25 February 2014).

⁹ http://wikipedia.org/wiki/Robert_E._Cramer (accessed 25 February 2014).

According to Open Secrets, Representative Reyes co-sponsored 21 earmarks in 2009, totaling \$34 million. Of these, 13 were independently sponsored and totaled \$22 million. Of the \$34 million, only \$5.2 million was allocated for projects outside of his district. In total, 85% of all earmarks sponsored by Congressman Reyes for 2009 went to his district.¹⁰ The year prior, he co-sponsored 25 earmarks totaling \$24 million, and of this amount, only \$2.5 million was dedicated for projects that did not affect his district. In total, the Congressman dedicated 90% of his earmarks for contracts that involved his district in 2008.¹¹

These figures in no way illustrate malfeasance on the part of Congressman Reyes. Oddly enough, over the course of these two years, even with 90% and 85% of his sponsored earmarks dedicated to his district totaling \$58 million, he did not stand out among other representatives. In fact in 2008, he ranked 188th out of 435 representatives for total dollar amount earmarked. In 2009, there was very little change to his standing as he ranked 143rd out of 435 representatives in total earmark dollars.¹² Most representatives spend time finding earmarks to benefit their districts, and a quick analysis of each representative would show Congressman Reyes's 85% and 90% fall along the average. Earmarks are simply an easy way to create a handful of jobs in one's district by dispersing federal funds that do not require competitive bids and have little oversight, if any.

Although this example also involves issues revolving around campaign financing and special-interest groups or lobbyists, these are outside the scope of this paper. However, these two issues often exacerbate the local nature of politics in the procurement process by creating avenues for representatives to acquire funds and secure jobs in their districts, not for national security reasons, but for political favors and reimbursements. Additional research on the strategic repercussions of current campaign financing practices is warranted.

¹⁰ <http://opensecrets.org/politicians/earmarks.php?fy=FY09&cid=N00006067&cycle=2010> (accessed 25 February 2014).

¹¹ <http://opensecrets.org/politicians/earmarks.php?fy=FY08&cid=N00006067&cycle=2008> (accessed 25 February 2014).

¹² <http://opensecrets.org/politicians/earmarks.php?fy=FY09&cid=N00006067&cycle=2010>, <http://opensecrets.org/politicians/earmarks.php?fy=FY08&cid=N00006067&cycle=2008>. (accessed 25 February 2014).

In the case of Digital Fusion and Representative Reyes, constituents' jobs and the local nature of politics play a larger role than the greater national defense. Congressman Reyes has deliberately or inadvertently decided to place his responsibilities as a local representative to the people of El Paso ahead of his responsibilities as a member of the Armed Services Committee to the citizens of the United States. Unbeknownst to Representative Reyes, he proves the point himself better than any statistical data could. When he is questioned on his use of earmarks, it becomes evident they are a source of pride for him. He willingly points out that they are not simply a matter of defense-related issues, they also support, "many other important projects for the El Paso community....Each year, I work closely with Fort Bliss leadership, REDCO, and others to determine which appropriations projects are the highest priority. All of these defense appropriations requests are carefully vetted beforehand to ensure they benefit Fort Bliss, other regional military installations, and El Paso."¹³

If one dissects the representative's statement, his true intentions slowly surface. First, there is no mention of national interests or national security benefits obtained from his additions to the budget. As mentioned, his role as a local representative takes precedence over his national responsibilities. Secondly, if in fact Congressman Reyes is deliberating with the Fort Bliss leadership to determine their priority projects, he is in essence undermining the military procurement process discussed in chapter two. By adjusting the DoD proposal submitted by the President, Reyes is altering the national strategic priorities in favor of the priorities of a local military installation. The Fort Bliss leadership may have a role to play in the procurement process, but it certainly should not trump what senior military decision makers and the DoD at large have determined is appropriate for the installation. Thirdly, REDCO is an economic development corporation that provides consultation to businesses and industries relocating or expanding operations in the El Paso region.¹⁴ If Congressman Reyes is in negotiations with REDCO, it is for local economic reasons only, as REDCO is not in the strategic

¹³ Tom Barry, "Reyes the Rainmaker: Electronics and earmarks on the border," *Newspaper Tree*, 17 September 2009, <http://archive.newspapertree.com/politics/4235-reyes-the-rainmaker-contributions-and-contracts> (accessed 25 February 2014).

¹⁴ <http://Vimeo.com/redco> (accessed 25 February 2014).

defense industry. Finally, as the congressional representative states, his earmarks must benefit the city of El Paso.

This case study presents an example of the average Congressional representative, who does not abuse the earmark system any more than the next elected official. His redistribution of federal dollars to his district is not out of the ordinary, and his attentive focus on his region's economy is commendable. Before being defeated by his primary challenger in 2012, Congressman Reyes served for 16 years and was reelected seven times. It would seem his constituents approved of his ability to funnel federal dollars and, more importantly, the jobs they bring with it.

The heart of the problem is that Representative Reyes has been asked to execute two very different tasks at two very different levels. First, he was elected by the citizens of El Paso, Texas to represent them and their interests. He did so by using his political influence to draft, alter, or eliminate policies to better the lives of his constituents at the local, city level. On the other hand, he was also a member of the Armed Services Committee, which is responsible for general national defense policies, military operations, DoD organization, military acquisition and industrial-base continuity. In this second obligation, he was responsible for the approval of billions of dollars towards defense at the national level. In recent years, it has become impossible for elected officials to keep their local obligations and federal responsibilities separate. As previously mentioned, Congressman Reyes was not violating any laws, symbolizes the average representative, and is simply utilizing the current, accepted system. Unfortunately, the current system favors local economic interests over national military strategic capabilities. In essence, the current military procurement system has, at times, become an economic stimulus program with a decidedly local flavor.

Some critics will argue that companies like Digital Fusion will no longer have preferential treatment from local politicians because of the new earmark moratorium. When the number of earmarks hit 15,000 in 2005 and involved several scandals, the public was calling for changes, and Congress finally began to consider reforming the process. Earmark reform began in earnest in 2007 with the creation of new transparency rules requiring the names of lawmakers sponsoring the earmark to be included with the

legislation.¹⁵ Over the course of the next four years, additional reforms were made, to include the attachment of certification letters accompanying earmarks, but only slight reductions in earmarks occurred. According to the nonpartisan group, Taxpayers for Common Sense, Congress approved 9,499 earmarked projects in 2010 worth \$15.9 billion.¹⁶ The reforms had increased transparency, but not eliminated the wasteful spending. The high-water mark for earmark reform would come in 2011, with the earmark moratorium in both the House and the Senate. This eventual ground-breaking piece of legislation was started by the Republicans when they took control of the House of Representatives in 2010. Once in control of the House, Republican leadership imposed an earmark moratorium, essentially banning the use of earmarks from all legislation in the House. Senate Republicans, led by Senator Mitch McConnell, arguably one of the most prolific beneficiaries of the earmark system, amassing almost \$1 billion in earmarks in three years on the Appropriations Committee, followed suit and agreed to a party moratorium, as Democrats still controlled the Senate.¹⁷

Senate Democrats quickly followed suit, and on February 1, 2011, Senate Appropriations Committee Chairman Daniel K. Inouye (D-HI) announced that the Senate Appropriations Committee was implementing a two-year earmark moratorium. This seemed to come after some amount of pressure from Republicans in the House, but surprisingly significant Presidential pressure as well. The President, in his State of the Union Address, challenged lawmakers to eliminate earmarks. “And because the American people deserve to know that special interests aren’t larding up legislation with pet projects, both parties in Congress should know this: if a bill comes to my desk with earmarks inside, I will veto it. I will veto it.”¹⁸ One week after the State of the Union Address, Senator Inouye reversed course and banned earmarks, declaring, “The President has stated unequivocally that he will veto any legislation containing earmarks, and the

¹⁵ “Earmark Data,” *Taxpayers for Common Sense*, 7 November 2012, <http://taxpayer.net/library/article/earmark-data> (accessed 28 February 2014).

¹⁶ Devin Dwyer and Matthew Jaffe, “Senate Republicans Ban Earmarks; Will Democrats Follow?” *abcnews.com*, 16 November 2010, <http://abcnews.go.com/Politics/earmark-moratorium-republicans-poised-ban-pork-barrel-spending/story?id=12155964&page=2> (accessed 28 February 2014).

¹⁷ Shailagh Murray, “In a Sudden reversal, GOP Leader McConnell will back ban on Earmarks,” *Washington Post*, 16 November 2010, <http://washingtonpost.com/wp-dyn/content/article/2010/11/15/AR2010111504511.html> (accessed 28 February 2014).

¹⁸ President Barack Obama, “2011 State of the Union Address” 25 January 2011.

House will not pass any bills that contain them. Given the reality before us, it makes no sense to accept earmark requests that have no chance of being enacted into law.”¹⁹

With the full support of the both the legislative and executive branches of government in favor of eliminating earmarks, reasonable and responsible progress seemed inevitable. This earmark ban could potentially be the tool Congress needed to help them divorce their local loyalties from their national responsibilities without constituent backlash. However, many nonprofit watchdog groups have shed light on what seems to have been nothing more than rhetoric and a reversal of the transparency from the previous years.

According to a report from the Congressional Research Service brought to light by a USA Today article, even as late as 2010, House Republicans were still passing legislation with earmarks. Although some improvements were made to eliminate the least popular spending, hundreds of DoD projects were still being funded by billions of dollars of pork-barrel politics.²⁰ By the end of November 2011, Citizens Against Government Waste (CAGW) had scrutinized 15 appropriations bills and found 11 of the bills to contain earmarks. Congress claims these bills were free of earmarks, but that assessment seems based on the fact there are no uses of the word “earmarks” in the bill, and there are no representatives attached to “earmarks” as sponsors. This is in line with the current moratorium championed by both parties.

However, projects that are requested by only one chamber of Congress, not specifically authorized, not competitively awarded, not requested by the president’s budget or exceeding the requested budget, not been subject to Congressional hearings in the subcommittee process, or serve only a local or special interest group, qualify as earmarks. If these stated principles define earmarks, then the 11 bills did in fact contain earmarks that totaled \$9.5 billion spread over 248 projects. Not surprisingly, about half of the “earmarks” found in the DoD budget bill, 72 worth \$3.9 billion, came from the House, while the Senate added 49, which totaled \$2.9 billion.

¹⁹ Senate Committee on Appropriations, *press release*, 1 February 2011.

²⁰ Gregory Korte, “Half of ‘Earmark’ spending untouched in GOP bills,” *USA Today*, 24 March 2011, http://usatoday30.usatoday.com/news/washington/2011-03-24-1Aearmarks24_ST_N.htm (accessed 12 April 2014).

According to CAGW columnist Sean Kennedy, members of Congress have now reached the nadir of earmark information transparency. In the year 2014, earmarks still exist, but Congressmen no longer attach their names to them, and projects are no longer contained in a separate location apart from the text of the bill. In the transparent years, tables were included with appropriation bills that clearly illustrated earmarks, what they were for, who sponsored them, and the districts they benefited. Now the bills must be read line-by-line to identify the projects added by legislators in the deliberation process that were not requested by the administration.²¹ Technically no longer called earmarks, these additions no longer require Congress to disclose the details of their origin. In essence, the earmark moratorium has not eliminated the earmark; it simply gave politicians an ability to make the process more convoluted and less accountable. According to the CAGW website, “The supposed lack of earmarks resulted in a completely opaque process. Since earmarks were deemed to be non-existent, there were no names of legislators, no information on where and why the money will be spent, and no list or chart of earmarks in the appropriations bills or reports.”²² If money is still being funneled to representative’s districts through earmarks, but the transparency has been eliminated, one could conclude the moratorium is not only ineffective, but also counterproductive.

Another tactic legislators are using to funnel federal money to their districts is through special slush funds. These special funds are buried in spending and authorization bills that are not labelled as earmarks. In 2011, the House Armed Services committee created a special fund within the defense authorization bill worth \$1 billion. This fund allowed committee members to add amendments to the bill that would direct money to their districts. According to lawmakers, these were not earmarks, because recipients would have to compete for the federal dollars. However, a report by the staff of Democratic Senator Claire McCaskill of Missouri found that 115 of the 225 amendments were earmarks from previous years. Several of the amendments were entered by incoming freshman representatives who had even campaigned against the use of

²¹ Sean Kennedy, “Earmark Moratorium: Earmarks Live on, Transparency Does Not.” *Citizens Against Government Waste*, 27 November 2011, <http://Cagw.org/media/wastewatcher/earmark-moratorium-earmarks-liveltransparency-does-not> (accessed 28 February 2014).

²² Cagw.org/reports/pig-book/2012/ (accessed 28 February 2014).

earmarks. Thankfully, a public outcry ensued, and the bill was stripped of the amendments, but it serves as an example of how politicians will continually find ways to funnel money to their districts at the expense of national interests.²³

The earmark no-bid contract still exists today, even in the framework of a supposed earmark moratorium. Unfortunately, the earmark incentivizes legislators to funnel federal dollars to their districts and states at the expense of national security interests and the greater national defense. David Sorenson, author of *The Process and Politics of Defense Acquisitions*, summarizes this phenomenon in two concepts. First the ability to generate short-term tangible benefits from acquisitions weighs more heavily than the relatively intangible long-term benefits. Secondly, domestic politics are more influential than international politics in influencing outcomes.²⁴ This will remain the case until legislators are no longer required to choose between their local loyalties and their federal responsibilities. Americans must understand that this process steals billions of dollars from national strategic defensive capabilities and funnels them piecemeal to hundreds of districts throughout the country with no coherent plan for the greater national good.

Defending the Nation with the M1A1

A daily scene that plays itself out across millions of American television sets finds an elected official discussing the finer points of national defense. Quite often, the context of those interviews and debates is how the representative has adjusted her committee's portion of the budget or military programs to account for some aspect of the national defense that was lacking. However, when Congress authorizes services and programs that individual service branches have not requested and do not need, the long-term strategic capabilities of the military are adversely affected. Although small adjustments to these programs may sometimes reveal themselves as no-bid contracts or earmarks in the budget, the forced buy of major weapon systems has a dramatically more

²³ Ron Nixon, "Congress Appears to Be Trying to Get Around Earmark Ban," *The New York Times*, 5 February 2012, http://www.nytimes.com/2012/02/06/us/politics/congress-appears-to-be-trying-to-get-around-earmark-ban.html?_r=0 (accessed 12 April 2014).

²⁴ David S. Sorenson, *The Process and Politics of Defense Acquisition* (Westport, CT: Praeger Security International, 2009), 88.

detrimental effect. Earmarks may expand programs and add additional dollars, but adding entire programs and capabilities that services did not want significantly upsets planned force structure and usually comes at the expense of significant cuts to other major programs.

In the 2007 budget, Congress added billions of dollars for a large number of these unwanted programs, but because the total dollar amount allocated to the DoD is fixed, Congress also had to determine what requested programs would not be funded. Against Air Force recommendations, funds for three additional C-17 aircraft were added to the budget worth \$785 million. To preserve 5,500 jobs and the last fixed-wing production line in southern California, the Congressional delegation from California leveraged enough support to insert funding for the three additional airplanes into the budget, even though the Air Force said it did not need them. In the same year, the Navy was forced to accept an additional LPD-17 amphibious ship and a T-AKE cargo ship worth \$456 million.²⁵

To pay for these additional job-producing material additions, Congress cut future programs for the services. The Army took a 25 percent cut on their Future Combat System (FCS). At the time, the FCS was the Army's principal modernization program and intended to equip brigades with networked manned and unmanned vehicles, promising a more flexible battlefield capability. This program promised to transform the Army of today into the Army of the future. Continued cuts over the following years would eventually lead to the program's cancellation. The Navy's Littoral Combat Ship program received a 25 percent cut as well, even though the sea service viewed one of its most critical missions as having the ability to access the littorals. This naval strategy is even more important in today's environment and encompasses a large portion of the National Military Strategy each year, manifesting itself in the emerging security environments and changing demographics of the world.²⁶ The Air Force received significant cuts to its airborne laser program, which began a slow reduction over the next

²⁵ David S. Sorenson, *The Process and Politics of Defense Acquisition* (Westport, CT: Praeger Security International, 2009), 112.

²⁶ The National Military Strategy of the United States of America. 8 February 2011.

several years and ultimately limited the program to a single prototype.²⁷ Eventually in 2012, the sole prototype, after proving that it could track and destroy airborne missiles, was sent to the boneyard in Tucson, Arizona for retirement.²⁸ Additionally, funds for the Reliable Replacement Warhead were significantly cut, marking the beginning to that program's eventual cancellation in 2009. This program was designed to replace old, decaying explosive warheads with more reliable, long-lasting, and sustainable warheads.²⁹

The future programs were not cut because of a lack of requirements, technology, progress, or need, but because these programs promised only a potential for future jobs while existing programs, although no longer required by the services, provided current jobs. Therefore, Congress traded potential future jobs and future capabilities for the certainty of current jobs and existing capabilities. Although this phenomenon replays itself in the budget battles every year, the recent battle between Congress and the Army over M1 Abram tank production is an excellent example that illustrates a Congress that is willing to erode future capabilities for current jobs under the auspice of national defense.

There is little chance the United States Army, in its quest to project strategic land power, intends to strike the tank from its list of capabilities. In fact, Army officials have repeatedly said that there are plans in place to ensure a fourth generation Abrams tank is in service until the year 2050.³⁰ However, conventional wisdom regarding the required number of tanks is shifting, as the current operating environment changes and adjustments are made for potential future battlefields.

Used as a strategic deterrent in Eastern Europe, the Abrams tank entered service in 1980 during the Cold War. The Army was relying on its main battle tank as the first line of defense to defend allied nations and their interests over large tracts of land

²⁷ Dominic Gates, "Boeing 'Hit Harder' Than Rivals by Defense Budget Cuts," *The Seattle Times*, 17 April 2009, http://seattletimes.com/html/localnews/2008997361_defensecuts07.html (accessed 23 March 2014).

²⁸ Dante D' Orazio, "Laser-equipped 747 Missile-buster Flies Last Flight, Claims its Spot in the Boneyard," *The Verge*, 21 February 2012, <http://theverge.com/2012/2/21/2814046/airborne-laser-testbed-canceled-boneyard> (accessed 23 March 2014).

²⁹ Defense Nuclear Facilities Safety Board, Pantex Plant Activity Report for Week Ending January 16, 2004, http://web.archive.org/web/20060923152457/http://www.dnfsb.gov/pub_docs/pantex/wr_20040116_px.pdf (accessed 23 March 2014).

³⁰ Joel Baglole, "The Abrams Tank – Next Generation: a Lighter and More Compact Tank," *About.com*, <http://usmilitary.about.com/od/armyweapons/a/abrams.htm> (accessed 23 March 2014).

throughout much of Eastern Europe. The Abrams was the epitome of maneuver warfare and therefore a strategic requirement in the Army portfolio. The tank first saw combat in Operation Desert Storm in 1991, and was dubbed wildly successful, as the only thing that could destroy an Abrams was another Abrams.³¹

However, over the last 15 years and through two wars, the tank has seen little use, and its utility has plummeted. Due to its flat bottom, the tank is extremely vulnerable to Improvised Exploding Devices (IEDs), the weapon of choice in the counterinsurgency fight in which America has engaged for over a decade. As a result, the Abrams saw combat as a modified “pillbox,” utilized as nothing more than an extremely high-priced bunker for protecting critical choke points or busy thoroughfares. Retired Army Major General Paul Eaton, now with the nonprofit National Security Network, said in an interview, “The M1 is an extraordinary vehicle, the best tank on the planet. Since the primary purpose of tanks is to destroy other tanks, however, their utility in modern counterinsurgency warfare is limited.”³²

Eaton is not the only Army General Officer questioning the large quantity of tanks in the Army’s future inventory. The senior Army officer, Chief of Staff General Ray Odierno, testified before the House Armed Services Committee in early 2012, stating that the Army had more than enough tanks in the field and wanted to shut down production and halt upgrades for several years. The Army’s proposal would have closed down production of the main battle tank from 2013 through 2016. Production would resume in 2017, but on the M1A3, a newer version with advanced technology. This three-year moratorium on tank production and upgrades would have saved the taxpayer over \$3 billion, according to General Odierno.³³

No one is more keenly aware of the Army’s tank capacity and capability than the senior officer in the Army’s ranks. General Odierno’s meticulous budget proposal

³¹ Saurabh Das, “The M1 Abrams: The Army Tank that could not be Stopped,” *NBC News*, http://investigations.nbcnews.com/_news/2012/07/28/12991946-the-m1-abrams-the-army-tank-that-could-not-be-stopped (accessed 23 March 2014). There were only seven Abram tanks destroyed in Operation Desert Storm and all seven were destroyed by friendly fire from other Abrams.

³² Saurabh Das, “The M1 Abrams: The Army Tank that could not be Stopped,” *NBC News*, http://investigations.nbcnews.com/_news/2012/07/28/12991946-the-m1-abrams-the-army-tank-that-could-not-be-stopped (accessed 23 March 2014).

³³ Drew Griffin and Kathleen Johnston, “Army to Congress: Thanks, but no Tanks,” *CNN*, <http://Security.blogs.cnn.com/2012/10/09/army-to-congress-thanks-but-no-tanks/> (accessed 23 March 2014).

considered not only his inventory of over 5,300 tanks, but also the Marine Corps' inventory of over 400 M1s, in his recommendation to Congress to halt production of the tank. According to his testimony in a February hearing, Chief of Staff Odierno said that if the Congressmen prevailed in mandating an increase and update of army tanks, the Army would be forced to accept, "28 tanks that we simply do not need."³⁴ With 2,300 tanks deployed around the world, the Army still has roughly 3,000 tanks sitting idle in a remote military base in the California desert. If more tanks are produced, they will end up being transferred from the assembly line to the storage lot.

These were not flippant comments from the Army Chief of Staff, but rather calculations tied to the Army's strategy and vision for the future. According to Odierno, warfare has changed, and the large quantity of tanks once necessary is no longer required. The General boldly confided, "We don't believe we'll ever see a straight conventional conflict again in the future."³⁵ The tank plays a vital role in enhancing the Army doctrine, but the Army doctrine is changing to face the predicted wars of the future. The senior Army commander envisions the future where a tank's utility will not reside in vast numbers and overwhelming formations, but in advanced detection, tracking, and targeting technologies.

Even though Congress does not agree, the entire Army is standing in unison behind their chief and is heard transmitting the same message. According to Ashley Givens, the spokesperson for the Army's Program Executive Office for Ground Combat Systems, "The Army can refurbish all 2,384 tanks it needs by the end of 2013. Freezing work after that will allow the Army to focus its limited resources on the development of the next generation Abrams tank." She went on to say, that the Abrams model had, "exceeded their space, weight, and power limits" and that instead of building more of the same, the Army would prefer to buy the next generation tank several years in the future.³⁶

³⁴ Saurabh Das, "The M1 Abrams: The Army Tank that could not be Stopped," *NBC News*, http://investigations.nbcnews.com/_news/2012/07/28/12991946-the-m1-abrams-the-army-tank-that-could-not-be-stopped (accessed 23 March 2014).

³⁵ Saurabh Das, "The M1 Abrams: The Army Tank that could not be Stopped," *NBC News*, http://investigations.nbcnews.com/_news/2012/07/28/12991946-the-m1-abrams-the-army-tank-that-could-not-be-stopped (accessed 23 March 2014).

³⁶ Saurabh Das, "The M1 Abrams: The Army Tank that could not be Stopped," *NBC News*, http://investigations.nbcnews.com/_news/2012/07/28/12991946-the-m1-abrams-the-army-tank-that-could-not-be-stopped (accessed 23 March 2014).

According to deputy director of the Army budget office, Davis Welch, “The Army is on record saying we do not require any additional M1A2s.” According to Welch the tank fleet is less than three years old and utilizes the most sophisticated tank in the world.³⁷

If production were temporarily halted, a small tank factory located in Lima, Ohio, and operated by General Dynamics Land Systems would be temporarily shut down. As one might expect, General Dynamics rallied support to ensure tank production would continue in the form of additional government contracts in direct opposition to the Army’s strategy. Utilizing a well-organized campaign of lobbying and targeted political donations to members of the four major Congressional committees, General Dynamics focused its efforts to garner support from congressional leaders who had authority over the Army’s programs.

Political watchdog groups such as the Center for Public Integrity criticized the donations and questioned their legality due to timing considerations. For example, in 2011, employees from General Dynamics and members of their Political Action Committee (PAC) sent congressional representatives almost \$50,000 for their campaign war chests. As discussed before, donating to a Congressman’s campaign fund is not illegal, but the Center for Public Integrity noted the funds coincided with the five legislative milestones for the Abrams, including committee hearings, committee votes, and the final round of the defense bill’s passage. Paying members of Congress for passing legislation is illegal. It is also illegal to promise to donate to congressional campaign funds if favorable legislation is passed on one’s behalf. According to the Center for Responsive Politics, employees of General Dynamics and its PAC have donated \$5.3 million dollars to members of either the House or Senate Armed Services Committee since January of 2001.³⁸

Kendell Pease, the vice president for governmental relations and communications at General Dynamics conducted an interview regarding the substantial donations his company was giving to representatives on the House and Senate Armed Services

³⁷ “Army Says no to More Tanks, but Congress Insists,” *Associated Press*, 28 April 2013, <http://foxnews.com/politics/2013/04/28/army-says-no-to-more-tanks-but-congress-insists> (accessed 26 March 2014).

³⁸ Saurabh Das, “The M1 Abrams: The Army Tank that could not be Stopped,” *NBC News*, http://investigations.nbcnews.com/_news/2012/07/28/12991946-the-m1-abrams-the-army-tank-that-could-not-be-stopped (accessed 23 March 2014).

Committees. In his interview, he denied allegations of timing the donations to key milestones such as votes, claiming the company's PAC typically donates money when members of Congress invite company representatives to fundraisers. According to Pease, "The timing of a donation is keyed by (members') requests for funding. We target our PAC money to those folks who support national security and the national defense of our country. Most of them are on the four (key defense) committees."³⁹

A careful review of the donations made by General Dynamics' PAC, however, reveals an average weekly donation to members of the four defense committees of around \$7,000. When President Obama announced his 2011 defense budget plan, the donations soared to a weekly average of \$20,000. The second spike was seen in March when the Army budget hearings were being conducted, and again the donations reached \$20,000. The first two weeks of May saw a third spike. This time the surge happened to coincide with the House Armed Services Committee vote on the budget bill, which contained continued funding for the Abrams and passed with a 60 to 1 vote. September brought a fourth spike in donations totaling almost \$40,000, but it also coincided with the finalization of the Senate Appropriations Subcommittee on Defense report and a congressional vote on a stopgap funding bill to keep the government open. The fifth and final spike in donations occurred from December 11 through the 17, when Congress voted on the entire budget, and the one week of donations totaled \$17,000.⁴⁰ Although Pease claims donations are never tied to critical milestones, the timing of these five spikes in campaign donations suggests otherwise.

Not unexpectedly, the champions of the Abrams tank and its continued funding are representative Jim Jordan (R-OH) and Senators Rob Portman (R-OH) and Sherrod Brown (D-OH), all three hailing from the Buckeye state where the tank is produced. Even though Jim Jordon is a House conservative leader, supported the sequester, and personally pushed for deep reductions in federal spending, he believes that halting the production of tanks in his home district would be a large mistake. At the same time he

³⁹ Saurabh Das, "The M1 Abrams: The Army Tank that could not be Stopped," *NBC News*, http://investigations.nbcnews.com/_news/2012/07/28/12991946-the-m1-abrams-the-army-tank-that-could-not-be-stopped (accessed 23 March 2014).

⁴⁰ Saurabh Das, "The M1 Abrams: The Army Tank that could not be Stopped," *NBC News*, http://investigations.nbcnews.com/_news/2012/07/28/12991946-the-m1-abrams-the-army-tank-that-could-not-be-stopped (accessed 23 March 2014).

somewhat acknowledges the local nature of politics at play with his insistence of continued tank production, “Look, (the plant) is in the 4th Congressional District and my job is to represent the 4th Congressional District, so I understand that.”⁴¹ However, all three officials claim their support for funding continued tank production is not pork-barrel politics, but is a general concern for national security. Representative Jordon is on record saying, “The one area where we are supposed to spend taxpayer money is in the defense of the country.”⁴²

The literal defense of the country from outside attacks is a mission assigned to US Northern Command (USNORTHCOM). According to their official website, “U.S. Northern Command (USNORTHCOM) was established Oct. 1, 2002 to provide command and control of Department of Defense (DOD) homeland defense efforts and to coordinate defense support of civil authorities. USNORTHCOM plans, organizes, and executes homeland defense and civil support missions, but has few permanently assigned forces.”⁴³ US Army North (USARNORTH), serves as the Joint Force Land Component Command (JFLCC) and Army Service Component Command (ASCC) to USNORTHCOM and conducts homeland defense, civil support operations, and theater security cooperation activities in order to protect the American people and their way of life.⁴⁴

Interestingly, USARNORTH does not have an active duty unit assigned that utilizes the M1 Abrams tank in the defense of the nation. Not surprisingly then, the Abrams is not mentioned once during the House Armed Services Committee hearing on the proposed Fiscal 2015 Defense Authorization for the U.S. Northern and Southern Commands.⁴⁵ The following month, the opening posture statement from General Charles Jacoby, the Army Commander in charge of USNORTHCOM, to the Senate Armed

⁴¹ “Army Says no to More Tanks, but Congress Insists,” *Associated Press*, 28 April 2013, <http://foxnews.com/politics/2013/04/28/army-says-no-to-more-tanks-but-congress-insists> (accessed 26 March 2014).

⁴² “Army Says no to More Tanks, but Congress Insists,” *Associated Press*, 28 April 2013, <http://foxnews.com/politics/2013/04/28/army-says-no-to-more-tanks-but-congress-insists> (accessed 26 March 2014).

⁴³ <http://www.northcom.mil/AboutUSNORTHCOM.aspx> (accessed 26 March 2014).

⁴⁴ <http://www.globalsecurity.org/military/agency/army/arnorth.htm> (accessed 26 March 2014).

⁴⁵ House, *Department of Defense Appropriations: Hearings before the House Armed Services Committee*, 113th Cong., 26 February 2014.

Services Committee did not mention the Abrams either.⁴⁶ Contrary to what Representative Jordan swears, and according to the experts responsible for the defense of the United States, the Abrams tank is not used or required for the actual defense of the country. If the representative was using the term “defense of the country” to mean utilizing the Abrams in global operations abroad, the Army has already successfully demonstrated it has excess capacity for years to come.

According to an Associated Press article, the Lima plant has very little to do with national security and is more of a case study in how federal dollars affect local communities. The plant is the fifth largest employer in the town of Lima and employs nearly 700 workers. Even though the plant employed nearly 1100 just a few years ago, the town mayor, David Berger, claims the facility is crucial to the local economy, “All of those jobs and their spending activity in the community and the company’s spending probably have about a \$100 million impact annually.”⁴⁷

Ironically, the tank facility in Lima, Ohio is actually government-owned, which means the government also owns all the equipment inside the factory as well. Technically, General Dynamics does not own any of the existing infrastructure, only the workers. According to General Dynamics, there are also 500 contractors that are connected to the Lima plant who would also lose various amounts of work, which might produce layoffs.⁴⁸

In a bipartisan letter sent to Army Secretary John McHugh, 137 Congressmen asked the secretary to reconsider the Army’s budget proposal and alter the proposal to include the continued production of tanks. In his response, the secretary pointed out that all tanks would be complete with their required upgrades by 2013, and further

⁴⁶ Senate, Department of Defense Appropriations: Hearings before the Senate Armed Services Committee, 113th Cong., 13 March 2014.

⁴⁷ “Army Says no to More Tanks, but Congress Insists,” *Associated Press*, 28 April 2013, <http://foxnews.com/politics/2013/04/28/army-says-no-to-more-tanks-but-congress-insists> (accessed 26 March 2014).

⁴⁸ Philip Ewing, “The Tank at the end of History,” *DOD BUZZ*, 21 April 2011, <http://dodbuzz.com/2011/04/21/the-tank-at-the-end-of-history/> (accessed 23 March 2014).

modernization would not be required until 2016.⁴⁹ Congress subsequently added \$255 million in the fiscal year 2012 budget to upgrade 49 M1A2s.⁵⁰

Although, General Odierno and the Army lost the battle to temporarily halt the acquisition of more Abrams tanks during the procurement and budget battles for 2012, it was only the first round of debates. The following year, General Odierno once again proposed halting tank production and pleaded with Congress to cease spending dollars on upgrading tanks that have limited utility to the Army. His message remained the same, while tanks will still play a critical role in the future, they will do so in much smaller numbers, and the Army currently has more than enough as it stands.

However, Congress wanted to spend an additional \$436 million not included in the Army's budget on tanks for the fiscal year. General Odierno told the Associated Press, "If we had our choice, we would use that money in a different way."⁵¹ Because of the automatic budget cuts and decreased spending for the DOD, the Army's sought-after future programs are severely underfunded. General Odierno is attempting to reorganize, restructure, and reequip his Army after fighting two major wars, but Congress is standing in his way.

In April of 2012, another bipartisan letter, this time signed by 173 representatives, was sent to then Secretary of Defense Leon Panetta, urging him to support the decision to continue production and upgrades of the Abrams. Interestingly, 25 percent of the representatives who signed the letter were from either Ohio, Pennsylvania, or Michigan. These three states would benefit the most from continued tank production as they are home to additional suppliers for the Lima Tank plant. Additionally, of the 173 signatures, 137 members, or almost 80 percent, received some amount of campaign contributions from General Dynamics totaling \$2 million. Once again, Congress ignored the Army's plea to cease tank production and upgrades and added \$136 million to the fiscal year 2013 budget for 33 upgrades. These unwanted upgrades came at the expense of aviation

⁴⁹ John McHugh, Secretary of the Army, to Congressman Bobby Schilling, letter, 6 June 2011.

⁵⁰ Alexander Pearson, "Fact Sheet: M1 Abrams Tank," *The Center for Arms Control and Non-Proliferation*, http://armscontrolcenter.org/issues/securityspending/articles/fact_sheet_M1_Abrams_Tank/ (accessed 7 April 2014).

⁵¹ "Army Says no to More Tanks, but Congress Insists," *Associated Press*, 28 April 2013, <http://foxnews.com/politics/2013/04/28/army-says-no-to-more-tanks-but-congress-insists> (accessed 26 March 2014).

programs and the badly needed Battlefield Network program that were subsequently underfunded.⁵²

As the new Secretary of Defense Chuck Hagel entered office, the Abrams standoff entered its third year of debates. The Secretary of Defense has taken it upon himself to lead the charge to purge the military of programs that are unnecessary or too expensive in today's age of fiscal constraints. He has attempted to persuade members of Congress to eliminate or scale back pet projects that favor their constituents at the expense of the DOD. His main concern is that the military does not have enough money to sustain essential operations and training, while still procuring the necessary and required equipment. He has sided with the Army on the debate and believes tank production should be halted. As one might have assumed, he is facing fierce resistance from Congressional Representatives yet again.

On 22 May 2013, 122 members of the House once again wrote to Secretary John McHugh to voice their concern over the lack of funds allocated to tank production in the Army's proposed budget.

We are deeply concerned to learn that the Army has once again failed to fund production of the M1A2 SEP (Abrams) tank. This decision neglects the Army's responsibility to modernize the National Guard units, and undervalues the damaging impact to the highly specialized industrial base that supports the program. The Congressional Defense Committees have repeatedly recognized that funding the Abrams is necessary to maintain a critical core capability. The M1A2 is unquestionably the most lethal battle tank in the world, yet the National Guard still uses the less capable M1A1 Abrams tanks. The National Guard has played a very large part in the contingencies [sic] operations in Iraq and Afghanistan. They should be using the same variant of tanks as our active duty forces.⁵³

Sean Kennedy, the director of research for the Citizens Against Government Waste, weighed in on the debate and encouraged members of Congress to listen to Army officials. "When an institution as risk averse as the Defense Department says they have

⁵² Alexander Pearson, "Fact Sheet: M1 Abrams Tank," *The Center for Arms Control and Non-Proliferation*, http://armscontrolcenter.org/issues/securityspending/articles/fact_sheet_M1_Abrams_Tank/ (accessed 7 April 2014).

⁵³ 122 Congressmen, to John McHugh, Secretary of the Army, letter, 22 May 2013.

enough tanks, we can probably believe them.”⁵⁴ His opinion has been echoed by many others, including Travis Sharp, a fellow at the defense think tank, New American Security, “When a relatively conservative institution like the U.S. military, which does not like to take risks because risks get people killed, says it has enough tanks, I think generally civilians should be inclined to believe them.”⁵⁵

After three years of listening to the debate on tank production, President Obama finally weighed in on the conversation as well. In May, the White House released a statement in response to Abrams earmarks. It stated that the administration, “objects to the \$321 million [...] for unneeded upgrades to the M-1 Abrams tank.”⁵⁶ In June, the House Armed Services Committee earmarked \$168 million for the fiscal year 2014 budget to be allocated to M1 upgrades, bringing the total funding for the year to \$346 million.⁵⁷

What sets this example apart from previous examples of congressional politics is the Army’s own opposition to the procurement. The Army has digested the strategic guidance dictated to it, and concluded that when used on current and future battlefields, tanks in large numbers are no longer required. In order to preserve federal contracts, General Dynamics has argued that the M1 is needed for national security reasons. However, the military no longer utilizes the old 1980 Cold War doctrine. The congressional delegation from Ohio would have citizens believe the tank is needed for national defense, but those actually responsible for homeland defense do not require even a single unit to be equipped with tanks. Members of Congress argue that the National Guard units should be outfitted with upgraded tanks for their roles in Iraq and Afghanistan, but the experts have shown that tanks are ill-suited for counterinsurgencies

⁵⁴ “Army Says no to More Tanks, but Congress Insists,” *Associated Press*, 28 April 2013, <http://foxnews.com/politics/2013/04/28/army-says-no-to-more-tanks-but-congress-insists> (accessed 7 April 2014).

⁵⁵ Cary Docter, “Army to Congress: Thanks, but no tanks,” *Fox News*, <http://fox6now.com/2012/10/10/army-to-congress-thanks-but-no-tanks/> (accessed 7 April 2014).

⁵⁶ Alexander Pearson, “Fact Sheet: M1 Abrams Tank,” *The Center for Arms Control and Non-Proliferation*, http://armscontrolcenter.org/issues/securityspending/articles/fact_sheet_M1_Abrams_Tank/ (accessed 7 April 2014).

⁵⁷ Alexander Pearson, “Fact Sheet: M1 Abrams Tank,” *The Center for Arms Control and Non-Proliferation*, http://armscontrolcenter.org/issues/securityspending/articles/fact_sheet_M1_Abrams_Tank/ (accessed 7 April 2014).

and are too vulnerable. The bottom line is that the current number of tanks in the force structure already exceeds the needs of the nation.

The national-defense argument to procure more tanks is false rhetoric for the real reason the Army is forced to buy tanks. A large defense contractor is feeding influential members of Congress, seated on critical defense committees, large campaign donations while simultaneously leveraging local representatives with constituent jobs. Once again, elected officials are forced to choose between their local obligations and their national responsibilities. This is yet another example of the current system favoring local economic interests over national military strategic capabilities and the military procurement process in use as an economic stimulus.

The Seawolf Industrial Base

A third way politicians influence long-term strategic military capabilities is by forcing the services to procure equipment whose warfighting capability is no longer required, but whose production will help sustain the national industrial base. The industrial base is an intentionally vague concept used in political discourse to refer to a government's industrial assets that are critical for the production of military equipment. The argument to defend the American industrial base has become more popular in recent years as new technologies increase the lethality of military hardware while simultaneously lowering the required quantities of hardware necessary to secure those same capabilities. Further elevating the importance of the industrial-base debate is the recent onslaught of defense mergers and the overall reduction in the number of corporations involved in the defense business. Some have even equated saving the military industrial base to bailing out banks that are too big to fail during the Great Recession and the federal rescue of the iconic American automotive industry. However, due diligence needs to be given to authenticating the industrial-base argument to insure it is not hollow and another tool for politicians to secure local jobs by using federal dollars. An excellent example of military equipment procured through the industrial-base argument dates back to the mid-90s and the debate that started it all, the *Seawolf* submarine and the Electric Boat shipyard based in Groton, Connecticut.

Electric Boat is a division of the General Dynamics Corporation and builds submarines for the US Navy. In early 1989, the company won a highly sought-after contract for the construction of the lead submarine in the new *Seawolf* class that was to replace the *Los Angeles* class attack submarine. The initial authorization was for \$725 million with an expected price tag of each ship to be roughly \$1 billion dollars, and the Navy was originally planning on building a fleet of 29 boats.⁵⁸

This new submarine was designed purely in response to the new Russian *Akula* class submarine, making it a byproduct of the Cold War. It was much quieter and could obtain higher speeds than the *Los Angeles* class submarine it was to replace. In addition, its eight torpedo tubes made the *Seawolf* an extremely lethal Russian sub hunter.

By the summer and into the fall of 1989, it was obvious that the Soviet Union was in an accelerating downward spiral, and the Cold War was winding down. With the dramatic and unexpected Soviet collapse, the United States was no longer at war. This significant situational change demanded a national reorganization of priorities and a reassessment of military spending. Much like the situation America finds itself in now, the elected officials of the time decided to make significant cuts to the budget, specifically targeting the military. With the evaporation of the Russian sub threat, the *Seawolf* and Electric Boat would become the center of discussions for several years to come.

Using World War I, World War II, and Vietnam as examples, an analyst of political economy would argue that the United States has continued to fail to reduce the size of its military while attempting to maintain its core military competencies in a post-war environment. Each draw-down leaves a weak and hollow force that is neither balanced nor modernized. Additionally, while each draw-down reduces the force structure, the large infrastructure originally created to support the war requires downsizing as well. The post-Cold War environment was no exception to the rule, and

⁵⁸ Joan Cavanagh, "Jobs, Jobs, Jobs, and the Defense Industrial Base: What Did Seawolf Save?" in *The Changing Dynamics of U.S. Defense Spending*, ed. Leon V. Sigal (Westport, CT: Praeger Publishers, 1999), 135.

the significant military reductions in the early 90s, required as part of the “peace dividend” forced defense industry officials to contemplate downsizing as well.⁵⁹

On July 31, 1990, with one *Seawolf* already under construction in the shipyard in Groton, CT, the House of Representatives approved a \$284 billion defense bill that included the necessary funding for a second *Seawolf* submarine. However, a study completed by the General Accounting Office recommended postponing procurement of the second *Seawolf* for a year based on the high cost of the program, among other concerns. The Navy, realizing the main capability of the *Seawolf* was no longer required, wanted to spend its money on the production of different ships. If the Navy could get the *Seawolf* program terminated, the smaller, but cheaper submarines already in production could conduct every mission the Navy needed. Nonetheless, General Dynamics, Electric Boat, and Congressional representatives on the four defense committees from districts affected by cuts to the *Seawolf* program began a nationwide campaign to frame submarine production at EB as a matter of national security. Specifically, if submarines were not produced in comparable numbers to previous years, the industrial base would wither away, and a critical national capability would be lost forever. One of the talking points continuously used by Electric Boat advocates was that EB had been the region’s largest single employer for almost 40 years and maintained over 22,000 workers at its two locations in Groton, Connecticut and Quonset Point, Rhode Island.

By September of that same year, however, the company announced it would be laying off between 920 and 1,150 salaried workers before the end of the year. An article that ran in the *New London Day* reported the reason for the layoffs was that the Navy was “currently proposing a schedule of [only] three-quarters of a ship per year.” Warning of further cuts, the article stated, “If it only gets one *Seawolf* sub contract a year the size of its work force would be cut by 50 percent by the year 2000.”⁶⁰

⁵⁹ Peter J. Higgins, “When the Industrial Base Goes Cold,” <http://www.alu.army.mil/alog/issues/MARAPR99/MS343.htm> (accessed 12 April 2014).

⁶⁰ Joan Cavanagh, “Jobs, Jobs, Jobs, and the Defense Industrial Base: What Did *Seawolf* Save?” in *The Changing Dynamics of U.S. Defense Spending*, ed. Leon V. Sigal (Westport, CT: Praeger Publishers, 1999), 138.

The new year brought more uncertainty for Electric Boat, and concerns loomed over the possibility of the second *Seawolf* contract going to a rival and only remaining submarine manufacturer, Newport News Shipbuilding, based in Virginia. Testifying before a Congressional subcommittee in March, EB general manager James Turner warned that if Newport News was awarded the contract in lieu of EB, “The impact of this production break would result in a severe work force reduction. EB will begin cutting its work force later this year and eliminate about 2500 positions in 1992 if the shipyard doesn’t get the contract for the second *Seawolf*.”⁶¹

Important to note, Electric Boat’s rival, Newport News Shipbuilding, was the largest submarine builder at the time. By all standards, the Tenneco Incorporated-owned company was the state of Virginia’s largest private employer and was producing submarines cheaper, mainly due to lower employee wages. If all submarine construction and repair work from Electric Boat was consolidated with the Virginia-based company, billions of dollars could have been saved. By Navy estimates, the savings would total \$1.3 billion while Newport News claimed almost \$10 billion.⁶²

The Eastern Connecticut Chamber of Commerce organized a response in the form of a letter-writing campaign targeting Secretary of Defense Dick Cheney. The letters focused on the economic impacts of decommissioning the submarine base in Groton. The overall impact of the letter-writing campaign may never be known, but Electric Boat won the \$2 billion contract for the second *Seawolf* in May. The final cost of the second *Seawolf* would climb to \$2.5 billion. Despite the new contract and guaranteed future work, the following month EB issued 827 layoff notices with 827 more to follow before the end of the year, due to the company attempting to cut its operating costs. By December, the company had laid off 1200 workers in 12 months despite the new contract. As of January 1992, EB had started construction on its second *Seawolf* submarine, while

⁶¹ Joan Cavanagh, “Jobs, Jobs, Jobs, and the Defense Industrial Base: What Did *Seawolf* Save?” in *The Changing Dynamics of U.S. Defense Spending*, ed. Leon V. Sigal (Westport, CT: Praeger Publishers, 1999), 138.

⁶² Eric Schmidt, “2 Submarine Makers Vie for a \$60 Billion Project,” *The New York Times*, 17 May 1995, <http://www.nytimes.com/1995/05/17/us/2-submarine-makers-vie-for-a-60-billion-project.html> (accessed 12 April 2014).

it also had nine older-class submarines still in backlog; yet more dramatic work reductions were in store for the company.⁶³

The next year Secretary of Defense Dick Cheney asked Congress to rescind nearly \$3 billion allocated to the *Seawolf* program. Shortly thereafter, the President published his 1993 budget that included \$400 million in cancellation costs and rescinded \$3.4 billion dollars appropriated for the second and third *Seawolf* submarines. It was apparent that the administration intended to cancel the *Seawolf* program entirely and was attempting to recoup some previous financial commitments.⁶⁴ President Bush said the Pentagon would save \$17.5 billion out of the \$50 billion proposed cuts through 1997 simply by cancelling the program after the first boat was built.⁶⁵ This was on the backside of Congressional urging to make deeper cuts in military spending due to the end of the Cold War and no imminent threat on the horizon.

A local Connecticut newspaper ran an article quoting company sources stating that if the decision were not overturned, Electric Boat may be forced to fire 17,000 employees, leaving only a select few to staff design positions. Worse yet, the article threatened, “The shipyard could close altogether.”⁶⁶ However, in a letter to the Secretary of Defense, six members of the Connecticut congressional delegation, including Senator Christopher J. Dodd, argued, “The eventual cost of this hasty termination would far outweigh any potential, short-term dollar savings.” They went on to argue that terminating the *Seawolf* program would do “incalculable damage” to the nation's ability to design and build submarines.⁶⁷ In February, EB announced its intention of letting between 2,000 and 4,000 employees go because of the revocation of the *Seawolf*

⁶³ Joan Cavanagh, “Jobs, Jobs, Jobs, and the Defense Industrial Base: What Did Seawolf Save?” in *The Changing Dynamics of U.S. Defense Spending*, ed. Leon V. Sigal (Westport, CT: Praeger Publishers, 1999), 137.

⁶⁴ Joan Cavanagh, “Jobs, Jobs, Jobs, and the Defense Industrial Base: What Did Seawolf Save?” in *The Changing Dynamics of U.S. Defense Spending*, ed. Leon V. Sigal (Westport, CT: Praeger Publishers, 1999), 139.

⁶⁵ Eric Schmitt, “Congress Getting Cold Feet About Cutting Weapons Programs,” *The New York Times*, 10 April 1992, <http://nytimes.com/1992/04/10/us/congress-getting-cold-feet-about-cutting-weapons-programs.html> (accessed 8 April 2014).

⁶⁶ Joan Cavanagh, “Jobs, Jobs, Jobs, and the Defense Industrial Base: What Did Seawolf Save?” in *The Changing Dynamics of U.S. Defense Spending*, ed. Leon V. Sigal (Westport, CT: Praeger Publishers, 1999), 139.

⁶⁷ “Congress Funds Seawolf Development,” *CQ Almanac 1992*, 48th ed. (Washington, DC: Congressional Quarterly, 1993) 502-504. <http://library.cqpress.com/cqalmanac/cqal92-1108524> (accessed 10 April 2014).

program. In April, Roger Tetrault, the shipyard's general manager, testified before the Senate Armed Forces Committee regarding further layoffs. According to Tetrault, EB's employment level would fall below 7,500 in less than four years without further submarine contracts. The General Dynamics Corporation took the argument even further when it submitted a document to Congressman Samuel Gejdenson's (D-CT) office pleading that without further submarine contracts, the workforce of EB would approach zero by the year 2000.⁶⁸ General Dynamics and Electric Boat were arguing its companies' jobs were equivalent to the industrial base. The threats worked, and within a week, the House Appropriations subcommittee restored \$2 billion dollars for the second *Seawolf*, going against Pentagon wishes.⁶⁹

To celebrate the continued funding of a second *Seawolf*, four days later EB issued nearly 1,900 notices to workers that their jobs were to be terminated. It would seem that job security was not associated with additional contracts after all. A more accurate assessment is that job reductions were tied to continued contracts only until they were secured by the company, at which point Electric Boat would let more employees go. Meanwhile General Dynamics and EB were hailing that the funding secured for the second boat saved the submarine industrial base. The industrial-base argument would gain momentum among the companies' shareholders and affected Congressional representatives in the years to come. Shareholders were told, "To help bridge the gap in production that will occur between completion of current backlog and start-up of the next generation attack submarine program (then called Centurion), - expected in 1998 at the earliest – the division believes the full funding for the third *Seawolf* submarine... would be in the best interests of the nation."⁷⁰

In 1993, the administration changed hands, and Leslie Aspin took over as Secretary of Defense. Upon assuming his responsibilities, he initiated a Bottom-Up review of military programs that was intended to assess the post-Cold War environment,

⁶⁸ Joan Cavanagh, "Jobs, Jobs, Jobs, and the Defense Industrial Base: What Did *Seawolf* Save?" in *The Changing Dynamics of U.S. Defense Spending*, ed. Leon V. Sigal (Westport, CT: Praeger Publishers, 1999), 141.

⁶⁹ Eric Schmitt, "Congress Getting Cold Feet About Cutting Weapons Programs," *The New York Times*, 10 April 1992, <http://nytimes.com/1992/04/10/us/congress-getting-cold-feet-about-cutting-weapons-programs.html> (accessed 8 April 2014).

⁷⁰ *General Dynamics 1992 Shareholder Report* (Falls Church, VA: General Dynamics Corporation, 1993), 4-10.

the potential threats to national security, and required military capabilities to counter them. The Undersecretary of Defense for Acquisition also asked the RAND Corporation's National Defense Research Institute to compare two approaches to future submarine production, focusing on cost and practicality. The first approach considered would allow production to shut down until more submarines were needed. The second approach considered continuing production of submarines, but at a much lower rate. Both studies recommended the construction of the third *Seawolf*, and both specifically recommended that Electric Boat should be awarded the contract. This undoubtedly solidified the fate of the third *Seawolf* and the federal dollars that would be associated with it. EB president James Turner wrote in the shipyard newsletter that the Navy and the DoD had decided, "that the best way to retain the submarine industrial base was to build something."⁷¹ Author Joan Cavanagh points out, that the "something" was a submarine designed to counter a threat that no longer existed, with a price tag that would eventually reach \$3.7 billion dollars over its expected 30-year life span.

An in-depth analysis of the RAND study calls into question some of the conclusions made by Congressional representatives to pursue defending the submarine industrial base. The first conclusion reached by RAND, but often ignored, was that the amount of money saved by shutting down the EB shipyard production lines was assumed to be negligible. The report concluded that RAND anticipated \$700 million could be saved, but that this amount was "well within the margin of error" of their cost projections. This conclusion was omitted from the executive summary, where it would have been more likely noticed.⁷² To put this amount into perspective, it is almost equivalent to the price tag for the first boat built in the *Seawolf* class.

The second conclusion was more damning. RAND concluded that the Electric Boat shipyard was not part of the industrial base that needed to be preserved. All of the suppliers utilized by the EB shipyard could be reconstituted. According to RAND's analysis the cost of reconstituting the vendors would run in the hundreds of millions of

⁷¹ Joan Cavanagh, "Jobs, Jobs, Jobs, and the Defense Industrial Base: What Did Seawolf Save?" in *The Changing Dynamics of U.S. Defense Spending*, ed. Leon V. Sigal (Westport, CT: Praeger Publishers, 1999), 145.

⁷² Joan Cavanagh, "Jobs, Jobs, Jobs, and the Defense Industrial Base: What Did Seawolf Save?" in *The Changing Dynamics of U.S. Defense Spending*, ed. Leon V. Sigal (Westport, CT: Praeger Publishers, 1999), 148.

dollars, far less than the \$3.7 billion required to build the third *Seawolf*. There was not a unique or vital capability orchestrated at Electric Boat that could not be duplicated by another supplier. Not to mention, Newport News was still producing submarines, was a larger production line, and paid lower wages to its workers.⁷³

Finally, the Navy's Bottom-Up review concluded that the submarine force required between 45 and 55 attack submarines to sustain critical operations. This was based on sustaining 12 carrier battle groups and the submarines required to protect them along with additional submarines for continuous monitoring in four separate locations. The RAND Corporation extended this number by 10 percent in either direction (40 to 60) in an attempt to please critics of the Navy's findings. At the time, the Navy had more submarines than deemed necessary, and still does to this day. With no further production, and assuming a 30-year life span of current boats, through attrition the fleet would hit the high-end projected requirement of 60 submarines by the year 2006. By the year 2013, the fleet could potentially fall below the minimum of 40.⁷⁴ By RAND's calculations, construction of the next attack submarine would not be required until 2001, leaving only a four-year period of non-production.

If the RAND Corporation had challenged the Navy's Bottom-up review, as suggested by Dov Zakheim, the Deputy Assistant Secretary of Defense under the Reagan administration, they may have reached a different conclusion. If the carrier battle group requirement was lowered or if the continuous monitoring stations were adjusted, the requirement for attack submarines could have been lowered to 30. This slight adjustment would require delivery of the first new attack submarine in 2023, not 2010. This would have left a gap of over 20 years and eliminated the need to produce the third *Seawolf*.⁷⁵ It would also have eliminated the requirement to have a debate about what to do with a four-year gap in production.

⁷³ Joan Cavanagh, "Jobs, Jobs, Jobs, and the Defense Industrial Base: What Did Seawolf Save?" in *The Changing Dynamics of U.S. Defense Spending*, ed. Leon V. Sigal (Westport, CT: Praeger Publishers, 1999), 149.

⁷⁴ "U.S. Submarine Production base, Executive Summary," RAND National Defense Research Institute, 1994.

⁷⁵ Joan Cavanagh, "Jobs, Jobs, Jobs, and the Defense Industrial Base: What Did Seawolf Save?" in *The Changing Dynamics of U.S. Defense Spending*, ed. Leon V. Sigal (Westport, CT: Praeger Publishers, 1999), 149.

Neil Ruenzel, EB's director of Public Affairs, claims that the EB company and the submarine industry were the first to use the defense industrial-base argument. Because they were so successful in procuring submarines utilizing the argument, other defense industries followed suit, making the argument a portion of every budget battle since. Ruenzel believed that because nuclear-powered submarines were so specialized, his industry, unlike any others, had to be protected. According to Ruenzel, "Their arguments were fiction, ours were true."⁷⁶

To protect the industry, General Dynamics and Electric Boat mounted a two-pronged public relations campaign. First they had to convince congressional representatives, their employees, and the public that jobs would be preserved if funding for additional projects could be secured. Second, they had to convince policy makers that during low production times, maintaining the workforce must be a priority so that the acquired knowledge, expertise, and resources of the industry would not be lost. However, saving jobs and preserving the industrial base were never the real goals of General Dynamics' efforts. The real issue was how to turn their Electric Boat shipyard into a profitable division in the post-Cold War environment saturated with attack submarines while simultaneously downsizing. To do this, General Dynamics needed the *Seawolf* contracts. It leveraged public opinion and legislators to foster support for an emotional argument. To compete with Newport News, they needed government contracts, and the industrial-base argument secured those required funds.

As a jobs program, the *Seawolf* experiment was neither efficient nor cost effective. The cost of the third *Seawolf* was \$3.7 billion dollars and was estimated to have saved 5,000 jobs for over three years. Simple math reveals the cost of the boat comes to \$240,000 per worker per year.⁷⁷ This figure is more than seven times the national average for the time according to a US Department of Commerce report that lists the annual median household income for 1995 as \$34,076.⁷⁸

⁷⁶ Joan Cavanagh, "Jobs, Jobs, Jobs, and the Defense Industrial Base: What Did Seawolf Save?" in *The Changing Dynamics of U.S. Defense Spending*, ed. Leon V. Sigal (Westport, CT: Praeger Publishers, 1999), 148.

⁷⁷ Joan Cavanagh, "Jobs, Jobs, Jobs, and the Defense Industrial Base: What Did Seawolf Save?" in *The Changing Dynamics of U.S. Defense Spending*, ed. Leon V. Sigal (Westport, CT: Praeger Publishers, 1999), 142.

⁷⁸ "Money Income in the United States," *US Department of Commerce*, September 1996, vii.

What was kept out of the debate was the rising profit margins of the company while massive layoffs loomed at the shipyard. In 1996, Forbes listed General Dynamics as the leading company in the aerospace and defense industry over the past five years based on return on investment. In 1996, General Dynamics listed a 38% average rate of return, while over the same period it laid off almost 11,000 workers in the Electric Boat Division.⁷⁹ This corporate-wide downsizing benefited the company's officers and stockholders. As long as the company could continue to downsize while arguing for the survival of the industrial base to secure government contracts, a few well-positioned people were making lots of money being supported by an even fewer number of political representatives in critical positions to ensure the contracts continued to flow.

The *Seawolf* class submarine case has shed light on the debate to save the American industrial base. Before one categorizes an industry as a vital industrial base, two questions must be asked. First, is the capability being produced unique and vital to the national defense? Second, can the company support lower production, or will it merge, exit the defense sector, or go out of business? If the answer to both of these questions is yes, then one may argue that capability is vital to the national industrial base. However, the *Seawolf* fits neither of these categories.

First, a supersized Russian sub hunter was no longer needed after the collapse of the Soviet Union. There were dozens of *Los Angeles* class attack submarines adequately prepared to assume the roles of attack subs for the Navy in the early 90s that were more technically advanced than any capability potential enemies possessed. Second, according to the RAND findings, Electric Boat did not meet the criteria to be labeled as part of the industrial base that needed to be preserved. Additionally, there were shipyards still in existence that were arguably better suited to produce submarines for the Navy. Although a third submarine was produced for \$3.7 billion, one must question its true worth to the American taxpayer.

The real debate was not about the industrial base, and it was not about jobs at Electric Boat. The real debate was how a division of a major defense contractor could stay pertinent in a time where its product was no longer relevant. To stay significant, EB

⁷⁹ Joan Cavanagh, "Jobs, Jobs, Jobs, and the Defense Industrial Base: What Did Seawolf Save?" in *The Changing Dynamics of U.S. Defense Spending*, ed. Leon V. Sigal (Westport, CT: Praeger Publishers, 1999), Table 6.1, 137, 147.

needed to produce a profit for its shareholders, which it did by averaging a 38 percent rate of return on its investments. To achieve this, EB needed to lower costs, which it did by cutting thousands of jobs. This required Electric Boat to retain government contracts, so it used the industrial-base argument to secure the contracts while blaming the Navy for having to lay off its workers. Ironically, even Roger Tetrault admitted that there was intense competition for such skilled labor, and the laid off workers would more than likely quickly find equivalent work.⁸⁰ The defense of the industrial-base argument was used to procure military capabilities, and once again, the military procurement process was exploited as an economic stimulus.



⁸⁰ "Let's Scuttle the Seawolf," *Desert News*, 14 May 1992, <http://desertnews.com/article/226434/LETS-SCUTTLE-THE-SEAWOLF.ftml?pg=all> (accessed 8 April 2014).

Chapter 5

Recommendations

In a free society, government reflects the soul of its people. If people want change at the top, they will have to live in different ways. Our major social problems are not the cause of our decadence. They are a reflection of it.

Cal Thomas

Over the past three decades, the nation has continuously been at war. During times of war, the military ranks swell, the service budgets skyrocket, and the defense industry is stable. Politicians leverage the national patriotic support of the troops as a reason to acquire more military capabilities. After all, opposing support of the troops would be political suicide for elected officials. Consequently, government-supported programs have grown to enormous proportions and have reached unsustainable levels. With the national debt at \$17.5 trillion, the nation still in a recession, and with campaigns in Iraq and Afghanistan winding down, the plenty of yesterday is rapidly diminishing for military budgets. Congressional representatives are unable to eliminate their favored programs because to do so would mean terminating government-supported jobs in their districts, another form of political suicide. According to Colonel Lawrence Spinetta, a member of the Force Development Joint Staff, “Congress’s refusal to cut public spending has led to sequestration, which mandates across-the-board defense spending cuts that no one believes make strategic sense.”¹

American politicians may genuinely want to do what is best for the districts they represent and for the nation they are elected to serve. However, under the current policies, laws, and constitutional structure, it is impossible for them to accomplish both responsibilities simultaneously. To ensure local interests of voting districts are represented while still preserving the greater good of national defense, America needs to devise ways to divorce the local and national responsibilities of our elected officials

¹ Colonel Lawrence Spinetta, “Cut Defense Pork, Revive Presidential Impoundment,” *Joint Force Quarterly* 72, (1st quarter 2014), 65-68.

without changing the important dynamics of democracy and market capitalism. The task sounds daunting, but solutions exist. They just need the support of American voters.

Presidential Impoundment

One simple solution to counter the pork-barrel politics currently paralyzing Washington is to revive Presidential impoundment. This was a tool used by the executive branch to enforce fiscal responsibility and fiscal restraint. This process was a simple way for the President to delay or refuse to spend money appropriated by Congress.

This process is neither unconstitutional nor un-American. In fact, the process is almost as old as the country itself. The third American President, Thomas Jefferson, established the precedent in 1803, when he suspended the purchase of 15 gunboats. Immediately after France acquired the Louisiana Territory from Spain and closed the Port of New Orleans to American commerce, Congress appropriated \$50,000 to purchase the warships. However, two months later, France agreed to sell its newly acquired territory to the United States, thereby eliminating the need for the ships. The President used his authority of impoundment to cancel the production of military equipment based on his assessment of the strategic situation; and in his opinion, the gunboats were no longer necessary.²

According to Spinetta, for the next 170 years, US Presidents exercised their authority to execute impoundment of national funds, mostly for trimming excessive military programs they deemed unnecessary. He lists examples used by Presidents Truman, Eisenhower, and Kennedy to illustrate his point. “Harry Truman refused to spend \$735 million to increase the Air Force from 48 to 58 groups. Dwight Eisenhower set aside \$137 million for the Nike-Zeus missile system. And John Kennedy, on the advice of Secretary of Defense Robert McNamara, withheld \$180 million to end the XB-70 Valkyrie bomber program.” The champion of Presidential impoundment, however, was Richard Nixon. Between 1969 and 1972, he held back almost 20 percent of controllable expenditures. In 1973, in an attempt to control inflation caused by exorbitant

² Colonel Lawrence Spinetta, “Cut Defense Pork, Revive Presidential Impoundment,” *Joint Force Quarterly* 72, (1st quarter 2014), 65-68.

government spending in support of the war in Vietnam, he impounded \$15 billion, affecting over 100 government programs.³

In response, Congress passed the Congressional Budget and Impoundment Control Act (CBICA) of 1974. This act outlawed the President's impoundment authority, requiring the executive branch to spend every dollar Congress saw fit to appropriate. Even though President Nixon thought the CBICA was unconstitutional, the Watergate scandal weakened his ability to fight the act, and he eventually resigned one month after it became law. President Ford, in an attempt to work with a hostile Congress, elected not to fight the act in the Supreme Court. CBICA was the law for 22 years, until some lawmakers, including Senator John McCain, realized it contributed to exploding deficits. Therefore, Congress enacted the Line Item Veto Act in 1996, giving the President the authority to veto individual items in appropriations bills, but Congress retained the right to override the veto with a two-thirds vote from both houses. President Clinton enacted his right to use the line-item veto 82 times before the Supreme Court ruled the Line Item Veto Act unconstitutional the following year.⁴

While reinstating the unconstitutional line-item veto may be unjustifiable, bringing back the President's ability to impound federal dollars is not. By eliminating the CBICA, the President would have the ability to reign in a congressional body that is unwilling to reign in itself. This would still allow Congressional representatives to advocate for local constituent jobs through earmarks, garnering them appropriate recognition from their district, while allowing the President to trim unnecessary programs for the greater national good. This simple solution would help to divorce the local and national levels of responsibilities required of American policymakers, while still reserving national resources for strategic defense.

Arsenals and Shipyards

³ Colonel Lawrence Spinetta, "Cut Defense Pork, Revive Presidential Impoundment," *Joint Force Quarterly* 72, (1st quarter 2014), 65-68.

⁴ Colonel Lawrence Spinetta, "Cut Defense Pork, Revive Presidential Impoundment," *Joint Force Quarterly* 72, (1st quarter 2014), 65-68.

In an age where technology has increased the lethality of defense capabilities to the point where mass production is no longer required, fewer businesses are interested in the defense market. Yet America needs to maintain an industrial base that has technically matured through continuous research and development, while only producing small quantities of products. Most importantly, it needs to do so in an economical fashion. These prerequisites do not exactly fit the model for a capitalistic, free-market enterprise. Therefore, Americans are left with an inefficient and expensive industrial base, easily leveraged by Congressional representatives as a simple way to funnel federal dollars to their districts to prop up local economies. However, this was not always the case, which means alternatives exist.

In 1794, Congress granted President George Washington the authority to establish national arsenals to supply the Army with American-made weapons. The first of these was built in Springfield, Massachusetts, where small arms were produced. By the end of the War of 1812, four more federal arsenals were in production. Harpers Ferry in Virginia was producing muskets and pistols. Watervliet in New York was producing artillery equipment and ammunition. The arsenal in Watertown, Massachusetts was producing artillery gun carriages and small arms, and the Frankford arsenal in Pennsylvania was producing ammunition. In the mid-1850s, two more federal facilities were built. The federal arsenal in Rock Island, Illinois was producing Artillery recoil mechanisms, and the arsenal in Picatinny, New Jersey was mixing artillery ammunition, propellants, and explosives.⁵

These federal arsenals, (minus Harpers Ferry, which was destroyed during the Civil War and never rebuilt), along with several Department of the Navy shipyards, formed the 19th century military-industrial complex. The Army arsenals were under the command of a government agency, the Ordnance Department of the Army, run by military officers. Prior to the Civil War, there were a few civilian superintendents, but the arsenals were, nonetheless, manned by a cadre of military personnel and a number of skilled civilian “artificers.” Similarly, the Department of the Navy operated and controlled the Navy’s shipyards. This federal arsenal and shipyard system was unlike the

⁵ Daniel H. Else, *The Arsenal Act: Context and Legislative History*. CRS report R42062 (Washington, DC: Library of Congress, Congressional Research Service, 28 October 2011), 2.

systems being used in England, France, and Germany at the time. The British government sponsored Vickers-Armstrong, France relied on Schneider-Creusot, and Germany depended on Krupp, all private manufacturing establishments, to design and produce their nations' military equipment. The United States, from its very beginning, followed the policy of assigning the responsibility for military supply to the Navy shipyards and the Ordnance Department of the Army.⁶

Even though the Ordnance Department was tasked with both designing and producing weaponry, this did not prohibit private corporations from becoming involved in the defense market. Entrepreneurs and commercial companies would bring new models and ideas to the Department for testing and evaluation in exchange for payment or future contracts. Production-worthy prototypes were adapted for military use, standardized for manufacture, and produced at the arsenals, or in some cases civilian production lines, although always under the supervision of Ordnance Department officers.⁷

As collaboration between military officers and civilian corporations grew, the industry evolved, and competition between commercial enterprise and the government arsenals became more intense. So much so in fact, that Congress gave the Secretary of War the ability to abolish any arsenals he deemed unnecessary, through the Army Appropriation Act of 1854. However, both the Chief of Ordnance, Colonel Henry K. Craig, and President Pierce's Secretary of War, Jefferson Davis, resisted any temptation to commercialize the military industry. In their opinion, the continued use of government manufacturing facilities "guaranteed constant improvement in models and enabled the Ordnance Department to check not only on the quality of contractors' output but also on their prices."⁸ This would be the status quo for the next 70 years, as the War Department relied on military equipment produced in its arsenals to meet the needs of a small peacetime military. During conflicts, however, the Ordnance Department would augment

⁶ Daniel H. Else, *The Arsenal Act: Context and Legislative History*. CRS report R42062 (Washington, DC: Library of Congress, Congressional Research Service, 28 October 2011), 1-3.

⁷ Daniel H. Else, *The Arsenal Act: Context and Legislative History*. CRS report R42062 (Washington, DC: Library of Congress, Congressional Research Service, 28 October 2011), 3.

⁸ Daniel H. Else, *The Arsenal Act: Context and Legislative History*. CRS report R42062 (Washington, DC: Library of Congress, Congressional Research Service, 28 October 2011), 3.

arsenal production with civilian-contractor production to meet demands for a temporary “surge” capacity.

In 1920, on the backside of the First World War and the introduction of industrialized warfare, American policymakers saw fit to safeguard the military production capabilities inherent in the arsenals. By mandating that the Secretary of the Army supply the needs of the Army through federal arsenals owned by the United States, military procurement was guaranteed to be more efficient, cost effective, and most importantly, American-made. This was enacted into law via the Defense Act of 1920.

By combining the two separate provisions of law from the Acts of 1854 and 1920, Congress created the Arsenal Act in the mid-1950s. The act’s current form consists of only two subsections:

10 U.S.C. §4532. Factories and arsenals: manufacture at; abolition of

(a) The Secretary of the Army shall have supplies needed for the Department of the Army made in factories or arsenals owned by the United States, so far as those factories or arsenals can make those supplies on an economical basis.

(b) The Secretary may abolish any United States arsenal that he considers unnecessary.⁹

The Cold War changed the defense industry in dramatic fashion. The pattern up to that point had been long periods of peace with minuscule defense budgets, supported by federal arsenals and shipyards. During conflicts, the budget would temporarily spike, but only long enough to weather the war. The Cold War was different in the sense that it lasted decades and brought with it more defense dollars than ever seen previously. Just as before, there were peaks in the defense budget during Korea and Vietnam, but the range of expended dollars narrowed somewhat from highs of \$400 billion to lows of \$250 billion. This steady-state budget kept defense contractors in the market after wars, instead of returning to civilian markets as they had done prior to the Cold War environment. As

⁹ Daniel H. Else, *The Arsenal Act: Context and Legislative History*. CRS report R42062 (Washington, DC: Library of Congress, Congressional Research Service, 28 October 2011), 6.

defense firms gained political influence, the Pentagon began to close the arsenals instead of canceling contracts with private businesses during lulls in production.¹⁰

With only a few arsenals still in production, the military has become completely reliant on defense firms to supply capabilities for the national defense. An American edge has almost always existed in having the most advanced military technology. Private companies, however, are not willing to dedicate resources to research and development unless guaranteed contracts and production of large quantities of their weapon systems. The Defense Department has little choice but to commit large portions of its budget to the expensive multi-billion-dollar contract programs. When arsenals were still being utilized, technical workforces were paid and maintained, but production could be dramatically cut or even shut down all together. This extremely expensive way of operating the defense industrial base is what is referred to as “America’s defense-industry burden.”¹¹

According to Eugene Gholz and Harvey Sapolsky, experts on the defense industry, the defense business is no longer a private-enterprise activity, even when the infrastructure is owned and operated by private firms. Congressional members are the only market for the defense industry today, and they are concerned only with district-level economics. Congress buys weapons in response to influence and lobbying from defense companies, which allows unnecessary production facilities to be sustained with constituent jobs. According to Gholz and Sapolsky, “Defense has become a jobs program.”¹²

Compounding the problem is the natural shift in industries over time. Over the past several decades, the American industrial base has fundamentally shifted away from manufacturing to an information and service-based economy. In 1970, the manufacturing base represented 25 percent of the US Gross Domestic Product (GDP), while in 2011 the manufacturing base only represented 12 percent of the GDP. “The changing nature of the manufacturing base may benefit some sectors where there is a large consumer base, but

¹⁰ Eugene Gholz and Harvey M. Sapolsky, “Restructuring the American Defense Industry,” in *The Changing Dynamics of U.S. Defense Spending*, ed. Leon V. Sigal (Westport, CT: Praeger Publishers, 1999), 154.

¹¹ Eugene Gholz and Harvey M. Sapolsky, “Restructuring the American Defense Industry,” in *The Changing Dynamics of U.S. Defense Spending*, ed. Leon V. Sigal (Westport, CT: Praeger Publishers, 1999), 157.

¹² Eugene Gholz and Harvey M. Sapolsky, “Restructuring the American Defense Industry,” in *The Changing Dynamics of U.S. Defense Spending*, ed. Leon V. Sigal (Westport, CT: Praeger Publishers, 1999), 161.

potentially, it leaves highly specialized niche areas vulnerable, such as ship building, military aircraft, and satellites.”¹³

Much like the manufacturing base, the defense industrial base has experienced significant stagnation as well. According to Department of Defense acquisition official Jacques Gansler, “...the US industrial base that supports it [defense] has simply been consolidated from around 50 major suppliers to half-a-dozen.”¹⁴ Examining just the aerospace industry, unsustainability leading to failures and mergers shrank the number of major corporations to three. Only Lockheed-Martin, Northrop-Grumman, and Boeing support the acquisition of major aerospace capabilities, and each is driven by a mandate to produce a profit for shareholders. For example, in 2010, Northrop-Grumman claimed a revenue of \$34.8 billion, with over 90 percent of its business consisting of federal contracts. In the same year, Lockheed-Martin claimed \$45.8 billion of revenue, with 85 percent of its business contracted through the federal government. The third contractual giant, Boeing, claimed only half of its revenues in 2010 from federal government contracts, with the other half generated from commercial airline sales.¹⁵

The benefits once available from opening the defense industry to commercial companies disappear quickly as enterprises based on capitalistic free-market trade models compete for a single employer, the federal government. Perhaps it is time for the federal government to assess whether a private defense company warrants tens of billions of dollars of profit each year when supported only by federal contracts. Arguably, a better use of taxpayer dollars is having an arsenal to produce the same high-quality product, but without the mandate for such a high rate of return on investment.

Advocating a resurgence of military arsenals draws criticism from corporate lobbyists who argue that arsenals would stifle competition, creativity, and innovation and thereby damage long-term national defense potential. According to Gholz and Sapolsky,

¹³ William B. Adkins, “Ensuring Space Leadership: A 21st Century R&D Investment Strategy,” in *America’s Space Futures: Defining Goals for Space Exploration*, ed. Eric R. Sterner (Washington, DC: Marshall Institute, 2013), 66.

¹⁴ William B. Adkins, “Ensuring Space Leadership: A 21st Century R&D Investment Strategy,” in *America’s Space Futures: Defining Goals for Space Exploration*, ed. Eric R. Sterner (Washington, DC: Marshall Institute, 2013), 66.

¹⁵ [http://wikinvest.com/stock/Northro_Grumman_\(NOC\)/Customers_Revenue_Concentration](http://wikinvest.com/stock/Northro_Grumman_(NOC)/Customers_Revenue_Concentration), [http://wikinvest.com/stock/Lockheed_Martin_\(LM\)](http://wikinvest.com/stock/Lockheed_Martin_(LM)), <http://wikinvest.com/wiki/Boeing> (accessed 20 February 2014).

however, America could build a public arsenal system, while still utilizing private defense firms to innovate. Instead of awarding lucrative production contracts to private firms, the government should focus federal dollars on “technological experimentation that is financially worthwhile for private firms.”¹⁶ The public arsenals would simply produce what the innovative, private firms designed. The free-market model has emphasized production over research and development, when in fact, the inverse is more important. Research and development and prototyping should be continuous, while production should be conducted when re-outfitting military capabilities is necessary. Gholz and Sapolsky envision public arsenals, with government-owned infrastructure, remaining in low-rate or no-rate production until needed, while private firms continuously develop tomorrow’s technologies to retain a technological edge on the battlefield.¹⁷

The nation needs to retain an ability to advance technology through research and development while simultaneously halting the production of obsolete capabilities. With industrial mass-production a thing of the past, and small-scale, yet highly technical capabilities the way of the future, supporting a handful of companies with billions of dollars’ worth of profit margins is irresponsible. It is time the arsenals were put back to work producing the needed capabilities to defend the nation and its interests abroad.

The French “Responsible Principle”

The conclusion of the Cold War had the same effect on the French defense budget as it has had on the budget of the US Department of Defense. Between 1990 and 1997, the French authorized procurement budget decreased by more than 20 percent, from 116 billion francs to less than 89 billion francs. While trying to adjust to the rapidly shrinking

¹⁶ Eugene Gholz and Harvey M. Sapolsky, “Restructuring the American Defense Industry,” in *The Changing Dynamics of U.S. Defense Spending*, ed. Leon V. Sigal (Westport, CT: Praeger Publishers, 1999), 170.

¹⁷ Eugene Gholz and Harvey M. Sapolsky, “Restructuring the American Defense Industry,” in *The Changing Dynamics of U.S. Defense Spending*, ed. Leon V. Sigal (Westport, CT: Praeger Publishers, 1999), 170.

budget, the French Defense Force Ministry was forced to determine why weapons had become so expensive in the first place.¹⁸

After detailed analysis, the French found that too many public agencies were affecting the design and development of their desired weapons. To eliminate the meddling, improve efficiencies in the procurement process, and reduce costs, the Ministry of Defense created a single executive agency whose responsibility would be to contract and manage all weapon programs. The Ministry of Defense named the new agency the Délégation Générale pour l'Armement (DGA). Management oversight from DGA officials would begin at program inception and remain until product delivery. The head of the newly created agency reports directly to the Defense Minister and is ranked above every military officer, offering the position tremendous prestige within the French government.¹⁹ This monumental restructuring has streamlined the French acquisition process.

The second reason French weapons had become so expensive was that private companies were able to overcharge the government for their services. The information asymmetry between the public and private sectors had become so large because all the technical knowledge regarding building weapons resided in private firms. This was profit-driven, as companies, motivated by revenues, could afford to pay the French scientists and engineers more than the national government. To reduce the information asymmetry, the DGA set out to hire the nation's best and brightest scientists and engineers. Entry into the DGA and promotion to project managers, who were given the title of "armaments engineer," required a degree from one of the "Grandes Écoles," the most desirable of them all being the École Polytechnique. Now the DGA prides itself on the technical knowledge every member brings to the acquisition process regarding weapon systems. Additionally, by assigning program managers to positions for many years, continuity increased, bringing many further benefits.²⁰

¹⁸ Ethan B. Kapstein, *Smart Defense Acquisition: Learning from the French Procurement Reform*, Center for a New American Security (Washington, DC: Center for a New American Security, December 2009), 2.

¹⁹ Ethan B. Kapstein, *Smart Defense Acquisition: Learning from the French Procurement Reform*, Center for a New American Security (Washington, DC: Center for a New American Security, December 2009), 2.

²⁰ Ethan B. Kapstein, *Smart Defense Acquisition: Learning from the French Procurement Reform*, Center for a New American Security (Washington, DC: Center for a New American Security, December 2009), 2.

With the information asymmetry corrected, the DGA altered the way the government conducted business with private firms. With a better technical understanding, better cost estimates were derived up front. The DGA conducted pre-contractual negotiations in the development phase of a new program to identify possible shortfalls earlier. The agency also switched to fixed-price contracting, requiring firms to make final bids on the finished product. In theory, the firms assumed all risk associated with cost overruns that may potentially occur. A twist added into their version of fixed-price contracting stipulated that, if the government modified the requirements, it paid for the overruns. The French call this fixed-price contracting concept the “responsible principle.”²¹

Finally, the French realized that the National Assembly, its version of Congress, could arbitrarily increase weapon costs through the use of pork-barrel politics. Elected officials were supporting the funding of high-priced contractors from their specific regions throughout the country. In an attempt to eliminate program intervention by officials, the Assembly adopted an all-or-nothing approach to the military budget. Now under French law, the Assembly can vote only thumbs-up or down on the entire military budget.²²

The United States suffers high costs and inefficiencies in its military procurement for the same reasons the French did in the mid-90s. Although a restructuring of the American acquisition process may be a long way off, there are definitely small changes that could take place today that would produce some of the same successful results the French have experienced. Once again, these changes require only the support of American voters.

First, with a sluggish economy, soft job market, and relatively high levels of patriotism, the Defense Department should target America’s very best engineering students. While America does not have an equivalent to the *Grandes Écoles* system, it does have some of the world’s best technical schools such as California Institute of Technology, Massachusetts Institute of Technology, and Rensselaer Polytechnic Institute.

²¹ Ethan B. Kapstein, *Smart Defense Acquisition: Learning from the French Procurement Reform*, Center for a New American Security (Washington, DC: Center for a New American Security, December 2009), 3.

²² Ethan B. Kapstein, *Smart Defense Acquisition: Learning from the French Procurement Reform*, Center for a New American Security (Washington, DC: Center for a New American Security, December 2009), 3.

The U.S. hired the best minds in the world when it committed to landing on the moon. This paved the way for the creation of the prestigious National Aeronautics and Space Administration (NASA). Perhaps it is time for the U.S. to commit once again and create another prestigious agency. The Defense Advanced Research Projects Agency (DARPA) may provide a modern-day NASA model that could be used to recruit the best scientists and engineers of the nation.²³

A second simple solution would be to switch contract types when dealing with the private industry. President Obama has already shown enthusiasm for changing to fixed-price contracts, but risk assessments of possible budget overruns are ineffective at best. Very little accountability exists with low cost estimates, and the technically strong acquisition team simply does not yet exist. France's "responsibility principle" could work for the American military-industrial complex; it would be irresponsible not to pursue it.²⁴

Finally, members of Congress need to divorce their loyalties to their local districts from their responsibilities to the nation. The up-or-down vote has worked for the French Assembly and has worked for American politicians in the past. When Congress realized constituent votes had paralyzed its ability to close even a single unneeded military base, it enacted the Base Realignment and Closure process. The multi-round process selected several bases for closure but amalgamated them into an all-encompassing package. Members of Congress voted on the entire package and were unable to adjust the bill base-by-base. In similar fashion, Congress can only vote up or down on a proposed foreign trade bill. The French up-or-down vote provides another solution for American policy makers to improve the long-term strategic capabilities of the military procurement system.²⁵

²³ Ethan B. Kapstein, *Smart Defense Acquisition: Learning from the French Procurement Reform*, Center for a New American Security (Washington, DC: Center for a New American Security, December 2009), 4.

²⁴ Ethan B. Kapstein, *Smart Defense Acquisition: Learning from the French Procurement Reform*, Center for a New American Security (Washington, DC: Center for a New American Security, December 2009), 4.

²⁵ Ethan B. Kapstein, *Smart Defense Acquisition: Learning from the French Procurement Reform*, Center for a New American Security (Washington, DC: Center for a New American Security, December 2009), 4.

Chapter 6

Conclusion

*No government ever voluntarily reduces itself in size.
Government programs, once launched, never disappear.
Actually, a government bureau is the nearest thing to
eternal life we'll ever see on this earth!*

President Ronald Reagan

The military procurement process is far from perfect, and acquiring new military hardware is difficult in today's economy. The price of technology has skyrocketed, and there are only a handful of contractors in the defense industry. The process itself contains complicated joint requirements, lengthy planning methods and procurement cycles, and involves thousands of decision makers. However, the procurement system is designed to expunge service parochialism from the process, through its joint nature and arduous vetting process. Thereby, it eliminates wasteful military spending on nonessential capabilities and allows the process to concentrate on identifying the military material capabilities that are necessary to secure national interests and defend national security. Once these requirements have been identified by the senior military leaders and requested in the federal budget by the executive office, only an issue of national critical importance should be allowed to alter those needs.

However, neither the Department of Defense nor the President of the United States controls the purse. That is left to the members of Congress. By allocating portions of the budget to committees and subcommittees, Congressional representatives have given themselves access to the programs, and more importantly, the money to fund the programs requested by the federal government. It has become commonplace for Congress to dramatically alter these requests every year. The three main reasons Congress gives for altering federal programs are to expand future markets, to provide for national security, or to strengthen the American industrial base.

However, in each of the three case studies explored earlier, these claims were found to be hollow. The recurring theme that continues to prevail in all examples is that constituent jobs and local investment are more important than any other factor. Since

constituents elect Congressional representatives, their loyalty to voters usually supersedes their federal responsibilities. Because this is the case, significant national strategic capabilities are affected in many adverse ways.

In some cases, Congressional manipulation of small portions of the service budgets affects long-term strategic capabilities. This typically manifests itself in the form of earmarks or pork-barrel politics. On the surface, it would seem that very little harm could come from an individual politician deducting only tens of millions or at most hundreds of millions of dollars from the military budget to pay for some sort of government-funded job in his district. At the individual level, this may in fact be the case. However, there are 535 members of the House and Senate, each attempting to funnel money to his or her district or state. The collective amount of dollars stripped from crucial military programs adds up, culminating in critical programs going underfunded, or worse, altogether unfunded. Additionally, an individualistic approach to funding military programs through 435 different districts and all 50 states provides for a disorganized and chaotic industrial base, which is less capable of supporting the well-thought-out, long-term national military strategy.

Another way Congress affects the long-term capabilities of the military is by forcing service branches to procure equipment they no longer require for the execution of their missions. On a small scale, this occurs through the utilization of earmarks, but the adverse strategic impacts occur when committees or subcommittees force a large procurement of weapon systems on the individual branches. Burdening the services with obsolete weapon systems directly detracts from strategic capabilities and negatively affects the services' ability to defend the nation and its interests. Congressional members loathe cutting these outdated weapon systems because the local jobs they bring provide economic stability to a handful of Americans, not to mention the potential votes an incumbent could retain. The second consequence of this faulty practice is that future capabilities are sacrificed for more of the old, outdated technology. Once again, constituent jobs are the culprit. Congressional members refuse to eliminate current jobs in their district for future jobs that do not exist yet, and often will never again exist in their districts. This short-term vision may benefit a few individuals today, but it handicaps the entire nation tomorrow.

The third common pretext for harming the long-term national defensive capabilities is the unconditional defense of any corporation even loosely associated with the industrial base. Maintaining and expanding the critical industrial infrastructure that produces the nation's military hardware is strategically important. Simply labeling every company involved in the defense industry as part of the country's industrial base forces legislators into financially supporting companies that may not be adding value to the greater national good. With today's advanced technology increasing the lethality of military equipment, large quantities of capability are no longer needed. A smaller force structure is now more lethal than the vast armies of years past, bringing to an end the assembly lines of mass-produced tanks, planes, and trucks. Because a defense company existed in the past, does not mean it is essential to the future. Therefore, an honest assessment of the American industrial capacity is required. As seen with the two previous counterproductive excuses to sustain constituent jobs, the industrial-base argument has grayed the lines between necessity at the national strategic level and the "nice-to-have" at the local constituent level.

To be clear, this is not a demonstration of poor leadership by our elected officials. This is not even an example of mismanagement by our politicians. In all three examples, no laws were broken, no ethical boundaries were crossed, and the peoples' trust was not violated. Our Congressmen are simply operating within the framework that their predecessors have created, and frankly, American citizens tolerate.

Whether America reinstates presidential impoundment, revitalizes federal arsenals, adopts the French "responsible principle," or embraces other variations, change is needed. The military strategy and procurement process adequately identifies required capabilities for defending the nation, but Congressional politics too often prohibit the acquisition of those capabilities. This is not the fault of our elected legislators in Washington; they are simply operating within a flawed system. Our elected officials, torn between the pressures to pursue what is best for their districts and the responsibility to protect the greater good of the nation, are failing at the latter. America needs to find ways to help Congressmen divorce their local and national responsibilities. Until voters demand change, America is stuck with a broken system.

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