

Security and Balance Essential in Our New Reality

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Edited Remarks



Thanks very much for the warm welcome, ladies and gentlemen. It is a really distinct honor and privilege to receive this Forrestal Award from NDIA. And I can only accept it on behalf of 126,000 of my colleagues across Lockheed Martin, whose dedication and talent and integrity make me very proud to come to work each day. I also want to thank the leadership and staff of NDIA. For more than 90 years, you've assured that government and industry can bring forward together the best solutions for our warfighters. Yours is a legacy of great accomplishment over time.

I've always felt very privileged to work in our industry, but I must tell you on more than one occasion I've realized we are a bit of an odd bunch. I would refer to our customers for a description of exactly how many dimensions there are to our oddity. But the one I think of mostly is that, when conditions warrant, we engage vigorously in competitions to drive innovation and better value and better creative ideas. And I will certainly admit that there are some rough spots along the way, but I think over a long arc of history after these competitions conclude, our industry has never really failed to stand shoulder-to-shoulder with one another, to put our customers' interests first, and support them as they discharge the demands of their incredibly important missions.

I've always found this a great source of pride in our industry because when I look across the industrial segments in our country and around the world, I don't really see this kind of behavior everywhere. So it's a great source of pride to me and I want to thank my industry colleagues who are here today for being such trusted partners in enabling us to do that.

I find it especially meaningful to receive this award today at the Army Executive Summit. One in every five of our employees has served in the United States military; one in every four of our leaders has served. As a result, I think we have a good sense of shared values and ideals and objectives. And I will tell you that we hold in very high regard the work that's done in our behest to protect our security ... and all those who participate have our enduring gratitude.

A special thanks to Secretary O'Neill and Gerald Dunwoody and the Army leadership here today, and importantly, those who are beyond the sound of our voices. I think that it is especially noteworthy that at a time in our country where confidence in institutions seems to be on the wane, the reputation of the United States Army truly has soared. That is a reflection of leadership and character and constancy of purpose in the service of others. That is a definition of true nobility, and you are all to be commended.

We gather here today under the most demanding circumstances we've seen in a long time. The headlines today tell the story about the new reality that we're facing together. Global security challenges are only growing more complicated, and the range of these challenges is truly breathtaking. For this audience, so studied in national security issues, there's no need to review the details of Iraq and Afghanistan; of terrorism around the globe; of unrest in Northern Africa and the Middle East; of instability in the Korean peninsula; of an emerging India, an ascending China, a threatening Iran; or the expanding demands of the cyber security domain.

When speaking at West Point recently, Secretary Gates said, "While we can't know with absolute certainty what the future of warfare will hold, we do know it will be exceedingly complex, unpredictable and unstructured."

It will likely be a period of persistent conflict. At home, our economic recovery is uncertain at best. We have a \$14 trillion national debt and a \$1.5 trillion deficit. And Congress is increasingly focused on discussions about how we can best cut federal spending. And I think we all know that spending has to be reduced.

When American voters in polls recently were asked how they as individuals would cut the federal budget, most targeted cuts at the Pentagon first. As support for this proposition, some during recent debates have invoked a voice from the past, that of our 34th President, Dwight Eisenhower, on the occasion of his farewell address that occurred half a century ago.

And everyone in this room, if not every citizen in America, is familiar with the most famous quote from that speech, where he cautioned against the acquisition of unwarranted influence by the military industrial complex. Almost every segment of news coverage of the 50th anniversary of these remarks repeated these words, and almost exclusively only these 10 words, to defend a position of criticism about the size of our nation's military or our defense industry. These 10 words were used to validate concerns and to justify the dismantling of our military and our industry today because Ike's words in 1961 clearly instruct us to do so.

In fact, that farewell address delivered on January 16, 1961, had 1,948 words, not just 10. And some of the other words were devoted to an eloquent explanation of the course of action our nation was on and why. Before offering any warning about the size or influence of our military or our industry, the President established six foundational observations based on his experience and his beliefs.

The President noted that America had a basic purpose to keep peace; that progress toward this peace was threatened and that there would be continuing crises; that a vital element in keeping the peace was in fact our military establishment; that our arms must be mighty and must always be ready for instant action; that we cannot risk the emergency improvisation of our national defense, as had been done before at considerable risk; and that the security challenges we faced compelled our nation to create an armaments industry and the establishment of that industry was indeed a national imperative. Only then did he offer a caution about unwarranted influence.

The President's speech, when you read all of the words, was not at all a justification for dismantling our nation's defense. It was about balance. Let me quote a section from the President's remarks: "Each proposal must be weighed in the light of a broader consideration: the need to maintain balance in and among national programs, balance between the private and the public economy, balance between cost and hoped for advantage, balance between the clearly necessary and the comfortably desirable, balance between our essential requirements

as a nation and the duties imposed by the nation upon the individual, balance between actions of the moment and the national welfare of the future. Good judgment seeks balance and progress; lack of it eventually finds imbalance and frustration."

In seeking balance, the President was absolutely correct in challenging how much defense spending is enough. He had really done this many times before in remarks that he had offered earlier. I always thought he offered a most impressive speech in 1953, early in his first term, titled *A Chance for Peace*. The issue he highlighted is very straightforward: every dollar spent on security is unavailable for schools, or infrastructure, or other purposes. In essence, the President said, "Don't spend a dime more on defense than is absolutely necessary." And I don't believe anyone here today would disagree with that premise. The question is, how much is enough? For those who would use the world view of 1961 to criticize and curtail today's military and industry, a little context may prove helpful.

When Ike entered office, the defense budget was just over 13 percent of GDP. When he left eight years later, it was about 9 percent of GDP. In 2010, the defense budget, including overseas contingency operations funds, is a little more than half that at 4.7 percent. When Ike entered office, military personnel levels were just over six million in the active and the reserve force. About 3.8 percent of our citizens were serving in the military. When he left office in 1961, that total had grown by 7 percent to a little more than 6.4 million in uniform. Today we have about 2.3 million active and reserve forces, constituting just seven-tenths of a percent of the U.S. population.

As a sidebar, I find it absolutely astonishing that the greatest democracy on earth, and the greatest economy on earth, has a security undergirded by a volunteer force of less than one percent of the citizens it serves. That is astonishing to me.

When Ike entered office, our nation had 841 nuclear warheads; when he left, 18,686. A twenty-fold increase in nuclear inventory, and there's no precedent today for that kind of build-up. And when Ike left office, there was a growing number of defense contractors. That number has leveled off and begun to decline, and I would offer you this thought about the economic power of the industry. The top five aerospace and defense companies in America – when you add up all their revenues not just from military sources, but from commercial and civil sources as well – is just barely over half of the annual revenue of Walmart. Taken in total, today's numbers are a fraction of the 1961 totals and hardly seem to reflect the result of a sustained, unwarranted influence.

In the 50 years since the President's speech, our population has grown about 75 percent. Our GDP has expanded more than 25 times, as the strongest economy on earth. Democracy and self-rule prevail in America. Our people breathe free. And the security and liberty that we seek have indeed prospered together. That is what President Eisenhower was looking for.

As a final thought to those who would construe that President Eisenhower's most often quoted words reflected a distrust or fear of the U.S. military, I've always found it most interesting that after that farewell address, after eight years in the White House, after holding the highest office in our land, the President, through intermediaries, requested the restoration of his five-star rank. He forfeited the title of Mr. President, receiving no additional benefit, no monetary gain whatsoever, preferring instead to be called General, which he was until his death in 1969. This is not an act of fear, but an act of respect and admiration for the military that he loved, that continues to serve America so ably and well today. I'm quite sure General Eisenhower would be proud.

As we look forward, the security and economic pressures in our new reality are going to persist and we, together, are going to be challenged to meet them. Cost-cutting and efficiency initiatives are already underway across government, and across industry. Secretary Gates, Secretary Carter and others have quantified the expected reductions across the Department of Defense.

In our company, we have engaged in consolidations internally. We have divested two businesses. We've implemented a voluntary reduction program across our senior leadership. We've reduced attendance at trade shows. We've cut travel expenses and expenses across the board. And we're going to continue to do so.

I believe every company represented in this room and many others who support our industry are doing exactly the same thing. And I think you all know this is a very painful process.

Two years ago, we had 146,000 people in our company. Today we have 126,000 people. And I believe that number may diminish as we move forward. The worst thing I do is tell good people I don't have a job for you, but these reductions are absolutely necessary to meet the challenges of this new reality.

Beyond cost-cutting, other actions will be needed as well. To get genuine economies, our industry needs stability and predictability in programs and in funding. And we recognize across our industry that our execution simply has to warrant your trust and confidence in making investments in us. And I believe across the industry there are genuine initiatives to try to do better at meeting our commitments and run our businesses better.

We know our customers and the Congress are going to need to find fortitude in a difficult budget environment to avoid the pitfalls of the all-too-familiar boom and bust cycle. When I saw some of the earlier charts, the thought crossed my mind that every time we feel that there's a compelling need to reduce the defense budget, we over-correct. There are inefficiencies in that over-correction. And what ultimately happens is that new, unforeseen security demands arise, that the members of the Army community here are often compelled to address first. And we have to increase defense spending again in a more or less inefficient way to meet these new contingencies.

Let me again quote Secretary Gates, on the 6th of January this year: "It's important not to repeat the mistakes of the past by making drastic and ill-conceived cuts to the overall defense budget." I couldn't agree more. Think of this: over the last 20 years or so, our armed forces have been worked hard, with major deployments in Panama, Iraq, Somalia, Haiti, the Balkans, Kosovo, Iraq again, Afghanistan, and a no-fly zone in Libya. And I haven't touched the humanitarian relief missions so many of you have participated in. Few of these demands were adequately recognized in advance. While the operational tempo has remained high, force structure, almost across the board, has been reduced. Fewer systems have been procured, and the age of U.S. combat equipment has grown, and the condition of this equipment has deteriorated.

Recapitalization is sorely needed today. There is no long-term asset life in our inventories to sustain operations over the long haul. There's no "peace dividend." What's most interesting about these deployments over the last 20 years, and the entire task of attempting to plan for our future security, is the highly varied nature of the missions that must ultimately be undertaken: the overall unpredictability of where, when, and how security events will unfold around the world, and the absolute futility of trying to guess right. There's probably no institution on this planet more aware of the value of preparedness and adequate investment than the United States Army.

By 1945, our nation had trained and equipped the most successful army ever to take the field, supported by military spending that increased from 1.7 percent of GDP in 1940 to 37.5 percent in 1945. That Army met every challenge, defeated every adversary and brought peace to a world that had known little. Given the enormity and completeness of their victory, defense spending was dramatically reduced, force structure significantly drawn down, training curtailed.

On June 25, 1950, Communist North Korea invaded the South. This was a surprise. Ten days later, on July 5th, a 540-man battalion-sized task force of the 24th Infantry Division was deployed in the area around Osan, Korea, with orders to delay the advancing North Korean forces, who led with 35 T34 tanks followed by 5,000 dismounted infantry troops. Task Force Smith engaged this enemy with five 105-mm howitzers, two 75-mm recoilless rifles, two mortar platoons and a number of 2.3-inch bazookas. Only the 105's were effective against this armor, disabling four.

Task Force Smith was overwhelmed, not by a lack of courage, but by a lack of preparedness, for an army that just five years earlier had crushed the vaunted Wehrmacht. This example from history is relevant today because as we examine reducing defense budgets to address our economic needs, we stand on the threshold of making decisions about preparedness, training, force structure, capability, and recapitalization.

So I, too, will invoke a name from the past. I'll invoke the name of General Eisenhower because I, too, believe this issue today is all about balance. We live today in one of the most complex and demanding security environments anyone has ever seen. This is not going to change in the near term. The number and velocity of events and the volatility of their consequences have never been greater.

Witness just the first three months of 2011. Now is not the time to under-invest in our military or the capabilities they need to keep our nation free and strong in this complex and evolving world. The worst possible outcome in addressing our nation's economic deficit would be to bring about a security deficit as well, because that deficit, as history instructs, will be repaid in the blood of our troops. I think that our industry and our military have often been at our best when the stakes have been the highest. In those times, we have acted together, as partners and as patriots, committed to our country's best interests, recognizing that our military is indispensable to our security and that our nation's defense industrial base is a vital and irreplaceable strategic asset.

Now, as much as any time in our history, we need to ensure that our military remains strong, prepared, well equipped, and ready for any contingency; that our industrial base remains worthy of the men and women we serve; and that we continue to do right by those who bring this industry to life.

Again, in that spirit, I am very honored today to receive the Forrestal Award. I thank you for your warm reception. I'm enormously proud to be part of an industry that I believe has served our nation so well for such a long period of time. Thank you very much for your attention.