

Trouble at the Pentagon

Revolving Door: Spinning for Profit

By [Frida Berrigan](#)

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The Pentagon is in crisis: The war in Iraq is entering its fifth hot summer. And while U.S. troop casualties are down, the light at the end of the occupation tunnel is no closer and no brighter.

Headaches mount on the home front as well. The head of the Air Force was recently embarrassed and forced from the cockpit. Billions of dollars have been misplaced or misspent. Huge cost overruns bedevil weapons contractors. And, private contractors have formed a cubicle mercenary force, outnumbering uniformed personnel and federal employees in many DoD agencies.

The Government Accountability Office has issued a series of reports on these problems. While the watchdog agency sticks to the script of analytic bureaucratese, what they document is cumulatively damning to business as usual at the Pentagon.

Money Problems

The Pentagon has its work cut out for it. Keeping track of its more than half trillion dollar budget and the hundreds of billions more in war spending is no easy task. There is bound to be some slippage here and there. But the Pentagon's Inspector General's Office recently reported to Congress that the Pentagon is unable to account for nearly \$15 billion earmarked for the Iraq reconstruction effort. In a May report to the House Committee on Oversight and Government Reform, the Inspector General's Office highlights \$7.8 billion paid to contractors for everything from telephones to trucks without any support documentation—like a check for \$5.6 million to an Iraqi contractor. For what? No one knows. Or the \$32 million doled out to build a facility for the Iraqi military. Never built. Why not? No one knows.

One reason that money just seems to disappear is that there are not enough people watching the books. While the Pentagon budget has soared in the past seven years, the resources and staff time devoted to making sure that money is well spent have not increased.

In fiscal year 2007, the Pentagon contracted with companies for \$316 billion in military goods and services. But the Inspector General's Office only had the resources to track fewer than half those projects. And they also have to keep an eye on war spending. At the beginning of June, Inspector General Claude Kicklighter went to Congress with hat in hand to ask for another \$25 million for his department next year. He is also arguing for a 25% increase in staffing over the next seven years. The funds - comparable to just a few hours of the war in Iraq - are in the proposed 2009 defense authorization bill now before Congress.

Meanwhile, the GAO estimates that the Pentagon has \$900 billion in planned spending on weapons systems over the next five years. While Congressional and Pentagon leaders point to the need to “reset” military forces worn out by years of warfighting, the lion’s share of this money is not going to repair equipment or replenish dwindling stocks of needed material. Rather, it is going to pay the ever-spiraling bill for high tech weapons systems still in the pipeline.

According to “Assessments of Selected Weapons Programs,” a March GAO report, the Pentagon had 75 major weapons programs in production in 2000. Collectively, the programs were \$42 billion over-budget and behind schedule by an average of 16 months. Today, there are 95 major weapons programs, which are \$295 billion over-budget and 21 months behind schedule. Ouch.

“This would never be tolerated in the private sector,” lamented Claire McCaskill (D-MO). Maybe so, but when the private sector moves into the Pentagon in a period of “more-than-enough-to-go-around” military budgets, it seems like they have no problem spending the public’s money hand over fist.

Whose Pentagon?

In Iraq, private military contractors like Blackwater and Kellogg Brown and Root are doing soldiers’ work for many times the pay. PMCs – as they are called – are so ubiquitous that the United States can no longer go to war without them. According to “Additional Personal Conflict of Interest Safeguards Needed for Certain DoD Contractor Employees,” a March GAO report, the Pentagon can’t do its paperwork without private contractors either. In offices throughout the Department of Defense, cubicle mercenaries are working shoulder-to-shoulder with uniformed military staff and federal employees.

In fiscal year 2006, the Pentagon spent more on contracting for services with private companies than they spent on weapons systems or other equipment. Over the past 10 years, contracts with private companies for services have increased 78% in real terms – to a total of more than \$151 billion.

The GAO looked at 21 different offices and found that private contractors outnumbered Department of Defense employees in more than half the locations. In some offices—like the engineering department of the Missile Defense Agency – they make up more than 80% of the work force. The GAO found that contractors are responsible for carrying out “a range of tasks, including studying alternative ways to acquire desired capabilities, developing contractor requirements and advising and assisting on source selection, budget, planning and award fee determination.” In its rebuttal to the GAO report, the DoD pointed out that most contractors are involved in the technical – rather than the policy – side of the work. Nevertheless, it is conceivable that an employee paid by L-3 Communications is sitting at a desk in the Pentagon and drafting the requirements that L-3 would need to fulfill to get another contract, and that an employee with SAIC is evaluating what sort of award fees should be granted to SAIC once they get another contract. Contract employees are also not subject to the federal laws and regulations designed to prevent personal conflicts of interest.

The GAO report did not discuss contractor pay, but a separate March report “Army Case Study Delineates Concerns with Use of Contractors as Contract Specialists” assesses the

Army's Contracting Center of Excellence. There, private contractors make up less than 20% of the workforce, but they are paid far more than federal employees. The average hourly cost of a contractor employee was more than 26% higher than that of a government employee.

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For those public sector employees left at the Pentagon, the door to the corporate world is always open. In a May report titled "Post-Government Employment of Former DoD Officials Needs Greater Transparency," the GAO found that thousands of senior Pentagon officials take refuge in the corporate world. In fact, of the almost 2,500 former Pentagon officials analyzed, almost two thirds of them went on to senior positions at just seven companies – SAIC, Northrop Grumman, Booz Allen Hamilton, L-3 Communications, Lockheed Martin, General Dynamics and Raytheon. Except for the consulting firm Booz Allen, all seven are on the Pentagon's list of top ten contractors. Together, they received more than \$87 billion in contracts from the DoD in 2007.

The GAO report asserts that "our results indicate that defense contractors may employ a substantial number of former DoD officials on assignments related to their former DoD agencies or direct responsibilities."

Military policy will define the presidential race between Barack Obama and John McCain. Already the rhetoric is flying thick and heavy. Who knows more about the surge? Who has more Iraq stamps on his passport? Who is more bellicose toward Iran? Who is more serious about beating the terrorists?

The answers to these questions are nothing more than political wordplay without a strategic and critical examination of the Pentagon – as the exerciser of American power abroad, as the single largest consumer of federal resources, and as a teetering bureaucratic disaster. Let's see if either of them tackles the problems on the Potomac in a meaningful way.

Foreign Policy In Focus columnist *Frida Berrigan* is a senior program associate at the Arms and Security Project of the New America Foundation.

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