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MASTER OF DEFENCE STUDIES RESEARCH PAPER

**THE MILITARY INDUSTRIAL COMPLEX: EISENHOWER'S WARNING
FOUR DECADES LATER**

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ABSTRACT

In his farewell address in January 1961, US President Eisenhower famously warned his nation against the rising power and influence of the military-industrial complex (MIC). Eisenhower was concerned about the “conjunction of an immense military establishment and a large arms industry” which, he believed, could threaten the US democratic process and its economy. He warned against the “acquisition of unwarranted influence, whether sought or unsought, by the military industrial complex. The potential for the disastrous rise of misplaced power exists and will persist.”¹

This paper argues that, notwithstanding different global context, Eisenhower’s warning remains relevant in the post 9/11 era and, that the MIC has evolved to a point where it is well entrenched into the US governmental apparatus where it does influence foreign policy. This is demonstrated by defining the MIC, tracing its evolution, exploring its key means and methods of influence and, by examining the economic effects of defense spending in relation to the creation of a dependent voter.

¹ Eisenhower, “Farewell Address to the Nation: The Military Industrial Complex”, 2.

1.0 INTRODUCTION

President Dwight D. Eisenhower's farewell address in January 1961 is arguably one of the most memorable since another soldier-president, George Washington, warned his nation in 1796 to always remain united behind its founding principles.² During his eight years in office, Eisenhower's foreign policies prevented large-scale conflicts and nuclear war. Notwithstanding these remarkable achievements within the Cold War context, his farewell address was a renewed call for peace, acknowledged new crisis, and cautioned the United States (US) to maintain balance in its relations. The most famous part of his speech details a prophetic warning concerning the rising power and influence of the "military-industrial complex" (MIC). Eisenhower was concerned about the rising power and influence of the "conjunction of an immense military establishment and a large arms industry" which, he believed, could threaten the US democratic process and its economy. He warned against the "acquisition of unwarranted influence, whether sought or unsought, by the military industrial complex. The potential for the disastrous rise of misplaced power exists and will persist."³

Eisenhower fiercely resisted the push for defense spending despite enormous pressures generated by the MIC to build additional military capacity. Nevertheless and notwithstanding reductions in defense spending, the US military and the defense industry expanded greatly throughout the 1950s. Eisenhower recognized the need for a permanent and mighty military establishment to counter the Soviet Union, but was confounded by it.

² Douglas Brinkley, "Eisenhower the Dove". *In American Heritage*, Vol 52 Issue 6 (Sep 2001): 1.

³ Eisenhower, "Farewell Address to the Nation: The Military Industrial Complex", 2.

He viewed this rising and powerful interest group as a “necessary evil” requiring proper control to ensure it does not gain unwarranted influence and power.⁴ In other words, Eisenhower was concerned that if not checked, the MIC could and would influence the ability of the executive branch to shape national security and foreign policy where priorities would be set by what benefits corporations as opposed to what benefits America.

Eisenhower’s warning about the MIC garnered renewed attention throughout the preparation and execution of the Global War on Terror (GWOT). Much attention was paid to the astronomical profits earned by defense and security corporations, spawning accusations of War profiteering, as spending in support of the GWOT reached the one trillion dollar mark. Furthermore, accusations of collusion between the components of the MIC were, and still are, varied and plentiful in Washington. Case in point is the well documented relationship between former Vice-President Cheney and the Halliburton Corporation. The fact that Mr. Cheney was CEO of Halliburton prior to becoming Vice-President fueled suspicions of collusion between the government officials and the defense industry. These suspicions appear to have been well founded considering that Halliburton received at least \$19.3 billion in sole-source contracts in support of the GWOT.⁵

⁴ Eisenhower, “Farewell Address to the Nation: The Military Industrial Complex”, 2.

⁵ Joseph E. Stiglitz and Linda J. Bilmes. *The Three trillion Dollar War: the true cost of the Iraq conflict*. (New York: W.W. Norton & Company, 2008), 15.

The restored attention to Eisenhower's warning with respect to the "acquisition of unwarranted influence, whether sought or unsought, by the military industrial complex" leads to wonder if it remains germane today. This paper will examine this question while demonstrating that Eisenhower's warning about the MIC is as pertinent today as it was when he made the proclamation more than forty years ago. This paper will show that the post 9/11 era has created an entire industry and culture of "Homeland Security" that has fueled the growth and expansion of the MIC, embedding it further into the governmental apparatus. Key to the MIC's expansive influence is an enduring revolving door phenomenon, a pivotal mechanism of the conjunction between the military establishment and the defense industry. This phenomenon has enabled the circulation of political and business elites between the public and private realm. Furthermore, the MIC's political influence is supported and assisted via the enormous sums of money, in the realm of hundreds of millions of dollars per year, spent on lobbying efforts and campaign contributions. Moreover, the economics effects of defense spending, namely employment for millions of Americans, directly reinforce the MIC's political weight.

The literature is fraught with studies on the subject, attempting to measure the degree of the MIC's influence with quantitative means. In contrast, this examination is mainly descriptive in nature revealing the MIC as an interest group constantly pursuing its interests. The focus of the examination will be placed on the MIC's ways and means of influencing policy and, how, sustained defense spending creates a voter's base dependent on the MIC.

This paper is constructed in three parts. The first part will explore various definitions of the term MIC, contained in literature, in order to come up with an appropriate working definition. This part will also broadly trace the MIC's evolution from the late nineteenth century to the post 9/11 period. This will provide the necessary background to understand the circumstances under which, and the reasons why the MIC came to existence. Further, it will shed some light on how the MIC grew in power and influence over the years to reach such a high level in recent years, primarily after 9/11.

With the second part of this paper, the focus of the examination will shift to the main means and methods of influence used by the various components of the MIC in order to achieve its vested interests in sustained defense spending supported by an aggressive foreign policy. Through the highlighting of various practices and phenomenon, this part will provide a solid body of evidence as to the MIC's ability to influence and shape US foreign policy decisions.

The third and final part will explore the economic impact of defense spending, a crucial part of the US economy, which flows into every American State and most congressional districts. In fact, entire towns, communities, and regions are dependent upon military spending, thereby creating an electoral base dependent upon the MIC. This will be highlighted by exploring the economic impact of defense spending in San Diego, California, home port of the world's largest naval fleet.

2.0 THE MILITARY INDUSTRIAL COMPLEX (MIC)

It was Eisenhower who coined the term “Military-Industrial Complex” (MIC) and used the opportunity of his farewell address in 1961 to warn Americans about its many dangers. He was concerned about the rising power and influence of the “conjunction of an immense military establishment and a large arms industry” which, he believed, could threaten the US democratic process and its economy. In order to add relevant context to Eisenhower’s warning, it is noteworthy to consider the second to last draft of his farewell speech. In it, Eisenhower warned of the “growing influence of the military-industrial-congressional complex” but decided to strike the word congressional as he believed it was inappropriate for a President to be criticizing Congress.⁶ With this in mind and prior to proceeding with the examination and, to avoid uncertain terminology and ambiguity, it is necessary to establish a working definition of the term MIC.

2.1 Defining the Complex

The literature contains a myriad of definitions and descriptions of the term MIC, some more detailed than others. In general terms, the *Concise Oxford Dictionary of Politics*, defines the MIC as “...the powerful alliance of the military, government agencies, and corporations involved in the defense industry. Each sector has an interest,

⁶ William D. Hartung, “Eisenhower’s Warning: The Military-Industrial Complex Forty Years Later.” *World Policy Journal*. Vol XVIII, No1 (Spring 2001), 41.

either financial or strategic, in expanding the government's arms budget.”⁷ A *Time* article, dated 1969, expands on the nature of the complex:

It is a vast amorphous conglomeration that goes far beyond the Pentagon and the large manufacturers of weapons. It includes legislators who benefit politically from job-generating military activity in their constituencies, workers in defense plants, the unions to which they belong, university scientists and research organizations that receive Pentagon grants.⁸

In his 1970 book *Militarism USA*, Colonel (Retired) James A. Donovan, separates groups between those with “vested” interests and the ones with “related” interests in national defense. He refers to the defense-industry team as a “combine of many people with *vested* interest in national defense. It is a conjunction of the immense defense establishment and the vast permanent arms industry.”⁹ He identifies “an additional complex of *related* interests which include the military reserves, veterans, scientists, university research centers, Congressional representatives, local businesses, labor, professional publications and even news media...”¹⁰ He opines that the so-called complex of military and industry is not a “conspiracy...to dominate the nation” nor is it

⁷ Ed Iain McLean and Alistair McMillan. “Military-Industrial Complex.” *The Concise Oxford Dictionary of Politics*. 2009. <http://www.oxfordreference.com/views/ENTRY.html?subview=Main&entry=t86.e831>. Internet; accessed 18 Jan 10.

⁸ “Nation: What is the Military-Industrial Complex?” *Time*. 11 Apr 69. <http://www.time.com/time/magazine/article/0,9171,900729,00.html> ; Internet; accessed 18 Jan 10.

⁹ James A. Donovan, *Militarism U.S.A.* (New York ; Charles Scribner’s, 1970), 47.

¹⁰ Donovan, *Militarism U.S.A.* 47.

“a monolithic organization which seeks war to justify its existence.”¹¹ Instead, he asserts that the complex is “an evolutionary development resulting from many military, political and social factors”, motivated by “self-interest, as well as by “patriotism” and “national defense.”¹² In 1973, Professor of economics, Steve Rosen, provides additional clarity and detail;

...the military-industrial complex include (1) the professional soldiers, (2) the managers and owners of industries heavily engaged in military supply, (3) high government officials whose career and interests are tied to the military expenditure, and (4) legislators whose districts benefit from defense procurement. These core members of the military-industrial complex are supported by associated and lesser groups like the veterans and military service associations, labor unions tied to the defense industry, and scientists and engineers engaged in defense related research. These various segments of the complex occupy powerful positions within the internal political structures of the major states, and they exercise their influence in a coordinated and mutually supportive way to achieve and maintain optimal levels of military expenditure and war preparation, and to direct national security policy.¹³

Author Nick Turse has further developed the term MIC. In his 2008 book, *The Complex*, he explains that the original MIC has expanded and evolved into a system of systems he refers to as the “military-industrial-technological-entertainment-academic-scientific-media-intelligence-homeland security-surveillance-national security-corporate

¹¹ Donovan, *Militarism U.S.A.* 47.

¹² Donovan, *Militarism U.S.A.* 47.

¹³ George B. Walker, Larry Haapanen and David A. Bella. “Eisenhower’s Warning and the Military-Industrial Complex” In *The Military-Industrial Complex: Eisenhower’s Warning Three Decades Later*. (New York: Peter Lang, 1992), 3.

complex.”¹⁴ For the author, this new “military-corporate-complex” is the symbiotic relationship between the Pentagon and other agencies, Departments, industries, corporations, contractors and subcontractors. Notwithstanding his encapsulating and wide definition, Turse contends that the “interplay of arms manufacturers, the Pentagon, and the U.S. Congress” remains at the core of the MIC.¹⁵

Lastly, in 2005, Professor of Economics, James M. McCormick, refers to the MIC as the “most often cited constellation of economic interest groups, affecting, or perhaps even dominating, American foreign policy...”¹⁶ In his view, the term refers to “the presumed symbiotic relationship between major US corporations and the American defense establishment” and, in theory describes “the informal ties that have developed among top corporate sectors of society and the political-military sectors of government.”¹⁷

The review of various definitions highlighted a wide range of opinions and interpretations as to the MIC’s meaning, purpose and components. Although, varied and from different periods, all touch on a number of key features that will form the working definition to be used in this paper. Firstly, and for discussion purposes, the MIC will be examined as a foreign policy interest group, thriving on a large defense establishment and an aggressive foreign policy. In essence, the MIC is seeking large and sustained defense

¹⁴ Nick Turse. *The Complex: How the Military Invades our Everyday Lives* (New York; Metropolitan Books, 2008), 16.

¹⁵ Turse. *The Complex: How the Military Invades our Everyday Lives*, 21.

¹⁶ James M. McCormick, *American Foreign Policy and Process*. Boston; Wadsworth, 2005, 504.

¹⁷ McCormick, *American Foreign Policy and Process*, 504.

spending. Secondly, and for the sake of simplicity, this interest group will be comprised of the following three core components:

- the defense establishment (professional soldiers and civil servants of the military services and the Pentagon);
- the defense industry (the primary components being traditional arms manufacturers & private military firms (PMF)) and,
- Legislators (congressmen) whose district benefit from defense procurement.

To ensure clarity, “traditional arms manufacturers” refer to corporations producing military hardware and armament. Well known and notable ones are Boeing, Lockheed Martin, Northrop Grumman, General Dynamics, and Raytheon. On the other hand, the term “private military firms” (PMF) was coined by author Peter Singer to describe firms contracted to provide military-style services. Employees of those firms are at times called mercenaries or more often, contractors. For the sake of simplicity, this paper will use Singer’s term PMF, defined as

...business organizations that trade in professional services intricately linked to warfare. They are corporate bodies that specialize in the provision of military skills, including combat operations, strategic planning, intelligence, risk assessment, operational support, training and technical skills.¹⁸

¹⁸ Peter W. Singer. *Corporate Warriors: The Rise of the Privatized Military Industry* (Ithaca: Cornell University Press, 2003), 9.

Notable PMF are Kellogg, Brown and Root (KBR - a division of Halliburton) specializing in logistical support, Military Professional Resources Incorporated (MPRI) and Vinnel, both consultant firms offering advisory and training services and, Blackwater USA (since renamed Xe) specializing in security and protective services. Having defined the MIC and provided the necessary parameters for discussion, the focus will now shift to tracing the evolutionary roadmap of the MIC. This historical review will provide the necessary understanding as to why and how the modern MIC operates.

2.2 The Evolutionary Roadmap

Although Eisenhower is credited with coining the term MIC, the phenomenon is not new to American society. One would be shortsighted, as some scholars have been, to go back no further than World War II to understand and grasp the contemporary MIC. The expansion of the military's role in the federal government and its elaborate ties with the industrial community is entrenched in American society with its origin tracing back to the nineteenth century.¹⁹ It is therefore important to gain an historical perspective of the development of the MIC. This will be achieved through a broad overview of key evolutionary factors and events highlighted through seven (7) periods, namely: the US naval build-up of the late nineteenth and early twentieth centuries, World War I, World War II, the Cold War, post-Cold War, and Post 9/11 (under the George W. Bush administration).

¹⁹ Paul A.C. Koistinen, *The Military-Industrial Complex: A Historical Perspective*. (New York: Praeger Publishers, 1980), x.

2.2.1 The US Naval Build-up

The MIC can be traced back to the unprecedented peacetime build-up of the military during the late nineteenth and early twentieth centuries, fueled by a desire to expand commerce and aided by a technological revolution in weaponry.²⁰ Prior to that period, it was customary for the American military to grow during the war followed by demobilization after the end of hostilities. For example, during the Civil War, the Navy had reached a strength of approximately 700 ships. Fifteen years after General E. Lee's surrender, the Navy was relegated to 45 ships.²¹

The winds started to change between 1880 and 1905 with a 20 percent increase in the defense budget, which represented 40 percent of the entire federal budget. This increase, approved by the Congress, was the direct result of President Hayes' request for a large and modern navy to protect the nation's growing commerce. A large navy would also support a growing "interventionalist" foreign policy as the US shied away from isolationism in search of expanding trade and commercial opportunities.²²

The budget impact was a threefold increase for the Army and a substantial eightfold increase for the Navy. Consequently, expenditures for both services rose considerably with the Army focusing on manpower issues rather than equipment, while the Navy gradually increased its spending on ship-building. Scholars Ben Baack and

²⁰ Koistinen, *The Military-Industrial Complex: A Historical Perspective*, 8.

²¹ Ben Baack and Edward Ray. "The Political Economy of the Origins of the Military-Industrial Complex in the United States". *The Journal of Economic History*, Vol 45, No 2, (June 1985): 370.

²² Baack, "The Political Economy of the Origins of the Military-Industrial Complex in the United States", 372.

Edward Ray, argue that the Navy build-up “provided the incentives for a coalescence of business, military, and political interests” as this effort necessitated large investments in shipyards and steel plants by the private sector and long term financing by the government, approved by Congress.²³ By 1908, this production team of businessmen, naval officers, and politicians propelled the US to second place behind Britain in total warship tonnage.²⁴ The grouping of political and economic interests enabled the rapid expansion of the US naval forces and thereby assisted the US in becoming a major sea power. As a secondary effect, the alliance of military personnel, politicians, and businessmen would form the embryo of the MIC that would lay its foundations during World War I (WWI).

2.2.2 World War I

The economic mobilization for WWI would further the institutional interdependence between the federal government, the business community, and the military services. The scope and sophistication of military demand caused many sectors of the US economic machine to be converted in order to produce the required and increasingly advanced military hardware. Issues such as allocation, priority, prices, and rationing needed to be controlled and coordinated and thus could not be left to market forces. Consequently, and out of necessity, new mobilization bodies were created with the key one being the War Industries Board (WIB). Staffed by government officials, businessmen, and military personnel, the WIB established a centralized control over a

²³ Baack, “The Political Economy of the Origins of the Military-Industrial Complex in the United States”, 370.

²⁴ Baack, “The Political Economy of the Origins of the Military-Industrial Complex in the United States”, 371.

planned economy. As noted by Professor of history Paul A.C. Koistinen, who has written extensively on the MIC, "...institutional lines were obliterated. Civilian and military, private and public activities had once again become almost indistinguishable."²⁵ The WIB created the conditions for the MIC to lay its foundation.

The WWI mobilization experience "left an indelible imprint on national life" as America became a world power.²⁶ The experience had left many military and industry leaders "convinced that in the future, successful military machines could operate only from a strong and coordinated industrial base."²⁷ As a result, the collaborative relationship between industry and the War Department continued and strengthened during the interwar period for the purpose of economic planning, designing, producing, and procuring special military hardware and, more importantly to continue planning for industrial mobilization in future emergencies.²⁸ A consequence of this collaborative relationship was the ability for industrial executives to move in and out of governmental agencies as well as the military. For example, "by 1931 about 14,000 had received reserve commissions and were directly responsible for industry-military liaison."²⁹ As suggested by Professor of history Carroll W. Pursell, since the military was "responsible for defining and supplying their needs for materiel, and that the nation's corporations operated largely outside the limits of democratic control, it was inevitable that such

²⁵ Koistinen, *The Military-Industrial Complex: A Historical Perspective*, 8.

²⁶ Koistinen, *The Military-Industrial Complex: A Historical Perspective*, 8.

²⁷ Carol W. Pursell Jr, *The Military-Industrial Complex*. (New York: Harper & Row, 1972), 4.

²⁸ Koistinen, *The Military-Industrial Complex: A Historical Perspective*, 8-9.

²⁹ Pursell Jr, *The Military-Industrial Complex*, 5.

relationships should develop.”³⁰

The interwar period was characterized by a return to isolationism and a growing negative sentiment toward military engagement. The memories of WWI purged America’s eagerness for foreign interventions and had encouraged the emergence of a large pacifist movement. President Roosevelt’s actions in foreign affairs were restricted by a largely isolationist congress and, by “the convictions of many citizens that munitions-makers were intriguing to touch off a new arms race.”³¹ In 1937, Roosevelt became increasingly concerned with the rise of fascism in Europe and imperialism in Japan. As a result, he initiated a gradual rearmament thus signaling a shift in US policy away from isolationism to one of collective security. The Nazi invasion of Poland in 1939, effectively engulfing Europe into war, caused Roosevelt to declare a limited National Emergency.³² With the US on the eve of mobilizing a second time within a generation; a refined and strengthened MIC emerged.

2.2.3 World War II

In 1940, the US began to mobilize for war. Within two years, the American war machine would become the most powerful that the world had ever experienced. By 1942, the US was producing more war material than Germany, Italy, and Japan combined. By 1945, the military-industrial team had produced 297,000 military aircraft, 86,000 combat

³⁰ Pursell Jr, *The Military-Industrial Complex*, 5.

³¹ Donovan, *Militarism, U.S.A.*, 8.

³² Donovan, *Militarism USA*, 9.

tanks, 6,500 naval vessels, 64,5000 naval landing craft, 5,400 cargo ships, 315,000 artillery pieces, 17 million rifles, and 4.2 million tons of artillery shells. Federal defense spending increased from \$9 billion in 1940 to \$95 billion in 1944, thereby fueling the war economy and accounting for unprecedented prosperity for millions of Americans.³³

It was due in large part to the interwar planning, that little to no problems surfaced in military-industrial relations during World War II (WWII). The Roosevelt administration acutely recognized the need for business, which owned the nation's production plants, involvement in its mobilization plans. It was therefore natural for agencies such as the War Production Board (WPB), to be dominated by industry executives who, in turn, cultivated close working relationships with military leaders.³⁴

Koistinen contends that “the emergence of a “Big Military” was the most significant development of the World War II economy.”³⁵ Having become the nation's largest investors and consumers, the armed services were the influential voice within government. It was therefore natural and mutually beneficial to maintain a strong alliance with the industrial community as corporate leaders dominated the mobilized economy.³⁶ The industry's domination, more specifically by large corporations, can be illustrated with the distribution of military contracts: through 1944, the armed services

³³ Donovan, *Militarism USA*, 10.

³⁴ Pursell Jr, *The Military-Industrial Complex*, 5.

³⁵ Koistinen, *The Military-Industrial Complex: A Historical Perspective*, 69.

³⁶ Koistinen, *The Military-Industrial Complex: A Historical Perspective*, 69.

contracted 18,539 firms, however 100 corporations received at least two-thirds of the contracts and 30 corporations received almost one-half.³⁷

Another important fact noted by Koistinen was that unlike previous wars, “Congress largely surrendered its responsibilities in the military area to the executive” as an extension of the wide powers granted to the executive by the legislative and judicial branches of government during the 1930s to address domestic crises.³⁸ Furthermore, and representative of the armed services growing influence on government was Roosevelt’s reliance on the Joint Chief of Staff, at the expense of highly placed State Department officials, in determining key strategic policies and, more significantly, diplomatic matters.³⁹ Moreover, post-WWII years were characterized by an unprecedented shift of military leaders occupying influential policy-making and leadership positions throughout the government, the diplomatic arena and the private sector. Recognized for their leadership, planning and managing abilities, American Generals and Flag officers were widely respected within and outside the US which made them highly attractive to government and industry alike.⁴⁰ Donovan observes that “the extent of military penetration into the civilian hierarchy after World War II was without precedent in American history.”⁴¹

³⁷ Koistinen, *The Military-Industrial Complex: A Historical Perspective*, 70.

³⁸ Koistinen, *The Military-Industrial Complex: A Historical Perspective*, 112.

³⁹ Koistinen, *The Military-Industrial Complex: A Historical Perspective*, 112.

⁴⁰ Donovan, *Militarism USA*, 16.

⁴¹ Donovan, *Militarism USA*, 16.

By 1948, it was estimated that one hundred and fifty high ranking military officers occupied important policy making posts:

...military men who continued to exert considerable influence during the period: General of the Army Dwight D. Eisenhower was Chief of Staff of the Army, 1945-1948; President of Columbia University, 1948-1950; Supreme Allied Commander Europe (NATO), 1950-1952; and elected thirty-fourth President of the United States, 1957-1961. General of the Army George C. Marshall was Special representative to China in 1946, Secretary of State during 1947-1949 and Secretary of Defense in 1950-1951. General of the Army Douglas MacArthur was Supreme Commander Allied Forces Japan during 1945-1951, Commander of the United Nations Forces in Korea during 1950-1951, and retired to Chairman of the Board of Remington Rand.⁴²

During the post war decades, a myriad of other Generals and Flag officers would fill influential and prominent positions in government and industry ranging from an Ambassadorship to President/Vice President of large corporations. As noted by Donovan, “for the first time in American history, numerous professional career officers not only became popular figures, but also became deeply involved in domestic politics.”⁴³ Through the planned functions of the wartime economy, large corporations concentrated and enhanced their power even further and the military expanded its influence within the federal government.⁴⁴ Power and prestige was shared by both institutions and the American economy, compared to any other industrial nation, was greatly strengthened.

⁴² Donovan, *Militarism USA*, 16.

⁴³ Donovan, *MilitarismUSA*, 17.

⁴⁴ Koistinen, *The Military-Industrial Complex: A Historical Perspective*, 91.

At the conclusion of WWII, the US embarked on a major demobilization of the wartime military structure. By the end of 1945, close to 4 million service personnel were returned to civilian life. By mid 1946, the Army's strength was reduced to 1.5 million and the Navy to 700,000.⁴⁵ These demobilization efforts were consistent with the US tradition of not maintaining large standing armies during peacetime. From a foreign policy perspective the US did not, compared to post WWI, revert to isolationism. Instead, it continued to play a decisive role in international affairs by utilizing its newly acquired superpower status. As stated by Pursell, "a peaceful world secure for trade was henceforth to be guaranteed by a standing military establishment backed up by a war economy prepared to offer massive support to foreign interventions."⁴⁶ As WWII marked the strengthening of the MIC, the Cold War would trigger its expansionist phase.⁴⁷

2.2.4 Cold War

The US demobilization would be short lived. As early as late 1945, the threat of communism resulted in a gradual toughening of policy towards the USSR, coupled with

⁴⁵ Donovan, *MilitarismUSA*, 11.

⁴⁶ Pursell Jr, *The Military-Industrial Complex*, 7.

⁴⁷ Donald A. Wells, *An Encyclopedia of War and Ethics*. Westport: Greenwood Press, 1996, 87. The term Cold War refers to the state of hostility that existed between the United States and the Soviet Union from 1947 to 1991. It was a war in the sense that each side viewed itself as engaged in a desperate struggle for fundamental moral values. It was "cold" in the sense that in its forty-five years no military engagements were fought by between American and Soviet soldiers. Instead, the Cold War played itself out in proxy wars fought by soldiers of allied nations, in complex campaigns of propaganda and subversion and in the ghostly game of nuclear threat and nuclear counter threat. The war reached its peak in the Cuban Missile Crisis of October 1962. It ended with the dissolution of the Soviet Union in 1991.

an increasing propensity to rely on military power.⁴⁸ President Truman's response to the Soviet threat was a policy of containment crafted under National Security Council Document Sixty-Eight (NSC-68). This policy rested on the "long term, patient but firm and vigilant containment of Russian expansive tendencies – by force if necessary."⁴⁹ To be effective, NSC-68 required an extensive expansion of the military establishment framed around the development and fielding of massive conventional military capabilities along with nuclear weapons and delivery systems.

Once approved by Congress, NSC-68 had obvious and profound effects. Defense expenditures, in steady decline since 1945, mushroomed from \$13 to \$50 billion in fiscal years 1950-1954.⁵⁰ In support of deterrence through massive retaliatory power, the development of the Hydrogen bomb was approved thereby triggering an arms race that would, in some form or another, be maintained throughout the Cold War. As noted by Professor of economics Ismael Hossein-Zadeh, this "...new remilitarization turned out to be on a permanent basis, which effectively reversed the long tradition of antimilitarism."⁵¹ An important legacy of NSC-68 is that it secured a bipartisan consensus in foreign and defense policy, focused on containment and deterrence that would endure and shape the American strategy for the remainder of the Cold War.⁵²

⁴⁸ Donovan, *Militarism USA*, 11.

⁴⁹ Donovan, *Militarism USA*, 12.

⁵⁰ Koistinen, *The Military-Industrial Complex: A Historical Perspective*, 13.

⁵¹ Ismael Hossein-Zadeh, *The Political Economy of U.S. Militarism*. (New York; Palgrave MacMillan, 2006), 76.

⁵² Allan P. Dobson and Steve Marsh, *US foreign Policy since 1945 Second Edition*, (Abingdon, Oxon; Routledge, 2006), 34.

For the subsequent quarter century, regardless of the US administration holding office, expansive defense budgets would be maintained without significant fluctuations. In the 1980s, the Reagan administration would change things by pursuing “a twin policy of aggressive international diplomacy and expanding military spending” in order to fight the “evil empire” (as Reagan called the Soviet Union).⁵³

Reagan was convinced that a massive military build-up reminiscent of the 1950s was necessary to close a perceived \$300 billion defense expenditures gap with the Soviets. As a result, his policy of “rearming America” translated in a first term military spending increase from 5 percent of GNP to nearly 7 percent (over one third of the federal budget).⁵⁴ This period of renewed and elevated tension between the two countries came to be called the Second Cold War. In fact, the Reagan military build-up of the 1980s surpassed any other period since WWII. In parallel, the national debt quadrupled.⁵⁵

By default, the Cold War would secure the military’s influence in US policy-making. The bipolar stability, maintained through the threat of massive nuclear retaliation, entailed that every US move in foreign policy was weighed against its military consequences. Therefore and noteworthy, military leaders and planners were placed into prominent and influential positions in the formulation of national security policy.⁵⁶

⁵³ Hossein-Zadeh, *The Political Economy of U.S. Militarism*, 72.

⁵⁴ Hossein-Zadeh, *The Political Economy of U.S. Militarism*, 73.

⁵⁵ Paul-Marie De La Gorce, *Les États-Unis s'en vont-ils en guerre?* (Bruxelles ; Coédition GRIP – Éditions Complexe, 2000), 85.

⁵⁶ Donovan, *Militarism USA*, 13.

The massive defense expenditures, required to maintain a gigantic permanent military establishment, fueled, developed, sustained, and promoted an equally expanding defense industrial base reaching many sectors of the US economy while providing employment for millions of Americans. In essence, the defense establishment created by the Cold War left an indelible mark on both the structure and functioning of the US economy.⁵⁷ This era, spanning over four decades, enabled the MIC to thrive, grow, and expand. The fall of communism would certainly challenge the order of things.

2.2.5 Post Cold War

The fall of the Berlin wall marked the termination of the conventional and nuclear stand-off between the Soviet Union and the US. The end the bipolar era left the world with one superpower, the US, to police a new global security environment.⁵⁸ The 1990s were characterized by civil unrest and ethnic conflicts which where addressed via UN and NATO peacekeeping operations. The Balkans, Haiti, Somalia, and Ethiopia are examples of conflict areas where the US and the International Community (IC) attempted to bring peace and security.

⁵⁷ Donovan, *Militarism USA*, 46.

⁵⁸ Colin S. Gray, *Irregular Enemies and the Essence of Strategy: Can the American Way of War Adapt?* (Carlisle: US Army War College Strategic Studies Institute, 2006), 2.

Upon taking office, President Bill Clinton pursued a policy of neoliberalism. As summarized by Hossein-Zadeh, Clinton;

...sought to advance global US interests through further integration of world markets, additional expansion of multilateral institutions (led by the United States), greater international free trade, and increased development of international alliances, including US-led collective military actions.⁵⁹

Clinton's neoliberal policies which translated into reductions of troop levels and defense spending, in the first two years of his administration, did not please the defense industry or the Pentagon who collectively saw their war dividends being supplanted by peace dividends.⁶⁰ Clinton's policies, coupled with his avoidance of military service during the Vietnam War and his attempts to address the issue of homosexuals in the Armed Forces, did not enamor him with the Pentagon and Congressional conservatives.⁶¹ In 1997, amid growing concerns within Congress and the Pentagon as to the reductions and readiness of US armed forces, Clinton declared an inclination to increase the defense budget. As such, he asked the Secretary of Defense and the House of Representatives to cooperate with the Service Chiefs in examining long term defense planning. Following a series of consultations, the Armed Services Senate Committee tabled its report "Going Hollow: America's Military Return to the 1970s". In essence, the report indicated that the Services were suffering from a lack of funding and, that an additional \$27.5 billion

⁵⁹ Hossein-Zadeh, *The Political Economy of U.S. Militarism*, 149.

⁶⁰ Hossein-Zadeh, *The Political Economy of U.S. Militarism*, 89.

⁶¹ De La Gorce, *Les États-Unis s'en vont-ils en guerre?*, 87.

would be required for the following year to effect improvements in three areas: readiness, quality of life, and modernization.⁶²

Clinton endorsed the report and, for the first time in his administration, proposed plans to increase defense expenditures. The fiscal year (FY) 2000 budget, eagerly approved by Congress, brought defense expenditures to \$281 billion, of which \$53 billion was earmarked for procurement of high tech and sophisticated weapon systems (a 8.2 percent increase from FY 1999).⁶³ As part of the Future Years Defense Program (FYDP), the administration projected a constant rise in arms procurement expenditures between FY 2000-2005 to reach \$71 billion in FY 2005.⁶⁴

In his later years in office, Clinton would “please” the MIC with sustained increases in defense expenditures, and more specifically in the realm of procurement earmarks. He would set the stage for the new republican administration of George W. Bush who had advocated high defense expenditures during the presidential election campaign. Taking office with support from both houses of Congress, coupled with pro-defense sentiments in the opposition party, Bush faced little political obstacles towards increases in defense spending.⁶⁵ In any case, any real or potential resistance evaporated following the terrorist attacks of 9/11 when all branches of government and the nation as

⁶² De La Gorce, *Les États-Unis s'en vont-ils en guerre?*, 86-87.

⁶³ De La Gorce, *Les États-Unis s'en vont-ils en guerre?*, 89.

⁶⁴ Stockholm International Peace Research Institute (SIPRI) *SIPRI Yearbook 2001: Armaments, Disarmament and International Security* (New York: Oxford University Press, 2001), 240.

⁶⁵ Stockholm International Peace Research Institute (SIPRI) *SIPRI Yearbook 2001: Armaments, Disarmament and International Security*, 236.

a whole rallied behind their President and subsequently provided him with “carte blanche” to wage the GWOT.

The post-Cold War era was also characterized by an enthusiasm for outsourcing government services. Privatization was considered a step forward in rendering over-centralized government bureaucracies efficient and effective. The US government, like many western countries, adopted this management style in many sectors, including the most fundamental of government functions: defense and security.⁶⁶ The outsourcing philosophy allowed Private Military Firms (PMF) to proliferate and rapidly gain prominence and influence within the MIC construct. As noted by renowned author Chalmers Johnson, “during the 1990s, the Pentagon began to contract out every conceivable kind of service except firing a rifle or flying an airplane, spawning a rapidly growing, extremely lucrative new sector of the military industrial complex.”⁶⁷ The Department of Defense rationale was that PMF would provide support to the US military in a wide range of areas, augmenting available equipment and resources while allowing the Pentagon to make the best possible use of their reducing pool of military personnel.

This new emergent industry would rapidly become global, both in scope and activity, providing a wide array of services to a diverse range of customers from “ruthless dictators, morally depraved rebels and drug cartels” to “legitimate sovereign states, respected multinational corporations and humanitarian NGOs.”⁶⁸ Largely aided by post-

⁶⁶ Kinsey, Christopher. *Corporate Soldiers and International Security: The Rise of Private Military Companies*. (New York: Routledge, 2006), 3.

⁶⁷ Chalmers A. Johnson, *The Sorrows of Empire*. (New York; Metropolitan Books, 2004), 142.

⁶⁸ Singer, *Corporate Warriors*, 9.

Cold War troop reductions, PMF would gradually integrate themselves in the defense establishment and would ultimately become indispensable to the operation of the US military at home or abroad. The emergence of PMF enabled the MIC to further entrench itself in the 1990s. The post 9/11 period and the preparation and waging of the GWOT by the Bush administration would be the ingredient that would secure the MIC's clout on Capitol Hill and within the White House.

2.2.6 Post 9/11- Global War on Terrorism (GWOT)

The terrorist attacks on the 11th September, 2001 would bring about a new global security environment that would benefit the MIC in unprecedented ways. In the post 9/11 era, national security trumped everything else with the focus squarely placed on supporting the GWOT. As a result, under the Bush administration, defense and security corporations made astronomical profits as spending in support of the GWOT approached one trillion dollars.⁶⁹

For example, Halliburton, a well known PMF, received at least \$19.3 billion in sole-source contracts in support of the GWOT. This resulted in a spectacular 229% stock appreciation since 2001. Although less dramatic, stock increases of traditional arms manufacturers have also been significant: General Dynamics (134%), Raytheon (117%), Lockheed Martin (105%) and Northrop Grumman (78%).⁷⁰ The Halliburton stock gains are indicative of the prominence achieved by PMFs since the 1990s. This prominence, a

⁶⁹ Steven M. Kosiak, "Cost of the Wars in Iraq and Afghanistan, and other Military Operations through 2008 and beyond". *Center for strategic and budgetary Assessments*, (2008), 85.

⁷⁰ Joseph E. Stiglitz and Linda J. Bilmes. *The Three trillion Dollar War: the true cost of the Iraq conflict*. (New York: W.W. Norton & Company, 2008), 15.

legacy of the outsourcing years, is attributable to the military's growing dependency on PMF. Case in point, since the first Gulf War, the number of private contractors on the battlefield has increased by a factor of ten. For Operation Iraqi Freedom (OIF), this translated into one contractor for every ten soldiers.⁷¹ As illustrated above, the GWOT has also benefited the traditional arms manufacturers. For instance, between 2000 and 2006, Lockheed Martin received \$135 billion worth of US federal contracts. In 2005 alone, it received \$25 billion, which exceeded the total combined budgets of the Department of Commerce, the Department of Interior, and the Congress.⁷² Worthy of consideration is the elevated level of dependence on government for most large defense contractors. For example, Lockheed Martin's government sales as a percentage of total sales was 78 percent in 2003, 80 percent in 2004, 85 percent in 2005 and, 84 percent in 2006. For military privatization experts such as Peter Singer, the line becomes blurred as to the "private" nature of corporations under these conditions, thereby suggesting that; "They're not really companies, they're quasi agencies."⁷³

As part of the GWOT, domestic security has become a key sector of interest and growing influence for the MIC. The post 9/11 creation of the Department of Homeland Security (DHS) has provided an avenue for expansion and increasing revenues for defense and security firms, with a growing integration into the public domain. For instance, in a number of cases, there is indication that some government level decision

⁷¹ Dan Briody, *The Iron Triangle: Inside the Secret world of the Carlyle Group*. (New Jersey: John Wiley and Sons Inc, 2003), 183.

⁷² Turse. *The Complex: How the Military Invades our Everyday Lives*, 24.

⁷³ Turse. *The Complex: How the Military Invades our Everyday Lives*, 24.

making is transiting to the private sector. This trend can be illustrated using the DHS “Secure Border Initiative” (SBI) \$2 billion project. In 2006, while addressing potential bidders on the project, the deputy secretary of DHS, himself a former contracting executive, said “this is an unusual invitation, we are asking you to come back and tell us how to do our business.”⁷⁴ Having won the \$80 million first phase of the project, Boeing was tasked to “not only develop the technology but also propose how to use it, which includes assigning roles to different government agencies and contractors.”⁷⁵ Although DHS insists that government officials will make the final decisions, the department’s own Inspector General bluntly stated that “the department does not have the capacity required to effectively plan, oversee and execute the SBI program.”⁷⁶ As pointed out by Michelle Ciarrocca, from the Arms Trade Resource Center, the influx of government spending on Homeland security as translated into “...virtually all of the big defense contractors (Boeing, Lockheed Martin, and Raytheon) have adapted their marketing strategies and are repackaging their products for use in domestic security.”⁷⁷

Moreover, the expansion of the lucrative market of military outsourcing has prompted the traditional arms manufacturers to acquire PMFs. For example, Computer Sciences acquired DynCorp, Northrop Grumman scooped up Vinnel, and L-3

⁷⁴ Scott Shane and Ron Nixon. “In Washington, Contractors Take On Biggest Role Ever.” The New York Times. 4 Feb 07. <http://nytimes.com/2007/02/04/washington/04contract.html>. Internet; accessed 25 Nov 09.

⁷⁵ Shane and Nixon, “In Washington, Contractors Take On Biggest Role Ever.” <http://nytimes.com/2007/02/04/washington/04contract.html>. Internet; accessed 25 Nov 09.

⁷⁶ Shane and Nixon, “In Washington, Contractors Take On Biggest Role Ever.” <http://nytimes.com/2007/02/04/washington/04contract.html>. Internet; accessed 25 Nov 09.

⁷⁷ Hossein-Zadeh, *The Political Economy of U.S. Militarism*, 196.

Communications bought MPRI.⁷⁸ Deborah Avant, professor at George Washington University and author, opines that traditional arms manufacturers "...have been buying up these companies [PMF] like mad...This is where they think the future is."⁷⁹

The post 9/11 period and the preparation and waging of the GWOT by the Bush administration undoubtedly benefited the MIC: congressmen gained political capital from the economic fallout in their district; military professionals gained new and additional capacity; and the defense and security industry made astronomical profits. The post 9/11 era has spawned an entire industry and culture of "Homeland Security" that has fueled the growth and expansion of the MIC, embedding it further into the governmental apparatus. The resulting clout and influence of this powerful interest group on Capitol Hill and within the White House has been significant.

This chapter examined the MIC's evolution from the US naval build-up to the post 9/11 period. It demonstrated that its origins can be traced to the evolutionary nature of US institutions, with its enormous growth primarily dictated by the nation's foreign policy. What can be drawn from this examination is that since the end of WWII, American policy ends have generated means "not anticipated by and beyond the absolute control of their authors."⁸⁰ Having gained an appreciation for the MIC's evolution, the focus will now shift to the examination of the influence exerted by the MIC and its key components.

⁷⁸ Hossein-Zadeh, *The Political Economy of U.S. Militarism*, 199.

⁷⁹ Hossein-Zadeh, *The Political Economy of U.S. Militarism*, 199.

⁸⁰ Koistinen, *The Military-Industrial Complex: A Historical Perspective*, 14.

3.0 DECONSTRUCTING THE INFLUENCE

In his famous farewell address, Eisenhower warned his nation against “acquisition of unwarranted influence, whether sought or unsought, by the military industrial complex. The potential for the disastrous rise of misplaced power exist and will persist.”⁸¹ His main worry was that if not checked, the MIC could and would influence the ability of the executive branch to shape policy where priorities would be set by what benefits corporations as opposed to what benefits America.

The previous chapter covered the historical conditions and factors associated with the MIC’s growth in power and influence. A key aspect of the MIC’s influence has been the solid relationships developed, over time, between two of its core components; the military establishment and the defense industry. This chapter will examine the main means and methods of influence used by the MIC to achieve its vested interests in sustained defense spending aided by an aggressive foreign policy. The first part will describe and explain the “revolving door” phenomenon which serves as the lubricant of the conjunction between the defense establishment and the defense industry.⁸² The second part will examine the instruments of influence used by the military towards Congress. The last part will cover the defense industry’s political influence through campaign contributions, lobbying and the parceling out of contracts.

⁸¹ Eisenhower, “Farewell Address to the Nation: The Military Industrial Complex”, 2.

⁸² Donovan, *Militarism USA*, 54.

3.1 The Revolving Door – Public to Private

In his book, *The Military-Industrial Complex*, author Sidney Lens observed:

“Many of the same men who negotiated the lush deals with private business when they wore pentagon hats used their influence and inside knowledge on behalf of defense companies after retirement.”⁸³ The practice through which defense industry employees and military establishment officials routinely switch position back and forth between the private and public domain is often referred to as the “revolving door” phenomenon.

Ernie Fitzgerald, a Pentagon official, understands the mechanisms of the revolving door very well. During the Nixon administration, he was fired after blowing the whistle on cost overruns regarding the Lockheed C-130 airplane project. He was later reinstated after winning a long drawn out court battle. Fitzgerald candidly explains the revolving door mechanisms as follows:

Military officers for the most part are forced to retire when their family expenses are at a peak; they’ve got a couple of kids in college and they’re still paying a mortgage. They won’t starve on their retired pay. But at the same time, they can’t keep up their lifestyle. What happens in our system is that the services see one of their management duties as placing their retired officers, just like a good university will place its graduates. And the place the services have the most influence at is with contractors. If you’re a good clean-living officer...when you retire, a nice man will come calling. Typically, he will be another retired officer. And he’ll be driving a fancy car,...he will offer to make a comfortable life for you by getting you a comfortable job at one of the contractors. Now, if you go around kicking people in the shins, raising hell about the outrages committed by the big contractors, no nice man will come calling.⁸⁴

⁸³ Sydney Lens, *The Military-Industrial Complex*, (Kansas City: Pilgrim Press and the National Catholic Reporter, 1970), 8.

⁸⁴ Ken Silverstein, *Private Warriors*, (New York: Verso, 2000), 189-190.

Prior to the 1950s, it was uncommon for retired military officers to go to work for defense industry contractors. In his book *Private Warriors*, author Ken Silverstein, explains: “A social stigma was attached to using influence and knowledge attained while serving one’s country as a tool for profiteering.”⁸⁵ The stigma would eventually erode and the revolving door started to turn in the 1950s. In 1959, Senator Paul Douglas reported that 721 high ranking officers (Colonel/Captain (Navy) and above) were employed by the country’s 100 top defense contractors.⁸⁶ A subsequent study made by Senator William Proxmire, in connection with Senate hearings on wasteful military spending, revealed that in 1969 the number had increased to 2,072 senior officers employed by the nation’s 100 top defense contractors.⁸⁷

In a speech to Congress on 24 March 1969, Senator Proxmire revealed the sensational results of his study. He explained the significance and implications of the situation:

First of all, it bears out the statement I made on March 10 when I spoke on the “blank check for the military,” that the warning made by former President Eisenhower against the danger of “unwarranted influence, whether sought or unsought, by the military-industrial complex, “is not just some future danger. The danger is here. Whether sought or unsought there is today unwarranted influence by the military-industrial complex which results in excessive costs, burgeoning the military budgets, and scandalous performances. The danger has long since materialized. The 2,072 retired high ranking officers employed by the top 100 military contractors is one major facet of this influence.”⁸⁸

⁸⁵ Silverstein, *Private Warriors*, 190.

⁸⁶ Pursell, *The Military-Industrial Complex*, 255.

⁸⁷ Pursell, *The Military-Industrial Complex*, 255.

⁸⁸ Pursell, *The Military-Industrial Complex*, 256.

Senator Proxmire stopped short of claiming or suggesting the existence of any conspiracy between the military and the leading defense contractors. To that effect he stated; “We should eschew even the slightest suggestion of any conspiracy between the Pentagon, on the one hand, and the companies who hire former employees, on the other. There is no scintilla of evidence that it exists.”⁸⁹ Instead he spoke of a “community of interest” between the two groups. He believed the situation represented a classic example of the MIC inner workings. Proxmire maintained:

It is not a question of wrongdoing. It is a question of what can be called the “old boys network” or the “old school tie.” This is the most dangerous and shocking situation. It indicates the increasing influence of the big contractors with the military and the military with the big contractors. It shows an intensification of the problem and the growing community of interest which exists between the two. It makes it imperative that new weapon systems receive the most critical review and that defense contracts be examined in microscopic details. I am alarmed about this trend not because question the integrity or the good will of the retired officers who have found employment with military contractors but because I believe that the trend itself represents a distinct threat to the public interest.⁹⁰

Moreover, Proxmire spoke of dangers associated with contract negotiations between the industry and the military, when almost 90 percent of all military contracts require negotiation and, where many are sole sourced. His preoccupation centered on the access into the Pentagon enjoyed by former high-ranking officers and the distinct possibility of negotiating contracts with former colleagues, superiors or subordinates. He contended; “With such a high proportion of negotiated contracts there is a great danger of

⁸⁹ Pursell, *The Military-Industrial Complex*, 256.

⁹⁰ Pursell, *The Military-Industrial Complex*, 256-257.

abuse.”⁹¹ Furthermore, he spoke of a danger to the public interest found in the vested interests shared by the defense contractors and the former officers they employ with the military establishment. For Proxmire, the danger was that this community of interests “...may see only military answers to exceedingly complex and diplomatic and political problems. A military response, or the ability to make one, may seem to them to be the most appropriate answer to every international threat.”⁹²

Through concerted efforts made by individuals such as Fitzgerald, Proxmire and other Pentagon reformers, Congress eventually passed what came to be known as the “Proxmire Law”. Named after its chief sponsor, it required former Pentagon employees to file a disclosure report upon taking a position in the defense industry paying more than \$25,000 a year. The law was meant for the public to monitor who traveled through the revolving door, it was not meant to stop nor prevent the phenomenon. Notwithstanding, the Proxmire Law was repealed by Congress in 1996 at the request of the Pentagon. All records kept under the Law were destroyed except those for the years 1992 to 1995. A review of the remaining records found that during that period, 2,482 officers with the rank of Colonel and above gained employment for the defense industry.⁹³ For Silverstein, “...it’s easy to see why the Pentagon wanted the law repealed: conflicts of interests immediately leap out.”⁹⁴

⁹¹ Pursell, *The Military-Industrial Complex*, 257.

⁹² Pursell, *The Military-Industrial Complex*, 257-258.

⁹³ Silverstein, *Private Warriors*, 193.

⁹⁴ Silverstein, *Private Warriors*, 193.

A recent 2008 study published by the US Government Accountability Office (GAO), established that 52 governmental contractors employed “2,435 former Department of Defense senior and acquisition officials who had previously served as generals, admirals, senior executives, program managers, contracting officers, or in other acquisition positions”⁹⁵ The study also revealed that most of these individuals, 1,581, were employed by seven major defense contractors, including Northrop Grumman, Lockheed Martin, General Dynamics and Raytheon. The GAO estimated that 422 individuals could have worked on defense contracts related to their previous organization.⁹⁶

The linkage between the military and defense contractors can be further illustrated by US Air Force procurement of the Northrop Grumman’s B-2 bomber. At \$2.1 billion per copy (21 planes were purchased), it remains the most expensive piece of military hardware ever developed. In his book *Private Warriors*, Silverstein relates a statement made by a pentagon source about the plane, designed for the defunct Cold War: “The B-2 bomber is not about meeting threats to national security. It’s just mindless bureaucratic momentum and pressure from the contractor.”⁹⁷ Congressional and Pentagon support for the project was maintained by Northrop Grumman’s hiring of former officers, including three retired Air Force generals, as consultants or board members. The project team also included a former secretary of the Air Force, a retired Pentagon comptroller and, a former general counsel to the Pentagon who, would eventually returned to public service in

⁹⁵ McCormick, *American Foreign Policy and Process*, 507.

⁹⁶ McCormick, *American Foreign Policy and Process*, 507.

⁹⁷ Silverstein, *Private Warriors*, 192.

President Clinton's administration as Secretary of the Army.⁹⁸ The B-2 bomber case is representative of most, if not all, defense procurement project where a similar "cast of characters" can be found.

In other cases, retired General Officers and former high ranking Pentagon and government officials working for the defense industry receive appointments to provide policy advice to the Government. Case in point is the Defense Policy Board (DPB). Created in 1985, its role is to provide the Secretary of Defense with "independent, informed advice and opinion concerning major matters of defense policy."⁹⁹ The Board, comprised of 30 members, is selected by and reports to the Under Secretary of Defense for Policy. All selections are approved by the Secretary of Defense. A recent study by The Center for Public Integrity (CPI) has shown that nine board members "...have ties to companies that have won more than \$76 billion in defense contracts in 2001 and 2002. Four members are registered lobbyists, one of whom represents two of the three largest defense contractors."¹⁰⁰ Of the nine members, four were retired generals, two were former directors of the CIA, one was a former Secretary of Defense, with the last one a former special assistant for policy matters to Defense Secretary Rumsfeld.

⁹⁸ Silverstein, *Private Warriors*, 192.

⁹⁹ Hossein-Zadeh, *The Political Economy of U.S. Militarism*, 189.

¹⁰⁰ Hossein-Zadeh, *The Political Economy of U.S. Militarism*, 189.

According to the CPI report, although having no official role in policy decisions, the DPB became increasingly interested in policy changes under Rumsfeld tenure.¹⁰¹ For those nine members, policy advice can amount to influence (policy shaping) that could benefit their respective company's bottom line and, thereby amounting to situations of conflict of interest.

3.2 The Revolving Door – Private to Public

The revolving door also enables the crossover of business elites into the realm of policy-making. Linkages between the business and political community have been, at different degrees, a common feature of contemporary US politics. One of the first studies looking into this area established that, from 1944 to 1960, 60 percent of some 234 officials, primarily in the foreign affairs bureaucracies (Department of Defense, Department of State, Central intelligence Agency, etc) came from important business, investment and law firms. Furthermore, 84 of those officials held more than 63 percent of the positions studied. The study is demonstrative of US foreign policy apparatuses being dominated by a few key individuals circulating in and out of government.¹⁰²

In a more recent study, political scientist Thomas Dye documented the background of key foreign policy making officials since the post WWII era. He reached

¹⁰¹ Hossein-Zadeh, *The Political Economy of U.S. Militarism*, 189.

¹⁰² McCormick, *American Foreign Policy and Process*, 505.

a similar conclusion regarding the business ties of foreign affairs policy-makers.¹⁰³ The findings were as follows:

Secretaries of Defense:

- Charles E. Wilson (1953-1957): president and board member of General Motors;
- Thomas Gates (1960-1961): chairman of the board and chief executive officer of Morgan Century Trust and served on boards of General Electric, Bethlehem Steel, Scott Paper Company, and Insurance Company of America;
- Robert S. McNamara (1961-1967): president and member of the board of Ford Motor Company; and
- Casper Weinberger (1981-1987): was vice-president and corporate director for Bechtel Corporation, a major global contractor, and served on the board of such companies as PepsiCo and Quaker Oats;¹⁰⁴

Secretaries of State:

- John Foster Dulles (1953-1959): was a partner in a prominent Wall Street law firm and part of the board of directors for the Bank of New York, Fifth Avenue Bank, the American Cotton Company and, the United Railroad of St-Louis;
- Dean Rusk (1961-1968): was a former president of the Rockefeller Foundation;

¹⁰³ McCormick, *American Foreign Policy and Process*, 505.

¹⁰⁴ McCormick, *American Foreign Policy and Process*, 505.

- William P. Rodgers (1969-1973): was senior partner at a prominent Wall Street law firm;
- Alexander Haig (1981-1982): served as military attaché to Henry Kissinger, supreme allied commander of NATO and, a senior executive with United Technologies, a leading defense contractor;
- George Shultz (1982-1989): prior to his appointment, he was a high-ranking official with Bechtel corporation and served on the boards of directors of Borg-Warner, General Motors and, a Chicago investment firm; and
- James Baker (1989-1992): came from a background of wealth (father owned the Texas Commerce Bank).¹⁰⁵

Moving to recent times, the Clinton administration was characterized and largely filled by lawyers, lobbyist, and bureaucrats. Notwithstanding this contrast, elements of political and business elite still existed in the administration.¹⁰⁶ On the political side, both secretaries of state Madeleine Albright and Warren Christopher had served in the Carter administration. National security advisors Anthony Lake and Samuel Berger had also served in the Carter administration. Lastly, all three defense secretaries had served in Congress. On the business side, Clinton's first chief of staff, Thomas McLarty, was an executive with a large Arkansas natural gas company. Hazel O'Leary, the secretary of

¹⁰⁵ McCormick, *American Foreign Policy and Process*, 505-506

¹⁰⁶ McCormick, *American Foreign Policy and Process*, 506.

energy, had been an executive in a Minnesota utility company. Lastly, both secretaries of treasury, Lloyd Bensten and Robert Rubin, were wealthy financiers.¹⁰⁷

The appointment of political and business elites to key policy-making positions continued under the Bush administration. Eleven of Bush's eighteen initial cabinet level appointments had previous experience under Republican administrations, including key foreign policy officials: Vice President Dick Cheney, Secretary of State Colin Powell, Secretary of Defense Donald Rumsfeld, and National Security Advisor Condoleezza Rice. The pattern was maintained in Bush's second term with Rice moving to State, Stephen Hadley replacing her and, Robert Gates taking over as secretary of defense.¹⁰⁸ Individuals with wide ranging business linkages also populated key policy positions:

- Vice President Cheney: former President of Halliburton;
- Secretary of Treasury Paul O'Neill (first) : served as President of International Paper and as key executive of Alcoa;
- Secretary of Treasury John Snow (second): was chairman and chief executive of CSX Corporation (railroad company);
- Secretary of Defense Donald Rumsfeld: President of G.D. Searle (drug company);
- Secretary of Commerce Donald Evans (first): executive of an oil company;
- Secretary of Commerce Carlos Gutierrez (last): chairman of the board of Kellogg Company; and

¹⁰⁷ McCormick, *American Foreign Policy and Process*, 506.

¹⁰⁸ McCormick, *American Foreign Policy and Process*, 506.

- Secretary of Treasury Henry Paulson (last): former chairman of Goldman Sachs, was the richest Treasury secretary in history with a net worth of more than \$700 million.¹⁰⁹

Noteworthy was that non cabinet level policy making positions were heavily populated by individuals with direct or indirect ties to the nation's major defense corporations. Lockheed Martin, the largest American defense contractor, was particularly well connected to the Bush administration with eight policy makers, with the most notable being:

- Peter Teets, former Lockheed's Chief Operating Officer: Undersecretary of the Air Force and director of the National Reconnaissance Office. The latter position includes making decisions on the acquisition of satellites to parts of the missile defense system;
- Powell A. Moore, former Lockheed's Vice President for Legislative Affairs: Assistant secretary of defense for Legislative Affairs;
- Gordon England, former employee: Secretary of the Navy, followed by deputy secretary of defense;
- Albert Smith, Lockheed's executive president for integrated systems and solutions: appointed to the Defense Science Board (DSB);
- Joe Allbaugh, Lockheed lobbyist: Head of the Federal Emergency Management Agency;

¹⁰⁹ McCormick, *American Foreign Policy and Process*, 506.

- Norman Y. Mineta, former Lockheed Vice-President: Transportation Secretary, and
- Lynn Cheney (wife of Vice President Cheney): served on Lockheed's board of directors from 1994-2001.¹¹⁰

Northrop Grumman, the third largest American defense contractor was also well represented in the Bush administration with seven former employees or consultants with the key ones being:

- James Roche, former company vice president: Secretary of the Air Force;
- Nelson Gibbs, former Northrop corporate comptroller: Assistant Secretary of the Air Force for Installations, Environment and Logistics;
- Paul Wolfowitz, Northrop consultant: Deputy Secretary of Defense;
- Dov Zakheim, Northrop consultant: Pentagon Comptroller; and
- Douglas Feith, Northrop consultant: Undersecretary of Defense.¹¹¹

Other linkages to prominent defense corporations included Deputy Secretary of State, Richard Armitage, a former member of Raytheon's board of directors and consultant to Boeing and Karl Rove, senior advisor to the President, owning between \$100,000 and \$250,000 in Boeing stock.¹¹²

¹¹⁰ Turse. *The Complex: How the Military Invades our Everyday Lives*, 27.

¹¹¹ Hossein-Zadeh, *The Political Economy of U.S. Militarism* , 188.

¹¹² Hossein-Zadeh, *The Political Economy of U.S. Militarism* , 188-189.

The above studies have demonstrated that US foreign policy bureaucracies, including the Department of Defense, have historically been dominated by a few key individuals circulating in and out of government, many of whom have linkages with the defense industry. The revolving door phenomenon is the lubricant of the conjunction between the military and defense corporations and, therefore provides evidence of the symbiotic relationship between the military establishment and the defense industry. It has and will continue to raise questions about possible conflicts of interests and accusations of war profiteering.

Having gained an understanding of the revolving door, the focus will now move to the examination of the military's methods of influence exerted on Congress. As the US Legislative Branch, Congress is the budgetary approval authority and therefore is pivotal in determining the size and scope of defense spending.

3.3 Selling the military program

The US armed forces use two main methods of influence in order to “sell” the military program to Congressmen and garner their support. Firstly, the military maintains over 300 Congressional liaison officers (CLO) and civilian defense employees serving on Capitol Hill whose purpose, other than conducting liaison, is lobbying in favor of their respective services' programs and interests.¹¹³ The second method is through specifically designed public relations efforts such as elaborate tours, flights, visits and demonstrations. As explained by Donovan, himself a retired Colonel, “visiting troops is

¹¹³ Donovan, *Militarism USA*, 191.

a favorite Congressional pastime.”¹¹⁴ Although often found inconvenient and laborious by the military brass, the visits are considered “...worthwhile efforts in Congressional relations which they [military brass] hope will pay off in budget allocations and in good reception for favorite weapons, constructions, or personnel programs.”¹¹⁵ Therefore, the visited commander will put on sophisticated command briefings, parade his troops, organize demonstrations and display military hardware. The culminating event will normally be a formal dinner attended by all the senior command staff and spouses. This type of public relations event is common routine in all the services and is “...considered to be a matter of duty and loyalty to the command and its public relations responsibilities.”¹¹⁶ In addition, organized VIP visits into theatres of operations usually pay high dividends for the military. Most Congressmen or Cabinet members will return home with the opinion that “nothing is too good for the troops.” Donovan explains the phenomenon;

The average mature adult and civilian official finds contact with America’s young military people an inspiring experience. It is also a sentimental happening that tends to gain emotional, if not always rational, support form all sorts of militaristic ideas. No one is immune to the appeal of flags, uniforms, and the impressions made by the armed forces in their rituals and ceremonies. Every good general and admiral makes the most of these assets in selling the program.¹¹⁷

¹¹⁴ Donovan, *Militarism USA*, 191.

¹¹⁵ Donovan, *Militarism USA*, 192.

¹¹⁶ Donovan, *Militarism USA*, 192

¹¹⁷ Donovan, *Militarism USA*, 193.

3.4 Political Influence

The defense industry has plenty of ways to influence Washington legislators, from campaign contributions, extensive lobbying campaign to the parceling out of defense contracts. As touched upon in the previous chapter, the degree of dependence of defense industry contractors on the government will vary. For example, the likes of Lockheed Martin, Raytheon and Northrop Grumman depend almost exclusively on government sales. On the other hand, corporations such as Boeing, General Dynamics and General Electrics are primarily commercial firms with substantial cores of defense work which makes them less dependent. However, the fact remains that without government defense contracts, most of the above companies would be in serious financial difficulties.¹¹⁸ In his book, *The Political Economy of Defense Contracting*, political science professor Kenneth R. Maher, explains that "...in such an environment, with literally billions of dollars in profits and company survival often at stake, contractors work hard to convince government decision makers of the virtue of their products."¹¹⁹

Once defense programs receive the go-ahead by the government, the defense contractors' convincing efforts move to Congress where political influence is exerted to ensure the survival of the defense programs. It is with this context in mind that two instruments (Campaign contributions and Lobbying) and one strategy (parceling out contracts) will be examined, beginning with campaign contributions.

¹¹⁸ Kenneth R. Mayer, *The Political Economy of Defense Contracting* (New Haven and London; Yale University Press, 1991), 68-69.

¹¹⁹ Mayer, *The Political Economy of Defense Contracting*, 69.

3.4.1 Instrument - Campaign contributions

Not unlike other corporations, defense contractors are active contributors to congressional and presidential election campaigns. The US campaign finance system is not immune from criticism of conflict of interest, as lawmakers will make decisions affecting corporations who may have donated thousands of dollars to their respective campaigns. From this perspective, Lockheed Martin donating money in hope of keeping the F-35 Joint Strike Fighter program alive would be no different than from a national consumer association donating money to maintain a particular tax deduction. In reality, the situation is quite different because, as previously discussed, most defense industry contractors are almost entirely dependent on governmental contracts. Canceling a tax deduction will not have the same impact than canceling the F-35 program worth billions of dollars.¹²⁰ With their survival potentially at stake every time a defense budget makes its way through Congress, defense industry contractors view campaign contribution and lobbying efforts (to be examined in the next section) as crucial instruments of political influence.

Campaign contribution money from defense contractors will naturally and overwhelmingly stream toward members who favor high defense spending. In his 2004 report *Outsourcing the Pentagon*; Larry Makinson from The Center for Public Integrity (CPI) produced a list of the major recipients of campaign contributions from the top 737 US defense contractors between 1998-2003. Extracted from that list and, depicted in figure 1.0 are the top ten recipients. It is without surprise that "...the list is top heavy

¹²⁰ Mayer, *The Political Economy of Defense Contracting*, 74.

with members of the House and Senate Defense appropriation Subcommittees, the panels that supply the money for the Pentagon's budget."¹²¹

Recipient	
President George W Bush (R)	\$4,546,679
Sen Ted Stevens (R-AK)	\$939,165
Rep John P Murtha (D-PA)	\$932,224
Sen Richard C Shelby (R-AL)	\$928,518
Rep Tom DeLay (R-TX)	\$873,074
Sen John McCain (R-AZ)	\$850,585
Sen Trent Lott (R-MS)	\$835,052
Rep Duncan Hunter (R-CA)	\$812,652
Rep W J "Billy" Tauzin (R-LA)	\$733,396
Sen Don Nickles (R-OK)	\$696,748

Figure 1.0 – Top ten recipients of campaign contributions from the 737 major defense contractors (1998-2003)

Source: Makinson , “Outsourcing the Pentagon: Who Benefits from the Politics and Economics of National Security?”

According to the CPI report, traditional defense industry corporations were also major political contributors with most contributions going to the Republicans. Figure 1.1 depicts the results for the ten largest companies.

Name	98-03 Contributions
Lockheed Martin	\$6,625,986
Boeing Co	\$5,313,529
Raytheon Co	\$3,226,729
Northrop Grumman	\$3,715,150
General Dynamics	\$4,367,384

¹²¹ Larry Makinson, “Outsourcing the Pentagon: Who Benefits from the Politics and Economics of National Security?” *The Center for Public Integrity*. 29 Sep 04.
<http://projects.publicintegrity.org/pns/report.aspx?aid=385.html>. Internet; accessed 25 Nov 09.

United Technologies	\$2,238,693
General Electric	\$4,885,867
Science Applications Intl Corp (SAIC)	\$2,117,163
Carlyle Group	\$1,640,945
Newport News Shipbuilding	\$1,593,104

Figure 1.1 – Political contributions by the 10 largest traditional Defense industry contractors (1998-2003)

Source: Makinson , “Outsourcing the Pentagon: Who Benefits from the Politics and Economics of National Security?”

Campaign contributions are “the foot in the door”, it gives the contributor access and the ability to make a case to a member who may (or may not) be sympathetic. On the other hand, contributions made outside of the campaign financial system are considered bribes and therefore illegal. Of note is the case of Congressman Randy “Duke” Cunningham who pleaded guilty to charges of accepting bribes in the amount of \$2.4 million from four individuals, including two defense contractors. He was subsequently sentenced to 8 years and 4 months in jail, the longest sentence ever imposed on a member of Congress.¹²² As explained by author Chalmers Johnson, Cunningham “...used his official positions on the Appropriations and Intelligence Committees to see that contracts worth millions of dollars went to the defense manufacturers who paid him off.”¹²³

Campaign contributions are key instruments used by most defense industry corporations in order to gain access, sway voting intentions and influence lawmakers responsible to approve the defense budget. When coupled with lobbying, the influence

¹²² McCormick, *American Foreign Policy and Process*, 508.

¹²³ Chalmers A. Johnson, *Nemesis: The Last Days of the American Republic* (New York; Metropolitan Books, 2006), 260.

becomes that much greater as contrary to campaign contributions, there is no cap on the amount of money companies can spend on lobbying.

3.4.2 Instrument – Lobbying

Lobbying is the second instrument, complementary to campaign contributions, used by defense industry contractors to influence congress. Lobbyists are used mainly to acquire government contracts, block unwarranted congressional inquiries, ensure programs survival and, influence budget decisions. As suggested by Scott Shane, a journalist with the New York Times; “The most successful [defense] contractors are not necessarily those doing the best work, but those who have mastered the special skill of selling to Uncle Sam.”¹²⁴ In essence, the special skill is the effective use of lobbyists.

The Bush years have seen an explosion in the number of lobbyists and the amount of money poured into lobbying efforts. Chalmers Johnson reports that since Bush was elected “...the number of lobbyists registered to do business in Washington has more than doubled...16,342 lobbyists in 2000 to 34,785 in 2005. Sixty-five lobbyists for every member of Congress.”¹²⁵

¹²⁴ Shane and Nixon, “In Washington, Contractors Take On Biggest Role Ever.” <http://nytimes.com/2007/02/04/washington/04contract.html>. Internet; accessed 25 Nov 09.

¹²⁵ Johnson, *Nemesis: The Last Days of the American Republic*, 262.

The money spent by the 10 largest defense industry contractors has been captured by the 2004 CPI report (figure 1.2 refers). The report concluded that as with campaign contributions, the top 10 defense industry contractors all “ran top-dollar lobbying efforts.”¹²⁶

Name	98-03 Lobby Spending
Lockheed Martin	\$48 million
Boeing Co	\$49 million
Raytheon Co	\$15.3 million
Northrop Grumman	\$71 million
General Dynamics	\$29.4 million
United Technologies	\$22.6 million
General Electric	\$76.8 million
Science Applications Intl Corp (SAIC)	\$12.5 million
Carlyle Group	specific lobbying data for defense properties unavailable
Newport News Shipbuilding	included with Northrop Gumman

Figure 1.2 Lobbyist Spending by the 10 Biggest Defense Contractors (1998-2003)

Source: Makinson , “Outsourcing the Pentagon: Who Benefits from the Politics and Economics of National Security?”

The intent of the massive amounts of money poured into campaign contributions and lobbying efforts by the defense industry contractors is to generate political influence in Congress, which in turn will lend a helping hand to the MIC. The extension of that helping-hand is secured with a strategy of parceling out contracts, which is the next topic to be examined.

¹²⁶ Makinson, “Outsourcing the Pentagon: Who Benefits from the Politics and Economics of National Security?” <http://projects.publicintegrity.org/pns/report.aspx?aid=385.html>. Internet; accessed 25 Nov 09.

3.4.3 Strategy - Parceling out contracts

The parceling out of subcontracts over a wide geographical area by defense contractors is a common political strategy employed by the defense industry. Often referred to as “political engineering”, it is used to maximize the number of lawmakers with a stake in defense programs. The idea is that the more senators and representatives with an economic stake in a defense program, the greater are the chances for that program to avoid budget cuts or cancellations.¹²⁷ As remarked by the late and former Congressman Les Aspin;

If it comes down to cutting a weapons system, one whose economic benefits are localized in a single state, or in one or two congressional districts, is more likely to be cut than one that, through contracting and subcontracting, has managed to spread its economic largess throughout the country.¹²⁸

Furthermore, when faced with program cuts and/or cancellations, defense contractors will routinely release information and details as to the economic and employment impact of such measures. Case in point is the 1989 failed attempt of a congressional coalition to have the Grumman B-2 bomber program cancelled. While the coalition was being formed, explains Frank Spinney, a former military analyst for the Pentagon; “...the B-2 prime contractor [Northrop Grumman], retaliated by releasing data which had previously been classified showing that tens of thousands of jobs and hundred

¹²⁷ Mayer, *The Political Economy of Defense Contracting*, 99.

¹²⁸ Mayer, *The Political Economy of Defense Contracting*, 155.

of millions in profits were at risk in 46 states and 383 congressional districts.”¹²⁹ This tactic proved successful as the B-2 bomber project was not cancelled.

Lockheed Martin, the world’s largest weapons manufacturer, is an avid practitioner of the parceling out strategy, which is complementary to its practice of spreading its own production throughout its various facilities/plants. This dual approach builds in an “added insurance” for its defense programs. For example, in addition to using its main plant in Georgia, Lockheed produced its F-22 Raptor in its facilities in California, Mississippi, Texas and even a Boeing plant in Washington. As for parts and subsystems, they were parceled out nationally to over one-thousand suppliers in forty-two states.¹³⁰

This chapter has deconstructed the main means and methods of influence used by the MIC to achieve its vested interests of sustained defense spending aided by an aggressive foreign policy. The revolving door is the key mechanism of the conjunction between the military establishment and the defense industry. The phenomenon also enables the circulation of other business and political elites back and forth from the public to the private realm. These elites, whose most members have linkages to the defense industry, dominate US foreign policy bureaucracies.

¹²⁹ Tom Englehardt, “Chalmers Johnson, Economic Death Spiral at the Pentagon.” *TomDispatch*. 2 Feb 09. <http://tomdispatch.com/dialogs/print/?id=175029>; Internet; accessed 8 Dec 09.

¹³⁰ Turse. *The Complex: How the Military Invades our Everyday Lives*, 29.

Also under examination was the influence exerted by the military establishment and the defense industry towards Congress, the approval authority for defense budgets. The Armed Services efforts in selling the military to Congressmen translate into budget allocations and favorable reception for weapons, infrastructure and personnel programs. For the defense industry, massive amounts of money are spent on political influence as it is considered crucial in order to acquire contracts and subsequently ensure their survival. The parceling out of subcontracts provides additional insurance for the defense industry contractors; a strategy aimed at maximizing the number of legislators with a stake into their programs. This chapter has provided a solid body of evidence as to the MIC's ability to influence and shape US foreign policy decisions. Having gained an appreciation for the MIC's influence, the final part of this paper will examine the economic impact of US defense spending, which, since the beginning of the GWOT has represented more than half a trillion dollars a year.

4.0 THE ECONOMIC IMPACT OF DEFENSE SPENDING

As discussed in part two of this paper, the US defense establishment created by the Cold War left a deep-seated mark on both the structure and functioning of the US economy. The massive defense expenditures, required to maintain a gigantic permanent military establishment, fueled, developed, sustained, and promoted an equally expanding defense industrial base reaching many sectors of the US economy while providing

employment for millions of Americans.¹³¹ As concluded by Hossein-Zadeh; “There is no question that military spending has evolved as a crucial part of the US economy.”¹³²

The major economic benefit of defense spending is employment. From that perspective, the beneficiaries are the million of Americans in and out of uniform. Estimates on the number of people employed by the defense industry vary throughout literature, depending whether total employment and multiplier effects are included. For instance, defense spending related employment estimates were recently published (2008) by the Political Economy Research Institute (PERI). In the study, *The US Employment Effects of Military and Domestic Spending Priorities*, Robert Pollin and Heidi Garrett-Peltier, estimate that; “The 600 billion plus military budget [2008] creates approximately five million jobs, both within the military and in all the civilian industries connected to the military.”¹³³

Defense funding flows into every state and most Congressional districts. Moreover, entire towns, communities and regions are dependent upon military spending. Therefore and as stated by Mayer; “Defense spending thus produces something of substantial potential usefulness to incumbents, whether in the White House or

¹³¹ Donovan, *Militarism USA*, 46.

¹³² Hossein-Zadeh, *The Political Economy of U.S. Militarism*, 203.

¹³³ Robert Pollin and Heidi Garrett-Peltier. “The US Employment Effects of Military and Domestic Spending Priorities: an Updated Analysis. *Political Economy Research Institute*, October 2009. http://www.peri.umass.edu/fileadmin/pdf/published_study/spending_priorities_peri.pdf. Internet; accessed 22 Feb 10.

Congress.”¹³⁴ In essence, defense spending creates a voter who is dependent on the MIC which in return reinforces’ the weight of its political influence.

It would be quite onerous to quantitatively examine the economic impact of defense spending on the US as a whole. Due to time and space limitation, this chapter proposes to focus on the region of San Diego, California, where defense spending is a major factor in the economy and where, compared to other areas, it currently leads the nation for military spending by the US government.¹³⁵ In order to provide some context, the examination will begin with a short historical background of the US military’s presence in San Diego. This will be followed by an examination of the overall economic impact of defense spending and its specific effects on key areas such as employment, veteran benefits and procurement contracts. The reliance of the San Diego regional economy on defense spending will be illustrated throughout this chapter.

4.1 US Military in San Diego

The US military enjoys a long-standing relationship with the San Diego region, spanning more than 100 years. In his article, “*A New federal City*”: *San Diego during World War II*, Abraham Shragge suggested that “...beginning in 1870, San Diego businessmen conjoined their vision of urban expansion with a steady buildup of military

¹³⁴ Mayer, *The Political Economy of Defense Contracting*, 186.

¹³⁵ National University System Institute for Policy Research. “Economic Ledger: Military Bolsters San Diego’s Economy.” Vol 3, Issue 3 (July 2009). <http://www.nusinstitute.org/assets/resources/pageResources/20090701.pdf>. Internet; accessed 22 Feb 10.

bases that became the city's hallmark."¹³⁶ The main tactic used to extract military appropriations from the federal government was giving away large areas of valuable land to the Navy, thereby creating urban infrastructure. As indicated by Shragge; "From the moment in 1898 that San Diegans learned of the navy's interest in establishing a coal depot there, the chamber of commerce initiated a perpetual crusade to expand the naval presence."¹³⁷ This behavior underlined a simple strategy; the navy would generate a ready-made population boom composed of thousands of employed men, of whom most would be accompanied by their families.¹³⁸

The election of William Kettner to Congress in 1913 would be vital to the enduring relationship between the military and the San Diego region. Wanting San Diego to gain a competitive advantage over other major cities, Congressman Kettner, himself a previous chamber of commerce leader and ardent navalist, encouraged the military to increase its presence in the region. As with many prominent area businessmen, Kettner believed that "...San Diego's strategic coastal location and strong support of the community made it an attractive area for the Navy's western operations."¹³⁹

¹³⁶ Abraham Shragge, "'A New Federal City': San Diego during World War II." *The Pacific Historical Review* 63, no 3 (August 1994): 333-361; <http://www.jstor.org/stable/3640970>; Internet; accessed 7 March 2010.

¹³⁷ Shragge, "'A New Federal City': San Diego during World War II." <http://www.jstor.org/stable/3640970>; Internet; accessed 7 March 2010.

¹³⁸ Shragge, "'A New Federal City': San Diego during World War II." <http://www.jstor.org/stable/3640970>; Internet; accessed 7 March 2010.

¹³⁹ San Diego Military Advisory Council. "San Diego Military Economic Impact Study, January 2007." www.sdmac.org. Internet; accessed 22 Feb 10.

Contrary to his contemporaries in Congress, who were seeking large military appropriations of several millions of dollars for their constituencies, Kettner “sought \$50,000 here and \$250,000 there on his district’s behalf, which sums were hardly noticed by those who had power to refuse his requests.”¹⁴⁰ The cumulative effects of this strategy would serve the region well over the subsequent decades. For instance, Kettner’s efforts transformed San Diego from a minor base in 1921 to the nation’s second largest naval base in 1933.¹⁴¹

The flow of federal dollars shielded the region from economic downturn during the Great Depression. Defense spending, accounting for close to one-third of its economy, meant that San Diego fared much better than other cities.¹⁴² The outbreak of WWII would fuel the expansion of military installations, the manufacturing and defense industry sectors in the city; creating a phenomenon referred to as “blitz-boom” by several popular magazines of the time.¹⁴³ As a consequence, the San Diego population more than doubled in the 1940s as tens of thousands of workers migrated to the city to seek employment in defense related industries. Moreover, focusing particularly on aerospace,

¹⁴⁰ Shragge, ““A New Federal City”: San Diego during World War II.” <http://www.jstor.org/stable/3640970>; Internet; accessed 7 March 2010.

¹⁴¹ “San Diego Military Economic Impact Study, January 2007.” www.sdmac.org . Internet; accessed 22 Feb 10.

¹⁴² “San Diego Military Economic Impact Study, January 2007.” www.sdmac.org . Internet; accessed 22 Feb 10.

¹⁴³ Shragge, ““A New Federal City”: San Diego during World War II.” <http://www.jstor.org/stable/3640970>; Internet; accessed 7 March 2010.

San Diego developed the largest military and defense industry complex in the nation.¹⁴⁴

In essence, by the conclusion of WWII, the city had become an important contributor to the expanded regional economy, with a substantial reliance on the defense industry.

The region's reliance on defense spending continues in the post 9/11 era. The three largest sectors of the San Diego economy are defense, manufacturing and tourism. Military establishments in San Diego include US Navy ports, Marine Corps Bases and Coast Guard Stations. Site of the largest naval fleet in the world, San Diego is the home port of two Nimitz class super carriers, five amphibious assault ships, several Los Angeles class attack submarines, destroyers, cruisers, frigates and many other smaller ships. The economy is largely influenced by its ports, which includes the only major submarine and shipbuilding yards on the west coast. Furthermore, several major defense contractors are based in the area such as Science and Application International Corp. (SAIC), National Steel & Shipbuilding Corp. (NASSCO), Northrop Grumman, General Atomics, L-3 Communications, BAE Systems Inc and Raytheon.¹⁴⁵

4.2 Overall economic impact

Defense spending in San Diego has risen substantially since the events of 9/11. According to the National University System Institute for Policy Research (NUSIPR), between 2001 and 2007 total military expenditures increased nearly 78 percent in San Diego. Procurement defense contracts increased by 147 percent, military payrolls rose 47

¹⁴⁴ "San Diego Military Economic Impact Study, January 2007." www.sdmac.org . Internet; accessed 22 Feb 10.

¹⁴⁵ "San Diego Military Economic Impact Study, January 2007." www.sdmac.org . Internet; accessed 22 Feb 10.

percent, and Veterans Affairs expenditures rose 88 percent.¹⁴⁶ The region benefits significantly for the economic activity fueled by direct defense spending which, amounted to \$14.7 billion in fiscal year 2007, a ten percent increase from the previous year. According to the NUSIPR, the percentage of San Diego's economy directly tied to defense spending rose from 6.9 percent in 2001 to 8.3 percent by 2007.¹⁴⁷

When taking economic multipliers into account, the direct spending figure (14.7 billion) accounted for nearly \$22.3 billion total economic impact (Gross Regional Product (GRP)) to the region in 2007. This translated into 13.6 percent of San Diego's overall economic activity throughout that year. In other words, more than \$1 of every \$7 generated within the region can be traced to the military/defense.¹⁴⁸ Defense expenditures do more than affect the GRP, they also directly and indirectly affect employment in the local economy through job creation and job support for a wide range of products and services.¹⁴⁹

4.3 Effects on employment

The presence of more than a dozen major military installations and a multitude of tenant commands make San Diego "...the County with the largest concentration of

¹⁴⁶ National University System Institute for Policy Research, <http://www.nusinstitute.org/assets/resources/pageResources/20090701.pdf>. Internet; accessed 22 Feb 10.

¹⁴⁷ National University System Institute for Policy Research, <http://www.nusinstitute.org/assets/resources/pageResources/20090701.pdf>. Internet; accessed 22 Feb 10.

¹⁴⁸ National University System Institute for Policy Research, <http://www.nusinstitute.org/assets/resources/pageResources/20090701.pdf>. Internet; accessed 22 Feb 10. The Input-Output Multipliers for Gross Regional Product referred to in this paper are the ones calculated by the Bureau of Economic Analysis RIMS II. For FY 2007, the average multiplier for San Diego was 1.52. That is one dollar of defense spending leads to economic output of \$1.52.

¹⁴⁹ "San Diego Military Economic Impact Study, January 2007." www.sdmac.org. Internet; accessed 22 Feb 10.

military activity anywhere in the nation.”¹⁵⁰ According to the Bureau of Economic Analysis (BEA), in 2007, there were 107,800 service personnel jobs in San Diego, representing 7.1 percent of all wages and salary jobs in the County. For that same year, total compensation paid to service personnel amounted to \$8.98 billion which contributed in preserving and sustaining the County’s economy.¹⁵¹

In addition to active duty personnel, there were 18,600 civilian Department of Defense government workers and an estimated 170,000 jobs among private companies directly dependent upon defense contracting work. Moreover, there was an additional 296,400 jobs among San Diego work force directly tied to the Department of Defense. Lastly, induced and indirect employment has been assessed as 178,500. The total of 474,900 military connected or dependent jobs translates into 24.7 percent of the total 1,924,830 full and part-time jobs in the San Diego County.¹⁵²

4.4 Benefits for military veterans

In 2007, retired military personnel and family survivors residing in the San Diego County amounted to 57,900. As such, the region is benefitting yearly from over \$1 billion in retirement and disability payments. Moreover, according to the Veterans Administration (VA), over 267,000 veterans live in the County. In support of these veterans, close to \$1.1 billion is spent yearly “from direct payments to individual

¹⁵⁰ National University System Institute for Policy Research, <http://www.nusinstitute.org/assets/resources/pageResources/20090701.pdf>. Internet; accessed 22 Feb 10.

¹⁵¹ National University System Institute for Policy Research, <http://www.nusinstitute.org/assets/resources/pageResources/20090701.pdf>. Internet; accessed 22 Feb 10.

¹⁵² National University System Institute for Policy Research, <http://www.nusinstitute.org/assets/resources/pageResources/20090701.pdf>. Internet; accessed 22 Feb 10.

veterans; spending salaries and contracts to administer the Veterans Affairs (VA); hospital, nursing care, and other grants; and guaranteed and insured home loan programs.”¹⁵³

4.5 Procurement contract spending

The more than 36,000 defense procurement contracts performed in San Diego by local businesses accounted for 52 percent of all the Department of Defense revenues received by the County in 2007. These contracts, worth \$7.1 billion, include a wide range of services from janitorial services to major shipbuilding contracts.¹⁵⁴ It is estimated that more than 1,500 businesses depend at least in part on these contracts. For instance, the city’s three largest defense contractors, namely SAIC, NASSCO and General Atomics performed defense contracts worth \$3 billion, \$1.8 billion and \$1.0 billion respectively in 2007. These three companies together, accounted for close to 7.0 percent of San Diego’s economy.¹⁵⁵ As observed in the previous section on employment, the sheer size of defense procurement expenditures translates into a sizable impact on employment on the region.

¹⁵³ National University System Institute for Policy Research, <http://www.nusinstitute.org/assets/resources/pageResources/20090701.pdf>. Internet; accessed 22 Feb 10.

¹⁵⁴ National University System Institute for Policy Research, <http://www.nusinstitute.org/assets/resources/pageResources/20090701.pdf>. Internet; accessed 22 Feb 10.

¹⁵⁵ National University System Institute for Policy Research, <http://www.nusinstitute.org/assets/resources/pageResources/20090701.pdf>. Internet; accessed 22 Feb 10.

According to the NUSIPR, “two of every five San Diegans have direct connections to the military, through current employment, veteran services, or a family member economically connected to the military.”¹⁵⁶ In light of this coupled with the examination conducted throughout this chapter, it becomes evident that defense spending in San Diego County is a crucial source of revenue for households and businesses alike. Undoubtedly, the influx of federal money is a pivotal and significant driver for the regional economy and employment of the San Diego County.

This chapter has highlighted that the San Diego’s economy has historically been dependent and reliant upon the military and defense spending. The importance of the relationship between the military and the County was recognized in the August 2008 *San Diego Military Impact Study*, commissioned by the San Diego Military Advisory Council (SDMAC). The study states that “[i]n the last decade, the military and San Diego economy have both evolved, but they remain in a symbiotic relationship.”¹⁵⁷ This dependence has created and sustained a large portion of the regional electoral base directly dependent on the MIC. In turn, this dependency generates a positive public opinion towards defense spending and therefore reinforces the MIC’s political weight and influence; congressmen gain political capital from the economic fallout in their district (San Diego is comprised of five congressional districts), military professionals gain new and additional capacity, and the defense industry makes sizable profits.

¹⁵⁶ National University System Institute for Policy Research, <http://www.nusinstitute.org/assets/resources/pageResources/20090701.pdf>. Internet; accessed 22 Feb 10.

¹⁵⁷ San Diego Military Advisory Council. “San Diego Military Economic Impact Study, August 2008.” Executive Summary. www.sdmac.org. Internet; accessed 22 Feb 10.

5.0 CONCLUSION

This paper demonstrated that Eisenhower's warning about the "acquisition of unwarranted influence, whether sought or unsought, by the military-industrial-complex" remains relevant more than four decades after first being voiced in his farewell address. Eisenhower was rightfully concerned about the rising power and influence of the "conjunction of an immense military and a large arms industry" and the "potential for the disastrous rise of misplaced power" it represented.¹⁵⁸

With its origins traced as far as the US naval build-up of the nineteenth century and the evolutionary nature of US institutions, the MIC has become a powerful and influential foreign policy interest group seeking large and sustained defense spending. The growth and expansion of the complex, spanning over more than a century, culminated with the terrorist attacks of September 11th 2001. This post 9/11 era and the resulting GWOT spawned an entire industry and culture of "Homeland Security" that has further embedded the MIC into the US the governmental apparatus. The complex's resulting clout and influence on Capitol Hill and within the White House has been significant.

Evidence as to the MIC's ability to influence and shape US policy decisions was provided by the examination of its key means and methods of influence. Pivotal to the symbiotic relationship between the military establishment and the defense industry is the revolving door phenomenon. Moreover, the revolving door enables the circulation of other business and political elites back and forth from the public to the private realm.

¹⁵⁸ Eisenhower, "Farewell Address to the Nation: The Military Industrial Complex", 2.

The MIC's influence is enhanced by these elites, dominating US foreign policy bureaucracies, whose most members have linkages to the defense industry. As the US budgetary approval authority, Congress is heavily influenced by the military establishment and the defense industry. For the Armed Services, selling the military to Congressmen through elaborate public relations efforts translates into key budget allocations. For the defense industry, massive amounts of money are spent on political influence as it is considered crucial in order to acquire contracts and subsequently ensure their survival. Furthermore, the parceling out of subcontracts provides additional insurance for the defense industry contractors; a strategy aimed at maximizing the number of legislators with a stake into their programs.

Most assuredly, the MIC contributes to sustained defense spending which, in turn generates economic effects which, in some cases such as with San Diego, will produce a significant reliance and dependency. As detailed in the examination, in 2007, the County benefited significantly from the economic activity fueled by \$14.7 billion of direct defense spending. The influx of federal money translated into 24.7 percent of the total full and part-time jobs in the San Diego County. This job dependency of a large portion of the electoral base reinforces the MIC's political weight and influence; congressmen gain political capital from the economic fallout in their district, the military gains new and additional capacity, and the defense industry makes sizable profits.

In closing, measuring the degree of the MIC's relative influence in policy making is not easily demonstrated and is the source of constant debate. In many ways, the outsourcing era, culminating during the GWOT and military contracts such as the ones

awarded to Halliburton while its former CEO (Dick Cheney) served as Vice President has exacerbated this debate. When considering the MIC, one should not lose sight of the ongoing size and impact of this concentration of interests. As concluded by McCormick, “No matter what the judgment about the degree of the MIC’s control, it is fair to conclude that it seems to occupy a potentially important position in the shaping of foreign policy decisions, especially when compared to other interest groups.”¹⁵⁹

¹⁵⁹ McCormick, *American Foreign Policy and Process*, 515.

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