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THE DANGER POSED BY THE AMERICAN MILITARY-INDUSTRIAL COMPLEX

The end of the cold war caused a precipitous decline in U.S. Government defense spending. Since 1990 the U.S. military budget has fallen by more than five percent a year. The procurement section of the budget (orders placed with factories) has dropped by nearly 60 percent since 1985. Enterprises that once sold billions of dollars in military goods and services to the U.S. Government are now suffering a dramatic reduction in business. General Dynamics, Raytheon, Hughes Aircraft and General Electric are shrinking their operations in anticipation of permanently lower sales to the U.S. Government. Between 1991 and 2001, two and a half million defense-related jobs will probably disappear unless buyers other than the U.S. military can be found. The decline in defense spending bodes ill for the American economy. The military-industrial complex makes up an important pillar of the economy, which continues struggling to recover from a recent recession. An official of the Federal Reserve Bank of Boston stated, "We are growing so slowly that defense spending can make the difference between a rising unemployment rate and a falling one." Unless a new market for the U.S. military-industrial complex arises, many enterprises will have to make a costly and risky conversion to civilian products that inevitably will result in many bankruptcies.

Conversion causes many difficulties for American defense firms. They lack expertise in marketing to customers other than the government. Their workers are more used to making expensive, customized products as opposed to goods produced by cost-efficient mass-production. And the defense industry emphasizes technology over utility -- there is no demand for a stealth refrigerator.

To avoid the dangers of conversion, leading military contractors now concentrate on expanding exports to new buyers overseas. There exists, however, a lot of competition in the world, especially from Russia. Last year an American firm failed to sell armored personnel carriers to the United Arab Emirates

because the Emirates decided to buy from Russia instead. Malaysia plans to buy from Russia Mig 29's, helicopters, submarines and offshore patrol boats. Sales that would have gone to American firms had there been no Russian competition.

Current Russian Government policy, however, may rescue America's military industry at least from Russian competition. Following the suggestions of the International Monetary Fund, of which America is the most influential member, Russian ultra-reformers slashed orders to defense firms by 68 percent in 1992 and drastically reduced orders in 1993. Without financing, Russia's defense industry can hardly produce technologically advanced military goods to compete with American defense products. As a result, America now leads all other countries in arms exports with sales of nearly \$12 billion. Previously, Russia led in arms export sales.

Russian adherence to IMF and ultra-reformist economic policies may also create a new market for American arms in Russia. As the economic policy called "shock therapy" turns Russia into a calamity by decreasing industrial production (off by 30% since 1991), raising prices (up nearly 2500% in 2 years), forcing citizens into poverty (now reaching over 50% of the population) and encouraging rampant corruption, Russian citizens will turn out of desperation to regional autocrats who promise relief from the endless decline in living standards. As regional strongmen gain greater support from impoverished citizens, these strongmen will eventually claim sovereignty for their region, causing Russia to fragment. A divided Russia with regions ruled by autocrats will provide ample markets for U.S. military goods and services. By that time, Russia's military production probably will have collapsed from lack of investment and conversion attempts. Each autonomous region, just like the current Republics, will want to own arms to protect itself from potential aggressions by its neighbors.

The funding for arms to sovereign regions will come from the natural resources controlled by a regional strongman or U.S. Government funds paid directly to American defense enterprises with

the region's government liable to the U.S. Government for repayment. (This type of financing is similar to the American aid package presently provided to Russia). A fragmented Russia will also enable the U.S. military bureaucracy to argue for an increased budget in order to protect against the spread of potential conflict to areas of American economic interest, which the U.S. State Department perceives as the entire world.

Of course, neither the U.S. Government nor military-industrial enterprises desire any armed conflicts or even the potential of such in Russia while it still controls strategic nuclear weapons. Assuming the threat to the West from strategic nuclear weapons diminishes, either through diplomacy or lack of resources to maintain the weapons, the threat or existence of armed conflict in a fragmented Russia will help pull American military-industrial enterprises out of their recession, eliminate the need for complex and costly conversion to civilian uses, increase the Pentagon's budget, eliminate the need to discharge hundreds of thousands of soldiers into an economy already experiencing significant unemployment, increase economic growth for America and facilitate American industries exploitation of Russia.

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