

October 2024

Political Footprint of the Military Industry



Chief of Naval Operations Adm. Lisa Franchetti, Secretary of the Navy Carlos Del Toro, and Commandant of the Marine Corps Eric Smith testify before the House Armed Services Committee on the Navy's FY2025 budget request. In Februrary, Secretary Del Toro admonished Pentagon contractors for buying back their own stock while turning to taxpayers for financial support. May 2024. U.S. Navy Photo by Chief Mass Communication Specialist Amanda R. Gray.

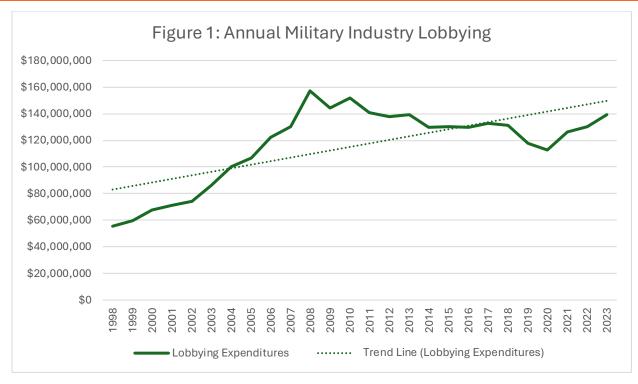
For over two decades, the military industry has consistently spent more than \$100 million per year lobbying policymakers to influence policies and spending decisions that support its financial interests. In addition to these lobbying expenditures, the industry contributes tens of millions of dollars to political candidates and committees each election cycle. The sheer scale of this spending buys significant political influence, and the data suggests that this approach is paying off.

Overview of Military Industry Influence

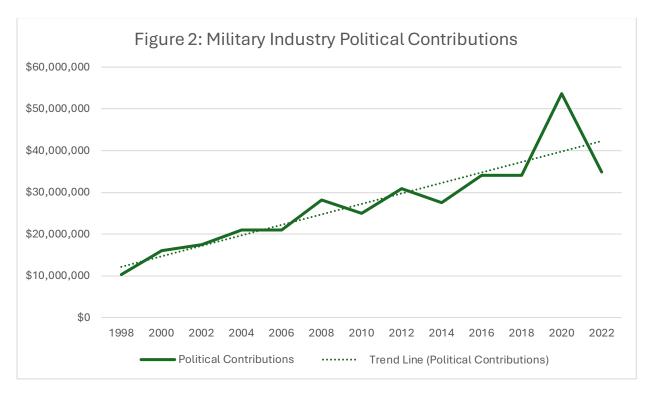
According to OpenSecrets.org, a nonprofit organization tracking money in politics, the military industry spent over \$139 million on lobbying in 2023—equivalent to roughly \$381,260 per day.² This investment funded 904 lobbyists.³ Over the past decade, the industry has spent nearly \$1.3 billion lobbying in support of its business interests.⁴

To bolster its lobbying efforts, the military industry also heavily invests in political campaigns and committees. Between individuals associated with Pentagon contractors, industry PACs, and related outside groups, the industry contributed \$53.6 million during the 2020 presidential election cycle, and \$34.8 million in the 2022 midterms.⁵ Over the past decade of complete campaign cycles (from 2014 to 2022), the military industry has spent more than \$184 million on targeted political donations.⁶





Source: OpenSecrets.org



Source: OpenSecrets.org

As **Figure 2** illustrates, political contributions are typically higher in presidential election cycles, but the dotted trend line illustrates a consistent rise in the industry's contributions over the past 25 years. These contributions flow to both major parties, revealing a nonpartisan, kitchen-sink strategy for securing political influence. From 2017 to 2022, Democratic candidates and committees received over 43 percent of the industry's contributions, while Republicans received nearly 57 percent. Few industries are so bipartisan.



The Military Industry's Army of Lobbyists

Beyond the money, the military industry leverages a revolving door of former government insiders. These lobbyists, many of whom previously worked in Congress, the White House, or the Pentagon, bring invaluable experience, knowledge, and connections to their roles. Their presence also serves a more subtle purpose: currying favor with policymakers who may hope to transition into lucrative industry positions in the future.

Figure 3 highlights the number of lobbyists working on military industry issues during the 2022 election cycle, including a subset of revolving door lobbyists. (Note that the total number of military industry lobbyists is less than the combined total of these sub-categories because some of the same lobbyists work on more than one of these subcategories).

Figure 3: Revolving Door Military Industry Lobbyists in the 2022 Election Cycle				
Lobbyists	Number			
Total lobbyists working on military industry issues	869			
Lobbyists working on military aerospace issues	271			
Lobbyists working on military electronics issues	254			
Lobbyists working on miscellaneous military issues	627			
Revolving Door Lobbyists				
Total lobbyists working on military industry issues who previously worked/interned for a				
member of Congress, congressional committee, or federal agency				
Revolving door lobbyists working on military aerospace issues				
Revolving door lobbyists working on military electronics issues				
Revolving door lobbyists working on miscellaneous military issues	447			

Source: OpenSecrets.org

Of these 869 lobbyists, 627—over 72 percent—had previously worked for a member of Congress, a congressional committee, or a federal agency.⁸

Military Industry Bailouts and Handouts

What does the military industry receive in return for its lobbying and campaign contributions? It secures access to advocate for policies that boost profits, often at taxpayers' expense. In some cases, these policies compel taxpayers to cover costs that other industries must handle themselves. In other cases, they lead to contracts for projects the Pentagon never even requested. Several examples demonstrate the industry's success in shaping national security spending to its financial advantage.

Inflation Bailouts

In the FY2024 National Defense Authorization Act (NDAA), Northrop Grumman successfully secured a provision (Section 826) that authorizes industry-wide inflation bailouts for Pentagon contractors. Specifically, the provision authorizes economic price adjustments for existing firm-fixed-price contracts and options. Firm-fixed-price contracts are, as the name suggests, contracts with a set price agreed upon by both parties at the outset. These contracts give companies the assurance that they will receive a fixed payment even if the work costs less than expected, while the government is assured it won't pay more than the agreed price, even if costs rise. With this new provision, Congress has opened the door for Pentagon contractors to push Congress for economic price



adjustments to contracts, circumventing the Pentagon's contract officers that are typically responsible for responding to such requests.

Congress passed this provision despite the Pentagon's 2022 guidance stating that "contractors performing under firm-fixed-price (FFP) contracts generally must bear the risk of cost increases, including those due to inflation." ¹⁰ There was also scant evidence that Northrop Grumman or other contractors were facing significant cost increases due to inflation. ¹¹

Of the 36 lobbyists working for Northrop Grumman in 2023, 29 were revolving door lobbyists.

In the 2022 election cycle, Northrop Grumman's PAC and individuals associated with the company contributed \$3,050,956 in political donations. ¹² So far, in the 2024 election cycle, Northrop Grumman's PAC and associated individuals have contributed \$3,772697. ¹³ In 2023, Northrop Grumman spent \$10,860,000 on lobbying, with 29 of its 36 lobbyists passing through the "revolving door" between the government and its contractors. ¹⁴

F-35 Production Bailout

The F-35 Joint Strike Fighter, the most expensive weapon system in history, continues to face schedule delays, cost overruns, and persistent performance problems.¹⁵ The latest challenge involves production delays in the fighter's Block 4 modernization effort. In the House-passed FY2025 NDAA, lawmakers authorized funds for 58 F-35s—10 fewer than the Pentagon requested. Instead of pocketing the taxpayer savings, however, lawmakers intend to redirect the billion dollars in savings to address the production challenges delaying F-35 modernization.¹⁶

This amounts to a \$1 billion bailout for Lockheed Martin, the prime contractor for the F-35. However, unlike the bank bailouts during the 2008 financial crisis, this bailout is not about rescuing Lockheed Martin from collapse, and it won't be repaid. In fact, shortly before this proposal emerged, Lockheed spent \$1 billion on stock buybacks, boosting profits for shareholders and executives. ¹⁷ Instead, this bailout is about making the necessary investments to get F-35 production on track—investments Lockheed chose to forgo in favor of stock buybacks.

In the 2022 election cycle, Lockheed Martin's PAC and individuals associated with the company spent \$3,946,639 on political contributions. ¹⁸ So far, in the 2024 cycle, that number stands at \$4,583,510. ¹⁹ In 2023, Lockheed Martin spent \$14,066,565 on lobbying expenditures. ²⁰ Of the 65 lobbyists working for Lockheed Martin in 2023, 48 were revolving door lobbyists. ²¹

Submarine Industrial Base Bailouts

In July, the Navy, along with the Pentagon's Innovation Capability and Modernization Office, awarded Deloitte Consulting a \$2.4 billion contract "for the Submarine Workforce and Industrial Base requirement... to deliver systemic, holistic solutions to regional and broader submarine industrial workforce and industrial base challenges." Less than two months later, the Navy awarded a \$950 million contract (with options that could bring the total to \$980 million) to BlueForge Alliance "to support planning, resourcing, coordinating, and uplifting the U.S. Submarine Industrial Base and Foreign Military Sales requirements." Setting aside questions about BlueForge—a two-year-old nonprofit that secured a nearly \$1 billion sole-source contract—the larger issue is that these contracts represent yet another massive bailout for the military industry.²⁴

The submarine industrial base has been struggling to maintain sufficient workforce capacity, contributing to significant delays and cost overruns in the Columbia-class and Virginia-class submarine programs. However, this



problem stems largely from the industry's reluctance to sufficiently invest in essential elements of production, like workforce development.

The prime contractor for both submarine programs, General Dynamics Electric Boat, and its primary subcontractor Huntington Ingalls Industries (HII), illustrate this trend. General Dynamics bought back \$139 million of its stock in the first half of 2024, and may buy back even more as the year progresses. Els CEO Phebe Novakovic projected in a May earnings call that "the cash performance for the remainder of the year is going to be very strong and we will act accordingly." In January, HII authorized an additional \$600 million for its stock buyback program, bringing the total amount authorized through 2028 to \$3.8 billion. HII CEO Chris Kastner justified the move, claiming that HII is "entering a period of accelerated growth and increased free cash flow generation."

Navy Secretary Carlos Del Toro criticized such practices earlier this year, expressing frustration with companies that buy back stock while seeking taxpayer support.

During his keynote address at a February trade conference, he warned industry leaders: "While I am very happy for you, you can't be asking for the American taxpayer to make greater public investments while you continue in some cases to goose your stock prices through stock buybacks, deferring promised capital investments, and other accounting maneuvers that — to some — seem to prioritize stock prices that drive executive compensation rather than making the needed,

You can't be asking for the American taxpayer to make greater public investments while you continue in some cases to goose your stock prices through stock buybacks...

- Navy Secretary Carlos Del Toro

fundamental investments in the industrial base and your own companies at a time when our nation needs us to be all ahead flank."²⁹ Despite Del Toro's admonition, the industry's response has been tepid, at best.

Huntington Ingalls' PAC and individuals associated with the company contributed \$1,096,442 to political candidates and committees in the last election cycle and another \$1,233,479 so far in the 2024 cycle.³⁰ In 2023, HHI spent \$4,964,494 on lobbying expenditures.³¹ Of the 39 lobbyists working for HII in 2023, 35 were revolving door lobbyists.³²

General Dynamics' PAC and individuals associated with the company contributed \$3,230,775 to political candidates and committees in the 2022 election cycle, and another \$2,899,989 so far in the 2024 election cycle.³³ In 2023, General Dynamics spent \$12,160,000 on lobbying expenditures.³⁴ Of its 78 lobbyists in 2023, 55 were revolving door lobbyists.³⁵

Congressional Pentagon Budget Handouts

These industry bailouts pale in comparison to the rising tide of congressional Pentagon budget increases—program increases sought by lawmakers that collectively cost tens of billions each year, often for projects the Pentagon did not even request.

For FY2024, lawmakers secured 1,072 program increases costing over \$21 billion in the Pentagon's Procurement and Research, Development, Test, and Evaluation (RDT&E) accounts alone.³⁶ Many of these increases were funded through cuts to Operation and Maintenance (O&M) accounts—funds essential for the military's day-to-day operations but less profitable for Pentagon contractors than procurement or RDT&E contracts.



In the yet-to-be-finalized FY2025 budget, lawmakers have proposed 1,500 increases in Procurement and RDT&E, at a cost of over \$39 billion.³⁷ Though 86 percent of these proposals are for less than \$20 million, their collective impact on Pentagon spending is significant. Over 72 percent of them were for projects the Pentagon did not fund at all in its budget request.³⁸ While Congress now requires transparency for formal earmarks elsewhere in the budget, these backdoor earmarks are less scrutinized but are certainly noticed by the military industry. Many lawmakers, particularly appropriators, routinely take credit for increases likely to benefit companies based in their districts, that contribute to their campaigns, or both.³⁹

Undue Influence

While the military industry secures and leverages most of its political influence within the bounds of the law, it has been known to step out of those bounds. Most recently, RTX, formerly Raytheon, agreed to pay over \$950 million in criminal penalties, civil fines, victim restitution, and profit forfeiture in order to resolve Justice Department investigations into "(i) a major government fraud scheme involving defective pricing on certain government contracts and (ii) violations of the Foreign Corrupt Practices Act (FCPA) and the Arms Export Control Act (AECA) and its implementing regulations, the International Traffic in Arms Regulations (ITAR)," according to a Justice Department press release.⁴⁰

In the defective pricing case, Raytheon employees "provided false and fraudulent information to the DOD during contract negotiations concerning two contracts with the United States for the benefit of a foreign partner — one to purchase PATRIOT missile systems and the other to operate and maintain a radar system." This false and fraudulent information led to the Pentagon overpaying Raytheon by more than \$111 million. RTX now has to repay the \$111 million as well as a \$146 million criminal penalty and a \$428 million penalty for violating the Truth in Negotiations Act (TINA). In the FCPA case, Raytheon admitted to bribing a high-level member of the Qatar Emiri Air Force (QEAF) to help secure contracts. To settle the case, RTX will pay a criminal penalty of \$230 million, forfeit \$36 million, and pay tens of millions more in civil penalties.⁴¹

While RTX paying fines and restitutions for defrauding the federal government and bribing foreign officials is a welcome sign that there are limits to the political influence of the military industry, it bears noting that these criminal and civil payments are relatively small compared to RTX's military revenue, which grew from \$39.6 billion in 2022 to \$40.6 billion in 2023.⁴² These cases have also raised questions about the rest of the military industry, leading some analysts to call for broader Justice Department investigations "to determine whether these infractions are industry standard." ⁴³

Industry Revenue

According to Defense News' list of the top 100 global military industry companies, 16 of the top 20 U.S. firms based on 2023 revenue saw their military earnings grow by at least 2 percent from 2022 to 2023.⁴⁴ Twelve of these companies experienced growth of at least 6 percent. Collectively, these top 20 companies increased their military revenue by more than \$16 billion between 2022 and 2023, a 6 percent increase. This growth is a clear sign of the industry's broad success in exercising its political influence to increase profits. It also serves as a reminder that despite claims to the contrary, the industry is capable of covering the basic costs of doing business—like hiring and training workers—without turning to taxpayers for bailouts.



Figure 4: Top 20 Pentagon Contractors by 2023 Military Revenue					
Rank	Company	2023 Military Revenue (in millions)	2022 Military Revenue (in millions)	Military Revenue Change	
1	Lockheed Martin	\$64,650	\$63,334	2%	
2	RTX	\$40,600	\$39,600	3%	
3	Northrop Grumman	\$35,197	\$32,435	9%	
4	General Dynamics	\$33,651	\$30,840	9%	
5	Boeing	\$32,684	\$30,843	6%	
6	L3Harris Technologies	\$15,553	\$13,927	12%	
7	HII	\$11,430	\$10,625	8%	
8	Leidos	\$11,054	\$9,525	16%	
9	Booz Allen Hamilton	\$6,830	\$5,904	16%	
10	Amentum	\$5,700	\$6,000	-5%	
11	Honeywell	\$4,986	\$4,630	8%	
12	CACI International	\$4,817	\$4,331	11%	
13	General Electric	\$4,714	\$4,410	7%	
14	Peraton	\$4,064	\$4,081	0%	
15	SAIC	\$3,840	\$3,775	2%	
16	V2X	\$3,594	\$3,305	9%	
17	Jacobs	\$3,270	\$3,731	-12%	
18	KBR	\$3,070	\$3,148	-2%	
19	Parsons Corporation	\$3,021	\$2,213	36%	
20	Textron Inc.	\$2,933	\$2,834	3%	

Source: Defense News

Conclusion

The military industry has mastered the art of influencing national security policy and spending. Through tens of millions in campaign contributions each election cycle and hundreds of millions spent annually on lobbying, it secures influence with policymakers. Nearly three in four of the lobbyists it employs have previously worked in government, often as former members of Congress or congressional staffers. These tactics have enabled the industry to secure billions of dollars in bailouts for expenses other industries typically cover themselves—bailouts that indirectly subsidize stock buybacks while discouraging investment in industrial capacity. Additionally, the industry has successfully pushed for tens of billions in annual congressional increases to the Pentagon budget, much of which will fund projects the Pentagon never requested. Industry influence has contributed to a nearly 50 percent surge in Pentagon spending adjusted for inflation since the turn of the century, with total spending rapidly approaching \$1 trillion per year. 45



Endnotes

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