



Six degrees of military spending: nearly everyone knows someone who gets paid by the Pentagon. That's why it's so hard to cut

By Veronique de Rugy – January 1, 2013

The department of Defense, with its 2.3 million workers, is the single largest employer in the United States. The defense industry, which is the main private-sector recipient of defense dollars, directly or indirectly employs another 3 million people. This, in a nutshell, is why it's so hard to cut government spending in general and military spending in particular.

The scope and reach of the government are far bigger than we think, explains John J. Dilulio of the National Academy of Public Administration in the Spring 2012 issue of *National Affairs*. It's more than just the money Washington spends or the people it employs. It's also the people in the private sector who live off that spending. It's the nonprofit organizations paid to help administer government programs. It's the contractors who run the programs, the contractors' sub-contractors, and so on.

Dilulio calls this interconnected mass "BIG PAP," short for "Big Inter-Government" and its "Private Administration Proxies." In 2012, for example, the Department of Defense shelled out \$688 billion to cover, among other things, the salaries of some 801,000 civilian employees and 766,000 contractors. The Pentagon's BIG PAP therefore amounts to more people than the headcount of the active duty military. The biggest contractor, Lockheed Martin, hires an additional 40,000 subcontractors as well.

If you live in northern Virginia, the most military-heavy region of the state that receives more Pentagon money than any other, you almost certainly know someone who works for the Department of Defense or one of its contractors or sub-contractors, or who is married to someone else who does. While Virginia takes top dollar, a 2011 Congressional Research Service (CRS) report notes that the Defense Department is by far "the top federal employer in most states." It also employs "more than 90 percent of federal civilian employees in foreign countries." BIG PAP is everywhere.

The business of government is extremely lucrative. As *The Washington Examiner's* Tim Carney noted in a September column, the three counties in

America that have a median income above \$100,000 are all in northern Virginia, and seven of the 10 richest counties are all within commuting distance of the District of Columbia. As he concludes, "You can surmise where the wealth is coming from: the expanding federal government."

On average, federal employees are paid more than their counterparts in the private sector. A 2009 study by Chris Edwards, director of fiscal studies at the Cato Institute, found that the average federal civilian worker now earns twice as much in wages and benefits as the average private-sector worker. According to the CRS, the average 2010 salary in the federal government was \$74,800 compared to a national average of \$44,400 for all workers. The difference is even more pronounced within the military industry. A March 2012 report by the consulting firm Deloitte found that roughly 80 percent of aerospace and defense industry employment is paid for mostly by the government, and that in 2010 the average wage for their industry was \$80,100.

The biggest military contractors end up relying on the Pentagon for the vast majority of their sales. According to US Aspending. gov, the five top recipients of Defense Department contracts, loans, and loan guarantees are Lockheed Martin, Boeing, General Dynamics, Raytheon, and Northrop Grumman. In 2010, the percentage of overall company sales that the federal government accounted for was, respectively, 60 percent, 82 percent, 63 percent, 88 percent, and 92 percent.

The money blasting out from Washington is notoriously--and predictably--misspent. Congress reliably fails to apply any kind of meaningful oversight over military spending, and it hasn't even managed to pass a budget since 2009. Individual members of Congress make things worse by pushing for whatever weapons system or aircraft engine that can be produced in their district, regardless of whether the Pentagon wants it.

The Hoover Institution economist David R. Henderson gives an example in a July 2012 Mercatus Center working paper: House Speaker John Boehner (R-Ohio) pushed to fund an alternate engine for the F-35 jointstrike fighter over the objections of Defense Secretary Robert Gates (who said it "would be a waste of nearly \$3 billion"), simply because the engine's manufacturer had "about 1,000 employees working on the engine in a facility near Cincinnati" at the time.

Extended periods of war solidify this pathology, knitting Pentagon contractors into the fabric of big government. A May 2011 CRS report noted that the Defense Department had more contractor personnel than uniformed personnel in Afghanistan and Iraq. It added that the department spent \$11.8 billion on contracts in Afghanistan and surrounding countries in FY2010. Needless to say, these contractors are unlikely to consider the end of the conflict good for business.

Even when military contractors' profits have reached an all-time high, Congress seems committed to sheltering the companies from any budget cuts. Industry

lobbying probably plays a role here. According to the Center for Responsive Politics, the U.S. defense and aerospace lobby doled out \$24 million to political campaigns and committees during the 2008 campaign cycle and spent nearly \$60 million on lobbying in 2011. Lockheed Martin alone spent \$15 million in 2011 on its lobbying efforts, plus \$2 million in political contributions. Boeing spent \$16 million on lobbying the same year.

In his seminal 1971 article "The Theory of Economic Regulation," the Nobel-winning economist George Stigler noted that agencies eventually become captive of the very interest groups they were ostensibly designed to police. Writing regulation or even spending legislation requires in-depth industry knowledge, so federal agencies and lawmakers tend to hire directly from the very companies they must oversee or spend money on.

The reverse is true too. In order to gain better access to their regulators and government funds, companies hire lobbyists who used to work for Congress or government agencies. Of the 408 lobbyists employed by the military industry to apply pressure on Congress, 70 percent used to work on Capitol Hill.

In the face of this relentless pressure to expand military spending, there are still reasons to be optimistic. In the 1990s, the only category that allegedly limited-government Republican lawmakers really ended up cutting was Pentagon spending, thanks to the peace dividend when the nation ramped down at the end of the Cold War. Perhaps we can manage at least that much this time around.