

Guns ‘R’ US: How the U.S. came to dominate global arms trade

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“In the United States bureaucratic symbiosis reaches its highest state of development in the relation between the weapons firms and the Department of Defense and its constituent elements.”
– John Kenneth Galbraith.¹

In a move sure to be applauded by arms moguls and free market fanatics alike, the Obama administration has eased restrictions on the export of arms and other military munitions² by transferring export oversight from the Department of State to the Department of Commerce. The easing of export controls is the result of years of lobbying pressure by U.S. arms manufacturers.³

The new policy, which focuses on “enhancing the competitiveness of key United States manufacturing and technology sectors,” is a slight of hand switching weapons and related technologies from the stringencies of the State Department’s United States Munitions List (USML) to the less rigorous Commerce Department’s Commerce Control List (CCL). As a result, the White House envisions that “a significant percentage of the items that are transferred off of the USML would be permitted to be exported without a license.” Of course, with U.S. war profiteers holding but a mere 80 percent of the global arms market,⁴ the urgency of reforming weapons export restrictions was obvious to most any patriotic American plutocrat.

So how did an oligopoly of American arms merchants come to dominate the world arms market? It seems that it all started in 1794 with a musket factory in Springfield, Massachusetts, whose production was exclusively for the army of the fledging U.S. republic. Before the revolution, no arms industry existed in the American colonies which relied on Britain for weapons. The revolutionary war precluded British supplies, forcing the former colonies to turn to France which furnished the lion’s share of muskets used during America’s revolution. By the 1790s however, hostilities in Europe threatened to cut off the supply of arms from France, so the U.S. Congress mandated that the armory be built at Springfield.⁵

With the Springfield Armory successfully producing almost 5 thousand muskets a year, Congress directed another arms factory be built at Harper’s Ferry, Virginia in 1796. Two years later with the possibility of war with France looming on the horizon, Congress authorized an expenditure of \$800 thousand – approximately \$11 billion⁶ in today’s dollars – to buy weapons. Realizing that the two federal armories could not possibly provide adequate arms supplies based on experience in the revolutionary war, the U.S. government decided to solicit bids from private gunsmiths for contracts to manufacture guns, thus giving birth to the American arms industry and the enduring institution of “defense” contracting.⁷

It is interesting to note that even in those early days of defense budgeting in the 1790s, the U.S. Congress was already suffering from an inability to realistically project war expenditures and delivery schedules. Based on the peak troop strength of 50,000 during the revolution and assuming one musket and one replacement per soldier,⁸ 100,000 guns were needed.⁹ Based on its allocation of \$800,000 Congress was projecting a cost of \$8 per musket, while \$16 each reflected the actual cost at Springfield arsenal in 1798.¹⁰ In addition to cost overruns, production

delays also made their debuts in the nascent American arms industry, with Ely Whitney's contract to produce 10,000 muskets finally fulfilled a mere eight years behind schedule.¹¹

The 19th century saw major developments in warfare, which had evolved from the frontal assault by ranks of opposing troops on the battlefield to a tactical defensive, guerilla-style confrontation between soldiers, facilitated largely by the increased range and accuracy of the rifle-drilled musket.¹² The technology of slaughter was aided by the mass production of weaponry, rapid communications by telegraph and mass troop movement by steamship and railroad. Innovations such as rifle-drilled side arms and revolvers¹³ along with faster rates of artillery reloading increased the lethal abilities of armies, transforming the battlefield into a death zone from the shower of steel bullets and projectiles. Mass production and interchangeability of parts as a result of the Industrial Revolution also contributed greatly to the capability of the U.S. to wage war.¹⁴

One of the major innovations of the American Civil War period invented by Dr. Richard Jordan Gatling was the 6-barrel Gatling gun. With its 600 round-per-minute firing rate, this precursor to the machine gun became the weapon of choice for use against the Native Peoples and for export sales to other countries.¹⁵ Gatling sold the patent for his gun to Colt Armory,¹⁶ which began producing the semiautomatic firearm in 1867. Established in international markets by the 1850s and a leading maker of machine guns, Colt, in partnership with Browning Arms, produced the first gas-operated fully automatic rifle in 1891 and has been a major supplier of various rifles and pistols to the U.S. military ever since.¹⁷ Credited as the first to use assembly line methods for the production of weapons,¹⁸ Colt was split into two divisions in 2002: Colt's Manufacturing LLC, which makes civilian guns, and Colt Defense LLC,¹⁹ which "has provided US, NATO, and other military forces with the finest battlefield weapons ever designed."²⁰

The Civil War affirmed the profitability of war among American business barons, who enriched themselves by the huge profits of selling war material to both sides. The fortunes flowed to a small number of pugnacious plutocrats, including John D. Rockefeller (Standard Oil Company), Andrew Carnegie (Carnegie Steel), Gustavus Swift (Swift & Company), and Henry Havermeyer (American Sugar Refining).²¹ The war profiteers sold the armies defective guns, clothing and blankets made from shop floor sweepings, ships built with rotten timbers, sand packaged as sugar, shoes made with paper soles, and uniforms that came apart in the rain.²² The Astors made their money by leasing squalid tenements to the foreign workers who could be legally employed under the provisions of the Contract Labor Law of 1864 provided they relinquished a year's pay to cover emigration costs.²³

In addition, the U.S. government's use of fiat money to finance wars also became well entrenched after the successful issuing of \$346 million in interest-free, legal tender notes called "greenbacks." Acting on the advice of treasury secretary Salomon Chase, the namesake of today's Chase Bank, President Lincoln directed the U.S. Treasury to issue the greenbacks over the protests of New York bankers, who had demanded 36 percent interest for their loans. While legal tender for most public and private debts, the greenbacks could not be used to pay for duties on imports or interest on the public debt, forcing importers to turn to bankers for gold. The exclusion was highly profitable for bankers who gladly exchanged \$285 in greenbacks for \$100 in gold, then reinvested the greenbacks in U.S. treasury bonds at face value, for which the

interest was paid in gold in advance, according to the Legal Tender Act of February 25, 1862, netting the banker \$185 and providing the gold for the next transaction.²⁴

By 1889, the U.S. began to modernize its navy by building battleships of steel,²⁵ which of course greatly benefited steelmakers such as Bethlehem and Carnegie, which deserve special mention, since in 1896, both were caught selling steel for armor plate to Russia at one-third the price charged to the U.S. government.²⁶ However, it was not until World War I that the symbiosis between the arms industry and the war bureaucracy began to flourish with the quasi-nationalization in 1917 of manufacturers by the War Industries Board,²⁷ headed by the wealthy financier Bernard Baruch.²⁸ One of the profitable innovations that benefitted the WWI arms makers and persists to this day is the cost-plus contract, which allows war firms to charge the government for the actual cost of raw materials plus whatever time and labor was needed to produce the finished product.²⁹

In the years before the official U.S. entry into WWI, bankers and industrialists were already profiting handsomely from supplying loans and goods to the British for their war effort. J.P. Morgan acted as an agent for private loans to the allies, mainly England, and U.S. Steel made \$348 million in 1916. A total of \$2 billion worth of war material was sold before the U.S. entered the war in April 1917.³⁰ For the arms makers, like gunpowder supplier DuPont whose profits increased tenfold from 1914 to 1918,³¹ WWI was a money-making bonanza. In fact war profits were so unabashedly obscene, that in 1936, the Nye committee, which had been formed in 1934 to investigate, reported, “[T]he committee finds it to be against the peace of the world for selfishly interested organizations to be left free to goad and frighten nations into military activity.”³²

However, it was not until after WWII and the massive U.S. research race to develop an atomic bomb, that the full impact of the Nye report’s conclusions were felt. On January 26, 1939, the discovery of nuclear fission was announced and a mere six years later on August 6 and August 9, 1945, the atomic bomb was dropped by U.S. warplanes on Hiroshima and Nagasaki, killing a quarter of a million people.³³ Veiled in the utmost secrecy, the \$28 billion atomic bomb project was the prototype for future “black ops” and set the pattern for the evolving symbiotic relationship between the defense bureaucracy and the arms industry. Employing over 200,000 workers and at³⁴ times drawing more electricity off the nation’s power grid than New York City to run the centrifuges at Oak Ridge, Tennessee, the Manhattan Project, as it was called, remained hidden to most until the actual deployment of these horridly destructive weapons.

The post-WWII cold war between the U.S. and the former Soviet Union brought the symbiosis between the arms industry and defense bureaucracy into full bloom. By the 1950s, the top one hundred defense contractors employed over two thousand former high-ranking military officers.³⁵ Despite fears by some of post-cold war defense cuts, the collapse of the Soviet Union gave the U.S. a virtual monopoly in the global weapons market,³⁶ which has been maintained by providing taxpayer-funded low interest loans and price discounts to “partners” – nations that agree to join or remain in the U.S. sphere of domination.³⁷ The post-9/11 war on terror has brought the profits of the war industries to new heights. Since 2002, profits of the five largest U.S. defense contractors – Lockheed Martin, Boeing, Northrop Grumman, General Dynamics and Raytheon³⁸ – have increased an impressive 450 percent. Arms manufacture truly has become

an American specialty, with 47 out of the top 100 defense firms in the United States.³⁹ One is tempted to call this criminal cartel that works for war and against peace Guns ‘R’ US.

The symbiotic relationship between the U.S. arms industry, the so-called “defense contractors,” and the Pentagon results in the antithesis of peace, since each party is working for its own protective interests as well as of the other, as Harvard economist John Kenneth Galbraith presciently explained in 1973. The weapons firms are sources of employment for retired military officers and officials in the defense bureaucracy and conversely, leaders in the weapons technostructure are recruited to fill senior positions in the defense bureaucracy.⁴⁰ The consequence of this satanic symbiosis is the pursuit of a perpetual state of war, as historian and philosopher Charles Mercieca writes, “The weapons industry is determined to survive in its business until the end of time. The only way to assure its survival is the continued creation of local, regional, and global conflicts.”⁴¹

Ralph Budd, the American business leader and railroad president, had a motto, “Eighty percent of the business and peace.” But for the American arms industry and its eighty percent stranglehold on the world arms market, peace would be an anathema.

Endnotes

¹ John Kenneth Galbraith, *Economics & The Public Purpose* (Boston: Houghton Mifflin, 1973), 143.

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³ William D. Hartung, “Risk and Returns: The Economic Illogic of the Obama Administration's Arms Export Reforms,” *Center for International Policy*, August 21, 2013, accessed October 23, 2013, <http://www.ciponline.org/research/html/risk-and-returns-the-economic-illogic-of-the-obama-administrations-arms-exp>.

⁴ William D. Hartung, *ibid.*

⁵ “Government and the Small Arms Industry, 1776-1798,” *The History of American Technology*, Bryant University, Fall 1998, accessed October 24, 2013, http://web.bryant.edu/~ehu/h364/materials/musket/rev_gun1.htm.

⁶ The Inflation Calculator website, Morgan Friedman, accessed October 24, 2013, <http://www.westegg.com/inflation/>.

⁷ “Government and the Small Arms Industry, 1776-1798,” *ibid.*

⁸ One must keep in mind that interchangeability of manufactured parts was in its primitive stages of development. While Eli Whitney had supposedly contributed to this innovation, his contract was only for 10,000 muskets out of 40,200 ordered. Hence, if a musket failed, the only sure way to “repair” it was to replace it.

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- ²² Howard Zinn, *A People's History of the United States* (New York: Harper Collins, 2005), 235.
- ²³ Howard Zinn, *ibid.*, 238.
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- ²⁹ Wyatt Merritt, *ibid.*
- ³⁰ Howard Zinn, *ibid.*, 362-363.
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