

A CORPORATIST STATE

REMOVING THE REVOLVING DOOR, PUTTING IN AN ARCHWAY

I think that's weird and it's nuts. To suggest that everything we do is because we're hungry for money, I think that's crazy. I think you need to go back to school.

—George H. W. Bush in response to an accusation that his son invaded Iraq to open up new markets for U.S. companies¹

There's something civil servants have that the private sector doesn't. And that is the duty of loyalty to the greater good—the duty of loyalty to the collective best interest of all rather than the interest of a few. Companies have duties of loyalty to their shareholders, not to the country.

—David M. Walker, comptroller general of the United States, February 2007²

He doesn't see the difference between public and private interests.

—Sam Gardiner, retired U.S. Air Force colonel, on Dick Cheney, February 2004³

In the heat of the midterm elections in 2006, three weeks before announcing Donald Rumsfeld's resignation, George W. Bush signed the Defense Authorization Act in a private Oval Office ceremony. Tucked into its fourteen hundred pages is a rider that went almost completely unnoticed at the time. It gave the president the power to declare martial law and “employ the armed

forces, including the National Guard,” overriding the wishes of state governors, in the event of a “public emergency” in order to “restore public order” and “suppress” the disorder. That emergency could be a hurricane, a mass protest or a “public health emergency,” in which case the army could be used to impose quarantines and to safeguard vaccine supplies.⁴ Before this act, the president had these martial law powers only in the face of an insurrection.

With his colleagues on the campaign trail, Democratic Senator Patrick Leahy was a lone voice of alarm, entering into the public record that “using the military for law enforcement goes against one of the founding tenets of our democracy” and pointing out that “the implications of changing the act are enormous, but this change was just slipped in the defense bill as a rider with little study. Other congressional committees with jurisdiction over these matters had no chance to comment, let alone hold hearings on, these proposals.”⁵

In addition to the executive branch, which gained the extraordinary new powers, there was at least one other clear winner: the pharmaceutical industry. In the case of any kind of disease outbreak, the military can now be called in to safeguard their labs and drug supplies and impose quarantines—a long-standing policy goal of the Bush administration. That was good news for Rumsfeld's former company Gilead Sciences, which owns the patent on Tamiflu, used to treat avian flu. The new law, as well as continued avian flu scares, may even have contributed to Tamiflu's stellar performance after Rumsfeld left office; in just five months, its stock price went up 24 percent.⁶

What role did industry interests play in shaping the specifics of the law? Perhaps none, but the question is worth asking. Similarly, and on a much wider scale, what role did the benefits to contractors such as Halliburton and Bechtel and oil companies such as ExxonMobil play in the Bush team's enthusiasm for invading and occupying Iraq? These questions of motivation are impossible to answer with any precision, because the people involved are notorious for conflating corporate interests with the national interest, to the extent that they themselves are seemingly incapable of drawing distinctions.

In his 2006 book *Overthrow*, the former *New York Times* correspondent Stephen Kinzer tries to get to the bottom of what has motivated the U.S. politicians who have ordered and orchestrated foreign coups d'état over the past century. Studying U.S. involvement in regime change operations from Hawaii in 1893 to Iraq in 2003, he observes that there is often a clear three-stage process that takes place. First, a U.S.-based multinational corporation

faces some kind of threat to its bottom line by the actions of a foreign government demanding that the company “pay taxes or that it observe labor laws or environmental laws. Sometimes that company is nationalized or is somehow required to sell some of its land or its assets,” Kinzer says. Second, U.S. politicians hear of this corporate setback and reinterpret it as an attack on the United States: “They transform the motivation from an economic one into a political or geo-strategic one. They make the assumption that any regime that would bother an American company or harass an American company must be anti-American, repressive, dictatorial, and probably the tool of some foreign power or interest that wants to undermine the United States.” The third stage happens when the politicians have to sell the need for intervention to the public, at which point it becomes a broadly drawn struggle of good versus evil, “a chance to free a poor oppressed nation from the brutality of a regime that we assume is a dictatorship, because what other kind of a regime would be bothering an American company?”⁷ Much of U.S. foreign policy, in other words, is an exercise in mass projection, in which a tiny self-interested elite conflates its needs and desires with those of the entire world.

Kinzer points out that this tendency has been especially pronounced in politicians who move directly from the corporate world into public office. For instance, Eisenhower’s secretary of state, John Foster Dulles, worked as a high-powered international corporate lawyer for most of his life, representing some of the richest firms in the world in their conflicts with foreign governments. Dulles’s various biographers have concluded, like Kinzer, that the secretary of state was simply incapable of distinguishing between the interests of corporations and the interests of his country. “Dulles had two lifelong obsessions: fighting Communism and protecting the rights of multinational corporations,” writes Kinzer. “In his mind they were . . . ‘interrelated and mutually reinforcing.’”⁸ That meant he didn’t need to choose between his obsessions: if the Guatemalan government took an action that hurt the interests of the United Fruit Company, for instance, that was a *de facto* attack on America and worthy of a military response.

As it pursues its twin obsessions of fighting terrorism and protecting the interests of multinational corporations, the Bush administration, packed with CEOs fresh from the boardroom, is subject to the same confusions and conflations. But there is a significant difference. The companies with which Dulles identified were multinationals with large international investments in foreign countries—in mining, agriculture, banking and oil. These companies generally shared a straightforward objective: they wanted stable, profitable

environments in which to do business—loose investment laws, pliant workers and no nasty expropriation surprises. Coups and military interventions were a means to that end, not the goal itself.

As proto-disaster capitalists, the architects of the War on Terror are part of a different breed of corporate-politicians from their predecessors, one for whom wars and other disasters are indeed ends in themselves. When Dick Cheney and Donald Rumsfeld conflate what is good for Lockheed, Halliburton, Carlyle and Gilead with what is good for the United States and indeed the world, it is a form of projection with uniquely dangerous consequences. That’s because what is unquestionably good for the bottom line of these companies is cataclysm—wars, epidemics, natural disasters and resource shortages—which is why all their fortunes have improved dramatically since Bush took office. What makes their acts of projection even more perilous is the fact that, to an unprecedented degree, key Bush officials have maintained their interests in the disaster capitalism complex even as they have ushered in a new era of privatized war and disaster response, allowing them to simultaneously profit from the disasters they help unleash.

For instance, when Rumsfeld resigned his post after the Republican defeat in the 2006 midterm elections, the press reported that he was returning to the private sector. The truth was that he never actually left. When he accepted Bush’s nomination as defense secretary, Rumsfeld, like all public officials, was required to divest himself of any holdings that stood to lose or gain from decisions he might make while in office. Simple enough—that meant selling everything related to national security or defense. But Rumsfeld had a great deal of trouble. He was so weighed down with holdings in various disaster-related industries that he claimed it was impossible to disentangle himself in time to meet the deadlines, and he tied the ethics rules in knots trying to hold on to everything he could.

He sold off his directly owned stocks in Lockheed, Boeing and other defense companies and put up to \$50 million worth of stocks in a blind trust. But he still was part or complete owner of private investment firms that were devoted to defense and biotechnology stocks. Rumsfeld was unwilling to take losses to sell those companies quickly and instead asked for two three-month extensions to the time limit—extremely rare at that level of government. That meant he was still looking for what he considered suitable buyers for his companies and assets a full six months into his term as defense secretary, possibly even longer.⁹

When it came to Gilead Sciences, the company Rumsfeld used to chair

and that held the patent on Tamiflu, the secretary of defense put his foot down. Asked to choose between his business interests and his public calling, he simply refused. Epidemics are national security issues and therefore squarely within the portfolio of the defense secretary. Yet despite this glaring conflict of interest, Rumsfeld failed to sell off his Gilead stocks for his entire term in office, holding on to somewhere between \$8 million and \$39 million worth of Gilead holdings.¹⁰

As the Senate Ethics Committee tried to bring him into compliance with standard conflict rules, Rumsfeld was openly belligerent. At one point, he wrote a letter to the Office of Government Ethics complaining that he had to spend \$60,000 on accountants' fees to help him with "excessively complex and confusing" disclosure forms. For a man bent on holding on to \$95 million in shares while in office, \$60,000 in finessing fees hardly seemed out of proportion.¹¹

Rumsfeld's adamant refusal to stop making money from disaster while in the top security post in the country affected his job performance in several concrete ways. For much of his first year in office, while he looked to off-load his holdings, Rumsfeld had to recuse himself from an alarming range of crucial policy decisions: according to the Associated Press, "he has avoided Pentagon meetings in which AIDS is discussed." And when the federal government had to decide whether to intervene in several high-profile mergers and sales involving top defense contractors, including General Electric, Honeywell, Northrop Grumman and Silicon Valley Graphics, Rumsfeld recused himself from those top-level talks as well. It turned out, according to his official spokesperson, that he had financial ties to several of the companies listed above. "I have tended to stay away from them thus far," Rumsfeld told a reporter who asked about one of the sales.¹²

For the six years that he held office, Rumsfeld had to leave the room whenever talk turned to the possibility of avian flu treatment and the purchase of drugs for it. According to the letter outlining the arrangement that allowed him to hold on to his stocks, he had to stay out of decisions that "may directly and predictably affect Gilead."¹³ His colleagues, however, took good care of his interests. In July 2005, the Pentagon purchased \$58 million worth of Tamiflu, and the Department of Health and Human Services announced that it would order up to \$1 billion worth of the drug a few months later.¹⁴

Rumsfeld's defiance definitely paid off. If he had sold his Gilead stocks at inauguration, in January 2001, he would have received a mere \$7.45 each. By keeping them through all the avian flu scares, all the bioterror hysteria

and through his own administration's decisions to invest heavily in the company, Rumsfeld ended up with stocks worth \$67.60 each when he left office—an 807 percent increase. (By April 2007 the price had reached \$84 each.)¹⁵ That meant that when Rumsfeld left his post as defense secretary, he did so a significantly wealthier man than when he arrived—a rare occurrence for a multimillionaire in public office.

If Rumsfeld never really left Gilead behind, Cheney was equally reluctant to fully sever his ties to Halliburton—an arrangement that, unlike Rumsfeld's with Gilead, has been the subject of a great deal of media attention. Before stepping down as CEO to be George Bush's running mate, Cheney negotiated a retirement package that left him loaded with Halliburton stocks and options. After some uncomfortable press questions, he agreed to sell some of his Halliburton shares, making an impressive \$18.5 million profit in the process. But he didn't cash out entirely. According to *The Wall Street Journal*, Cheney hung on to 189,000 Halliburton shares and 500,000 unvested options even as he entered the vice presidency.¹⁶

The fact that Cheney still maintains such a quantity of Halliburton shares means that throughout his term as vice president, he has collected millions every year in dividends from his stocks and has also been paid an annual deferred income by Halliburton of \$211,000—roughly equivalent to his government salary. When he leaves office in 2009 and is able to cash in his Halliburton holdings, Cheney will have the opportunity to profit extravagantly from the stunning improvement in Halliburton's fortunes. The company's stock price rose from \$10 before the war in Iraq to \$41 three years later—a 300 percent jump, thanks to a combination of soaring energy prices and Iraq contracts, both of which flow directly from Cheney's steering the country into war with Iraq.¹⁷ Iraq seems to fit Kinzer's formula perfectly. Saddam did not pose a threat to U.S. security, but he did pose a threat to U.S. energy companies, since he had recently signed contracts with a Russian oil giant and was in negotiations with France's Total, leaving U.S. and British oil firms with nothing; the third-largest proven oil reserves in the world were slipping out of the Anglo-American grasp.¹⁸ Saddam's removal from power has opened vistas of opportunities for the oil giants, including ExxonMobil, Chevron, Shell and BP, all of whom have been laying the groundwork for new deals in Iraq, as well as for Halliburton, which, with its move to Dubai, is perfectly positioned to sell its energy services to all these companies.¹⁹ Already the war itself has been the single most profitable event in Halliburton's history.

Both Rumsfeld and Cheney could have taken simple measures to divest themselves completely of their disaster-related holdings, thereby eliminating any doubt about what role profit has played in their enthusiasm for disaster-producing situations. But then they would have missed the boom years in their own industries. Asked to choose between private profit and public life, again and again they chose profit, forcing the government ethics committees to adapt to their defiant stance.

During the Second World War, President Franklin D. Roosevelt spoke out strongly against war profiteers, saying, "I don't want to see a single war millionaire created in the United States as a result of this world disaster." One wonders what he would have made of Cheney, whose millions in war profits accumulated while he was a sitting vice president. Or Rumsfeld, who, in 2004, couldn't resist cashing in a few Gilead stocks, making an easy \$5 million, according to his annual disclosure report, while he was defense secretary—a small taste of the profits that awaited him when he left office.²⁰ In the Bush administration, the war profiteers aren't just clamoring to get access to government, they are the government; there is no distinction between the two.

The Bush years have, of course, been characterized by some of the seediest and most blatant corruption scandals in recent memory: Jack Abramoff and his golfing vacations offered to members of Congress; Randy "Duke" Cunningham, now serving eight years for accepting bribes and donating his yacht the *Duke-Stir* as part of a "bribe menu" listed on official congressional letterhead to a defense contractor; and the parties at the Watergate hotel with courtesy prostitutes—all sounding very much like Moscow and Buenos Aires in the mid-nineties.²¹

Then there is the whirling revolving door between government and industry. It has always been there, but for the most part political figures used to wait until their administration was out of office before cashing in on government connections. Under Bush, the nonstop homeland security market bonanza has proved too tempting for many administration officials to resist. So, rather than wait until the end of their terms, hundreds, from a wide range of government agencies, have already charged for the door. According to Eric Lipton, who has tracked this phenomenon in the Department of Homeland Security for *The New York Times*, "veteran Washington lobbyists and watchdog groups say the exodus of such a sizable share of an agency's senior management before the end of an administration has few modern parallels." Lipton identified ninety-four examples of civil servants who had been working

on domestic security and who are now working in some aspect of the homeland security industry.²²

There are far too many such cases to detail here, but a few stand out, since they involve the key architects of the War on Terror. John Ashcroft, former attorney general and prime mover behind the Patriot Act, now heads up the Ashcroft Group, specializing in helping homeland security firms procure federal contracts. Tom Ridge, the first head of the Department of Homeland Security, is now at Ridge Global and an adviser to the communication technology company Lucent, which is active in the security sector. Rudy Giuliani, the former New York mayor and hero of the September 11 response, started Giuliani Partners four months later to sell his services as a crisis consultant. Richard Clarke, counterterrorism czar under Clinton and Bush and an outspoken critic of the administration, is now chairman of Good Harbor Consulting, specializing in homeland security and counterterrorism. James Woolsey, head of the CIA until 1995, is now at Paladin Capital Group, a private equity firm that invests in homeland security companies, and a vice president at Booz Allen, one of the leaders in the homeland security industry. Joe Allbaugh, head of FEMA on September 11, cashed out just eighteen months later to start New Bridge Strategies, promising to be the "bridge" between business and the lucrative world of government contracts and investment opportunities in Iraq. He was replaced by Michael Brown, who bolted after only two years to start Michael D. Brown LLC, specializing in disaster preparedness.²³

"Can I quit now?" Brown wrote in an infamous e-mail to a fellow FEMA staffer in the middle of the Hurricane Katrina disaster.²⁴ That is pretty much the philosophy: stay in government just long enough to get an impressive title in a department handing out big contracts and to collect inside information on what will sell, then quit and sell access to your former colleagues. Public service is reduced to little more than a reconnaissance mission for future work in the disaster capitalism complex.

In some ways, however, the stories about corruption and revolving doors leave a false impression. They imply that there is still a clear line between the state and the complex, when in fact that line disappeared long ago. The innovation of the Bush years lies not in how quickly politicians move from one world to the other but in how many feel entitled to occupy both worlds simultaneously. People like Richard Perle and James Baker make policy, offer top-level advice and speak in the press as disinterested experts and statesmen when they are at the same time utterly embedded in the business of

privatized war and reconstruction. They embody the ultimate fulfillment of the corporatist mission: a total merger of political and corporate elites in the name of security, with the state playing the role of chair of the business guild—as well as the largest source of business opportunities, thanks to the contract economy.

Wherever it has emerged over the past thirty-five years, from Santiago to Moscow to Beijing to Bush's Washington, the alliance between a small corporate elite and a right-wing government has been written off as some sort of aberration—mafia capitalism, oligarchy capitalism and now, under Bush, “crony capitalism.” But it's not an aberration; it is where the entire Chicago School crusade—with its triple obsessions—privatization, deregulation and union-busting—has been leading.

Rumsfeld's and Cheney's dogged refusals to choose between their disaster-connected holdings and their public duties were the first sign that a genuine corporatist state had arrived. There are many others.

The Power of the Formers

One of the distinguishing features of the Bush administration has been its reliance on outside advisers and freelance envoys to perform key functions: James Baker, Paul Bremer, Henry Kissinger, George Shultz, Richard Perle, as well as the members of the Defense Policy Board and the Committee for the Liberation of Iraq, to name just a few. While Congress played a rubber-stamp role during the pivotal decision-making years, and Supreme Court rulings are treated as little more than gentle suggestions, these mostly volunteer advisers have wielded enormous influence.

Their power stems from the fact that these advisers used to perform key roles in government—they are former secretaries of state, former ambassadors and former undersecretaries of defense. All have been out of government for years and, in the meantime, have set up lucrative careers in the disaster capitalism complex. Because they are classified as contractors, not staff, most are not subject to the same conflict-of-interest rules as elected or appointed politicians—if they are subject to any restrictions at all. The effect has been to eliminate the so-called revolving door between government and industry and put in “an archway” (as the disaster management specialist Irwin Redlener put it to me). It has allowed the disaster industries to set up shop inside the government, using the reputations of such illustrious ex-politicians as cover.

When in March 2006 James Baker was named cochair of the Iraq Study Group, the advisory panel charged with recommending a new way forward in Iraq, there was palpable bipartisan relief: here was a politician of the old school, one who had steered the country in more stable times, a grown-up. Certainly Baker is a veteran of a less reckless era of U.S. foreign policy than the current one. But that was fifteen years ago. Who is James Baker now?

Like Cheney, when he left office at the end of Bush Sr.'s term, James Baker III made a fortune from his government contacts. Particularly lucrative were the friends he made in Saudi Arabia and Kuwait during the first Gulf War.²⁵ His Houston-based law firm, Baker Botts, represents the Saudi royal family as well as Halliburton and Gazprom, Russia's largest oil company, and is one of the leading oil and gas law firms in the world. He also became an equity partner in the Carlyle Group, earning an estimated \$180 million stake in the highly secretive company.²⁶

Carlyle has benefited enormously from the war, thanks to sales of robotics systems, defense communications systems, and a major Iraq contract to train police awarded to its holding, USIS. The \$56 billion company has a defense-oriented equity firm that specializes in collecting defense contractors and taking them public, a very profitable enterprise in recent years. “It's the best 18 months we ever had,” said Carlyle's chief investment officer, Bill Conway, referring to the first eighteen months of the war in Iraq. “We made money and we made it fast.” The war in Iraq, already clearly a disaster, translated into a record-breaking \$6.6 billion payout to Carlyle's select investors.²⁷

When Bush Jr. pulled Baker back into public life by naming him his special envoy on Iraq's debt, Baker did not have to cash out of the Carlyle Group or Baker Botts, despite their direct interests in the war. At first, several commentators pointed out these serious potential conflicts. *The New York Times* published an editorial calling on Baker to resign his posts at the Carlyle Group and Baker Botts to preserve the integrity of the debt envoy position. “Mr. Baker is far too tangled in a matrix of lucrative private business relationships that leave him looking like a potentially interested party in any debt-restructuring formula,” stated the editorial. It concluded that it wasn't enough for Baker to “forgo earnings from clients with obvious connections to Iraqi debts. . . . To perform honorably in his new public job, Mr. Baker must give up these two private ones.”²⁸

In keeping with the example set at the top of the administration, Baker simply refused, and Bush backed his decision, leaving Baker in charge of the

effort of persuading governments around the world to forgive Iraq's crushing foreign debt. After he had been in the role for nearly a year, I obtained a copy of a confidential document that proved that he was in a far more serious and direct conflict of interest than previously understood. The document was a sixty-five-page business plan submitted by a consortium of companies, including the Carlyle Group, to the government of Kuwait, one of Iraq's main creditors. The consortium offered to use its high-level political connections to collect from Iraq \$27 billion in unpaid debts to Kuwait stemming from Saddam's invasion of Kuwait—in other words, to do exactly the opposite of what Baker was supposed to be doing as envoy, which was to convince governments that Saddam-era debts should be canceled.²⁹

The document, titled "Proposal to Assist the Government of Kuwait in Protecting and Realizing Claims against Iraq," was submitted almost two months *after* Baker's appointment. It named James Baker personally eleven times, making it clear that Kuwait would benefit from working with a company that employed the man in charge of erasing Iraq's debts. But there was a price. In exchange for these services, the documents said, the government of Kuwait would have to invest \$1 billion with the Carlyle Group. It was straight-up influence peddling: pay Baker's company to get protection from Baker. I showed the document to Kathleen Clark, a law professor at Washington University and a leading expert on government ethics and regulations, and she said Baker was in a "classic conflict of interest. Baker is on two sides of this transaction: he is supposed to be representing the interests of the United States, but he is also a senior counselor at Carlyle, and Carlyle wants to get paid to help Kuwait recover its debts from Iraq." After examining the documents, Clark determined that "Carlyle and the other companies are exploiting Baker's current position to try to land a deal with Kuwait that would undermine the interests of the U.S. government."

The day after my story about Baker was published in *The Nation*, Carlyle backed out of the consortium, forfeiting its hope of landing the \$1 billion; several months later, Baker cashed out of the Carlyle Group and resigned as general counsel. But the real damage had been done: Baker had performed miserably as envoy, failing to secure the kind of debt forgiveness that Bush had pledged and Iraq required. In 2005 and 2006, Iraq made \$2.59 billion in reparation payments for Saddam's war, most to Kuwait—resources that were desperately needed to meet Iraq's humanitarian crisis and to rebuild the country, especially after U.S. firms pulled out with the aid money squandered and the job left undone. Baker's mandate was to erase 90 to 95 percent

of Iraq's debt. Instead, the debt was merely rescheduled and is still equivalent to 99 percent of the country's GDP.³⁰

Other key aspects of Iraq policy were also handed to freelance envoys whose companies earned record profits from the war. Former secretary of state George Shultz headed up the Committee for the Liberation of Iraq, a pressure group formed in 2002 at the request of the Bush White House to help it build the case for war in the public mind. Shultz certainly obliged. Since his role was at arm's length from the administration, he was able to whip up hysteria about the imminent danger posed by Saddam, entirely free from any burden of proof or fact. "If there is a rattlesnake in the yard, you don't wait for it to strike before you take action in self-defense," he wrote in *The Washington Post* in September 2002 under the headline "Act Now: The danger is immediate. Saddam Hussein must be removed." Shultz did not disclose to his readers that he was, at the time, a member of the board of directors of Bechtel, where he had served many years earlier as CEO. The company would collect \$2.3 billion to reconstruct the country that Shultz was so eager to see destroyed.³¹ So, in retrospect, it seems worth asking, when Shultz called on the world to Act Now, was he speaking as a concerned elder statesman or as a representative of Bechtel—or perhaps Lockheed Martin?

According to Danielle Brian, executive director of the Project on Government Oversight, a nonprofit watchdog group, "It's impossible to tell where the government ends and Lockheed begins." It's even harder to tell where Lockheed ends and the Committee for the Liberation of Iraq begins. The group Shultz headed and used as a pro-war platform was convened by Bruce Jackson, who, just three months earlier, held the job of vice president for strategy and planning at Lockheed Martin. Jackson says that he was asked to form the group by "people in the White House," but he stacked it with old colleagues from Lockheed. Besides Jackson, Lockheed's representatives included Charles Kupperman, Lockheed Martin's vice president for space and strategic missiles, and Douglas Graham, Lockheed's director of defense systems. Even though the committee was formed at the explicit request of the White House to be the propaganda arm of the war, no one had to step down from Lockheed or sell his shares. Which was certainly good for committee members, since Lockheed's share price jumped 145 percent thanks to the war they helped engineer—from \$41 in March 2003 to \$102 in February 2007.³²

And then there is Henry Kissinger, the man who kicked off the counter-revolution with his support for Pinochet's coup. In his 2006 book *State of*

Denial, Bob Woodward revealed that Dick Cheney holds monthly meetings with Kissinger, while Bush meets with Kissinger about half as frequently, “making him the most regular and frequent outside adviser to Bush on foreign affairs.” Cheney told Woodward, “I probably talk to Henry Kissinger more than I talk to anybody else.”³³

But who was Kissinger representing in all those top-level meetings? Like Baker and Shultz, he used to be a secretary of state, but hasn’t held that post for three decades. Since 1982, when he started his privately held and secretive company, Kissinger Associates, his job has been to represent a roster of clients that is said to have included everyone from Coca-Cola to Union Carbide to Hunt Oil to the engineering giant Fluor (one of the biggest reconstruction contract winners in Iraq)—and even his old partner in the Chilean covert action, ITT.³⁴ So when he met with Cheney, was he acting as elder statesman, or as high-priced lobbyist for his oil and engineering clients?

Kissinger gave a strong indication of where his loyalties lay in November 2002, when Bush named him to chair the 9/11 Commission, perhaps the most crucial role any patriot could be called out of retirement to perform. Yet when the families of the victims asked Kissinger to produce a list of his corporate clients, pointing to potential conflicts of interest with the investigation, he refused to cooperate with this basic gesture of public accountability and transparency. Rather than disclose the names of his clients, he stepped down as chair of the commission.³⁵

Richard Perle, a friend and business associate of Kissinger’s, would make that precise choice a year later. Perle, a defense official under Reagan, was asked by Rumsfeld to chair the Defense Policy Board. Before Perle took over, the board was a quiet advisory panel, a way to pass on the knowledge of former administrations to the one in office. Perle turned it into a platform for himself, using the impressive title to argue forcefully in the press for a preemptive attack on Iraq. He also used it in other ways. According to a Seymour Hersh investigation in *The New Yorker*, he touted the title to solicit investment for his new company. Perle, it turned out, was one of the first post-9/11 disaster capitalists—just two months after the attacks, he launched his venture capital firm *Trireme Partners*, which would invest in firms developing products and services relevant to homeland security and defense. In letters soliciting business, *Trireme* boasted of its political connections: “Three of *Trireme*’s Management Group members currently advise the U.S. Secretary of Defense by serving on the U.S. Defense Policy Board.” Those three were Perle, his friend Gerald Hillman and Henry Kissinger.³⁶

One of Perle’s early investors was Boeing—the Pentagon’s second-largest contractor—which kicked in \$20 million to get *Trireme* going. Perle became an outspoken Boeing fan, writing an op-ed supporting Boeing’s controversial \$17 billion tanker contract with the Pentagon.*³⁷

Although Perle told his investors all about his pull at the Pentagon, several of his colleagues on the Defense Policy Board say he failed to tell them about *Trireme*. On hearing about the company, one described it as “at the edge of or off the ethical charts.” In the end, all the knots of conflict caught up with Perle and he, like Kissinger, had to choose: make defense policy or profit from the War on Terror. In March 2003, just as the war in Iraq was starting and the contractor bonanza was about to begin, Perle stepped down as chairman of the Defense Policy Board.³⁸

There is nothing that enrages Richard Perle more than the suggestion that his advocacy of unlimited war to end all evil is in any way influenced by the enormous profitability of that proposition for him personally. On CNN, Wolf Blitzer confronted Perle with Hersh’s observation that “he has set up a company that may gain from a war.” It would seem self-evidently true, yet Perle blew up, calling Hersh, a Pulitzer Prize winner, “the closest thing American journalism has to a terrorist, frankly.” He told Blitzer, “I don’t believe that a company would gain from a war. . . . The suggestion that my views are somehow related for the potential for investments in homeland defense is complete nonsense.”³⁹

It was a strange claim. If a venture capital firm that was set up to invest in security and defense companies managed not to gain from a war, it would surely be failing its investors. The episode raised larger questions about the role played by figures such as Perle, who exist in a gray zone between disaster capitalist, public intellectual and policy maker. If a Lockheed or Boeing executive went on Fox News to make the case for regime change in Iran (as Perle has done), their obvious self-interest would negate any intellectual arguments they

* The tanker deal became the biggest scandal in recent Pentagon history, ultimately landing a senior Department of Defense official and a Boeing executive in jail. The official had been negotiating for a job at Boeing while the deal was going down. In a subsequent investigation, Rumsfeld was questioned about why he didn’t catch the rotten deal under his watch. He replied that he could not recall the details of his role in a contract that would consume between \$17 billion and \$30 billion of taxpayer money. “I don’t remember approving it. But I certainly don’t remember not approving it, if you will.” Rumsfeld was slammed for poor management, but his forgetfulness may also have been a casualty of how frequently the secretary of defense recused himself from purchasing discussions in order to avoid the appearance of conflicts with his many defense-related holdings.

offered. Yet Perle continues to be introduced as an “analyst” or as a Pentagon adviser, perhaps as “a neocon,” but certainly there is never any suggestion that he might just be an arms dealer with an impressive vocabulary.

Whenever members of this Washington clique are confronted with their economic interests in the wars they support, they invariably respond the way Perle did: the entire suggestion is preposterous, simple-minded, vaguely terrorist. The neocons—a group that includes Cheney, Rumsfeld, Shultz, Jackson and, I would argue, Kissinger—take great pains to project themselves as egghead intellectuals or hawkish realists, driven by ideology and big ideas, not anything so worldly as profit. Bruce Jackson, for instance, says Lockheed did not approve of his extracurricular foreign policy work. Perle says that his association with the Pentagon has hurt him in business since “it means there are . . . things you can’t say and do.” Perle’s partner Gerald Hillman insists that Perle “is not a financial creature. He doesn’t have any desire for financial gain.” Douglas Feith, when he was undersecretary of defense for policy, claimed that “the vice president’s former connection [with Halliburton] made people in the government reluctant to award the contract, not eager to do it, even though awarding it to KBR [Kellogg, Brown and Root, the former Halliburton subsidiary] was the right thing to do.”⁴⁰

Even their most committed critics tend to portray the neocons as true believers, motivated exclusively by a commitment to the supremacy of American and Israeli power that is so all-consuming they are prepared to sacrifice economic interests in favor of “security.” This distinction is both artificial and amnesiac. The right to limitless profit-seeking has always been at the center of neocon ideology. Before 9/11, demands for radical privatization and attacks on social spending fuelled the neocon movement—Friedmanite to its core—at think tanks such as the American Enterprise Institute, Heritage and Cato.

With the War on Terror, the neocons didn’t abandon their corporatist economic goals; they found a new, even more effective way to achieve them. Of course these Washington hawks are committed to an imperial role for the United States in the world and for Israel in the Middle East. It is impossible, however, to separate that military project—endless war abroad, and a security state at home—from the interests of the disaster capitalism complex, which has built a multibillion-dollar industry based on these very assumptions. Nowhere has the merger of these political and profit-making goals been clearer than on the battlefields of Iraq.

PART 6

IRAQ, FULL CIRCLE

OVERSHOCK

One of the risks in shock-based operations has to do with the likelihood of “unintended consequences,” or in precipitating reactions that have not been anticipated. For example, extensive attacks against a nation’s infrastructure, electrical grid, or economic system can create such extreme hardship that the resulting backlash bolsters rather than weakens our opponent’s national will to fight.

—Lieutenant Colonel John N. T. Shanahan, “Shock-Based Operations,” *Air & Space Power*, October 15, 2001

Direct physical brutality creates only resentment, hostility, and further defiance. . . . Interrogatees who have withstood pain are more difficult to handle by other methods. The effect has been not to repress the subject but to restore his confidence and maturity.

—*Kubark Counterintelligence Interrogation*, CIA manual, 1963