

Bloomberg

Lockheed Joined by Cheney in Push Against Defense Cuts

By Laura Litvan and James Rowley - Jul 18, 2012

As Lockheed Martin Corp. (LMT)'s chief predicts he may have to fire 10,000 workers under across-the-board federal spending cuts, a familiar voice is warning Republican leaders that U.S. defense readiness is at stake.

Former Vice President Dick Cheney said at a private meeting with Senate Republicans yesterday that the projected cuts totaling \$500 billion could be “devastating” to military modernization and planning, South Carolina Senator Lindsay Graham told reporters.

Cheney, 71, said defense spending is “not a spigot you can turn on and turn off, that you need to keep money flowing in a predictable way so you can plan for the next war,” Graham said after the Senate Republicans’ weekly luncheon. They heard from the former vice president, who was President George H.W. Bush’s defense secretary from 1989 to 1993.

The defense industry and its Republican allies in Congress are increasing their volume this week in a concerted push to avert the defense cuts, part of \$1.2 trillion in automatic reductions over a decade that will start in January unless Congress and President Barack Obama agree on an alternate plan.

Today, Robert Stevens, chairman and chief executive officer of Lockheed, the world’s largest defense contractor, will offer a “seat of the pants” estimate that 10,000 jobs would be lost at his company, according to testimony prepared for an appearance by industry executives before the Republican-led House Armed Services Committee.

2.14 Million Jobs

Cheney made his visit yesterday hours after the Aerospace Industries Association, a trade group for defense contractors, presented a study predicting the across-the-board cuts in federal programs may cost 2.14 million jobs and reduce the gross domestic product by \$215 billion next year.

“It’s an unemployment Armageddon,” Marion Blakey, president of the trade group said in presenting the study.

Such predictions of massive job cuts and damage to the national defense are “flawed and hypocritical,” said Gordon Adams, a professor at American University in Washington who was an official in the White House budget office during the Clinton administration.

The debate is “a side show about the economy, not a straight-up argument about whether defense should be affected by deficit and debt reduction, and whether we can or need to continue spending the highest sums we have ever spent on defense, peacetime or wartime, since the end of World War II,” Adams said in a posting on the website of the Stimson Center, a policy research group.

Saving Profits

The warnings are an orchestrated push by defense contractors “trying to save their profits,” according to Chris Preble, vice president for defense and foreign policy studies at the Cato Institute in Washington, which urges limited government.

“We’re not shuttering the Pentagon,” said Preble, who said the cuts would return defense spending to 2006 levels adjusted for inflation.

A partisan fight over averting the automatic cuts, known as sequestration, is heating up on Capitol Hill. Most Republicans have ruled out tax increases, while Democrats have said any budget cuts must be financed partly by letting tax cuts first enacted in 2001 and 2003 for the highest-earning Americans expire at year-end.

Cheney told lawmakers that “what we were able to achieve in the first Gulf War” that expelled Iraqi troops from Kuwait “was the result of planning and spending” during the 1980s, according to Graham. Cheney was defense secretary when the first President Bush began the first Persian Gulf war in 1991 after Iraqi dictator Saddam Hussein invaded Kuwait the previous year. Cheney was vice president for George W. Bush when the U.S. invaded Iraq in 2003.

Debate in 2013

Senator Patty Murray of Washington, the chamber’s No. 4 Democratic leader, said in a speech at the Brookings Institution in Washington this week that, while Democrats want a compromise this year, she would “absolutely” seek to continue the debate into 2013 if Republicans won’t agree to boost revenue. That would mean letting the budget cuts take effect temporarily along with tax increases as tax cuts expire.

Murray was the Democratic co-chairwoman of the congressional “super committee” created last year to craft a plan to reduce the deficit by \$1.2 trillion over a decade. The effort collapsed, triggering the across-the-board cuts.

‘A Prod’

Senator Carl Levin, the Michigan Democrat who heads the Senate Armed Services Committee, has said he is confident sequestration will be avoided. He has called the

prospect of across-the-board cuts “a prod to get us to do the right thing in terms of deficit reduction.”

Some Republicans on the Senate Armed Services Committee, including Graham and Senator Kelly Ayotte of New Hampshire, have discussed ways to finance a one-year postponement of defense cuts through sale of assets and ending some tax breaks.

Defense Secretary Leon Panetta has said it is up to Congress to propose a way to avoid the defense cuts he has said would “inflict severe damage to our national defense for generations.”

House Armed Services Committee Chairman Howard “Buck” P. McKeon, a California Republican, said Obama has a responsibility to help forge a solution.

“This is crazy to put our defense industry in this kind of position, especially when we are fighting a war over in Afghanistan right now,” McKeon told reporters after House Republican leaders met yesterday with Cheney. “I can’t understand why we can’t get the president, the commander in chief, the only person that’s elected by everybody, to engage in this.”

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