

The Revolving Door Between Business and Government

[Author unknown. Posted on the psychohistory discussion group.]

"Fascism should more appropriately be called corporatism because it is the merger of state and corporate power." (Benito Mussolini)

1. Introduction

You do not have to be very conversant with current events to have heard the names of Halliburton and Bechtel. Halliburton won a contract, worth billions of dollars, to help rebuild Iraq. Vice President Dick Cheney was once CEO of Halliburton. (Perkins, p. 215) Bechtel also has been awarded a major contract in rebuilding Iraq and also has executives who move between business and government: Riley P. Bechtel was appointed to serve on the President's Export Council. (Perkins, p. 213)

That people move between government and big business in ways which involve conflicts of interest is an "open secret." From time to time there is noise about it and even scandals and reform. But there are ever ways around the reforms and the conflicts of interest. As a rule, we do not see the diligent reporting we might hope for on this subject. When we do, it is isolated and often not presented or viewed in the context of corporatocracy, that is, rule by corporations.

In this essay, I am going to try to provide that context.

I am going to make use of various sources from which I shall sometimes quote at length. Because I am posting this essay to listserves, I have had to devise a way of doing block quotations which will survive being posted to lists. I am going to put the entire block quotation in quotes and skip no lines. This might make it harder on the eye, but easier to tell the quotes from the text.

2. Bechtel and the Government

Let's consider Bechtel. It may seem harmless that President Bush would appoint Riley P. Bechtel to the President's Export Council. What other evidence is there of the Bechtel-government connection?

Permit me to quote at length from "Windfalls of War" by The Center for Public Integrity:

"Bechtel's relationships with policymakers and officeholders dates back to the early part of the Twentieth century when Stephen D. Bechtel partnered with John A. McCone, who went on to become chief of the CIA under President John F. Kennedy and introduced the Bechtels to many influential figures. In the 1970s, Bechtel hired a slew of government officials to help with its expanding international operations: former Secretary of Health, Education and Welfare Casper Weinberger (who would leave in 1980 to serve as

Reagan's Defense Secretary); Atomic Energy Commission chief executive Robert Hollingsworth; former ambassador to Turkey and Saudi Arabia Parker T. Hart; and John G. Dillon, a retired rear admiral who directed the Pentagon's construction policy. By far the most influential hire, however, was George P. Shultz. After leaving the Nixon administration in 1974, where he served as Treasury secretary, Shultz joined Bechtel as its executive vice president. Shultz

suspended his association with Bechtel when appointed secretary of state

by President Ronald Reagan in 1982. In 1983, Shultz dispatched diplomatic envoy Donald Rumsfeld to meet with Iraqi President Saddam Hussein to advocate for construction of a pipeline running from Iraqi oilfields to Jordan's port of Aqaba. According to documents recently obtained by the Institute for Policy Studies, Hussein was afraid Israel would bomb the pipeline, so an investor in the project--whom Bechtel claimed was not on its payroll--reportedly tried to arrange a deal through the U. S. Attorney General's office by which Israel would receive

some \$70 million per year not to bomb the pipeline. Critics accused Shultz of intervening on behalf of Bechtel, which he denied. Shultz rejoined Bechtel in 1989 as a member of its board of directors after retiring from the State Department. Upon returning, he learned that the company had assumed a \$2 billion contract for project management of an Iraqi petrochemicals complex that manufactured ethylene oxide, a chemical used in the production of plastics. U. S. chemical experts pointed out, however, that the chemical was also a precursor to mustard gas. On Shultz's recommendation, Bechtel pulled out of the project. Shultz currently serves as a fellow at the conservative Hoover Institution at Stanford University. In 1998, Bechtel hired former Marine four-star general Jack Sheehan as senior vice president in charge of project operations in Europe, Africa,

the Middle East and Southwest Asia. Sheehan served as NATO's Supreme Allied Commander Atlantic and Commander in Chief U. S. Atlantic Command before his retirement in 1997. After leaving active duty, Sheehan served

as Special Adviser for Central Asia for two U. S. defense secretaries. He

also sits on the Defense Policy Board, a Pentagon-appointed board that advises it on defense issues. Other hires from the federal rolls include Charles "Chuck" Redman, who joined Bechtel in 1996 after a 22-year career in the State Department that included posts as ambassador to Sweden and Germany and special envoy to Haiti and Yugoslavia (he also worked as a spokesman for Schultz); Richard Helms, now deceased, who consulted on Iranian and Middle Eastern projects in 1978 after serving as CIA director and ambassador to Iran, becoming embroiled in the assassination attempt on Fidel Castro and overthrow of Chilean leader Salvador Allende; and J. Bennett Johnston, board member of Nexant Inc., the energy consultancy branch of Bechtel, who served as U. S. Senator from oil-rich Louisiana from 1972 to 1997, and authored the Energy Policy Act of 1992. Bechtel's government influence has also worked in the other direction, where company officers have served or consulted in government capacities. CEO Riley Bechtel was

appointed in February 2003 to the President's Export Council, which advises the president on programs to improve trade. Former Bechtel Energy Resources President Ross Connelly left the company in 1995 and in 2001 was appointed executive vice president of the Overseas Private Investment Corporation, which provides

financing and insurance for U. S. companies operating in other countries.

Daniel Chao, Vice President of Bechtel Enterprises Holdings Inc., was appointed a member of the Advisory Committee for the Export- Import Bank

in August 2002. The Export-Import Bank provides loans, loan guarantees and other financial support for U. S. companies abroad, and has enjoyed a

good relationship with Bechtel. In addition to awarding the company several loans, it was headed from 1977 to 1982 by former Bechtel vice president John L. Moore, and former Bechtel CEO Stephen D. Bechtel sat on its advisory committee from 1969 to 1972. In addition, the Clinton administration appointed Bob Baxter, former president of Bechtel's Civil

Global Industry Unit, to the Advisory Committee to the President's Commission on Critical Infrastructure Protection in 1998, and former Bechtel Technology & Consulting manager Larry Papay to the Panel on Energy R&D of the President's Council of Advisers on Science and Technology in 1997." (Center for Public Integrity)

3. An Old Story

Of course, this is not merely a matter of Bechtel and of events after 1970. Gabriel Kolko studied foreign policy makers from 1944 through 1960.

"I investigated the career cycles and origins of the key American foreign policy decision-makers from 1944 through 1960, excluding presidents... We examined the State, Defense or War, Treasury and Commerce Departments, plus certain relevant executive level agencies... The net result of this study... revealed that foreign policy decision-makers are in reality a highly mobile sector of the American Corporate structure, a group of men who frequently assume and define high level policy tasks in government... and then return to business... Of the 234 officials examined, 35.8%... held 63.4% of the posts. Thirty men from law, banking, and investment firms accounted for 22% of the posts we studied, and another 57 from this background held an additional

14.1% of the key posts... In the aggregate, men who came from business, investment, and law held

59.6% of the posts with only 45 of them filling 32.4 percent of the posts. The very top foreign policy decision-makers were therefore intimately connected with dominant business circles and their law firms... Perhaps of even greater interest is the special nature of the government

career officials and their relationship to business during their extended professional lives. These 60 men, 25.6% of the total, held 31.7% of the posts considered... for many of these men government became a stepping stone towards business careers, and we can only speculate on how this possible aspiration influenced their functional policies on economic and other questions while they were in government." (Kolko, pp.

16-22)

4. How it Works

Let us consider, concretely, what the influence of the business community has been upon foreign policy. Big corporations have been quite covetous of their imperial privileges and quite capable of maintaining them, as Jeff McMahan explains:

"A concern to protect US business interests has... been a primary motivating force behind various instances of US intervention in developing countries in recent years. For example, the interventions in Iran in 1953, in Guatemala in 1954, in Cuba in 1961, in the Dominican Republic in 1965, and in Chile both prior to and throughout the tenure of Salvador Allende can all be explained to a considerable extent in terms of the US government's determination to protect or restore the privileged positions of US business in those countries. The cases of Guatemala and Chile are particularly instructive. In 1951, Jacobo Arbenz Guzman became president of Guatemala through free and fair

elections in which he won almost twice as many votes as all the other candidates combined. Arbenz's principal aim was to implement reforms which would help remedy the unjust social conditions which were the legacy of earlier dictatorial governments. In 1953, in an effort at land

reform, he expropriated some uncultivated lands belonging to United Fruit Company, an American company which was Guatemala's largest land owner, offering as compensation precisely what, for tax purposes, the company had fraudulently declared the lands were worth. The principal beneficiary of Arbenz's scheme was to have been the desperately poor Indian population indigenous to the area. But United Fruit, which had extensive ties to the US government, complained to the Eisenhower administration, which responded by organizing a small force of exile mercenaries under the direction of the Central Intelligence Agency for the purpose of overthrowing the Arbenz government. The mercenary force was trained on a United Fruit plantation in Honduras, and...'United Fruit was involved at every level' in the planning and execution of the coup. In June of 1954 the force entered Guatemala and, as US pilots bombed Guatemala City, quickly seized power. A new and appropriately deferential president was selected by the United States... The new president moved quickly to execute his opponents and crush the fledgling

labor movement, 'promptly returned United Fruit's expropriated lands, and abolished tax on interest and dividends to foreign investors, a reform which saved United fruit about

eleven million dollars'... The US intervention in Chile was remarkably similar in its motivation and outcome. In 1970, Salvador Allende... ran for the presidency in Chile

on a platform which, among other things, called for the nationalization of major industries. At the time, crucial sectors of the Chilean economy, including certain major industries, were dominated and controlled by US corporations. The total US direct private investment in

the country was 1.1 billion. Hence, the largest US investors, such as International Telephone and Telegraph and Anaconda Copper, were anxious to prevent Allende's election in order to protect their assets from the threat of nationalization. The CIA conducted a number of dirty and unscrupulous covert operations in an attempt to manipulate the elections, but Allende was elected despite their efforts. Now increasingly desperate, ITT conspired with the CIA (whose former director, John McCone, was then on the board of directors at ITT), the US ambassador to Chile, and with members of the National Security Council and the State Department in an attempt to pressure members of the Chilean congress into preventing Allende's inauguration. When this scheme failed, the US government, in conjunction with ITT, devised a coordinated strategy aimed at provoking a military coup." (McMahan, pp. 13-14)

As with ITT, United Fruit had powerful friends in Washington: "CIA Director Allen Dulles was a stockholder. His brother, Secretary of State John Foster Dulles, also held large blocks of shares, and Dulles's

New York law firm, Sullivan & Cromwell, was United Fruit's counsel. General Robert Cutler, chairman of the National Security Council, which approved of covert operations, sat on the United Fruit board of directors." (Hinkle and Turner, p. 41)

"Aside from the Dulles brothers, and their connection with Sullivan & Cromwell, there was John Mores Cabot, the Assistant Secretary of State for Inter-American Affairs. He was a major stockholder in United Fruit. His brother, Thomas Dudley Cabot, the State Department's Director of Security Affairs, had previously been a director of United Fruit and president of the First National Bank of Boston, the registrar bank for United Fruit. Eisenhower's Secretary of Commerce, Sinclair Weeks, had been another director of the First National Bank. Robert Cutler, Special Assistant to the President for National Security Affairs, had been board

chairman of the Old Colony Trust Company, United Fruit's transfer agent.

Others in the Eisenhower administration had direct financial interests in Guatemala, including Robert Hill, ambassador to Costa Rica, and Henry

Cabot Lodge Jr., US Representative to the United Nations. Hill later became a director of United Fruit." (Ambrose, p. 223)

The use of foreign policy to enrich private corporations has continued up until the present, including the current occupation of Iraq. An excellent history of this from a first hand participant is provided by John Perkins in his book "Confessions of an Economic Hit Man."

Perkins describes how the National Security Agency works with proxy organizations in the private sector to "enable" large corporations to dominate the economies of foreign countries:

"Economic hit men (EHMs) are highly paid professionals who cheat countries around the globe out of trillions of dollars. They funnel money from the World Bank, the US Agency for International Development (USAID), and other foreign 'aid' organizations into the coffers of huge corporations and the pockets of a few wealthy families who control the planet's natural resources. Their tools include fraudulent financial reports, rigged elections, payoffs, extortion, sex, and murder. They play a game as old as empire, but one that has taken on new and terrifying dimensions during this time of globalization." (Perkins, p. ix)

Perkins discusses many cases, including Panama, Iran, Ecuador, Colombia, Indonesia, and Venezuela.

He describes the "economic hit" on Saudi Arabia in which the objectives were "maximizing payouts to US firms and making Saudi Arabia increasingly dependent on the United States. It did not take long to realize how closely the two went together; almost all the newly developed projects would require continual upgrading and servicing, and they were so highly technical as to assure that the companies that originally developed them would have to maintain and modernize them... there was another twist that would render Saudi Arabia dependant on us, though in a very different way. The modernization of this oil-rich kingdom would trigger adverse reactions... neighboring countries

would feel threatened. The economic development of this nation was likely to spawn the growth of another industry: protecting the Arabian Peninsula." (Perkins, pp. 87-88)

Perkins continues:

"Under this evolving plan, Washington wanted the Saudis to guarantee to maintain oil supplies and prices at levels that could fluctuate but that

would always remain acceptable to the United States and our allies. If other countries... threatened embargoes, Saudi Arabia, with its vast petroleum supplies, would step in to fill the gap... In exchange for this

guarantee, Washington would offer the House of Saud an amazingly attractive deal: a commitment to provide total and unequivocal US political and--if necessary--military

support, thereby ensuring their continued existence as the rulers of their country." (Perkins, p. 89-90).

Such an arrangement may seem prudent. Why not make a deal with a foreign regime which keeps the oil flowing at reasonable prices and offers many other opportunities for US businesses?

The problem with such an arrangement is that it commits one to the status quo in these countries and to preventing regime changes which involve reformers who would nationalize industry and resources. As a matter of practical course, such arrangements commit the US to supporting regimes which do not put the popular interest first. This has often meant supporting brutal dictators who could keep political opposition at bay.

A partial list of some dictators the US has supported includes: Batista,

Cuba; Somoza, Nicaragua; Rios Mont, Guatemala; Duvalier, Haiti; Pinochet, Chile; Noriega, Panama; Marcos, Philippines; Suharto, Indonesia; Pahlevi, Iran; Hussein, Iraq. These rulers are seldom spoken of as dictators, except when support has to be withdrawn, as with Hussein.

Here is a current example of this kind of thing in action:

"Workers at the Coke bottling plant in Colombia have been terrorized for years by right-wing paramilitary forces. A fact-finding mission headed by a New York City Council member found, among other abuses, 'there have been a total of 179 major human rights violations of Coca-Cola's workers, including nine murders. Family members of union activists have been abducted and tortured.' Coke says it opposes the anti-union violence and in any case that it hasn't had control of the bottling plant (though it does now, after purchasing the Colombian bottling company). Coke's former general counsel, and the former assistant U. S. attorney general, Deval Patrick, resigned in 2004, reportedly in part because Coke refused to support an independent investigation into the Colombia allegations." (Russell and Weissman, "10

Worst...")

5. More about Banking.

Mike Ruppert has examined the connection between Banking and the CIA:

"Understanding the interrelationships between CIA and the banking and brokerage world is critical to grasping the already frightening implications of the above revelations. Let's look at the history of CIA,

Wall Street and the big banks by looking at some of the key players in CIA's history. Clark Clifford - The National Security Act of 1947 was written by Clark Clifford, a Democratic Party powerhouse, former Secretary of Defense, and one-time advisor to President Harry Truman. In the 1980s, as Chairman of First American Bancshares, Clifford was instrumental in getting the corrupt CIA drug bank BCCI a license to operate on American shores. His profession: Wall Street lawyer and banker. John Foster and Allen Dulles - These two brothers "designed" the CIA for

Clifford. Both were active in intelligence operations during WW II. Allen Dulles was OSS station chief in Berne, Switzerland, where he met frequently with Nazi leaders and looked after U. S. investments in Germany. John Foster went on to become Secretary of State under Dwight Eisenhower and Allen went on to serve as CIA Director under Eisenhower and was later fired by JFK. Their professions: partners in the most powerful - to this day - Wall Street law firm of Sullivan, Cromwell. Bill Casey - Ronald Reagan's CIA Director and OSS veteran who served as chief wrangler during the Iran-Contra years was, under President Richard

Nixon, Chairman of the Securities and Exchange Commission. His profession: Wall Street lawyer and stockbroker. David Doherty - The current Vice President of the New York Stock Exchange for enforcement is the retired General Counsel of the Central Intelligence Agency. George Herbert Walker Bush - President from 1989 to January 1993, also served as CIA Director for 13 months from 1976-7. He is now a paid consultant to the Carlyle Group, the 11th largest defense contractor in the nation, which also shares joint investments with the bin Laden family. A. B. "Buzzy" Krongard - The current Executive Director of the Central Intelligence Agency is the former Chairman of the investment bank A. B. Brown and former Vice Chairman of Banker's Trust. John Deutch - This retired CIA Director from the Clinton Administration currently sits on the board at Citigroup, the nation's second largest bank, which has been repeatedly and overtly involved in the documented laundering of drug money. This includes Citigroup's 2001 purchase of a Mexican bank known to launder drug money, Banamex. Nora Slatkin - This retired CIA Executive Director also sits on Citibank's board. Maurice "Hank" Greenburg - The CEO of AIG insurance, manager of the third largest capital investment pool in the world, was floated as a possible CIA Director in 1995. FTW exposed Greenberg's and AIG's long connection to CIA drug trafficking and covert operations in a two-part series that was interrupted just prior to the attacks of September 11." (Ruppert)

6. Another Example: Lockheed Martin

A recent New York Times article explored the connection between Lockheed

Martin and the government.

The article beings: "LOCKHEED MARTIN doesn't run the United States. But it does help run a breathtakingly big part of it. Over the last decade, Lockheed, the nation's largest military contractor, has built a formidable information-technology empire that

now stretches from the Pentagon to the post office. It sorts your mail and totals your taxes. It cuts Social Security checks and counts the United States census. It runs space flights and monitors air traffic. To

make all that happen, Lockheed writes more computer code than Microsoft." (Weiner)

It should come as no surprise that Lockheed is part of the revolving door between business and government:

"Men who have worked, lobbied and lawyered for Lockheed hold the posts of secretary of the Navy, secretary of transportation, director of the national nuclear weapons complex and director of the national spy satellite agency. The list also includes Stephen J. Hadley, who has been

named the next national security adviser to the president, succeeding Condoleezza Rice. Former Lockheed executives serve on the Defense Policy Board, the Defense Science Board and the Homeland Security Advisory Council, which help make military and intelligence policy and pick weapons for future battles. Lockheed's board includes E. C. Aldridge Jr., who, as the Pentagon's chief weapons buyer, gave the go-ahead to build the F-22. None of those posts and positions violate the Pentagon's rules about the

"revolving door" between industry and government. Lockheed has stayed clear of the kind of conflict-of-interest cases that have afflicted its competitor, Boeing, and the Air Force in recent months. 'We need to be politically aware and astute,' Mr. Stevens said. 'We work

with the Congress. We work with the executive branch.' In these dialogues, he said, Lockheed's end of the conversation is 'saying we think this is feasible, we think this is possible, we think we might have invented a new approach.' Lockheed makes about \$1 million a year in campaign contributions through

political action committees, singling out members of the Congressional committees controlling the Pentagon's budget, and spends many millions more on lobbying. Political stalwarts who have lobbied for Lockheed at one point or another include Haley Barbour, the governor of Mississippi and a former Republican national chairman; Otto Reich, who persuaded Congress to sell F-16's to Chile before becoming President Bush's main Latin America policy aide in 2002; and Norman Y. Mineta, the transportation secretary and former member of Congress. Its connections give Lockheed a 'tremendous opportunity to influence contracts flowing to the company,' said Ms. Brian of the Project on Government Oversight. 'More subtly valuable is the ability of the company to benefit from their eyes and ears inside the government, to know what's on the horizon, what are the best bets for the government's future technology needs.' So who serves as the overseer for the biggest military contractors and their costly weapons? Usually, the customer itself: the Pentagon."
(Weiner)

The Weiner article is based upon a report by the Polaris Institute, which is a must see:
<<http://www.polarisinstitute.org/>

7. More on the Revolving Door

An overview of other cases of the revolving door is provided by the Project on Government Oversight. <<http://www.pogo.org/p/contracts/c/co-040101-contractor.html>

An Article by Emad Mekay provides a summary of the Project's report. Mekay says:

"Hundreds of U. S. military and government officials routinely leave their posts for jobs with private contractors who deal with the government, a process that has eroded the lines between government and the private sector, according to a report released by a watchdog group... 'There is a revolving door between the government and large private contractors where conflict of interest is the rule, not the exception,' said the report by the Project on Government Oversight (POGO), a Washington-based group that monitors military expenditures... 'The revolving door has become such an accepted part of federal contracting in recent years that it is frequently difficult to determine

where the government stops and the private sector begins'... The document says that the current contracting system where current and former public servants use their positions for private gain means powerful private contractors can potentially rig the system in their favor. The group examined the current top 20 federal government contractors from January 1997 through May 2004 and found that in fiscal year 2002, those top 20 contractors received over 40 percent of the 244 billion dollars in total contracts awarded by the federal government. The group says that it also identified 291 instances involving 224 high-ranking government officials who moved to the private sector to serve as lobbyists, board members or executives of the contractors. The report found that at least one-third of the former senior government

employees who went to work for or served on the board of a government contractor were in official positions allowing them to influence government contracting decisions, and that accountability rules were not

enough to control them. 'Generally, revolving door laws do not apply to the most senior policymakers who ultimately have the most power in shaping programs and policies that benefit contractors,' says the report." (Mekay)

Another report observes:

"The government-industry revolving door puts industry-friendly experts in positions of decision-making power. Often individuals rotate between working for industry and working for the government in regulatory capacities, arrangements that are fraught with potential for conflicts of interest. 'Under current law, government officials who make contracting decisions must either wait a year before joining a military contractor or, if they

want to switch immediately, must start in an affiliate or division unrelated to their government work. One big loophole is that these restrictions do not apply to many high-level policy makers..., who can join corporations or their boards without waiting" (Disinfo: "Government-Industry Revolving Door")

The article lists nearly fifty examples from Edward C. (Pete) Aldridge Jr. to Thomas E. White, including a citation for Vice President Dick Cheney:

"Cheney denied that he had any ties with Halliburton Company after he left his position as CEO of the company in 2000. An investigation by the

Congressional Research Service revealed that while VP Cheney received deferred compensation from Halliburton to the tune of \$500,000 to \$1,000,000. While Cheney was Secretary of Defense for George Herbert Walker Bush, the Pentagon contracted infamous Halliburton subsidiary Brown and Root 'to study the cost effectiveness of outsourcing some military operations to private contractors. Based on the results of the study, the Pentagon hired Brown & Root to implement an outsourcing plan.' Cheney became the CEO of Halliburton in 1995. Questions about 'sweetheart deals' with Halliburton arose as the company was awarded no-bid contracts for reconstruction in Iraq. The contracts were estimated to be worth about \$1.5 billion. Probes into Halliburton led to

allegations of overcharging the military for importing oil from Kuwait into Iraq, \$6 million in kickbacks for the awarding of contracts to a Kuwaiti company and \$180 million in bribes to land a natural gas project

contract in Nigeria while Cheney was CEO." (Disinfo: "Government- Industry Revolving Door")

8. Halliburton

We began this essay with mention of Halliburton and we have considered other cases of the revolving door between government and the defense industry. Let us look more closely at the matter of Halliburton, whose recent behavior, like Bechtel, is also atavistic.

The Halliburton subsidiary, Kellogg, Brown and Root, also has long ties to the government and a record dating back to 1940's when then Senator Lyndon B. Johnson had a relationship with the Brown brothers who contributed handsomely to Johnson's campaign and got sweetheart deals when Johnson entered the White House. (NPR: "All Things Considered")

"Obviously the company still believes in the power of political influence, otherwise why hire Dick Cheney as your CEO in 1995, a man who had absolutely no business experience whatsoever? He was a career politician. Seemed to be no reason to hire him. But if you look at what took place between 1995 and 2000, while Dick Cheney was CEO,

it's very clear why they hired him. I think he had a tenfold increase in the amount of loans that Halliburton was given by the US export-import bank.

He shot them up the list of the Pentagon's top contractors. On and on, the Government contracting business just grew wildly during Dick Cheney's tenure there. And so I think it's very obvious that Halliburton has a legacy of a very political business that continues today."

(Democracy Now)

This is widespread in the defense industry:

"As the Center for Public Integrity has documented, this kind of thing is quite prevalent on the Defense Policy Board, where at least nine of the 30 members have ties to companies that have won more than \$76 billion in defense contracts in 2001 and 2002. As more and more wartime contracts are announced, more and more conflicts of interest are coming to light. After all, the Bush administration is riddled with ties to the

weapons, engineering, construction, and oil companies that have the most

to profit from a war in Iraq." (Drutman and Cray)

According to a "60 Minutes" report one interviewee averred that "revolving door" understates the matter:

"'This is not about the revolving door, people going in and out,' says Lewis. 'There is no door. There's no wall. I can't tell where one stops and the other starts. I'm dead serious. They have classified clearances,

they go to classified meetings and they're with companies getting billions of dollars in classified contracts. And their disclosures about

their activities are classified. Well, isn't that what they did when they were inside the government? What's the difference, except they're in the private sector.' Richard Perle resigned as chairman of the defense policy board last month after it was disclosed that he had financial ties to several companies doing business with the Pentagon. Another board member, retired four-star general Jack Sheehan, is now a senior vice president at the Bechtel corporation, which just won a \$680 million contract to rebuild the infrastructure in Iraq." (60 Minutes)

9. The Carlyle Group

We cannot talk about the connection between government and the defense industry without mentioning The Carlyle Group. Dan Briody has written an important book on The Carlyle Group, "Iron Triangle." In an article on The Carlyle Group, Briody states:

"The Bush administration isn't afraid to mix business and politics, and no other firm embodies that penchant better than the Carlyle Group. Walking that fine line is what Carlyle does best. We may not see Osama bin Laden's brothers at Carlyle's investor conferences any more, but business will go on as usual for the biggest old boys network around. As

Mr. Snow puts it, 'Carlyle will always have to defend itself and will never be able to convince certain people that they aren't capable of forging murky backroom deals. George Bush's father does profit when the Carlyle Group profits, but to make the leap that the president would base decisions on that is to say that the president is corrupt.'" (Briody. "Carlyle's way.")

You may make up your own mind as to the corruption of President Bush.

What does The Carlyle Group do?

"According to the company web site, The Carlyle Group, headquartered in Washington D. C., was established in 1987 as a 'private global investment

firm that originates, structures and acts as lead equity investor in management-led buyouts, strategic minority equity investments, equity private placements, consolidations and buildups, and growth capital financings.'" (Disinfopedia: "Carlyle Group")

Or, as Geoffrey Gray put it "These bigs do business in 55 countries and specialize in investing in private sectors heavily affected by government change. Which, in simple terms, means they buy smaller companies in areas where they can predict public policy, then sell them for bigger profits." (Gray)

"Carlyle's Directorship reads like George Walker Bush's inaugural ball invite list. Reagan Secretary of the Treasury James Baker serves as senior counselor, and Richard G. Darman, former director of the Office of Management and Budget under George Herbert Walker Bush, is a managing

director. Former President George Bush has served with Carlyle and Colin

L. Powell, before becoming Secretary of State, made an appearance on behalf of the firm.." (Disinfopedia)

Other luminaries include: Frank Carlucci, Former Secretary of Defense and Deputy Director of the CIA; Fidel Ramos, former President of the Philippines; John Major, former Prime Minister of England. (Here in Reality) Also: "... head of the FCC William Kennard; head of the SEC Arthur Levitt; treasurer and chief investment officer of the World Bank and husband of Bush biographer Afsaneh Beschloss..." (Gray)

Gray's article gives an example of the fruits of Carlyle cronyism:

"Frank Carlucci never trained much as a salesman. The former CIA spook turned Reagan defense secretary has been working as chairman for the Carlyle Group, the nation's 11th largest military contractor, and for the last five years, he's been championing the the production of 482 Crusader armored vehicles, over \$11.2 billion dollars' worth of self-propelled Howitzer firepower. He might as well have been going door-to-door with vacuum cleaners. Nobody seemed to want the damn things. They were bulky, outdated, expensive. 'It looks like it's too heavy; it's not lethal enough,' Bush said during a 2000 campaign debate. 'There's going to be a lot of programs that aren't going to fit into the strategic plan for a long-term change of our military.' What a difference a war can make. Late this March, as part of the post-9-11 military buildup, Donald Rumsfeld gave United Defense, Carlyle's subsidiary, the full monty: over

\$470 million to continue development on the problem-riddled Crusaders, puzzling some military analysts. 'The Crusader has been the GAO's poster child for bad weapons development,' says Eric Miller, an analyst who watches defense for the Project on Government Oversight. 'Influence is tough to measure, but it's certainly had a friend somewhere.' Make that a very close friend..." (Gray)

Having well placed friends is what it's all about.

10. Best Congress Money Can Buy

Another aspect of the relationship between government and big business has to do with PACs (Political Action Committees). As Robert F. Kennedy, Jr said: "The Republicans are 95 percent corrupt and the Democrats are 75 percent corrupt. They are accepting money from the same corporations. And of course, that is going to corrupt you." (Mokhiber and Weissman. "Kennedy...")

There is an important book on the subject by Philip Stern "Best Congress

Money Can Buy" which was updated to "Still the Best Congress Money Can Buy."

An online article also with the title "Best Congress Money Can buy" states:

"You don't need a scorecard to figure out how lawmakers vote on major issues. You just need to tabulate their campaign donations. The Associated Press looked at six measures in the House - medical malpractice, class action lawsuits, overhauling bankruptcy laws, the energy bill, gun manufacturer lawsuits and overtime pay - and compared lawmakers' votes with the financial backing they received from interest groups supporting or opposing the legislation. The House passed five of the six bills and defeated an amendment that would have stopped the Bush

administration from rewriting the rules for overtime pay. In the vast majority of cases, the biggest recipients of interest group money voted the way their donors wanted, according to the AP's computer-assisted analysis of campaign finance data from the nonpartisan

Center for Responsive Politics. Groups that outspent opponents got the bills they wanted in five of the six cases examined by the AP. For example, House members voting to ban lawsuits against gun manufacturers and distributors averaged more than \$173 from supporters of gun owners' rights for every \$1 those groups gave to bill opponents. Overall, gun rights groups gave \$1.2 million to House members during the

2002 elections while supporters of gun control gave \$27,250. (Salant)

11. Corporate Welfare

Yet another aspect of government/corporate sweetheart deals has to do with tax breaks and other incentives given to corporations on the local level to entice them to locate in the municipality.

"Over the years, local governments across the country have been playing Santa Claus-giving corporations very generous tax breaks. These gifts are intended to encourage the corporations to invest in your

city or county and not someone else's. But it is not clear if the economic benefits derived from the subsidies exceed their costs. More research is needed. What is painfully clear, however, to a growing number of school board members and educators is that these corporate property tax breaks are taking a big bite out of public school revenues.

Billions of dollars a year are now lost to school districts across the country as a result of corporate property tax breaks. It's an unintended

consequence of economic development subsidies." (Weaver)

"The classic example, of course, is the new sports stadium: a team threatens to leave, and the home town panics, spending hundreds of millions of dollars on a white elephant. But it happens with other businesses as well. New York City has been one of the worst offenders, especially under former Mayor Rudolph Giuliani. It gave hundreds of millions of dollars in tax breaks to firms that weren't going anywhere; most infamously, Giuliani committed the city to subsidizing a new, billion-dollar headquarters for the New York Stock Exchange, amid implausible threats that it would move to New Jersey. (Michael Bloomberg

quashed that plan upon taking office. He also renounced incentives that he'd been granted to keep his own company's headquarters in New York.) What's more, corporate welfare is fertile ground for cronyism and political favoritism. Obviously, cities have reason to dangle a lure. A recent study by Enrico

Moretti, of U. C. Berkeley, and Michael Greenstone, of M. I. T., which compared cities that had competed against each other for new plants, found that the winners generally had benefitted-they had slightly higher

tax revenues and increased property values. The problem is that though the city with the new plant may be better off, collectively we are all worse off, because the tax money spent on corporate welfare could otherwise go to more productive uses, such as education and infrastructure. For the American economy, it doesn't matter whether Daimler builds Jeeps in Toledo or Kalamazoo; whatever one city spends to

outdo the other is money thrown away." (Surowiecki)

12. What's Going On?

One might argue that it is quite natural for government to employ the expertise of accomplished business people. Perhaps so. But in spite of scandals and reforms, nepotism and conflicts of interest persist. US foreign policy cannot be a tool for advancing corporate interests. This compromises the standing and credibility of the US in international affairs and makes the US an object of animosity and a target of terror.

It ought to be a simple matter to find capable people in companies which

do not have government contracts and where the prospects for conflicts of interest are lower. Regulations must apply to all appointees and must

be observed. This is equally true in the matter of PACs and tax breaks. Yet it does not seem possible to enforce restraints.

"What is good for corporations is good for the community or the world" can certainly not be taken for granted. Rather, the imperative to maximize profits is as ruinous as the touch of Midas, who couldn't touch

any useful object without it losing in utility what it gained in monetary value. It must be questioned whether or not capitalism, which is the pursuit of

profits, can get beyond the limitations which that pursuit imposes. The problem is systemic, not a matter of isolated instances.

In defense of Halliburton, Peter Singer, a Fellow at the Brookings Institution, said that in networking among the powerful, Halliburton is only playing the game the way it is played, they just do it better. "Don't blame the player, blame the game." (NPR: "Halliburton Deals...") What is this, if not an admission of a systemic failure?

It is clear that US foreign policy does function in the service of big business--protecting and expanding profits at the expense of the people's of the world. This is not conspiracy theory, this is documented fact.

In terms of domestic policy, PACs corrupt the system as politicians vie to sit on oversight committees as a way of garnering campaign money which can be steered to campaigns other than their own and as a way of opening revolving doors. They often end up, not

regulating industry and protecting the public, but promoting industry's agenda even when it is injurious to the public.

It is argued that municipalities need to offer tax breaks and other incentives in order to attract corporations which create jobs and stimulate the economy. In reality, this diverts public money and resources from other areas of need, like education, with no guarantee that the vaunted corporate benefits will follow. In the case of Daimler-Chrysler, the company threatened to move unless they were given a sweetheart deal in Ohio. After they received considerations to upgrade their plant, they employed more robotics and jobs were lost. (theconnection.org)

Why does the public always have to sacrifice for the benefit of corporations? If the answer is "because corporations make the system work," then we must ask if the system is working for the people. Corporations which demand that we make sacrifices for them are not our benefactors. If it be objected it is not their purpose to be our benefactors, that is precisely the point. They are in the business of making profits and they

ask the public to abet them by making sacrifices which benefit only the corporations. Corporations which move to third world countries because there are no unions, no minimum wage laws, no worker safety standards and no environmental regulations are not concerned about helping people. "We do not require regulation, we bring blessings to the third world," they proclaim. How can we believe these corporations go to new venues with benevolent motives, when they have done so to flee communities where there were efforts to make them act responsibly?

I have cited sources which span over 35 years, beginning with Gabriel Kolko's classic "Roots of American Foreign Policy," which was written before the term corporatocracy had gained currency. A better term might be "plutocracy" or "kleptocracy." As an old Marxist, I would rather speak of a ruling class than rule by corporations; as a psychohistorian, I would rather speak of a kleptocracy, which conveys the idea of "wealth addiction," advanced by Slater, which cites the triad of "greed, envy, malice." I note that the root of "kelptocracy" is from the word "kleptomania," which involves elements of sexuality and fetishism. However, it is not the purpose of this essay to explore the psychology of policy-makers.

The revolving door constitutes a government within the government in which the legitimate purposes of government policy are corrupted by private agendas. This is something no historian or psychohistorian should ignore.

We have looked at how government is a lackey of big business. In particular, we have seen how meddling in the affairs of other nations by applying economic pressure, corrupting the political process, using assassination, or even going to war have been ways to advance corporate interests.

In light of this, can psychohistorians content themselves with merely considering the public mood?

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