
Preface

President Dwight D. Eisenhower's famous 1961 warning to beware of the "military industrial complex" was followed by a statement that the United States could not have won World War II without the defense industry. Joseph Stalin similarly stated that the allies could not have won the war without the U.S. defense industry. America's security in the twenty-first century depends on a variety of factors, but one of them is the strength and relevance of the industrial base that supports its security.

A major transformation of the defense industrial base is critical to make it strong, responsive, and relevant to the needs of twenty-first-century national security. This book focuses on defining the required transformation and describing how to make it happen. This is my fourth book on the defense industry, and in many ways, this is a life's work.

My first book (which grew out of my PhD thesis), *The Defense Industry* (MIT Press, 1980), focused on the cold war defense industry. It emphasized the period of the post-Vietnam era and appeared prior to the large buildup in defense expenditures that occurred during Ronald Reagan's administration toward the end of the cold war. My second book, *Affording Defense* (MIT Press, 1989), examined the end of the Reagan buildup through the year that the Berlin Wall (1989) came down. At that time, everyone was expecting a decline in the defense budget and was trying to figure out how to get an adequate and relevant security posture with fewer dollars. Finally, my third book, *Defense Conversion* (MIT Press, 1995), described the state of the industry in what was then known as the post-cold war period. It was a low point in defense budgets (people were looking for a peace dividend after the end of the cold war), and defense firms were trying to figure out how they would survive. Many were looking to diversify, if possible, into the commercial world. It was an era of great defense-industry consolidation, and many firms left the defense business. In fact, much of the current structure of the industry today is the result of that consolidation era and the events that followed it.

From 1980 to today, there have been dramatic changes in the world. In the first decade of the twenty-first century, we experienced the horrendous terrorist events of September 11, 2001; the subsequent wars in Iraq and Afghanistan; dramatic changes in technology, industrial consolidation, economics, and geopolitics; industrial and technological globalization; an explosion in annual defense budgets; and \$100 billion in annual defense budget supplementals. These dramatic changes demand a rethinking of the future national security posture of the United States, the supporting industrial base, and the ways that we can effectively and efficiently achieve that needed industrial transformation.

This book describes that vision, relates it to the nation's twenty-first-century national-security needs, and, because the government is the sole buyer in this unique market, discusses the changes that are needed within the government to realize this vision through the transformation of the national-security industrial base.

The required changes (both in government and in industry) can be expected to face severe institutional and political resistance, but I believe that the future security of the world depends on the success of this transformation. And it is toward that objective that I undertook to write this book.