

# Encyclopedia of White-Collar & Corporate Crime

## Military-Industrial Complex

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FIRST COINED by outgoing President Dwight D. Eisenhower in his farewell address to the nation, the military-industrial complex is a tight-knit group of interchangeable parts and people, for example, retired military officers moving into defense companies, defense company leaders moving into government. Eisenhower warned the country to be wary of the military-industrial complex. Indeed, the opportunity for fraud and white-collar crime, may not be matched by another segment of society. The collusion between the military and industry has grown significantly since Eisenhower's 1950s.

Before World War II, between 1922 and 1939, annual military budgets averaged 1 percent of the Gross National Product, only \$744 million. Purchasing was by public advertisement for fixed quantities. Bids were sealed, and awards went to low bidders. Government business was not lucrative, and companies solicited it reluctantly.

World War II changed that. Between 1940 and late 1941, the War Department spent \$36 billion, more than the army and navy combined in World War I. And the contracts were cost-plus (allowing for profit), granted to large firms. The top 10 contractors got 30 percent, with General Motors alone getting 8 percent. The top 10 research and development (R&D) contractors received almost 40 percent of the funds. Government invested \$17 billion in industrial plants after the war. Government largesse and protection proved irresistible, and the military-industrial complex was born. Over the next half century, the military-industrial complex cost over \$10 trillion in 2002 dollars.

## Collusion

The relationship was intimate as industry leaders moved back and forth between government and corporations. They met young military officers who, on retiring, used their connections to move by the thousands into the industries they had worked with at the Pentagon.

Government valued the contractors, bailing out Lockheed, Litton, General Dynamics, Chrysler, Grumman, and others instead of holding them to their contractual obligations. Department of Defense (DOD) money subsidized loans, facilities, and R&D. Congress recognized the value of military spending in the home district.

The proposed \$21-billion Boeing tanker lease deal of 2003 was typical. The air force initially did not want the planes. Boeing used insiders in the air force to develop specifications that excluded Boeing's rivals. Perhaps an insider provided proprietary information; possibly the air force used Boeing's documents and arguments to lobby for the tankers once it accepted their value.

The working together of Boeing and air force insiders typified the method by which the military-industrial complex bought planes and ships and most other DOD needs. The military-industrial complex also buys electronic voting devices. In this case, a maker of electronic voting machines reputedly [p. 538 ↓ ] containing defects, that make vote fraud easy and undetectable, has a management team replete with retired military and intelligence personnel. On the VoteHere board is ex-CIA director Robert Gates, for example. VoteHere also interlocks with the Carlyle Group and Halliburton. Conspiracists see the connection as rife with potential for fraud and stolen elections.

The aftermath of the Iraq War in 2003 epitomized the military-industrial complex at its worst. The Center for Public Integrity documented that 30 members of the Defense Policy Board (non-elected formulators of defense policy in the Pentagon) had ties to companies that received over \$76 billion in defense contracts in 2001 and 2002 alone. Bechtel made hundreds of millions dealing with the Iraqi regime then got hundreds of millions in non-competitive and open-ended rebuilding contracts. Halliburton, another top contractor reaping millions from the Iraq War, once employed Vice-President Dick Cheney. The spoils of war could top \$100 billion.

Some experts assume that the expansion of NATO (North Atlantic Treaty Organization) is but another opportunity to enrich the ever-shrinking number of defense contractors, because the new NATO forces will have to acquire equipment compatible with that of the United States, that is, the arms made in the United States by the handful of defense contractors.

## The Carlyle Group

Conspiracists really get exercised over the Carlyle Group, which buys struggling companies (defense, telecommunications, and aerospace), turns them around, and

sells them for large profits. Carlyle, the 11th-largest defense contractor with assets of \$12 billion, is reportedly the gate-keeper between private business and defense spending. Carlyle members include former U.S. president, George H.W. Bush, former British prime minister John Major, and former Philippine president Fidel Ramos.

Carlyle also has ties to the Saudi Arabian royal family, including members of Osama bin Laden's family. Moreover, Carlyle tied itself to George W. Bush by placing him on the board of one of its companies, Caterair International, in 1991. Critics decry Carlyle as the exemplar of crony capitalism and a potential subverter of the democratic process because it is the strongest in the iron triangle, with no significant competitors. And it's secretive. In the latest manifestation of the military-industrial complex, defense contractor DynCorp hired mercenaries, private military companies, stocked with military veterans, who provide contract services ranging from logistics to, sometimes, actual combat capabilities. DynCorp began in the 1950s as an air force contractor, and evolved as part of the military-industrial complex into a prime contractor for the Central Intelligence Agency (CIA) and DOD. By subcontracting, the DOD can disclaim responsibility.

## Conspiracy

To conspiracists, the military-industrial complex engages in more than business collusion. Thierry Meyssan argues in *l'Effroyable Imposture (The Horrifying Fraud)* that the September 11, 2001 terrorist attacks were the work of the military-industrial complex. Or, they can track the post-9/11 anthrax scare to weapons-grade anthrax linked circuitously to the CIA and DOD. They can link the military-industrial complex to the assassination of John F. Kennedy, arguing that the complex feared Kennedy would spoil its profits by withdrawing from Vietnam. The ultimate conspiracists see the military-industrial complex as preparing a coup, a switch from behind-the-scenes control to outright takeover of the United States.

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See Also

- [government procurement fraud](#)
- [government contract fraud](#)
- [Eisenhower, Dwight D.](#)
- [conspiracy](#)

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