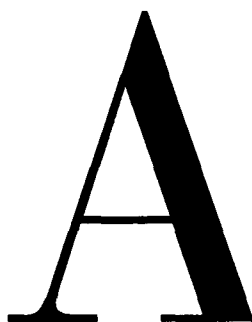


## THE PENTAGON

# Peace is hell



*In the  
post-Cold  
War economy,  
military  
contractors  
are protecting  
profits while  
sacrificing  
workers.*

By Frank Kofsky

number of recent media reports on the impending merger of Lockheed and Martin Marietta come to the same conclusion. Military spending, the stories maintain, has been hacked to the bone. Thus, weapons-making companies, reeling from the cuts, reluctantly have been compelled to fire workers by the thousands.

Yet these assumptions are simply wrong. To begin with, the Clinton's administration's first military budget contains an *increase* of \$3 billion over what the Bush administration planned to funnel to the Pentagon in 1994. Moreover, the military budget is actually larger under Bill Clinton than it was when Cold War tensions were at their most intense. In 1980, for example, when the Soviet Union had just invaded Afghanistan, Pen-

tagon spending amounted to \$252 billion in today's dollars. In 1994, Pentagon expenditures will, courtesy of the Clinton administration, total \$11 billion more than that figure.

But if the nation's military budget has not been slashed, why have so many military-sector workers been tossed on the scrap heap? The answer: the military industry is run according to the principle of protecting profits over people. Any pain felt from adjustments in the post-Cold War military industry is felt by workers while employers go unscathed.

In 1990, for example, the Pentagon was reportedly considering a \$1 billion bailout of the largest defense contractor in the country, McDonnell Douglas. (The proposed bailout, in the form of advance payments on work yet to be done, never came about.) This is the same McDonnell Douglas whose profits just one year later reached a record \$423 million, up 38 percent from the previous year, even as it laid off 22,000 employees. And it's the same company whose chairman, John F. McDonnell, took home

\$850,753 in salary and bonuses in 1991—a 47 percent increase from 1990.

Likewise, General Dynamics, the nation's second-largest weapons producer, enjoyed profits of \$505 million in 1991 while eliminating some 19,600 jobs; the next year, second-quarter profits leapt more than sevenfold, from \$57 million to \$435 million, as the company simultaneously demolished another 2,200 jobs. Then there's Northrop, manufacturer of the B-2 (Stealth) bomber. First-quarter revenues in 1992 were up 36 percent over those of 1991; first-quarter employment was lower by 3,600 positions: 100 people out of work for every 1 percent increase in profits.

The Clinton administration has only encouraged such trends. This year, Congress discovered what *Newsday* describes as a "secret Pentagon decision to pay military contractors billions of dollars to underwrite expenses connected with acquisitions and mergers." The plan gives certain arms-making companies rebate money for buying up their competitors—a notion that some critics have jeered as "a Clinton administration program to play 'fairy god-mother' to major defense companies awash in profits."

Administration officials insist that this program saves the public money through more efficient production methods. Nonetheless, even a few members of the House Armed Services Committee—a body not normally known for challenging the armaments industry—argue that the policy represents a potential windfall for military contractors as well as an incentive for hostile corporate takeovers and worker layoffs, with taxpayers picking up some of the bill.

©KIRK ANDERSON



In the most notable case thus far, the Department of Defense gave some \$60 million to Martin Marietta to fund its purchase of a General Dynamics subsidiary in San Diego—and was about to reward that company with another \$170 million when Congress caught wind of the deal.

“Under the plan,” *Newsday* reveals, Martin Marietta “would get \$330 million from the Pentagon to cover expenses related to the purchase of the former subsidiary of General Dynamics and also a purchase of a General Electric subsidiary.” Perhaps not surprisingly, the two officials who approved the details of this arrangement—Secretary of Defense William Perry and his deputy, John Deutch—were both Martin Marietta employees before joining the Clinton administration.

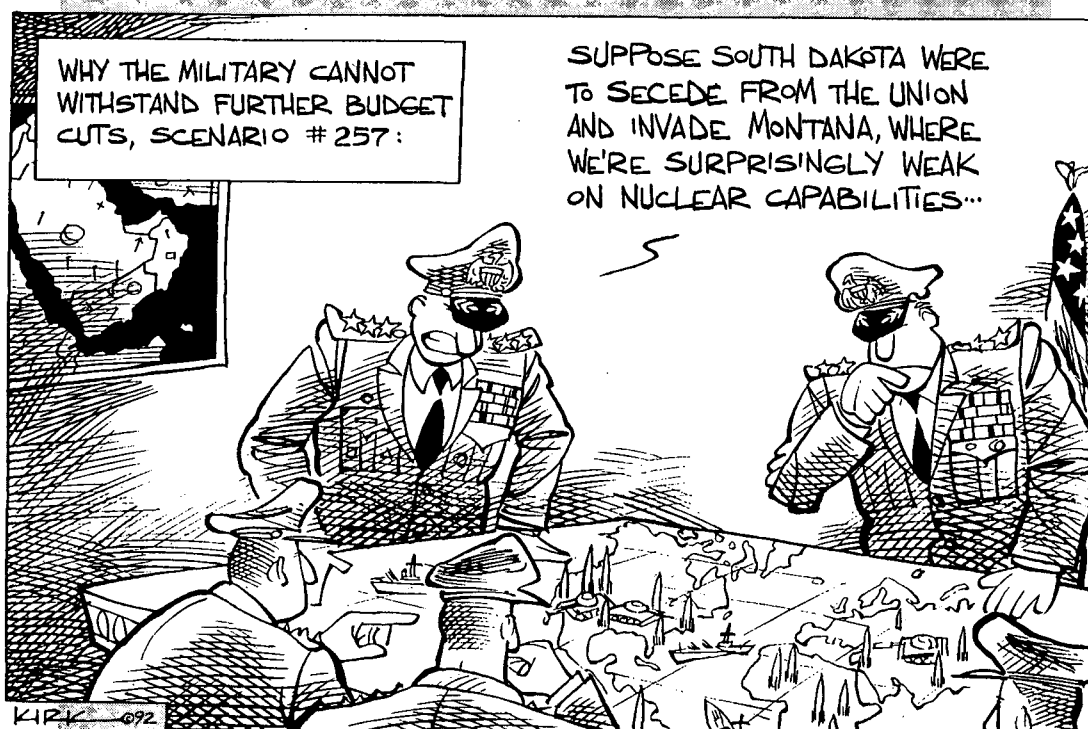
What makes this Pentagon program even more questionable is the fact that, as one analyst explained to *Newsday*’s Patrick J. Sloyan, “Defense is still a profitable business, and defense stocks are still quite high.”

Despite all the rhetoric about “conversion” of arms makers to civilian production, such companies have never been able to compete in a civilian economy. During the ’40s, for example, the most technologically advanced weapons were those rolling off the assembly lines of the aircraft industry. In doing research for my book *Harry S. Truman and the War Scare of 1948*, I investigated attempts by the aircraft industry to convert to peacetime

production after World War II. (See *In These Times*, August 8.) Whether it was Douglas Aircraft’s aluminum rowboats, Northrop Aviation’s motor scooters or even Ryan Aeronautical’s stainless-steel caskets, without exception these ventures ended in utter failure.

After feeding at the federal trough for an additional half-century, weapons makers are even less likely to be successful at conversion than they were in the ’40s—and the executives who direct the industry know it. As William A. Anders, chairman and chief executive officer of General Dynamics, explained at the 1991 *Defense Week* convention, studies conducted for his company “showed an economic failure rate of 80 percent for acquisitions outside of defense by defense contractors. This isn’t surprising. Defense industry management teams generally have little commercial experience or market savvy. Most have been ‘cost plus’ [guaranteed profit] and ‘mil spec’ [military specifications] trained. In short, most don’t bring a competitive advantage to non-defense business. Frankly, sword makers don’t make good and affordable plowshares.”

Forty-five years ago, when it became evident that the airplane makers were teetering on the brink of bankruptcy, Harry Truman and his key officials concocted the war scare of 1948 that gave them a new lease on life. By the time the smoke cleared and the mirrors were removed, the administration had managed not only to boost overall Pentagon spending by nearly 30 percent but to increase



funds for procurement of military aircraft by an astonishing 60 percent. What Ronald Reagan required three years to accomplish, Truman pulled off in as many weeks.

There are, of course, some significant differences between the current climate and that of 1948. For one thing, by now we have become so accustomed to the notion that our tax dollars should be dedicated to propping up uncompetitive armaments firms through a series of never-ending giveaways that we don't even demand that Clinton present us with a plausible foe; any ragtag excuse of an enemy will do.

Thus, where Truman & Co. in 1948 felt compelled to resort to the fiction that a huge and immediate U.S. military buildup was necessary to prevent the Soviets from launching World War III, Clinton and his military advisers take the public's acquiescence for granted and barely bother to justify a \$263 billion Pentagon budget. When asked what necessitates military spending on such a lavish scale, Clinton officials respond vaguely that the U.S. experience with Somalia, Bosnia and North Korea dictates that the administration must maintain a strong military presence abroad.

But such justifications may finally be wearing thin. Four decades ago it was still possible to believe that, in the words of a 1950 issue of *Business Week*, military spending would prevent a "rising level of unemployment here at home," and that such spending was nothing less than a "magic formula for almost endless good times," as *U.S. News & World Report* claimed the same year. By 1994, perhaps we have begun to suspect otherwise. If nothing

else, the experiences of the last few years should have begun to make it apparent that even if we bury the Pentagon in dollars from now unto eternity, there is no guarantee that the weapons makers will create one additional job—or, for that matter, shrink from one additional layoff—as a result.

The question now is how much longer it will take before that lesson finally sinks in. ◀

Frank Kofsky is a professor of history at California State University, Sacramento. He is the author of *Harry S. Truman and the War Scare of 1948: A Successful*

*Campaign to Deceive the Nation*, recently published by St. Martin's Press.

©KIRK ANDERSON

## Social Investing Begins Where You Bank!



Photo by Marc P. Kempner

Join forces with the nation's leader! Your investment in any FDIC-insured South Shore Bank account rebuilds neighborhoods. • By phone, mail, cash card and direct deposit. As convenient as any bank around the corner. • Safety, yield—and the highest social return. Call today.

### ◆ South Shore Bank

1 (800) 669-7725 • (312) 753-5636

**Yes** I'd like a South Shore Bank Development Deposits™ brochure and application.

Name

Address

City/State/Zip

Phone

Mail to: South Shore Bank  
71st & Jeffery Blvd., Chicago, IL 60649-2096 Member FDIC

# IT'S TIME WE TOOK RUSH LIMBAUGH SERIOUSLY.

**R**ush Limbaugh, whose political spiels are broadcast on over 625 radio and 220 TV stations nationwide, is often called "provocative." It would be more accurate to call him "wrong." And that's not just a matter of opinion. It's a matter of fact. Rush Limbaugh's groundless assertions on issues of public importance include:

- "most Canadian physicians" come to the U.S. when in need of surgery;
- nicotine's addictiveness "has not been proven";
- volcanoes do more harm to the ozone layer than man-made chemicals;
- condom users have a one-in-five AIDS risk;
- "the poorest people in America are better off than the mainstream of families in Europe";
- "we have more acreage of forestland in the United States today than we did at the time the Constitution was written";
- Nixon would have defeated Kennedy in 1960 if "only 4,000 votes" had "gone another way in Chicago";
- "not one indictment" resulted from Lawrence Walsh's Iran-Contra investigation.

All of these assertions, and many more, are plain wrong. It's all documented in a new report, "Limbaugh's Reign of Error," in the magazine *EXTRA!*

Yet Rush Limbaugh seldom, if ever, corrects his factual errors on the air — errors that mislead public opinion, pollute public policy debate, jeopardize public health and, in the case of one rumor, reportedly caused a drop in the stock market. After *EXTRA!* published its compilation of Limbaugh's fallacies, he repeatedly concocted new canards in attempts to defend his original errors.

Given the millions of people who believe Limbaugh, it's no laughing matter that his unchallenged political sermons are packed with falsehoods.

Yet most mass media gave Limbaugh a free ride — until the exposé in *EXTRA!*, the award-winning publication of FAIR (Fairness & Accuracy In Reporting).

Besides deflating the right-wing talkshow brigade, *EXTRA!* regularly examines censored stories, corporate media mergers, hidden conflicts of interest behind America's leading pundits, and other issues of media bias and censorship.

In *EXTRA!*, we take Rush Limbaugh seriously — and we're serious about the mainstream media outlets that allow such a charlatan to prosper.

Subscribe to *EXTRA!* now at the special rate of \$25 and get the Rush Limbaugh issue for free.

**YES! I want to take advantage of this special offer.**

**Call 1-800-847-3993**

and use your Mastercard or Visa.

Or send a check or money order to:

FAIR/EXTRA!  
P.O. Box 911, Dept. V4HT  
Pearl River, NY 10965

NAME \_\_\_\_\_

ADDRESS \_\_\_\_\_

CITY \_\_\_\_\_

STATE \_\_\_\_\_

ZIP \_\_\_\_\_

# FAIR EXTRA!

130 West 25th Street, Suite 8T  
New York, NY 10001  
(212) 633-6700

FAIR is a membership-based advocacy group committed to media fairness, accountability and access.

## GERMANY

# Greenhorns no longer

*The  
Green Party  
is finally  
getting the  
knack of  
big-time  
politics.*

By Paul Hockenos  
BERLIN

**T**he eastbound metro comes to a heavy, screeching halt on its elevated platform, rattling the little theater directly below its tracks. Seated at a panel on the stage, Green Party parliamentary candidate Christian Ströbele pauses as the engine settles into its end station in the Kreuzberg district, home of Berlin's artsy counterculture. "On October 17, the day following elections," continues Ströbele with a hint of irony in his voice, "we will sit down with [Social Democrat leader Rudolf] Scharping to discuss the participation of the Greens in the new government."

In the privacy of his law office, even party founder Ströbele admits the chances are slim that a coalition between the center-left

Social Democrats and the Greens—known here as a red-green coalition—will topple Chancellor Helmut Kohl's conservative government in the October 16 national elections. The ruling Christian Democrats, in power now for 12 years, stand solidly ahead of the opposition Social Democrats in every opinion poll.

That wasn't the case as recently as this spring. The Social Democrats, buoyed by the depressed economy and record postwar unemployment, led their rivals by nearly 20 percentage points. Had elections been held then, the combined red-green vote would have sufficed to build a coalition government. But Germany's sluggish economy is now showing signs of life, and the Social Democrats—who've run a cautious, middle-of-the-road campaign—have failed to inspire voters.

Still, as balloting nears, the combined numbers of the Social Democrats and the Greens trail those of the Christian Democrats and their beleaguered junior part-

ners, the Free Democrats, by only 4 or 5 percent. The upcoming elections mark the first time that a credible left-wing alternative to the postwar political status quo—namely, governing configurations involving the Christian Democrats, the Social Democrats or the Free Democrats—has been in the cards at all.

The Greens, who in 1990 failed to muster the 5 percent share of the national vote necessary to enter parliament, look almost certain to make it this time. Surveys show the Greens and their partners, Coalition 90—a party comprised of Communist Party opponents from the former East Germany—with about 7 percent of the vote. Moreover, during the past four years, red-green state governments in Hessen, Lower Saxony and Brandenburg functioned well enough to make the Greens a credible coalition partner for the Social Democrats on the federal level. But the Social Democrats, rather than advertise a ruling pact with the Greens as their goal, or nominate a candidate who presided over a red-green state, such as Lower Saxony Premier Gerhard Schröder, opted for an uninspiring centrist in Scharping and vague, noncommittal campaign themes of "security" and "continuity."

The Greens/Coalition 90, on the other hand, openly tout a red-green government as the means to setting an innovative reform project in motion. Today, with their eye on power, the Greens are no longer the protest party that they were in the '80s. The long-running fight between party