

# The Military-Industrial Complex

It's Much Later Than You Think

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*To offer a bit of context for Chalmers Johnson's latest post on the privatization of U.S. intelligence, it's important to know just how lucrative that intelligence "business" has become. According to the [latest estimate](#), the cumulative 2009 intelligence budget for the [16 agencies](#) in the U.S. Intelligence Community will be more than \$55 billion. However, it's possible that the real figure in the deeply classified budget may soar over [\\$66 billion](#), which would mean that the U.S. budget for spooks has more than doubled in less than a decade. And as Robert Dreyfuss points out at his invaluable blog at the Nation, even more spectacularly (and wastefully), much of that money [will end up](#) in the hands of the "private contractors" who, by now, make up a mini intelligence-industrial complex of their own.*

*Chalmers Johnson, who once consulted for the CIA and more recently, in his book [Nemesis: The Last Days of the American Republic](#), the third volume of his Blowback Trilogy, called for the Agency to be shut down, knows a thing or two about the world of American intelligence. As he has [written](#), "An incompetent or unscrupulous intelligence agency can be as great a threat to national security as not having one at all." Now consider, with Johnson, just how incompetent and unscrupulous a thoroughly privatized intelligence "community" can turn out to be.*

Most Americans have a rough idea what the term "military-industrial complex" means when they come across it in a newspaper or hear a politician mention it. President Dwight D. Eisenhower introduced the idea to the public in his [farewell address](#) of January 17, 1961. "Our military organization today bears little relation to that known by any of my predecessors in peacetime," he said, "or indeed by the fighting men of World War II and Korea... We have been compelled to create a permanent armaments industry of vast proportions... We must not fail to comprehend its grave implications... We must guard against the acquisition of unwarranted influence, whether sought or unsought, by the military-industrial complex."

Although Eisenhower's reference to the military-industrial complex is, by now, well-known, his warning against its "unwarranted influence" has, I believe, largely been ignored. Since 1961, there has been too little serious study of, or discussion of, the origins of the military-industrial complex, how it has changed over time, how governmental secrecy has hidden it from oversight by members of Congress or attentive citizens, and how it degrades our Constitutional structure of checks and balances.

From its origins in the early 1940s, when President Franklin Delano Roosevelt was building up his "arsenal of democracy," down to the present moment, public opinion has usually assumed that it involved more or less equitable relations — often termed a "partnership" — between the high command and civilian overlords of the United States military and

privately-owned, for-profit manufacturing and service enterprises. Unfortunately, the truth of the matter is that, from the time they first emerged, these relations were *never* equitable.

In the formative years of the military-industrial complex, the public still deeply distrusted privately owned industrial firms because of the way they had contributed to the Great Depression. Thus, the leading role in the newly emerging relationship was played by the official governmental sector. A deeply popular, charismatic president, FDR sponsored these public-private relationships. They gained further legitimacy because their purpose was to rearm the country, as well as allied nations around the world, against the gathering forces of fascism. The private sector was eager to go along with this largely as a way to regain public trust and disguise its wartime profit-making.

In the late 1930s and early 1940s, Roosevelt's use of public-private "partnerships" to build up the munitions industry, and thereby finally overcome the Great Depression, did not go entirely unchallenged. Although he was himself an implacable enemy of fascism, a few people thought that the president nonetheless was coming close to copying some of its key institutions. The leading Italian philosopher of fascism, the neo-Hegelian Giovanni Gentile, once argued that it should more appropriately be called "corporatism" because it was a merger of state and corporate power. (See Eugene Jarecki's *The American Way of War*, p. 69.)

Some critics were alarmed early on by the growing symbiotic relationship between government and corporate officials because each simultaneously sheltered and empowered the other, while greatly confusing the separation of powers. Since the activities of a corporation are less amenable to public or congressional scrutiny than those of a public institution, public-private collaborative relationships afford the private sector an added measure of security from such scrutiny. These concerns were ultimately swamped by enthusiasm for the war effort and the postwar era of prosperity that the war produced. Beneath the surface, however, was a less well recognized movement by big business to replace democratic institutions with those representing the interests of capital. This movement is today ascendant. (See Thomas Frank's new book, *The Wrecking Crew: How Conservatives Rule*, for a superb analysis of Ronald Reagan's slogan "government is not a solution to our problem, government is the problem.") Its objectives have long been to discredit what it called "big government," while capturing for private interests the tremendous sums invested by the public sector in national defense. It may be understood as a slow-burning reaction to what American conservatives believed to be the socialism of the New Deal.

Perhaps the country's leading theorist of democracy, Sheldon S. Wolin, has written a [new book](#), *Democracy Incorporated*, on what he calls "inverted totalitarianism" — the rise in the U.S. of totalitarian institutions of conformity and regimentation shorn of the police repression of the earlier German, Italian, and Soviet forms. He warns of "the expansion of private (i.e., mainly corporate) power and the selective abdication of governmental responsibility for the well-being of the citizenry." He also decries the degree to which the so-called privatization of governmental activities has insidiously undercut our democracy, leaving us with the widespread belief that government is no longer needed and that, in any case, it is not capable of performing the functions we have entrusted to it.

Wolin writes:

"The privatization of public services and functions manifests the steady evolution of

corporate power into a political form, into an integral, even dominant partner with the state. It marks the transformation of American politics and its political culture, from a system in which democratic practices and values were, if not defining, at least major contributory elements, to one where the remaining democratic elements of the state and its populist programs are being systematically dismantled.” (p. 284)

## **Mercenaries at Work**

The military-industrial complex has changed radically since World War II or even the height of the Cold War. The private sector is now fully ascendant. The uniformed air, land, and naval forces of the country as well as its intelligence agencies, including the CIA (Central Intelligence Agency), the NSA (National Security Agency), the DIA (Defense Intelligence Agency), and even clandestine networks entrusted with the dangerous work of penetrating and spying on terrorist organizations are all dependent on hordes of “private contractors.” In the context of governmental national security functions, a better term for these might be “mercenaries” working in private for profit-making companies.

Tim Shorrock, an investigative journalist and the leading authority on this subject, sums up this situation devastatingly in his new book, [Spies for Hire: The Secret World of Intelligence Outsourcing](#). The following quotes are a précis of some of his key findings:

“In 2006... the cost of America’s spying and surveillance activities outsourced to contractors reached \$42 billion, or about 70 percent of the estimated \$60 billion the government spends each year on foreign and domestic intelligence... [The] number of contract employees now exceeds [the CIA’s] full-time workforce of 17,500... Contractors make up more than half the workforce of the CIA’s National Clandestine Service (formerly the Directorate of Operations), which conducts covert operations and recruits spies abroad...

“To feed the NSA’s insatiable demand for data and information technology, the industrial base of contractors seeking to do business with the agency grew from 144 companies in 2001 to more than 5,400 in 2006... At the National Reconnaissance Office (NRO), the agency in charge of launching and maintaining the nation’s photoreconnaissance and eavesdropping satellites, almost the entire workforce is composed of contract employees working for [private] companies... With an estimated \$8 billion annual budget, the largest in the IC [intelligence community], contractors control about \$7 billion worth of business at the NRO, giving the spy satellite industry the distinction of being the most privatized part of the intelligence community...

“If there’s one generalization to be made about the NSA’s outsourced IT [information technology] programs, it is this: they haven’t worked very well, and some have been spectacular failures... In 2006, the NSA was unable to analyze much of the information it was collecting... As a result, more than 90 percent of the information it was gathering was being discarded without being translated into a coherent and understandable format; only about 5 percent was translated from its digital form into text and then routed to the right division for analysis.

“The key phrase in the new counterterrorism lexicon is ‘public-private partnerships’... In reality, ‘partnerships’ are a convenient cover for the perpetuation of corporate interests.” (pp. 6, 13-14, 16, 214-15, 365)

Several inferences can be drawn from Shorrock’s shocking exposé. One is that if a foreign espionage service wanted to penetrate American military and governmental secrets, its easiest path would not be to gain access to any

official U.S. agencies, but simply to get its agents jobs at any of the large intelligence-oriented private companies on which the government has become remarkably dependent. These include [Science Applications International Corporation](#) (SAIC), with headquarters in San Diego, California, which typically pays its 42,000 employees higher salaries than if they worked at similar jobs in the government; [Booz Allen Hamilton](#), one of the nation's oldest intelligence and clandestine-operations contractors, which, until January 2007, was the employer of Mike McConnell, the current director of national intelligence and the first private contractor to be named to lead the entire intelligence community; and [CACI International](#), which, under two contracts for "information technology services," ended up supplying some two dozen interrogators to the Army at Iraq's already infamous Abu Ghraib prison in 2003. According to Major General Anthony Taguba, who investigated the Abu Ghraib torture and abuse scandal, four of CACI's interrogators were "either directly or indirectly responsible" for torturing prisoners. (Shorrock, p. 281)

Remarkably enough, SAIC has virtually replaced the National Security Agency as the primary collector of signals intelligence for the government. It is the NSA's largest contractor, and that agency is today the company's single largest customer.

There are literally thousands of other profit-making enterprises that work to supply the government with so-called intelligence needs, sometimes even bribing Congressmen to fund projects that no one in the executive branch actually wants. This was the case with Congressman Randy "Duke" Cunningham, Republican of California's 50th District, who, in 2006, was sentenced to eight-and-a-half years in federal prison for soliciting bribes from defense contractors. One of the bribers, Brent Wilkes, snagged a \$9.7 million contract for his company, ADCS Inc. ("Automated Document Conversion Systems") to computerize the century-old records of the Panama Canal dig!

### **A Country Drowning in Euphemisms**

The United States has long had a sorry record when it comes to protecting its intelligence from foreign infiltration, but the situation today seems particularly perilous. One is reminded of the case described in the 1979 book by Robert Lindsey, *The Falcon and the Snowman* (made into a 1985 film of the same name). It tells the true story of two young Southern Californians, one with a high security clearance working for the defense contractor TRW (dubbed "RTX" in the film), and the other a drug addict and minor smuggler. The TRW employee is motivated to act by his discovery of a misrouted CIA document describing plans to overthrow the prime minister of Australia, and the other by a need for money to pay for his addiction.

They decide to get even with the government by selling secrets to the Soviet Union and are exposed by their own bungling. Both are sentenced to prison for espionage. The message of the book (and film) lies in the ease with which they betrayed their country — and how long it took before they were exposed and apprehended. Today, thanks to the staggering over-privatization of the collection and analysis of foreign intelligence, the opportunities for such breaches of security are widespread.

I applaud Shorrock for his extraordinary research into an almost impenetrable subject using only openly available sources. There is, however, one aspect of his analysis with which I differ. This is his contention that the wholesale takeover of official intelligence collection and analysis by private companies is a form of "outsourcing." This term is usually restricted to a business enterprise buying goods and services that it does not want to manufacture or

supply in-house. When it is applied to a governmental agency that turns over many, if not all, of its key functions to a risk-averse company trying to make a return on its investment, “outsourcing” simply becomes a euphemism for mercenary activities.

As David Bromwich, a political critic and Yale professor of literature, [observed](#) in the *New York Review of Books*:

“The separate bookkeeping and accountability devised for Blackwater, DynCorp, Triple Canopy, and similar outfits was part of a careful displacement of oversight from Congress to the vice-president and the stewards of his policies in various departments and agencies. To have much of the work parceled out to private companies who are unaccountable to army rules or military justice, meant, among its other advantages, that the cost of the war could be concealed beyond all detection.”

Euphemisms are words intended to deceive. The United States is already close to drowning in them, particularly new words and terms devised, or brought to bear, to justify the American invasion of Iraq — coinages Bromwich highlights like “regime change,” “enhanced interrogation techniques,” “the global war on terrorism,” “the birth pangs of a new Middle East,” a “slight uptick in violence,” “bringing torture within the law,” “simulated drowning,” and, of course, “collateral damage,” meaning the slaughter of unarmed civilians by American troops and aircraft followed — rarely — by perfunctory apologies. It is important that the intrusion of unelected corporate officials with hidden profit motives into what are ostensibly public political activities not be confused with private businesses buying Scotch tape, paper clips, or hubcaps.

The wholesale transfer of military and intelligence functions to private, often anonymous, operatives took off under Ronald Reagan’s presidency, and accelerated greatly after 9/11 under George W. Bush and Dick Cheney. Often not well understood, however, is this: The biggest private expansion into intelligence and other areas of government occurred under the presidency of Bill Clinton. He seems not to have had the same anti-governmental and neoconservative motives as the privatizers of both the Reagan and Bush II eras. His policies typically involved an indifference to — perhaps even an ignorance of — what was actually being done to democratic, accountable government in the name of cost-cutting and allegedly greater efficiency. It is one of the strengths of Shorrock’s study that he goes into detail on Clinton’s contributions to the wholesale privatization of our government, and of the intelligence agencies in particular.

Reagan launched his campaign to shrink the size of government and offer a large share of public expenditures to the private sector with the creation in 1982 of the “Private Sector Survey on Cost Control.” In charge of the survey, which became known as the “Grace Commission,” he named the conservative businessman, J. Peter Grace, Jr., chairman of the W.R. Grace Corporation, one of the world’s largest chemical companies — notorious for its production of asbestos and its involvement in numerous anti-pollution suits. The Grace Company also had a long history of investment in Latin America, and Peter Grace was deeply committed to undercutting what he saw as leftist unions, particularly because they often favored state-led economic development.

The Grace Commission’s actual achievements were modest. Its biggest was undoubtedly the 1987 privatization of Conrail, the freight railroad for the northeastern states. Nothing much else happened on this front during the first Bush’s administration, but Bill Clinton returned

to privatization with a vengeance.

According to Shorrock:

“Bill Clinton... picked up the cudgel where the conservative Ronald Reagan left off and... took it deep into services once considered inherently governmental, including high-risk military operations and intelligence functions once reserved only for government agencies. By the end of [Clinton’s first] term, more than 100,000 Pentagon jobs had been transferred to companies in the private sector — among them thousands of jobs in intelligence... By the end of [his second] term in 2001, the administration had cut 360,000 jobs from the federal payroll and the government was spending 44 percent more on contractors than it had in 1993.” (pp. 73, 86)

These activities were greatly abetted by the fact that the Republicans had gained control of the House of Representatives in 1994 for the first time in 43 years. One liberal journalist described “outsourcing as a virtual joint venture between [House Majority Leader Newt] Gingrich and Clinton.” The right-wing Heritage Foundation aptly labeled Clinton’s 1996 budget as the “boldest privatization agenda put forth by any president to date.” (p. 87)

After 2001, Bush and Cheney added an ideological rationale to the process Clinton had already launched so efficiently. They were enthusiastic supporters of “a neoconservative drive to siphon U.S. spending on defense, national security, and social programs to large corporations friendly to the Bush administration.” (pp. 72-3)

### **The Privatization — and Loss — of Institutional Memory**

The end result is what we see today: a government hollowed out in terms of military and intelligence functions. The KBR Corporation, for example, supplies food, laundry, and other personal services to our troops in Iraq based on extremely lucrative no-bid contracts, while Blackwater Worldwide supplies security and analytical services to the CIA and the State Department in Baghdad. (Among other things, its armed mercenaries opened fire on, and killed, 17 unarmed civilians in Nisour Square, Baghdad, on September 16, 2007, without any provocation, according to U.S. military reports.) The costs — both financial and personal — of privatization in the armed services and the intelligence community far exceed any alleged savings, and some of the consequences for democratic governance may prove irreparable.

These consequences include: the sacrifice of professionalism within our intelligence services; the readiness of private contractors to engage in illegal activities without compunction and with impunity; the inability of Congress or citizens to carry out effective oversight of privately-managed intelligence activities because of the wall of secrecy that surrounds them; and, perhaps most serious of all, the loss of the most valuable asset any intelligence organization possesses — its institutional memory.

Most of these consequences are obvious, even if almost never commented on by our politicians or paid much attention in the mainstream media. After all, the standards of a career CIA officer are very different from those of a corporate executive who must keep his eye on the contract he is fulfilling and future contracts that will determine the viability of his firm. The essence of professionalism for a career intelligence analyst is his integrity in laying out what the U.S. government should know about a foreign policy issue, regardless of the

political interests of, or the costs to, the major players.

The loss of such professionalism within the CIA was starkly revealed in the 2002 National Intelligence Estimate on Iraq's possession of weapons of mass destruction. It still seems astonishing that no senior official, beginning with Secretary of State Colin Powell, saw fit to resign when the true dimensions of our intelligence failure became clear, least of all Director of Central Intelligence George Tenet.

A willingness to engage in activities ranging from the dubious to the outright felonious seems even more prevalent among our intelligence contractors than among the agencies themselves, and much harder for an outsider to detect. For example, following 9/11, Rear Admiral John Poindexter, then working for the Defense Advanced Research Projects Agency (DARPA) of the Department of Defense, got the bright idea that DARPA should start compiling dossiers on as many American citizens as possible in order to see whether "data-mining" procedures might reveal patterns of behavior associated with terrorist activities.

On November 14, 2002, the *New York Times* published a column by William Safire entitled ["You Are a Suspect"](#) in which he revealed that DARPA had been given a \$200 million budget to compile dossiers on 300 million Americans. He wrote, "Every purchase you make with a credit card, every magazine subscription you buy and medical prescription you fill, every web site you visit and every e-mail you send or receive, every bank deposit you make, every trip you book, and every event you attend — all these transactions and communications will go into what the Defense Department describes as a 'virtual centralized grand database.'" This struck many members of Congress as too close to the practices of the Gestapo and the Stasi under German totalitarianism, and so, the following year, they voted to defund the project.

However, Congress's action did not end the "total information awareness" program. The National Security Agency secretly decided to continue it through its private contractors. The NSA easily persuaded SAIC and Booz Allen Hamilton to carry on with what Congress had declared to be a violation of the privacy rights of the American public — for a price. As far as we know, Admiral Poindexter's "Total Information Awareness Program" is still going strong today.

The most serious immediate consequence of the privatization of official governmental activities is the loss of institutional memory by our government's most sensitive organizations and agencies. Shorrock concludes, "So many former intelligence officers joined the private sector [during the 1990s] that, by the turn of the century, the institutional memory of the United States intelligence community now resides in the private sector. That's pretty much where things stood on September 11, 2001." (p. 112)

This means that the CIA, the DIA, the NSA, and the other 13 agencies in the U.S. intelligence community cannot easily be reformed because their staffs have largely forgotten what they are supposed to do, or how to go about it. They have not been drilled and disciplined in the techniques, unexpected outcomes, and know-how of previous projects, successful and failed.

As numerous studies have, by now, made clear, the abject failure of the American occupation of Iraq came about in significant measure because the Department of Defense sent a remarkably privatized military filled with incompetent amateurs to Baghdad to administer the running of a defeated country. Defense Secretary Robert M. Gates (a former

director of the CIA) has [repeatedly warned](#) that the United States is turning over far too many functions to the military because of its hollowing out of the Department of State and the Agency for International Development since the end of the Cold War. Gates believes that we are witnessing a “creeping militarization” of foreign policy — and, though this generally goes unsaid, both the military and the intelligence services have turned over far too many of their tasks to private companies and mercenaries.

When even Robert Gates begins to sound like President Eisenhower, it is time for ordinary citizens to pay attention. In my 2006 book *Nemesis: The Last Days of the American Republic*, with an eye to bringing the imperial presidency under some modest control, I advocated that we Americans abolish the CIA altogether, along with other dangerous and redundant agencies in our alphabet soup of sixteen secret intelligence agencies, and replace them with the State Department’s professional staff devoted to collecting and analyzing foreign intelligence. I still hold that position.

Nonetheless, the current situation represents the worst of all possible worlds. Successive administrations and Congresses have made no effort to alter the CIA’s role as the president’s private army, even as we have increased its incompetence by turning over many of its functions to the private sector. We have thereby heightened the risks of war by accident, or by presidential whim, as well as of surprise attack because our government is no longer capable of accurately assessing what is going on in the world and because its intelligence agencies are so open to pressure, penetration, and manipulation of every kind.

**[Note to Readers:** This essay focuses on the new book by Tim Shorrock, [Spies for Hire: The Secret World of Intelligence Outsourcing](#), New York: Simon & Schuster, 2008.

Other books noted: Eugene Jarecki’s [The American Way of War: Guided Missiles, Misguided Men, and a Republic in Peril](#), New York: Free Press, 2008; Thomas Frank, [The Wrecking Crew: How Conservatives Rule](#), New York: Metropolitan Books, 2008; Sheldon Wolin, [Democracy Incorporated: Managed Democracy and the Specter of Inverted Totalitarianism](#), Princeton: Princeton University Press, 2008.]

*Chalmers Johnson is the author of three linked books on the crises of American imperialism and militarism. They are [Blowback](#) (2000), [The Sorrows of Empire](#) (2004), and [Nemesis: The Last Days of the American Republic](#) (2006). All are available in paperback from Metropolitan Books.*

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