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Etceteras . . .

Military-Economic Fascism

How Business Corrupts Government, and Vice Versa

ROBERT HIGGS

The business of buying weapons that takes place in the Pentagon is a corrupt business—ethically and morally corrupt from top to bottom. The process is dominated by advocacy, with few, if any, checks and balances. Most people in power like this system of doing business and do not want it changed.

—Colonel James G. Burton, *The Pentagon Wars*

In countries such as the United States, whose economies are commonly, though inaccurately, described as “capitalist” or “free market,” war and preparation for war systematically corrupt both parties in the state-private transactions by which the government obtains the bulk of its military goods and services. On one side, business interests seek to bend the state’s decisions in their favor by corrupting official decision makers with outright and de facto bribes. The outright bribes include cash, gifts in kind, loans, entertainment, transportation, lodging, prostitutes’ services, inside information about personal investment opportunities, overly generous speaking fees, and promises of future employment or consulting patronage for officials or their family members. The de facto bribes include campaign contributions (sometimes legal, sometimes illegal), sponsorship of political fund-raising events, and donations to charities or other causes favored by the relevant government officials. Reports of this sort of corruption appear from time to time in the press under the rubric of “military scandal” (see, for example, Biddle 1985; Wines 1989; Hinds 1992; “National Briefing” 2003; Colarusso 2004; Pasztor and Karp 2004; Calbreath and Kammer 2005; Wood 2005; Babcock 2006; “Defense Contractor Guilty in Bribe Case” 2006; Ross 2006; “5 Americans Indicted” 2007; “Feinstein Quits Committee” 2007; and

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Levesque 2007). On the other, much more important side, the state corrupts businesspeople by effectively turning them into co-conspirators in and beneficiaries of its most fundamental activity—plundering the general public.

Participants in the military-industrial-congressional complex (MICC) are routinely blamed for mismanagement; frequently accused of waste, fraud, and abuse; and from time to time indicted for criminal offenses (Higgs 1988, 1990, xx–xxiii, 2004; Fitzgerald 1989; Kovacic 1990a, 1990b). All of these unsavory actions, however, are typically viewed as “aberrations”—misfeasances to be rectified or malfeasances to be punished while retaining the basic system of state-private cooperation in the production of military goods and services (for an explicit example of the “aberration” claim, see Fitzgerald 1989, 197–98). I maintain, in contrast, that these offenses and even more serious ones are not simply unfortunate blemishes on a basically sound arrangement, but surface expressions of a thoroughgoing, intrinsic rottenness in the entire setup.

It is regrettable in any event for people to suffer under the weight of a state and its military apparatus, but the present arrangement—a system of military-economic fascism as instantiated in the United States by the MICC—is worse than full-fledged military-economic socialism. In the latter, people are oppressed by being taxed, conscripted, and regimented, but they are not co-opted and corrupted by joining forces with their rapacious rulers; a clear line separates them from the predators on the “dark side.” In the former, however, the line becomes blurred, and a substantial number of people actively hop back and forth across it: advisory committees, such as the Defense Science Board and the Defense Policy Board,¹ and university administrators meet regularly with Pentagon officials (see Borger 2003 for a report of an especially remarkable meeting). The revolving door spins furiously: according to a September 2002 report, “[t]hirty-two major Bush appointees are former executives, consultants, or major shareholders of top weapons contractors” (Ciarrocca 2002; see also Stubbins 1986, 90, 96; Kotz 1988, 230; Doward 2003; Hamburger 2003; Barlett and Steele 2007), and a much greater number cross the line at lower levels.

Moreover, military-economic fascism, by empowering and enriching wealthy, intelligent, and influential members of the public, removes them from the ranks of potential opponents and resisters of the state and thereby helps to perpetuate the state’s existence and its intrinsic exploitation of people outside the precinct of the state and its major supporters. Thus, it simultaneously strengthens the state and weakens civil society, even as it creates the illusion of a vibrant private sector patriotically engaged in supplying goods and services to the heroic military establishment (the Boeing Company’s slickly produced television ads, among others, splendidly illustrate this propagandistically encouraged illusion).

1. For the Defense Science Board, see <http://www.acq.osd.mil/dsb/charter.htm>; for the Defense Policy Board, see <http://fl.findlaw.com/news.findlaw.com/hdocs/docs/dod/dpbac80201chrtr.pdf>.

Garden-Variety Military-Economic Corruption of Government Officials

We need not dwell long on the logic of garden-variety military-economic corruption. As pots of honey attract flies, so pots of money attract thieves and con artists. No organization has more money at its disposal than the U.S. government, which attracts thieves and con artists at least in full proportion to its control of wealth. Unscrupulous private parties who desire to gain a slice of the government's booty converge on the morally dismal swamp known as Washington, D.C., and take whatever actions are necessary to divert a portion of the loot into their own hands. Anyone who expects honor among thieves will be sorely disappointed by the details of these sordid activities.

Although headlines alone cannot convey the resplendently lurid details, they can suggest the sorts of putrid sloughs that drain into the swamp:

- Audit Cites Pentagon Contractors [for widespread abuse of overhead charges]
- Ex-Unisys Official Admits Paying Bribes to Get Pentagon Contracts
- Top Republican on a House Panel Is Charged with Accepting Bribes
- Washington: Ex-Pentagon Officials Sentenced [for taking monetary bribes and accepting prostitutes' services paid for by contractors]
- Revolving Door Leads to Jail: Former Acquisition Official Convicted of Steering Business to Boeing for Personal Gain
- Northrop Papers Indicate Coverup: Documents from '80s Show Accounting Irregularities Were Hidden from Pentagon
- Contractor "Knew How to Grease the Wheels": ADCS Founder Spent Years Cultivating Political Contacts
- Graft Lurks within Pentagon's "Black Budget": Top-Secret Items Escape Oversight
- Contractor Pleads Guilty to Corruption: Probe Extends Beyond Bribes to Congressman
- Defense Contractor Guilty in Bribe Case
- From Cash to Yachts: Congressman's Bribe Menu; Court Documents Show Randall "Duke" Cunningham Set Bribery Rates
- 5 Americans Indicted in Iraq Bid Probe: 3 Officers among Those Accused of Taking Cash, Gifts Tied to Projects
- Feinstein Quits Committee under War-Profitier Cloud; Report Documents Military Contracts for Firms Owned by Senator's Husband
- There's No Watchdog for Secret Budgets²

Anyone who cares to accumulate all such news articles may look forward to full employment for the rest of his life.

2. Sources for these headlines appear in the same order in the long list of citations given in the first paragraph of this article.

Notwithstanding the many culprits who are caught in the act, one must realistically assume that a far greater number get away scot-free. As Ernest Fitzgerald, an extraordinarily knowledgeable authority with almost fifty years of relevant personal experience, has observed, the entire system of military procurement is pervaded by dishonesty: “Government officials, from the majestic office of the president to the lowest, sleaziest procurement office, lie routinely and with impunity in defense of the system,” and “the combination of loose procurement rules and government acquiescence in rip-offs leaves many a crook untouched” (1989, 312, 290).

Among the instructive cases now making their way through the justice system are several related to recently convicted congressman Randall “Duke” Cunningham, a war hero and former titan of the MICC who currently resides in a federal penitentiary. Chief among the persons of interest in a continuing FBI investigation is Brent Wilkes, a D.C. highflier who is alleged to have been involved tangentially in events leading to the recent sacking of former congressman and Director of Central Intelligence Porter Goss. According to a May 7, 2006, report in the *New York Daily News*, ongoing FBI and CIA investigations of Kyle (Dusty) Foggo—formerly the third-ranking official at the CIA, who resigned in May 2006 amid a variety of allegations—

have focused on the Watergate poker parties thrown by defense contractor Brent Wilkes, a high-school buddy of Foggo’s, that were attended by disgraced former Rep. Randy (Duke) Cunningham and other lawmakers.

Foggo has claimed he went to the parties “just for poker” amid allegations that Wilkes, a top GOP fund-raiser and a member of the \$100,000 “Pioneers” of Bush’s 2004 reelection campaign, provided prostitutes, limos and hotel suites to Cunningham.

Cunningham is serving an eight-year sentence after pleading to taking \$2.4 million in bribes to steer defense contracts to cronies.

Wilkes hosted regular parties for 15 years at the Watergate and Westin Grand Hotels for lawmakers and lobbyists. Intelligence sources said Goss has denied attending the parties as CIA director, but that left open whether he may have attended as a Republican congressman from Florida who was head of the House Intelligence Committee. (Sisk 2006)

In your mind, multiply this squalid little scenario by one thousand, and you will begin to gain a vision of what goes on in the MICC’s higher reaches. The daily routine there is evidently not all wailing and gnashing of teeth over how to defend the country against Osama bin Laden and his horde of murderous, terrorist maniacs—our country’s leaders require frequent periods of rest and recreation.

Legal Corruption of Government Officials

The truly big bucks, of course, need not be compromised in the least by this sweaty species of fraud and workaday corruption (Kovacic 1990a, 89–90, 103 n. 197; 1990b,

118, 130 nn. 94–101). Just as someone who kills one person is a murderer, whereas someone who kills a million persons is a statesman, so the government officials who steer hundreds of billions of dollars, perhaps without violating any law or regulation, to the “star wars” contractors and the producers of other big-ticket weapon systems account for the bulk of the swag laundered through the Department of Defense and the Department of Homeland Security. (Lest the latter organization be overlooked, see the enormously revealing account by Bennett 2006.) I am not saying that this huge component of the MICC, although operating lawfully, is squeaky clean—far from it—but that the corruption in this area, in dollar terms, falls mainly under the heading of legal theft, or at least in the gray area (Stubbing 1986, 407). As a Lockheed employee once wrote to Fitzgerald, “the government doesn’t really need this stuff. It’s just the best way to get rich quick. If they really needed all these nuclear bombs and killer satellites, they wouldn’t run this place the way they do” (qtd. in Fitzgerald 1989, 313; see also Meyer 2002). I personally recall Fitzgerald’s saying to me twenty years ago at Lafayette College, “A defense contract is just a license to steal.”

Absence of Proper Accounting Invites Theft

Fitzgerald aptly appeared as a witness at Senator Chuck Grassley’s September 1998 hearings titled “License to Steal: Administrative Oversight of Financial Control Failures at the Department of Defense.” At those hearings, Grassley released two new audit reports prepared by the General Accounting Office and another report prepared by his staff in cooperation with the Air Force Office of Financial Management. According to Grassley’s September 21, 1998, press release, “These reports consistently show that sloppy accounting procedures and ineffective or nonexistent internal controls leave DoD’s [Department of Defense] accounts vulnerable to theft and abuse. Failure by the DoD to exercise proper accounting procedures has resulted in fraud and mismanagement of the taxpayers’ money.”

Although this sort of complaint has become an annual ritual, dutifully reported in the press, the Pentagon has never managed to put its accounts into a form that can even be audited. Like Dick Cheney, who chose not to fight in the Vietnam War, the military brass seem to have had “other priorities,” even though for more than a decade the Defense Department has invariably stood in violation of the Government Management Reform Act of 1994, which requires government departments to make an annual financial audit (Higgs 2005, 55–61; Government Management Reform Act of 1994, Public Law 103-356, October 13, 1994).

Testifying before a congressional committee on August 3, 2006, Thomas F. Gimble, the department’s acting inspector general, emphasized “financial management problems that are long standing, pervasive, and deeply rooted in virtually all operations.” Expanding on this general observation with specific reference to the fiscal year 2005 agency-wide principal financial statements, he stated: “We issued a disclaimer of opinion for the statements because numerous deficiencies continue to exist

related to the quality of data, adequacy of reporting systems, and reliability of internal controls.” Of the nine organizational components “required by the Office of Management and Budget (OMB) to prepare and obtain an audit opinion on their FY 2005 financial statements,” only one received an unqualified opinion and one a qualified opinion. “All the others, including the agency-wide financial statements, received a disclaimer of opinion, *as they have every year in the past*. . . . The weaknesses that affect the auditability of the financial statements also impact other DoD programs and operations and contribute to waste, mismanagement, and inefficient use of DoD resources. These weaknesses affect the safeguarding of assets and proper use of funds and impair the prevention and identification of fraud, waste, and abuse” (U.S. Department of Defense, Office of the Inspector General 2006, 1–2, emphasis added; see also Kelley 2007).

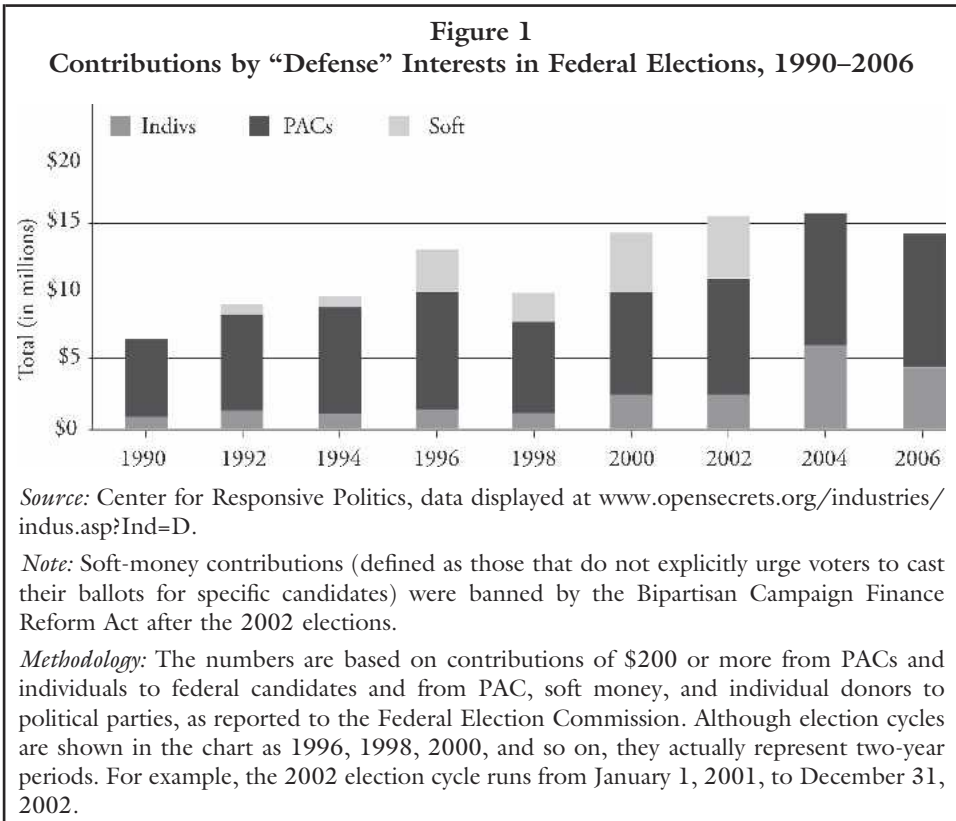
In Iraq since the U.S. invasion in 2003, billions of dollars have simply disappeared without leaving a trace (“Audit: U.S. Lost Track” 2005; Krane 2006; Yen 2007). Surely they didn’t just evaporate in the hot desert sun. The accounts at Homeland Security are in equally horrible condition (Bennett 2006, 110–11). No one knows how much money or specific property is missing from these military and homeland-security departments or where the missing assets have gone. If a public corporation kept its accounts this atrociously, the Securities and Exchange Commission would shut it down overnight. Government officials, however, need not worry about obedience to the laws they make to assure their credulous subjects that everything is hunky-dory inside the walls. When they are of a mind, they simply flout those laws with impunity.

Political Action Committee Contributions to Politicians and Their Parties

Political action committees (PACs) evolved and eventually obtained legal validation as vehicles for making contributions—that is, lawful bribes—to candidates for federal offices and to their political parties. Candidates now count on them for a large share of their campaign funds, and everyone older than eleven years of age with an IQ higher than seventy knows that these contributions are made with an understanding that they will elicit a quid pro quo from the recipients who win the elections.

Military-economic interests have not been timid about forming PACs and transferring huge sums of money through them to the candidates. According to the Center for Responsive Politics, “defense” PACs transferred more than \$70 million to candidates and parties in the election cycles from 1990 to 2006. Individuals and soft-money contributors (before soft-money contributions were outlawed after the 2002 elections) in the “defense” sector added more than \$37 million, bringing the total to nearly \$108 million.³ No one knows how many dollars military interests added by

3. The figures are available at <http://www.opensecrets.org/industries/indus.asp?Ind=D>.



means of illegal and hence unrecorded contributions, but the addition was probably substantial, if we may judge by the many accounts of individual instances of such contributions brought to light over the years. Figure 1 shows the recorded amounts transferred during the past nine election cycles.

One may deny, of course, that PAC contributions constitute a form of corruption inasmuch as they are legal within the statutorily specified limits, but such a denial would elevate form over substance. Both the givers and the receivers understand these payments in exactly the same way that they understand illegal forms of bribery, even though they never admit this understanding in public. Political decorum must be served, if only to protect the children.

How Government Corrupts Business

A brief review of the history of U.S. military contracting helps to clarify my claim that military-economic transactions tend to corrupt business. The most important historical fact is that before 1940, except during wartime, such dealings amounted to very little. The United States had only a tiny standing army and no standing munitions

industry worthy of the name. When wars occurred, the government supplemented the products of its own arsenals and navy yards with goods and services purchased from private contractors, but most such items were off-the-shelf civilian goods, such as boots, clothing, food, and transportation services. To be sure, plenty of occasions arose for garden-variety corruption in these dealings—bribes, kickbacks, provision of shoddy goods, and so forth (Brandes 1997)—but such malfeasances were usually one-shot or fleeting transgressions because the demobilization that followed the conclusion of each war removed the opportunity for such corruption to become institutionalized to a significant degree in law, persistent organizations, or ongoing practice. Like gaudy fireworks, these sporadic outbursts of corruption flared brightly and then turned to dead cinders. No substantial peacetime contracting existed to fuel enduring corruption of the military's private suppliers, and much of the contracting that did take place occurred within the constraints of rigid solicitations and sealed-bid offers, which made cozy deals between a military buyer and a private seller difficult to arrange. As late as fiscal year 1940, the War Department made 87 percent of its purchases through advertising and invitations to bid (Higgs 2006a, 39).

These conditions changed abruptly and forever in 1940: the challenges that the government faced during the two years before the United States became a declared belligerent in World War II and the manner in which it responded to them had an enduring effect in shaping the contours of the MICC and hence in establishing its characteristic corruption of business.

The Roosevelt administration, desperate to build up the nation's capacity for war after the breathtaking German triumphs in the spring of 1940, made an abrupt about-face, abandoning its relentless flagellation of businessmen and investors and instead courting their favor as prime movers in the buildup of the munitions industries. Most of the relevant businessmen, however, having been anathematized and legislatively pummeled for the previous six years, were reluctant to enter into such deals for a variety of reasons, chief among them being their fear and distrust of the federal government (Higgs 2006a, 36–38).

To placate the leery businessmen by shifting the risks from them onto the taxpayers, the government adopted several important changes in its procurement laws and regulations. These changes included negotiated cost-plus-fixed-fee contracts, instead of contracts arrived at within the solicitation-and-sealed-bid system; various forms of tax breaks; government loan guarantees; direct government funding of plants, equipment, and raw materials; and provision of advance and progress payments, sparing the contractors the need to obtain and pay interest on bank loans. All of these arrangements, with greater or lesser variations in their details from time to time, became permanent features of the MICC (U.S. Senate 1985, 35, 42, 553–67).

Even more important, as the new system operated on a vast scale during World War II, dealings between military purchasers and private suppliers assumed a fundamentally new form. As described by Elberton Smith, the official historian of the U.S. Army's economic mobilization during the war,

[t]he relationship between the government and its contractors was gradually transformed from an “arm’s length” relationship between two more or less equal parties in a business transaction into *an undefined but intimate relationship*—partly business, partly fiduciary, and partly unilateral—in which the financial, contractual, statutory, and other instruments and assumptions of economic activity were reshaped to meet the ultimate requirements of victory in war. Under the new conditions, *contracts ceased to be completely binding*; fixed prices in contracts often became only tentative and provisional prices; excessive profits received by contractors were recoverable by the government; and potential losses resulting from many causes—including errors, poor judgments, and performance failures on the part of contractors—were averted by modification and amendment of contracts, with or without legal “consideration,” whenever required by the exigencies of the war effort. (1959, 312, emphasis added)

Although Smith was describing the system as it came to operate during World War II, almost everything he described fits the postwar MICC as well (Higgs 2006a, 31–33), especially his depiction of the buyer-seller dealings as constituting “an undefined but intimate relationship” and his recognition that “contracts ceased to be completely binding.” Thus, the institutional changes made in 1940–41 and the wartime operation of the military-industrial complex in the context of these new rules put permanently in place the essential features of the modern procurement system, which has repeatedly demonstrated its imperviousness to reform for the past sixty years. The deal was too good to give up at the end of the war and even after the demise of the USSR and the end of the Cold War. In recent years, the system’s kingpins, with breathtaking chutzpah, parlayed the box-cutter attacks of 9/11 into an excuse to pour hundreds of billions of additional dollars into purchases of Cold War–type weaponry (Sapolsky and Gholz 2001; Isenberg and Eland 2002; Higgs 2004; Makinson 2004).

Under the pre-1940 system, a private business rarely had anything to gain by wining and dining military buyers or congressmen. Unless a firm made the lowest-priced, sealed-bid offer to supply a carefully specified good, it would not get the contract. Military buyers knew what they needed, and they had a tightly limited budget with which to get it. After 1940, however, the newly established “intimate relationship” opened up a whole new world for wheeling and dealing on both sides—it was often difficult to say whether the government official was shaking down the businessman or the businessman was bribing the government official. In fact, until the military purchasing agency certified a company as qualified, the firm could not make a valid offer, even in the context of competitive bidding. In the post-1940 era, however, only a small fraction of all contracts emerged from formally advertised, sealed-bid competition, and most contracts were negotiated without any kind of price competition (Stubbing 1986, 226, 411; Higgs 2006a, 39).

Before the 2003 U.S. attack on Iraq, for example, “SAIC [Science Applications

International] was awarded seven contracts, together worth more than \$100 million, without competitive bidding” for nation-building work in Iraq. “The Defense Department’s justification for the no-bid contracts [was]: ‘We need the immediate services of a fully qualified contractor who has the unqualified support and confidence of the Pentagon leadership.’” Deputy Secretary of Defense Paul Wolfowitz certainly had good reason to hold SAIC in complete confidence: besides all of the other hookups typical of such deals, one of SAIC’s “subject matter experts” for the contracted work was Shaha Riza, who happened to be Wolfowitz’s girlfriend (Barlett and Steel 2007). (As history marched on, the Wolfowitz-Riza connection became, as they say, even curiuser and curiuser, ultimately leading to Wolfowitz’s being drummed out of the presidency of the World Bank; see “Shaha Riza” n.d. and “Wolfowitz to Resign” 2007.)

Deals came to turn not on price, but on technical and scientific capabilities, size, experience, and established reputation as a military supplier—vaguer attributes that are easier to fudge for one’s friends. From time to time, deals also turned on the perceived need to keep a big firm from going under. For example, Fen Hampson observes that in the early 1970s, “The bidding [for production of the C-4 (Trident I) missile] was not opened to other companies because Lockheed was encountering financial difficulties at the time and desperately needed the business” (1989, 92). Indeed, scholars have identified an extensive pattern of rotating major contracts and have dubbed it a “follow-on imperative” or a “bailout imperative”—a virtual guarantee against bankruptcy, regardless of mismanagement or other corporate ineptitude (Nieburg 1966, 201, 269; Kaufman 1972, 289; Kurth 1973, 142–44; Dumas 1976, 458; Gansler 1980, 49, 172, 227; Stubbing 1986, 185–89, 200–204). Subcontracts might also be used to prop up failing firms, and in nearly every large-scale project they have served as the principal means of spreading the political patronage across many congressional districts (Kotz 1988, 128–29; Mayer 1990, 218–31).

In truth, deals—especially the many important changes introduced into them after their initial formulation that permit contractors to “buy in now, get well later” (Stubbing 1986, 179–84), a process known as “contract nourishment”—have come to turn in substantial part on “who you know.” In Richard Stubbing’s words, “Often it is raw politics, not military considerations, which ultimately determines the winner” (1986, 165). All the successful major prime contractors—such as Lockheed Martin (see Cummings 2007), General Dynamics (see Franklin 1986), Rockwell (see Kotz 1988), Bechtel (see McCartney 1988), Halliburton (see Briody 2004), and SAIC (see Barlett and Steele 2007)—have demonstrated beyond any doubt that cultivating friends in high places yields a high rate of return in the MICC. Without such friends, a firm may be hard pressed to survive at all in this sector.

The tight budget constraints of the pre-1940 peacetime periods became vastly looser thereafter as trillions of dollars poured out of the congressional appropriations process during the endless national emergency of the Cold War, and the spigot has remained wide open in its sequel, the so-called war on terror. As Nick Kotz observes,

“Now that the stakes in profits and jobs were far higher than those of any government program in history, dividing the spoils ensured that the game of politics would be played on a grand scale” (1988, 50). (Of course, the game of politics in reality, as distinct from the high-school civics idealization, is essentially the game of corruption.) In fiscal year 2007, for example, the Department of Defense anticipates outlays of approximately \$90 billion for procurement; \$162 billion for operations and maintenance; \$72 billion for research, development, test, and evaluation; and \$8 billion for military construction—components that add up to \$332 billion (U.S. Department of Defense, Office of the Under Secretary of Defense 2006, 15). Nearly all of this loot will end up in the pockets of private contractors because military personnel costs are separate from these accounts.

With plenty of money to go around, all that a would-be contractor needs is an old buddy in the upper reaches of a military bureaucracy or a friend on the House military appropriations subcommittee or in the Senate. (Nowadays, more than ever before, a single member of Congress can create magnificent gifts for his friends by making “earmarks,” furtive amendments to an appropriations bill that everyone understands to be nothing but an individual legislator’s pound of flesh taken out of the taxpayer’s unfortunate corpus.) If one does not have such a friend in high places, one can acquire him (or her, as the infamous Darleen Druyun illustrates [see Colarusso 2004]) by ponying up the various forms of bribes to which many Pentagon officials and members of Congress have shown themselves to be highly receptive. After all, the bureaucrat or the member of Congress is not giving away his own money.

To keep this gravy train on the track, contractors and their trade associations, as well as the armed forces themselves, devote great efforts to increasing the amount of money Congress appropriates for “defense” and now also for “homeland security.” Campaign contributions and other favors go predominantly to the incumbent barons—congressional leaders and committee chairmen—and to the military “hawks” who have never met a defense budget big enough to satisfy them. As Fitzgerald notes, “In Washington you can get away with anything as long as you have the high moguls of Congress as accessories before and after the fact” (1989, 91).

Furthermore, as Kotz observes, “[t]here is a multiplier effect as the different military services, members of Congress, presidential administrations, and defense industries trade support for each other’s projects” (1988, 235). In other words, the defense budget is not simply the biggest logroll in Congress (Stubbing 1986, 98), but the biggest logroll in Washington, D.C., and its environs. Fen Hampson remarks: “bureaucratic and political interests approach weapons acquisition and defense budget issues as non-zero-sum games; that is, as games where there are rewards and payoffs to all parties from cooperation or collusion” (1989, 282). Only the taxpayers lose, but their interests do not count: they are not “players” in this game, but merely victims of its depredations.

To give the public a seeming interest in the whole wretched racket and thus to dull their awareness of being victimized, the contractors also spend substantial

amounts of money cultivating the public's yearning to have the military dish out death and destruction to designated human quarry around the world—commies, gooks, ragheads, Islamo-fascists, narcoterrorists, and so forth—who are said to threaten the precious American way of life. For example, Rockwell, a military contractor whose massive secret contributions helped to reelect Richard Nixon in 1972 (Kotz 1988, 103–4; Fitzgerald 1989, 84), once mounted “a secret grass-roots campaign code-named Operation Common Sense” that included “a massive letter-writing campaign . . . solicitation of support from national organizations . . . and production of films and advertisements as well as prepared articles, columns, and editorials that willing editors could print in newspapers and magazines” (Kotz 1988, 134–35)—all the news that's fit to print, so to speak. Much money goes into producing glorification of the armed forces—“the few, the proud, the marines,” blah, blah, blah—and reports of those forces' stupidities and brutalities in exotic climes are dismissed as nothing but the fabrications of leftists and appeasers, or, if they cannot plausibly be denied, are alleged to be nothing more than the isolated misbehavior of a few “bad apples” (Higgs 2005, 153–96, 2006b, 2006c).

Lest the armed forces themselves prove insufficiently imaginative in conceiving of new and even more expensive projects for their fortunate suppliers to carry out, the contractors hire battalions of mad geniuses to design the superweapons of the future and regiments of former generals and admirals to market these magnificent creations to old friends and former subordinates currently holding down desks at the Pentagon. Thus, as General James P. Mullins, former commander of the Air Force Logistics Command, has written, “the prime contractors are where the babies really come from.” He explains: “[T]he contractor has already often determined what it wants to produce before the formal acquisition process begins. . . . The contractor validates the design through the process of marketing it to one of the services. If successful, the contractor gets a contract. Thus, to a substantial degree, the weapon capabilities devised by contractors create military requirements” (1986, 91; see also Stubbing 1986, 174; Barlett and Steele 2007).

Consider, for example, the multifaceted activities of SAIC, a bulwark of the national-security state and the virtual epitome of a contemporary MICC contractor:

SAIC executives have been involved at every stage of the life cycle of the war in Iraq. SAIC personnel were instrumental in pressing the case that weapons of mass destruction existed in Iraq in the first place, and that war was the only way to get rid of them. Then, as war became inevitable, SAIC secured contracts for a broad range of operations in soon-to-be-occupied Iraq. When no weapons of mass destruction were found, SAIC personnel staffed the commission that was set up to investigate how American intelligence could have been so disastrously wrong. (Barlett and Steel 2007)

Although one might condemn SAIC for a variety of crimes—indeed, the company already sports a “record of lawsuits, charges brought by whistle-blowers, allegations of

profiteering, fines assessed by federal judges, and repeated investigations and government audits” (Barlett and Steele 2007)—one cannot accuse its managers of lacking cheek.

In sum, the military-supply firms exemplify a fundamentally corrupt type of organization. Their income comes to them only after it has first been extorted from taxpayers at gunpoint; hence, their compensation amounts to receiving stolen property. They are hardly unwitting or unwilling recipients of this ill-gotten booty, however, because they are not drafted to do what they do. No wallflowers at this dance of death, they eagerly devote strenuous efforts to encouraging government officials to wring ever greater amounts from the taxpayers and to distribute the loot in ways that enrich the contractors, their suppliers, and their employees. These efforts include both the licit and the illicit measures I have described, spanning the full range from making a legal campaign contribution to providing prostitutes to service the congressman or the Pentagon bigwig after he has become bored with playing poker in the contractor’s suite at a plush D.C. hotel.

Note well: such “entertainment” expenses are likely to be accounted “allowable costs” by the defense contractor who bears them, and he may with routine audacity add to them an “overhead” charge—the entire sum to be reimbursed ultimately by the taxpayers. In general, “overhead proves to be a huge moneymaker for defense firms” (Stubbing 1986, 205). Kotz describes Rockwell’s billing for entertainment, public relations, and lobbying in connection with its contract to build the B-1 bomber (1988, 137). Fitzgerald describes similar charges by General Dynamics, as well as boarding expenses for an executive’s dog, and by Pratt and Whitney, including \$7,085 for hors d’oeuvres at a Palm Beach golf resort and \$2,735 for strolling musicians at another bash (1989, 197, 198–99). The contractors sometimes billed the government twice for the same outrageous expenses. In 1992, a former SAIC executive stated under oath in a deposition that “mischarging” had become “institutionalized within the company” (Barlett and Steele 2007).

Can Anything Be Done?

The short answer is probably not. The MICC is deeply entrenched in the U.S. political economy, which itself has been gravitating toward complete economic fascism for more than a century (Higgs 1987, 2007). Decades of studies, investigations, blue-ribbon commission reports, congressional hearings and staff studies, and news media exposés detailing the MICC’s workings from A to Z have scarcely dented it (Higgs 2004). For the most part, the official scrutiny is just for show, and the unofficial scrutiny is easily dismissed as the work of outsiders who don’t know what they are talking about and who are of course “America haters.”

Official evaluations, at their frankest, conclude weakly that “[p]ast mistakes—whether in the procurement of a weapon system or in the employment of forces during a crisis—do not receive the critical review that would prevent them from

recurring. . . . The lessons go unlearned, and the mistakes are repeated” (U.S. Senate 1985, 8). Such evaluations, though seemingly forthright and penetrating, strike me as disingenuous. Of course, people sometimes make mistakes, but if people with the power to change a corrupt arrangement refrain from doing so for decades on end, the most reasonable conclusion is that they prefer things as they are. That is, as a rule, there are no long-lasting “failed policies,” properly speaking. What I wrote previously in regard to several other kinds of policies applies here as well: “Government policies succeed in doing exactly what they are supposed to do: channeling resources bilked from the general public to politically organized and influential interest groups” (Higgs 1995, 1; see also Kotz 1988, 242–45). Therefore, one must conclude that the MICC serves its intended purposes well, however much its chronic crimes and intrinsic corruption sully its self-proclaimed nobility. What you and I call corruption is, after all, precisely what the military-economic movers and shakers call “the good life.” As Paul Light has remarked recently about the government contracting system, “All the players with any power like it” (qtd. in Shane and Nixon 2007).

Ultimately, the most significant factor in the current scenario is that the post-World War II U.S. foreign policy of global hegemony and recurrent military intervention places a strong floor beneath the MICC and serves as an all-purpose excuse for its many malfeasances (Eland 2004; Johnson 2004). As Ludwig von Mises observed, “The root of the evil is not the construction of new, more dreadful weapons. It is the spirit of conquest. . . . The main thing is to discard the ideology that generates war” (1966, 832; see also Higgs and Close 2007). Until the scope of the U.S. government’s geopolitical aspirations and hence the scale of its military activities are drastically reduced, not much opportunity will exist for making its system of military-economic fascism less rapacious and corrupt.

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