
Defense Report

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Demobilizing Defense Plants—Isn't There A Better Way?

Over the past six years, more than 78,000 defense suppliers have gone out of business or converted to commercial contracts as a result of cutbacks in defense spending. More than 300,000 jobs have already been lost, and prospects for another 1,000,000 are likely. The economic impact of the drawdown will be felt even sooner for subcontractors and vendors as new orders for long lead items dry up.

The latest Department of Defense plan is to maintain robust research and development programs with limited production of advanced technology prototypes. However, these prototypes will not be fielded unless necessary. Free market forces will be allowed to determine the size and structure of the smaller defense industrial base. This approach will not preserve the critical skills in the work force that would be needed in a crisis. Nor will it allow our highly regulated defense industries to compete in domestic and international markets. The success of critical defense industries will depend upon decisions by the government to help them survive.

There are no quick and easy solutions to these problems, but it is imperative that we do what we can to preserve some production lines in critical defense industries. To get there, maybe we should start with some effort to reform the Defense Department's research and development and procurement systems. That alone could achieve greater efficiencies and allow continuation of some programs now scheduled for termination.

For another thing, the Department could shift some funding from research and development to procurement for the purchase of new systems or modernization of older systems to keep some critical production lines open and the skilled work force in place.

Finally, increasing defense exports would help keep production lines open, secure jobs and income for many American workers, improve the balance of payments, and assist friends and allies in their defense. For every \$1 billion in foreign military sales, an estimated 50,000 American workers are employed. With an estimated \$120 billion market over the next ten years, the possibilities are not trivial!