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## The Military-Industrial Complex and US Military Spending After 9/11

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# The Military-Industrial Complex and US Military Spending After 9/11

## **Abstract**

This article examines the economic, political and institutional power of the military-industrial complex (MIC) by examining its influence on military spending before and after the events of 9/11. The reasons for the continuity of MIC influence in US foreign policy is explored. This includes the role of military contractors in financing policy planning organizations, the relationship between military contractors and the Defense Department, and the centralization of executive branch authority in foreign policy decision-making, especially during critical junctures or foreign policy crises.

## **Keywords**

Military Industrial Complex, US Military Spending, Military Contractors

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## Introduction

Scholars focused on the military-industrial complex owe a huge debt to the pioneering work of elite power theorist C. Wright Mills, who was part of a history of U.S. academics that theorized about the influence of corporate interests within the political process. Mills emphasized an interwoven constellation of interests that tied together the growth of large-scale bureaucracies such as the Defense Department with particular firms that profited from military procurement.<sup>1</sup> The network of interests benefitting from military spending made it very difficult to change the embedded priorities of a military allocation system that profited from the perceptions of an ever-present threat to the security of the U.S. Ever since WWII, the features of U.S. foreign policymaking have heightened the influence of the military-industrial complex by centralizing authority for foreign policy decision making in the executive branch, and by creating a complex array of bureaucracies whose very existence is predicated on (and justified by) the presence of an external enemy.

However, there have been times during the Cold War and immediately after the Cold War when U.S. military spending has been reduced. These periods indicate that such spending decisions are not the automatic byproduct of a vested group of interests that profit from such spending, but are instead the product of a complex set of negotiations between powerful political and economic actors. At the same time, both economic and ideological factors play a role in the calculation of external threats, and therefore levels of military spending to meet those threats. This makes assessments of which factors cause military spending hikes more complicated than they might be otherwise. In order to help make sense of the politics of military spending hikes in the U.S. and elsewhere, we need to examine the divisions among powerful vested interests, especially corporate interests and corporate-based coalitions, as well as powerful political actors and bureaucracies, in order to develop a more complete understanding of the political economy of militarization.

Scholarly explanations that attempt to grapple with periods of rapid US military budget escalation and de-escalation can be divided into several categories for the sake of analytical clarity and convenience. Structural realists would attribute US military strategy as a direct response to the structure of power within the international system.<sup>2</sup> During the Cold War, the development of US military power and capability would be linked directly to an assessment of the distribution of power between the U.S. and the Soviet Union. But being a structural theory that eschewed consideration of domestic politics, structural realists could only use their framework to deduce patterns of conflict and cooperation between the U.S., the Soviet Union, and their respective allies, during the Cold War. The theory could not predict (nor did it claim to predict) the particular type of military spending allocations or strategy that might be chosen to deal with the Soviet threat.

Within realist theory, neo-classical realism was better positioned theoretically and analytically to bridge the gulf between the assumptions of structural realism (the importance of the external environment in structuring the behavior of states) and the particular choices made by state elites. For neo-classical realists, the assumptions of realism still guided their analytical framework: State elites were responsive to threats and balance of power considerations within an anarchic international environment. However, neo-classical realists paid attention to the fact that state elites would have to mobilize domestic resources, and to work within a particular framework of domestic institutions, in order to realize policy objectives necessary to carry out

and to implement a military strategy. The neo-classical school was therefore in a position to at least acknowledge the “black box” of domestic politics in attempting to understand why some military strategies and tactics were adopted in place of other viable alternatives.<sup>3</sup>

However, both types of realism make broad-based assumptions about a unified state being able to articulate a “national interest” that is responsive to security threats. Alternative frameworks such as elite power theory insist that “national interest” does not exist apart from the clashing and competing definitions of “national interest” put forward by the most powerful domestic interest groups. Elite power theorists working in the C. Wright Mills tradition have long argued that the constellation of interests comprising the military-industrial complex have helped determine, shape and refine the definition of “national interest” in order to maximize profits and to protect access to resources. This school acknowledges that the military-industrial complex does not define “national interest” in a vacuum, but is forced to compete with other powerful corporate interest groups over how to define “national interest.” Business conflict theorists, heavily influenced by elite power theory, argue that capitalist firms located in different sectors of the capitalist economy will take varied positions on military expansionism, U.S. intervention in foreign countries, and levels of military spending necessary to meet security threats. In fact, corporate groups may define “threats” differently depending on their particular location within capitalist production, and how “threat definition” impacts on their ability to maximize profits and to maintain market share.<sup>4</sup>

Some variants of Marxist foreign policy theory overlap with elite power theory in its focus on the relationship between the capitalist class and the state. Instrumental Marxists have examined the history of competition among capitalist firms and groups for influence in foreign policy making.<sup>5</sup> Structural Marxists have advanced the theory of the “permanent arms economy” to explain the reliance of the US state on military spending as a Keynesianism stimulus program designed to prop up capitalism through an infusion of fiscal spending to leading capitalist firms.<sup>6</sup> The insights of instrumental and structural Marxists, as well as elite power theorists in the Mills’ tradition, are blended in this article to develop a framework for understanding the influence of the military-industrial complex in structuring US military spending after the events of 9/11.

First, I will lay out the various components of the corporate and bureaucratic interest bloc which comprises the military-industrial complex. This includes the corporate sector that produces military weapons, as well as corporations that are contracted to perform a range of military and intelligence services. Also included are the bureaucracies that are linked in whole or in part to the military apparatus of the U.S. state, which includes most obviously the Defense Department, but also as many as 17 intelligence agencies that carry out a range of foreign operations that involve everything from espionage to low-levels of U.S. intervention, and other Departments, such as the Department of Energy and NASA and more recently the Department of Homeland Security, that devote a portion of their budgets to supplemental military spending and military preparation. In addition, congressional representatives and senators disproportionately tied to the military sector through campaign contributions or through districts that are heavily dependent on military spending, would be expected to be part of the military-industrial complex. Finally, the last ingredient to be included, but among the most important, are the lobbying networks and policy-planning organizations that attempt to influence the process of agenda-setting and therefore “threat definition” and “threat construction” in a way that is beneficial to their membership.

Corporations that are central to the military-industrial complex have characteristics that allow us to identify them as a bloc of interests that are distinguishable from other sectors of

transnational capital. The first is the overwhelming dependence on military production as a percentage of total sales revenue. As of 2012, Lockheed Martin (76 percent), BAE Systems (95 percent), Raytheon (92 percent), General Dynamics (66 percent), and Northrop Grumman (77 percent) depended on arms sales for well over half of their total sales.<sup>7</sup> Unlike financial investors or corporations whose investments are based on provision of liquid capital, research and development financing, and/or the ownership of patents, military producers' profits are derived from military hardware that cannot easily be transferred to a wide range of uses. The political implications are stark in that these firms have a vested interest in maintaining and expanding weapons systems that, absent external threats, may face a limited political justification.

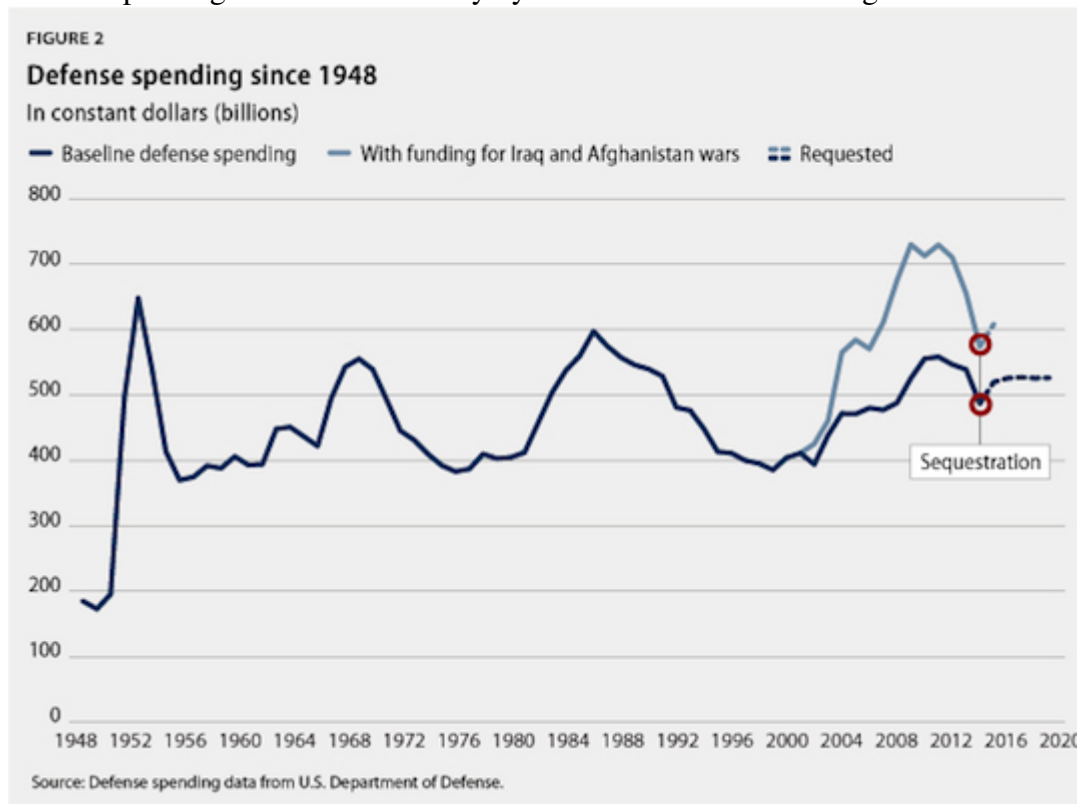
Second, military producers have a sustained relationship with key US foreign policy bureaucracies, especially the Defense Department, but also a range of departments and agencies that utilize military equipment and engage in strategic or tactical deployment of such equipment. The extent to which military contractors are embedded within the decision-making framework of identifiable bureaucracies within the US federal government makes their profit-making margins a function of the political process by which those departments and agencies identify long-term strategic threats.<sup>8</sup> Thus, key turning points in US foreign policy, in which long-term threats are identified and long-term strategic plans are developed, provide an important critical juncture to observe the extent to which both corporations and bureaucracies work together to identify threats to US security in a manner that maximizes access to government revenues and tax dollars.

Third, such critical junctures in US foreign policymaking that are noteworthy for the identification of long-term threats to US national security are opportune moments for policy-planning organizations, especially those funded by self-interested military contractors and security ideologues, to exert influence in framing the policy debate. The attacks of 9/11 provide one such critical juncture for assessing these propositions, since there are a variety of ways that the 9/11 attacks could be interpreted as security threats. If there is evidence that the military-industrial complex was disproportionately involved in the policy-planning process that took place after 9/11, we should find evidence of participation of all the key actors comprising the complex in the establishment of a US security doctrine post-9/11, including military contractors themselves, the defense and intelligence bureaucracies, congressional representatives and senators from districts and states distinguished by their dependence on military spending, and policy-planning organizations receiving disproportionate funding and influence from the military sector.

In short, the following analysis uses a military-industrial complex theoretical framework to explain why the US adopted particular military strategies post-9/11. If my various propositions are correct, we would expect to find that the military-industrial complex was at play in structuring the military response to the attacks of 9/11. Most importantly, the influence of such a complex would not be limited to lobbying activities, but would refer instead to a complex array of activities which have integrated the profit-making activities of defense contractors with the defense planning activities of the US government. The next section of the paper examines the role of critical junctures. Then I will examine the mechanisms used by the military-industrial complex to maximize policy goals after 9/11.

### Military Corporations and Critical Junctures in US Foreign Policy

There has been a strong continuity in military spending from the Cold War to the present. The only absolute reductions in Cold War spending occurred during the end or de-escalation of major wars such as the immediate aftermath of the Korean War (1953-1954) during the Eisenhower Administration, the de-escalation of the Vietnam War prior to 1973, and the reduction in military spending during the transition from the Cold War to the post-Cold War period. Each of these reductions proved to be temporary. In the aftermath of the attacks of 9/11, US military spending quickly escalated so that, counting the wars in Iraq and Afghanistan, the US was spending more on its military by 2008 than it did at the height of the Cold War.



These figures actually underestimate the total costs of defense spending in the US budget. Typically, most accounts of military spending use Defense Department expenditures, which do not include other sources of defense spending, such as NASA, the Atomic Energy Agency, and foreign aid allocations that involve defense dollars. In addition, there are the additional military spending items tracked by the US National Income Products account, which include “government consumption of fixed capital, cash payments to amortize underfunded liability for military and civilian retirement benefits, and expenditures recorded on a delivery rather than a cash basis.”<sup>9</sup> If we add all of these expenditures to Defense Department spending, plus interest payments on the debt deriving from past military spending, medical spending to military retirees or dependents at non-military facilities, and veterans’ benefits, the overall military budget would have approached \$1 trillion dollars by 2008. At the same time, military spending (then and now) accounts for over half of all discretionary spending in the US budget, which is a better indication of the expansion of US militarism than the often-used calculation of military spending as a percentage of GDP. The reason is that the US government is incapable of taxing the 20% of corporate profits that are shifted offshore, equivalent to a third of corporate tax revenues, due to creative tax avoidance and evasion by corporations.<sup>10</sup> So the issue is not GDP,

but the amount of taxable income available to the US state, which has lessened over the years due to the steady growth of corporate political influence. With these factors in mind, the key questions for this paper are: Why was military spending higher in 2008 than at any year in Cold War history, despite the elimination of the Soviet Union as a threat to US security interests? What was the role of the events of 9/11 in explaining the dramatic increases in military spending?

The ongoing influence of the military-industrial complex is an important part of the answer to this question. However, at the outset of this paper I emphasized that the MIC does not have automatic influence in pushing the outer boundaries of military spending allocations. Their influence is conditioned by other factors which have helped explain strong continuities in military spending from the Cold War to the post-Cold War period. The presence of an external threat was always only one part of the explanation for high levels of US military spending. The other factors include what some have called a “permanent war economy,” in which military spending is used as “military Keynesianism” to help boost production and demand for a range of US goods during times of recession or relatively high unemployment.<sup>11</sup> The US state has used military spending the way that other states use industrial policy to provide research and development support for industrial and technological innovation. Corporate interests in the US have long preferred the use of military spending as industrial policy, rather than an expansion of the welfare state, which has been much more controversial for corporate elites.

However, during the period of détente in the 1970s and during the end of the Cold War in the late 1980s, there were divisions within the US corporate sector about the relative merits of military spending. Business conflict split those corporations between those whose assets were most liquid and mobile (the banking community in particular, especially those banks who were not involved in financing military expansion) and those firms that were increasingly reliant on military production for a substantial share of their profits.<sup>12</sup> For financiers disconnected from military production, high levels of military spending pose a potential threat to the aggregate economy, especially during times when military spending is thought to be a leading cause of inflation or when such spending is thought to threaten the long-term stability of the US dollar. Leading corporate interest groups and policy planning organizations such as the Business Roundtable and the Committee on Economic Development did not support increases in military spending during the 1970s or mid-to-late 1980s, meaning that they were often at odds with pro-military spending organizations such as the Committee for the Present Danger and the Heritage Foundation.<sup>13</sup> The difference in the orientation of such corporate groups is most pronounced during times of easing tension between the US and foreign rivals, such as the détente process of the 1970s and the negotiations that led to the end of the Cold War during the Reagan Administration’s second term.

On the other hand, critical junctures in foreign policymaking can move the corporate policy planning organizations further to the right in favor of substantial hikes in military spending. For example, the key events of 1979, in which the USSR invaded Afghanistan, the Sandinista National Liberation Front took power in Nicaragua and the Iranian Revolution overthrew the pro-US government of the Shah, led to a successful push by pro-military spending organizations to affect the implementation of policies that they had long advocated. At the same time, corporate groups such as the Council on Foreign Relations backed away from their support for the détente process. Corporations with fixed foreign investments in the developing world, especially oil corporations, also advocated US militarization to protect those investments, especially during times of revolutionary upheaval in the developing world.<sup>14</sup> Similarly, the

attacks of 9/11 provided advocates of US militarization with an opportunity to expand a Rogue Doctrine that had been developed at another key juncture in US foreign policy history: the transition from the Cold War to the post-Cold War period.

During the transition to the post-Cold War period, advocates of US militarization were faced with potentially substantial cuts to military spending, as former Cold War hawks began to advocate for a peace dividend. Former Defense Secretary Robert McNamara, alongside other former Defense Department officials, argued in 1989 that defense spending could safely be cut in half given the fact that the Cold War was coming to an end.<sup>15</sup> In an effort to minimize cuts to military spending, policy planning organizations with close ties to military contractors worked to fashion a new defense doctrine that could provide a newfound justification for the retention of large-scale weapons systems long after the demise of the Soviet Union. The result was the Rogue Doctrine, which posited that the US would still face considerable threats to its security after the Cold War, namely from rogue states in the developing world that possessed weapons of mass destruction and the capability to threaten vital US geostrategic interests in key regions of the world.<sup>16</sup> The transition from the Containment Doctrine to the Rogue Doctrine solved two problems for military contractors dependent on high levels of US military spending for profitability. First, it provided a justification for the retention of all large-scale military production lines that had been built with the Soviet threat in mind. Second, it also (much later) provided a justification for a response to the 9/11 attacks that targeted rogue states, in addition to non-state actors such as Al-Qaeda.

In the development of the Rogue Doctrine, military contractors and oil corporations were well-represented through their influence in the conservative think-tank, the Center for Strategic and International Studies, which drafted an influential 1988 report advising the Reagan Administration to move toward war preparation for potential hostilities with “maverick regimes” that constituted a new threat to US national security interests.<sup>17</sup> In addition, during the late 1980s, the Defense Department, the Joint Chiefs of Staff and the White House, first under Ronald Reagan and then under George H.W. Bush, produced a series of documents that provided the basis for a retention of all large-scale Cold War weapons programs that had been developed to counter the Soviet threat. In fact, none of the large-scale Cold War weapons systems would be eliminated in the transition to the post-Cold War period. The justification for the continuity in weapons systems was the newly emerging concept of “rogue state.” Future US security interests would be determined by the US ability to effectively wage war against states in developing countries that were characterized by their links to international terrorism, their possession of weapons of mass destruction, and their threat to key regions of the world that constituted US geostrategic interests. The first public iteration of the rogue state appellation was by President Reagan, who applied the term to “Iran, Libya, North Korea, Cuba and Nicaragua.”<sup>18</sup> By the late 1980s and early 1990s, a number of new states joined the list, led by Iraq, which became the first test case for the Rogue Doctrine as the US waged war against the country after the Iraqi invasion of Kuwait.

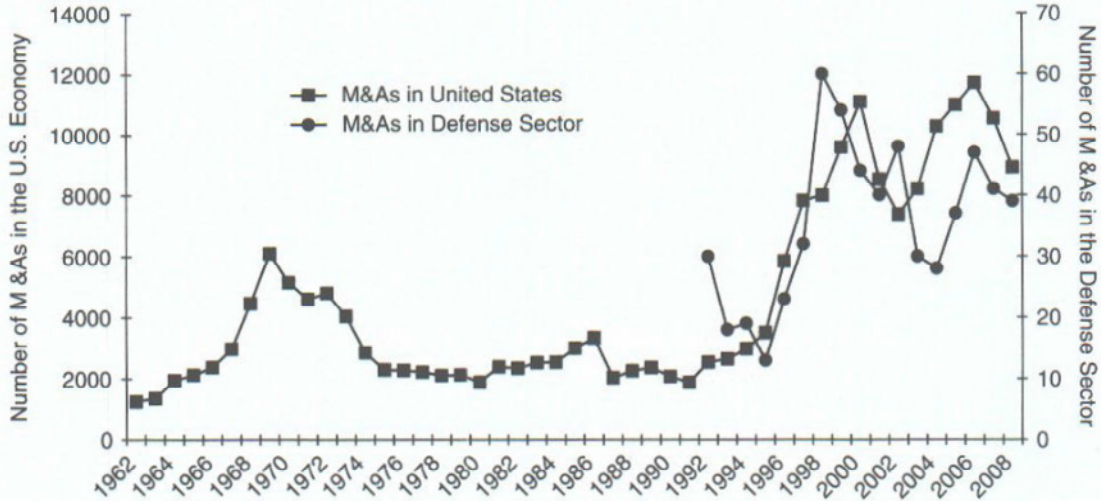
In 1988, the Center for Strategic and International Studies (CSIS) drafted a report that identified Third World states as posing new threats to US national security due to their capacity to threaten US interests in key regions of the world. The report urged the US government to take steps to counter these threats by reorienting US military readiness against these “maverick” regimes.<sup>19</sup> In their own 1986 report, the CSIS identified that much of its funding came from 26 companies that supplied weapons to the Pentagon, in addition to 8 US oil firms. The CSIS had a history of promoting militarization of US policy in the Middle East, including support for



maintaining and reinforcing the US-Saudi geostrategic alliance. Their own recommendations for the Rogue Doctrine focused heavily on the Middle East, and were buttressed by the reports of other influential strategic analysts such as Albert Wohlstetter, the father of neoconservatism who chaired the Commission on Integrated Long-Term Strategy established by the Reagan Administration in 1988, which also warned of the urgency of maintaining and expanding the US defense budget in anticipation of newly emerging threats from the developing world.<sup>20</sup> In addition, the Chair of the Senate Foreign Relations Committee, Sam Nunn, met with the head of the Joint Chiefs of Staff Colin Powell, in 1988 to discuss the outlines of a new strategy which would involve the “search for new enemies” after the Cold War had come to an end.<sup>21</sup> By 1990, the US war against Iraq had produced an official commitment by the George H.W. Bush Administration to a Rogue Doctrine, which was outlined in A White House Fact Sheet on the National Security Strategy Report in March of 1990. As Alexandra Homolar has noted, “On the day Iraq invaded Kuwait, President George H.W. Bush officially announced that the new direction of US defense planning was to prepare for regional contingencies in the face of ‘serious threats to important US interests wholly unrelated to earlier patterns of the US-Soviet relationship.’”<sup>22</sup>

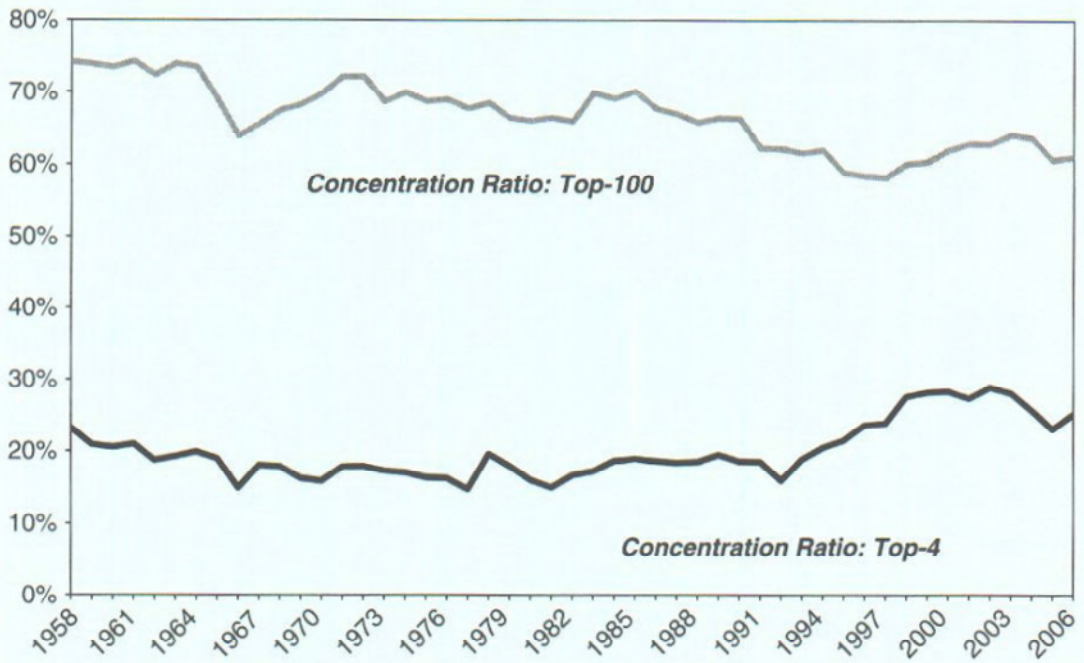
The shift toward a Rogue Doctrine only staved off more serious cuts in the transition to the post-cold war period, namely by preserving large-scale Cold War spending programs. It did not prevent cuts to the military budget, which declined by 17 percent under George H.W. Bush and by 12 percent during the first term of the Clinton Administration. Defense and aerospace contractors attempted to counter the reduced business opportunities through a mixture of economic and political strategies. Economically, the largest defense contractors restructured their operations through a combination of layoffs, selloffs of corporate divisions, and mergers and acquisitions of other firms.<sup>23</sup> The US Defense Department helped to finance the mergers and acquisitions as early as 1993, which in combination with economy-wide trends, contributed to a defense sector whose top four firms were receiving a higher share of DOD contracts than had been true for most of the post-World War II period. The overall pattern of consolidation was the most dramatic in US military history, essentially allowing the top four defense contractors to increase their share of prime weapons contracts from 18 percent in 1993 to 30 percent by 2003.

**FIGURE 4**  
Mergers and Acquisitions in the U.S. Economy and in the Defense Sector



Notes: Reproduced from Greenfield and Brady (2008). Data are from FactSet Mergerstat, LLC. For "M&As in Defense Sector" we use Mergerstat's category of "seller industry" that includes Aerospace, Aircraft and Defense firms. This category is defined by the SIC classification codes 3761-3769, 3721-3728, and 3795 (see text for additional details, and Hensel (2007)). From 1992 on, "M&As in United States" excludes the defense sector.

**FIGURE 3**  
Concentration Ratios for the Top-4 and Top-100 Firms Receiving DOD Prime Contract Awards



Source: DOD publication "100 Companies Receiving the Largest Dollar Volume of Prime Contract Awards" for 1958 through 2006

Politically, the big four defense firms increased their lobbying expenditures and expanded their funding of conservative think-tanks committed to promoting increased military spending. Some of this mobilization paid off during the Clinton Administration, which became a strong

advocate of increasing export subsidies to US military contractors whose steady budget escalation had been briefly interrupted during the post-Cold War transition. Numerous scholarly studies provide support for this contention, including the work of William Hartung and David Gibbs.<sup>24</sup> Each of these scholars document the contributions of the largest defense contractors to the financing of conservative and neo-conservative think-tanks that emerged as prominent in defense policy discussions and debates from the mid-1990s through the attacks of 9/11. According to Hartung, the most important think tanks were the Project for the New American Century, also documented extensively by Gibbs, the National Institute for Public Policy, and the Center for Security Policy. For the purposes of this study, I have also traced an overlapping relationship between the boards of directors of the largest seven defense contractors, conservative policy planning organizations funded by these contractors, personnel in the Defense Department, and high-level cabinet executives within the administration of George W. Bush. These interests form the latest iteration of a military-industrial complex which has been actively involved in policy planning deliberations and discussions, both before and after 9/11. The 9/11 attacks become a pretext for a dramatic escalation of military spending, with the Defense Department elevated in importance relative to other Departments, and with the policy decisions of the administration borrowed directly from ideas developed by the three think tanks identified by Hartung.

It has long been true, as documented by C. Wright Mills in his pioneering study, that defense contractors have had a revolving door relationship with the US state that has helped shape particular foreign policy strategies, military allocation policies, and the definition of strategic threats. However, there is considerable evidence that the revolving door relationships have only intensified in the years prior to 9/11 and from 9/11 to the present. According to Richard Skaff,

A 2010 Boston Globe investigation revealed that the number of retired three-and-four star Generals and admirals moving into lucrative defense industry jobs rose from less than 50 percent between 1994 and 1998 to a stratospheric 80 percent between 2004 and 2008, findings that brought new scrutiny to this unethical revolving door...A recent study found that when a defense company announced the hiring of a former defense department political appointee, on average, the company's stock price increased. The relationship was statistically weak but positive, suggesting investors believe such hires bring benefits...In 2011 alone, the Department of Defense committed to spending nearly \$100 billion with the five largest defense contractors – Lockheed Martin, Boeing, General Dynamics, Raytheon, and Northrop Grumman. At least nine of the top-level generals and admirals who retired between 2009 and 2011 took positions with those five companies. In addition, 12 generals who retired during that period have gone on to work for Burdeshaw Associates, a “renta-general” consulting firm specializing in helping companies obtain defense contracts. Burdeshaw's clients have included Northrop Grumman.<sup>25</sup>

The following section of this paper examines the key role of corporate-funded think tanks in structuring the policy response of the George W. Bush Administration to the attacks of 9/11. The events of 9/11 provided an opportunity for defense corporations, ideologues based in corporate-funded think-tanks and key actors in the Bush Administration to use 9/11 as a pretext or justification for a wide-ranging expansion of the military budget. A close analysis of the budget increases suggests a tenuous relationship to the stated objectives of the war on terror, but a robust relationship to the militarization agenda advanced by the military-financed think-tanks.

## The Rising Power of the MIC Post-9/11

Critical junctures in US foreign policy involve a key foreign policy event or set of events that increases the level of threat perception among the US political and economic elite.<sup>26</sup> Certainly the attacks of 9/11 qualify, as they constituted a foreign attack by a global terrorist network on US soil. The severity of the attack and its consequences are not in dispute, nor is the fact that much of US population was mobilized around support for the victims, and admonition for the perpetrators. The attack itself, however, says little about how the attack will be interpreted by political and economic elites, and about the particular strategies utilized to respond to the attack. In the case of the George W. Bush Administration, the first official response, the National Security Strategy of the US, was unveiled in September of 2002, when President Bush called for a full-scale global “war on terror” that connected the perpetrators of the attack, Al Qaeda, to the existence of “rogue states” which provided a safe haven and breeding ground for terrorist networks. The recommendations embedded in Bush’s emerging security doctrine came directly from the policy goals of military-financed conservative and neoconservative think-tanks that had increased their level of mobilization prior the attacks of 9/11. The identification of rogue states, three of which Bush labeled the “axis of evil”, had been central to the justification for the retention of large-scale US weapons systems in the transition from the Cold War to the post-Cold War period.<sup>27</sup> Now the Bush Administration was promoting a response to 9/11 that involved the expansion of large-scale weapons systems to be utilized against such states, in addition to a dramatic expansion of the US military and intelligence bureaucracies that would be enlisted to fight a global war.

The Bush Doctrine, as it is often referenced, refers to three aspects of the Administration’s policy response to 9/11. The first was a global militarization approach that promoted robust increases in all aspects of military spending, coupled with military intervention in rogue states. The second was a preventive war approach that justified US strikes on rogue states by linking the long-term threat posed by these states to enhanced opportunities for Al Qaeda and Al Qaeda-linked terrorist networks to launch future attacks against the US. The third aspect was a rollback strategy that lent support to a US overthrow and transformation of rogue states in favor of the construction of pro-US states that would then be used to transform entire regions, especially the Persian Gulf. Each aspect of this policy agenda had been endorsed and anticipated, down to a strikingly similar level of detail and analysis, by both conservative and neoconservative think-tanks in the 1990s which were closely linked to the military-industrial complex, and heavily financed by military contractors. At the same time, the expansion of military spending accelerated an already growing lobbying network of defense contractors whose efforts had already contributed to significant increases in the military budget during the Clinton Administration’s second term in office, specifically from 1998-2001.<sup>28</sup> Post-9/11, military contractors were actively involved in working with Defense Department officials to justify, promote and expand a range of weapons systems that had been carried over from the Cold War to the post-Cold War period. Just as these weapons systems were tested in the first Gulf War as a justification for the Rogue Doctrine, they were expanded and utilized in a two-war fighting strategy in Afghanistan and Iraq, a strategy that was anticipated by the Rogue Doctrine itself.

The argument advanced here is that defense contractors were active participants in the think-tanks and lobbying networks that contributed to the Bush threat definition of the 9/11 attacks. In order to demonstrate this, I examine the connections between military corporations,

think-tanks, and key decision-makers in the Bush Administration after the attacks of 9/11. I also examine the ways in which 9/11 further centralized executive branch power and, in particular, expanded the power of the Defense Department in the aftermath of the attacks. This is especially significant given the close working relationship that military contractors have with the Defense Department bureaucracy. Critical junctures such as the 9/11 attacks contribute to heightened MIC influence in the policymaking process due to a further concentration of power and privilege within the executive branch and a weakening of checks and balances within the federal system. Critical junctures also tend to elevate the opinions of hardliners in the executive branch at the expense of moderates, whose advocacy of approaches to conflict short of full-scale militarization are less effective in providing symbolic value to political elites during a time of strategic crisis.

The most effective transmission belt linking military corporations to the Bush Administration was the Project for the New American Century (PNAC).<sup>29</sup> First, PNAC was established in 1997, and was disproportionately financed and supported by military corporations and oil firms. Ideologically, its membership has close linkages to a history of MIC groups dating back to the Cold War, including the father of neoconservatism Albert Wohlstetter, whose mentorship at the University of Chicago gave rise to several prominent thinkers within the neoconservative movement.<sup>30</sup> Going beyond the realist preoccupation with security measures necessary to maintain preponderance of power within the international arena and to check rival and potentially rival states from ascending in influence, the neoconservative movement borrowed aggressively from the rollback policy positions advocated by right-wing organizations during the Cold War. In fact, the membership of the Committee on the Present Danger, also heavily financed by military contractors during the Cold War period, overlapped with the membership of PNAC as it was established in 1997. The Committee on the Present Danger, in both its first iteration in 1950, and its second iteration in 1976, called for an aggressive militarization that would weaken and ultimately help to destabilize or overthrow regimes sympathetic to or aligned with the Soviet Union. Similarly, PNAC called for a global militarization robust enough to effect regime change of rogue states, especially in the Persian Gulf region. The language of the PNAC mirrored the rollback language of the Committee on the Present Danger (CPD), and anticipated a third resurgence of the CPD in 2004. The influence of neoconservatives on the strategic posture of the US was evident in the Defense Planning Guidance document drafted by Paul Wolfowitz in 1992 during the George H.W. Bush Administration, which called for a dramatic expansion of US militarization on par with the earlier NSC-68, which advocated a similar robust expansion of militarization in 1950, just before the outset of the Korean War. In fact, the level of continuity of the rollback position in US foreign policy is especially striking here, and the fact that PNAC was very well-represented in the Bush Administration and linked to earlier iterations of this position is noteworthy of the longstanding continuity of the MIC sector in US foreign policymaking.

Just as with PNAC, the CPD had its greatest influence on policymaking during critical junctures, first during the Korean War of 1950, which provided a pretext for the most dramatic increases in the US military budget in its history, and the perceived gains of the Soviet Union in 1979, including the Soviet invasion of Afghanistan. In 1997, PNAC had little direct influence in policymaking, but after the events of 9/11, its former members were elevated in stature as the Bush Administration used its long-time recommendations for full-scale militarization to respond to the 9/11 attacks. In addition to support for substantial increases in militarization, PNAC called quite explicitly for regime change, focusing heavily on the Persian Gulf region, and

targeting Iraq as the country whose regime should be toppled to create a domino-effect of the toppling of dictators and the rise of pro-US regimes in the region.

The interrelationships between PNAC and military contractors is best illustrated by the changing roles of Bruce Jackson, who alternated from being Bob Dole's campaign advisor in 1996 to executive director of PNAC by 1997, to director of strategic planning for Lockheed Martin. Jackson also founded the Committee to Expand NATO in 1996, a key pillar of Lockheed Martin's efforts to aggressively promote the exportation of weapons abroad in lieu of post-cold war reductions in the rate of growth of military spending. Similarly, he founded the Project for Transitional Democracies, advocating an expansion of NATO membership for Eastern European states and newly independent states that used to be part of the Soviet Union. By the late 1990s, Jackson was advocating for regime change in the Middle East, as part of PNAC and as a strategic lobbyist for Lockheed Martin. By 2002, and shortly after the 9/11 attacks, Jackson was invited into the office of Deputy National Security Adviser Stephen Hadley to discuss Jackson's role in founding the Committee for the Liberation of Iraq, which worked closely with former PNAC members who were now in key policy positions within the Bush Administration to help justify an occupation of Iraq in the aftermath of 9/11. Jackson acknowledged that he knew little or nothing about Iraq, but he boasted of the Iraqi exile contacts that his group was able to pull together in his newly emerging organization. These would become a focal point for efforts by administration hardliners to build a case that attempted to link the regime of Saddam Hussein to the events of 9/11.<sup>31</sup>

Another right-wing advocacy group that helped provide the policy agenda for the Bush Administration's response to 9/11 was the National Institute for Public Policy, also closely linked to Lockheed Martin and the nuclear weapons industry. The Institute advocated the revitalization of a strategic campaign to increase the production and utilization of low-level usable nuclear weapons against terrorist groups that pose a threat to US national security. According to William Hartung, three members of the Institute took significant positions with the Bush Administration's foreign policy bureaucracy, and the director of the NIPP was appointed by the Administration to lead the Nuclear Posture Review which recommended the adoption of most of the NIPP recommendations on increasing the stockpile of low-level nuclear weapons, in addition to creating a newer generation of "low-yield" nuclear weapons that could be deployed and used on the battlefield under scenarios in which the war on terror was expanded to enemy territory. The NIPP, like the PNAC, had very close ties to Lockheed Martin, including the presence of Lockheed Martin executive Charles Kupperman on the advisory board of the organization.<sup>32</sup>

Finally, the push for continued funding and expansion of a US missile defense system, which had often been the most consistent high-ticket budget item in Cold War and post-Cold War military spending, was justified by a third think tank that also had close ties to the military industrial complex and the Bush Administration. The justification for expanding the missile defense system as part of the war on terror had been a long-standing position of Center for Security Policy, which received one-sixth of its funding from the defense industry.<sup>33</sup> The decision to expand National Missile Defense as part of the war on terror proceeded after 9/11 namely due to the influence and recommendations of members of this conservative think tank, several of which were represented in the Bush Administration and gained increasing influence in policy recommendations after 9/11. The missile defense program continued to be expanded and justified even though the National Intelligence Estimate argued that it was highly unlikely that the terrorist threat could be effectively countered by the development of a missile defense

program, since terrorist cells were unlikely to be able to acquire long-range missiles, and were much more likely to concentrate on small-scale explosives conveyed by “ships, trucks, airplanes and other means.”<sup>34</sup>

The lack of fit between the recommendations of the right-wing groups heavily financed and staffed by the military-industrial complex and the recommendations made by the 9/11 Commission to most effectively fight the war on terror are worth noting. The 9/11 Commission indicated that one of the most important avenues for an effective response to Al Qaeda networks is a robust coordination of intelligence activities across the myriad intelligence agencies that historically had tried to protect their respective turfs in the years leading up to 9/11, which resulted in a lack of shared intelligence that contributed to the success of the 9/11 hijackers.<sup>35</sup> Intelligence functions, if effective, needed greater coordination and oversight by a central source, which was supposed to be embodied by the newly created post of the Director of Intelligence. However, what has happened since these recommendations has been a further concentration of intelligence functions by the Defense Department, which now controls about 80 percent of intelligence spending. Such an increased concentration of power in the Defense Department has spawned an intelligence network that has become heavily privatized. Concentrated in the beltway, and specifically in northern Virginia, which has received a disproportionate share of post-9/11 funding, the privatized intelligence functions are increasingly carried out by corporations that have a stake in perpetuating the war on terror and the perpetual designation of new enemies. The privatization of intelligence has further expanded the ranks of the MIC into a myriad of private sector corporations that have benefitted from the widest distribution of intelligence contracts in US defense history, reinforced by the emergence of a very powerful military-intelligence complex that is closely integrated with the profit-making activities of the 10 largest US defense firms.<sup>36</sup>

The Defense Department also expanded its reach into areas previously controlled much more exclusively by the State Department, such as aid and development spending, and the expansion of Defense Department supervision of the war on terror had become so pervasive by 2006 that it prompted a Senate Foreign Relations Committee Report chaired by Republican Richard Lugar, entitled “Embassies as Command Posts in the Anti-Terror Campaign.”<sup>37</sup> The Committee, led by the moderate Senator Lugar, concluded that the Defense Department had begun to usurp the authority and influence of State Department personnel as the US increasingly moved to militarize the war on terror through US embassy compounds, a set of practices that former Defense Secretary Robert Gates argued had gone too far.

Furthermore, the allocations of funding for the war on terror have become very politicized, with disproportionate funding going to rural areas, and regions and states with low population density. This is partly designed to maximize support for military and intelligence spending within regions and localities that disproportionately depend on such spending as a high percentage of economic activity. Recent research has exhaustively confirmed a robust relationship between targeting military spending to rural areas and low population density regions and states as a way to maximize support for a high military budget. In fact, such regions and localities are much more likely to elect representatives who consistently vote for military appropriations, in comparison to large-scale allocations to urban areas where military spending is just one component of overall economic activity.<sup>38</sup> If we chart the distribution of military spending across the US from the Cold War to the present, the distribution of dollars is far more widespread today across the territorial US than it was at the height of the Cold War, which helps

explain the difficulty in forming Congressional coalitions that are willing to challenge high levels of military spending.

One way of measuring the plausibility of the military-industrial complex as a significant causal factor in US military spending hikes is to examine the “threat definition” used by policymakers and its relationship to the levels of US military spending, especially during the aftermath of critical junctures such as 9/11. The level of escalation of US military spending from 1998 to 2008 is unprecedented in US foreign policy history, despite the fact that the US faced no enemy state with anywhere near the capacity of the former Soviet Union. By 1998, US military spending was already at the average level of spending during the Cold War, and by 2008, the US budget was higher than at any time in Cold War history. What the MIC theory can predict better than realist theory are the types of weapons systems that received disproportionate shares of funding. Realism would expect military spending allocations to finance weapons systems that have a direct utility in countering the threats faced by the US.

Using a database developed by the Project for Defense Alternatives, the largest military spending increases after 9/11 were accounted for by the operations and maintenance budget, and by the modernization of existing large-scale weapons systems, most of which were well in-place before the events of 9/11 and were justified by a Rogue State Doctrine that was then used as an umbrella strategy for prosecuting a global war on terror.<sup>39</sup> For example, the highest line-item on the Defense Wide Agency and Program Funding for 2010 remained the Missile Defense Agency, which received 7.8 billion dollars in budget allocations, second only to Defense Health Programs at 27.9 billion dollars. For the armed services, before and after 9/11, there has been a reliance on large-scale platforms, including big-deck aircraft carriers, intercontinental bombers, and stealth fighter jets that proved problematic if not useless for the type of counterinsurgency operations emphasized in the war on terror. As Carl Conetta noted in his study for the Project for Defense Alternatives: “In the decade before the 9/11 attacks, the United States spent over \$1 trillion dollars in military modernization. But most of this expenditure proved irrelevant to defending against the most serious attack on America in 60 years. Subsequently, three more years of funding after 9/11 added another \$450 billion to modernization accounts, but still the nation found itself ill-equipped to execute the new tasks it had undertaken: counterinsurgency in Iraq and Afghanistan.”<sup>40</sup>

### The Continuity of the MIC from Bush to Obama

The circumstances of the post-9/11 period did not signify a dramatic change in US foreign policy, but instead reinforced policy continuities long advocated by interests comprising the military-industrial complex. The opportunity for the MIC to use the events of 9/11 to pursue an agenda of expansive militarization is not unique to the 9/11 attacks, but has recurred throughout US history. This pattern allows us to conceptualize an MIC that is deeply embedded as a policy current in establishing long-term strategic responses to perceived threats.<sup>41</sup> The expansion of the MIC is most apparent in the revolving door of interests that link the executive branch, especially the Defense Department, to an increasingly consolidated group of military corporations that seeks expanded rents through “threat construction.” As I have argued here, the growth of large-scale weapons systems do not represent a particularly useful fit for a war against a global terrorist network. The very presence of such large-scale weapons systems, however, can be explained in large part by the policy preferences and profit imperatives of the MIC itself. As documented here, the MIC utilized think-tanks as transmission belts to policymakers that helped

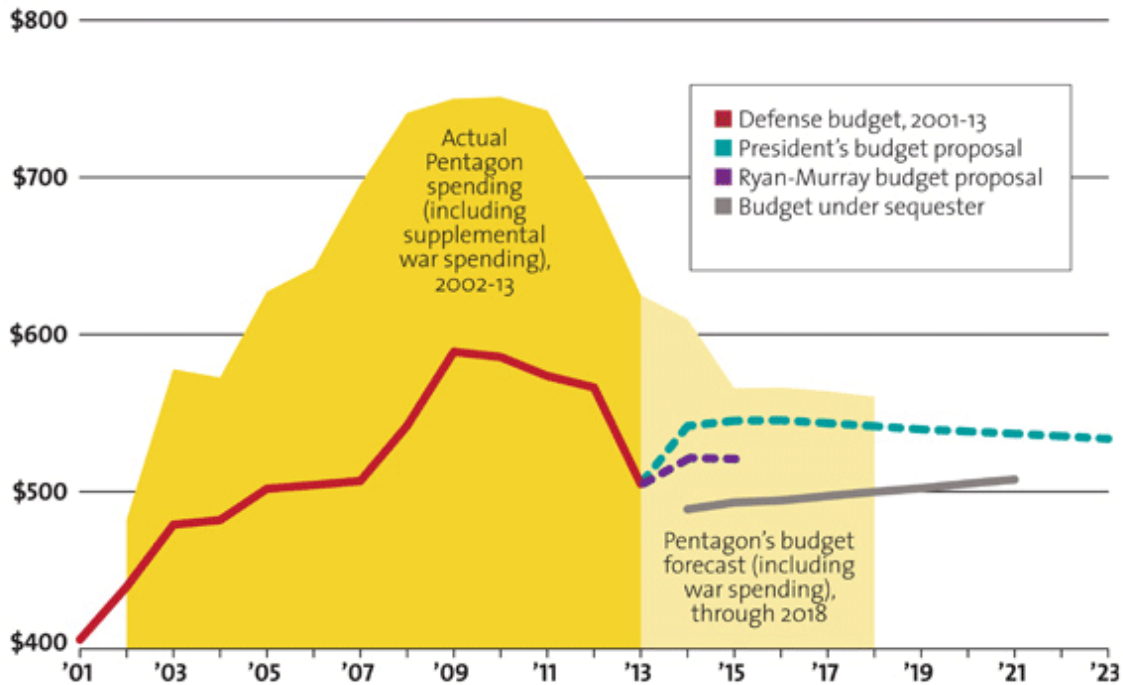


craft the threat definition of 9/11 and the strategic response that followed. This process has real consequences in shaping how the US state responds to critical junctures in US foreign policy.

If we apply the MIC analytical framework to patterns of military spending after the financial crisis of 2008 and through the Obama Administration, the strength of the military-industrial complex appears to be quite robust by comparison with earlier periods of US Cold War history. In fact, it's useful to think of the financial crisis of 2007-2008 as another critical juncture, but one that would potentially contribute to absolute reductions in military spending similar to past critical junctures such as the de-escalation of the Vietnam War, when the US faced a significant dollar crisis that divided US corporate interests over the rates of military spending. The result at that time was an absolute reduction in military spending (in constant dollars) from \$550 billion in 1968 to \$400 billion in 1975, a reduction that exceeds in real terms what is planned for military spending allocations over the next ten years, despite the absence of any threat comparable to the Soviet Union. In other words, despite the worst economic crisis since the Great Depression, there are fewer planned cuts to military appropriations than was the case during the post-Vietnam critical juncture of US policymaking. Even with the modest cuts to US military spending in 2013, US military spending rose again slightly in 2014 and is higher than military spending in 2005. This is due in no small part to the 15-year escalation of military spending, from 1998 through 2012, that has resulted in higher military budgets than at any other point after World War II. If we factor in the anticipated cuts to the Defense Department budget over the next decade, military spending will still be at historic highs, above the highest spending rates during the Cold War period and the same in real dollars as Pentagon spending in 2007 (the 2007 figure uses the Pentagon's budget forecast). See the following table from *Mother Jones* magazine, compiled by David Gilson, Dec. 13, 2013:

### Back to the Future

Current budget proposals would keep the Pentagon's base budget (in billions of 2013 dollars) at mid-2000s levels.



What explains the resistance to cuts in military spending, despite the absence of an external threat comparable to the Soviet Union, and despite an economic crisis that in the past has led to more significant cuts to the military budget? The first factor is the long-term centralization of power within the executive branch that has occurred as an outgrowth of the Cold War and has been extended and further institutionalized as part of the never-ending war on terror. The centralization of executive branch power has contributed to a threat definition that favors bureaucracies that have disproportionate control over intelligence resources. The Defense Department, by controlling 80 percent of intelligence spending, is able to exert considerable influence over threat definition, and therefore over recommendations for how resources are to be allocated to respond to foreign threats. This also gives military corporations added leverage in decisions pertaining to military spending. As I have documented here, the largest defense contractors have an active engagement in policy-planning organizations that include military contractors and former defense department officials. But there is an even more embedded set of institutional relationships that Jerry Harris has documented:

The symbiotic relationship between state and industry can be seen in the National Defense Industrial Association (NDIA). An organization with 9,000 corporate affiliates, 26,000 individual members, and no foreign membership. The Association maintains close coordination with the DOD functioning through 56 chapters and 34 committees, each with direct access and a working relationship with the DOD. Divided up among these contractors is the largest single slice of the Pentagon's budget.<sup>42</sup>

The political strength of military corporations has been further enhanced by their economic consolidation, which as I have documented here, allows a smaller number of firms to secure a higher percentage of prime military contracts. The top 10 military contractors also are heavily engaged in political mobilization and in the disproportionate financing of think-tanks and policy-planning organizations advocating increases in spending for big-ticket weapons items, regardless of whether or not they are appropriate to counter the type of enemies the US is most likely to face over the next decade. In addition, the top military contractors increasingly produce military weapons systems through a supply chain that connects them with other sectors of the corporate economy which then have a vested interest (at least in the short-term) of supporting military spending increases. Many of the broadest cross-section of corporate interests, prominent military contractors included, are working inside the "Fix the Debt" coalition, which recommends cuts to the federal budget that are disproportionately focused on entitlements such as Social Security and Medicare, while military spending is spared similar cuts. While progressive groups were arguing for larger cuts in military spending to help spare social programs, the "Fix the Debt" corporate coalition advocated smaller cuts in military spending and much more significant cuts to entitlement programs.<sup>43</sup> What is instructive about the "Fix the Debt" corporate coalition is how dispersed its ranks are across just about all corporate sectors, from finance to a range of manufacturing interests to military contractors. The current MIC agenda is being given at least tacit support from a range of non-MIC corporate interests that are in favor of lessening the cuts to military spending while expanding cuts to entitlements. This is primarily due to the overlapping interests of large-scale institutional financial investors and

military contractors, as well as the supply chain relationships that link military contractors with a base of manufacturing firms that produce goods for the military.

In addition, the ability of military contractors to preserve big-ticket items is further entrenched by institutional and economic relationships between military firms and Congressional power-brokers, whose districts include significant military contracts. When those districts are spread out across the country, including to rural and relatively isolated areas that disproportionately depend on defense spending, then military contractors have more leverage in preventing the elimination of weapons systems—even when the Pentagon no longer wants those weapons systems!

In short, the balance of institutional and economic power has tilted aggressively in favor of the military-industrial complex, to the point where numerous corporate, executive branch, Congressional and bureaucratic allies are linked in favoring the maintenance of relatively high levels of military spending. It will take a vigorous political response to dislodge such an embedded political force. Perhaps one intriguing place to start would be an alliance between the progressive left-wing of the Democratic Party and the libertarian wing of the Republican Party, both of which have advocated more substantial reductions in military spending than has been accomplished so far. But until that happens, expect more of the status quo.

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<sup>1</sup> C. Wright Mills, *The Power Elite*, Oxford University Press, 1956.

<sup>2</sup> Kenneth Waltz, *Theory of International Politics*, Addison-Wesley, 1979; John Mearsheimer, *The Tragedy of Great Power Politics*, Norton, 2001.

<sup>3</sup> Steven E. Lobell, Norrin E. Ripsman, and Jeffrey W. Taliaferro, *Neoclassical Realism, the State and Foreign Policy*, Cambridge University Press, 2009.

<sup>4</sup> Credit goes to David Gibbs for coining the “business conflict” model. See his *Political Economy of Third World Intervention*, University of Chicago Press, 1991. For a seminal work from this perspective, see Thomas Ferguson and Joel Rogers, *Right Turn: The Decline of the Democrats and the Future of American Politics*, Hill and Wang, 1987.

<sup>5</sup> Ralph Miliband, *The State in Capitalist Society*, Weidenfeld and Nicolson, 1969.

<sup>6</sup> Michael Kalecki, *Selected Essays on the Dynamics of the Capitalist Economy*, Cambridge University Press, 1971; Michael Kidron, *Western Capitalism Since the War*, Penguin, 1970. Paul Baran and Paul Sweezy, *Monopoly Capital*, Penguin, 1966.

<sup>7</sup> Hoover’s Company Records, 2012.

<sup>8</sup> Jerry Harris, *The Dialectics of Globalization: Economic and Political Conflict in a Transnational World*, Cambridge Scholars Publishing, 2006, 119-148.

<sup>9</sup> John Bellamy Foster, Hannah Holleman and Robert McChesney, “The US Imperial Triangle and Military Spending,” *Monthly Review.org*, October 1, 2008, 6.

<sup>10</sup> Jacques Leslie, “The True Cost of Hidden Money: A Piketty Protégé’s Theory on Tax Havens,” *New York Times*, June 15, 2014, p. A19.

<sup>11</sup> *Ibid.*, 1-5.

<sup>12</sup> For an elaboration of this split, see Ronald W. Cox and Daniel Skidmore-Hess, *US Politics and the Global Economy*, Lynne Rienner Press, 1999, 161-202.

<sup>13</sup> David Skidmore, *Reversing Course: Carter’s Foreign Policy, Domestic Politics and the Failure of Reform*, Vanderbilt University Press, 1996.

<sup>14</sup> Ronald W. Cox, *Power and Profits: US Policy in Central America*, University of Kentucky Press, 1994.

<sup>15</sup> David Rosenbaum, “Spending Can be Cut in Half, Former Defense Officials Say,” *New York Times*, Dec. 13, 1989.

<sup>16</sup> Michael Klare, *Rogue States and Nuclear Outlaws: America’s Search for a New Foreign Policy*, Hill and Wang, 1996.

<sup>17</sup> Alexandra Homolar, “Rebels Without a Conscience: The Evolution of the Rogue States Narrative in US Security Policy,” *European Journal of International Relations*, November 2010, p. 713.

<sup>18</sup> *Ibid.*

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- <sup>19</sup> Ibid.
- <sup>20</sup> Ibid.
- <sup>21</sup> Michael Klare, *Rogue States and Nuclear Outlaws*, Hill and Wang, 1996.
- <sup>22</sup> Ibid, 714.
- <sup>23</sup> Ryan R. Brady and Victoria R. Greenfield, "Competing Explanations of US Defense Industry Consolidation in the 1990s and Their Policy Implications," *Contemporary Economic Policy*, Vol. 28, No. 2, April 2010, 288-306. Graphs below drawn from this source.
- <sup>24</sup> William Hartung and Michelle Ciarrocca, "The Military-Industrial Think Tank Complex," *Multinational Monitor*, Jan.-Feb. 2003, 17-20; David Gibbs, "Pretexts in US Foreign Policy: the War on Terrorism in Historical Perspective," *New Political Science*, Vol. 26, No. 3, 2004, 293-321;
- <sup>25</sup> Richard Skaff, "The Military-Industrial Complex: A Capitalist System Run Amok," *Global Research: Centre for Research on Globalization*, Dec. 14, 2012.
- <sup>26</sup> David Collier and Ruth Collier, *Shaping the Political Arena*, Princeton University Press, 1991; Martha Finnemore and Kathryn Sikkink, "International Norm Dynamics and Political Change," *International Organization*, Vol. 52, No. 4, 887-917.
- <sup>27</sup> Bruce Cumings, Ervand Abrahamian, and Moshe Maoz, *Inventing the Axis of Evil*, New Press, 2004.
- <sup>28</sup> Thomas Breslin, *The Great Anglo-Celtic Divide in the History of American Foreign Relations*, Praeger, 2011, 316.
- <sup>29</sup> Gibbs, "Pretexts and US Foreign Policy," 2004;
- <sup>30</sup> Andrew Bacevich, "Tailors to the Emperor," *New Left Review*, May-June 2011, Vol. 69.
- Richard Cumings, "US: Lockheed Stock and Two Smoking Barrels," *Corpwatch*, Jan. 16, 2007.
- <sup>32</sup> William Hartung, "The Military-Industrial Think Tank Complex," 2003.
- <sup>33</sup> Ibid.
- <sup>34</sup> Ibid.
- <sup>35</sup> 9/11 Commission Report, "Reorganization, Transformation and Information Sharing," US Government Accountability Office, August 3, 2004.
- <sup>36</sup> James Bamford, *The Shadow Factory: the NSA from 9/11 to the Eavesdropping of America*, Anchor, 2009.
- <sup>37</sup> Senate Committee on Foreign Relations, "Embassies as Command Posts in the Anti-Terror Campaign," Dec. 15, 2006.
- <sup>38</sup> Rebecca Thorpe, "The Welfare-Warfare State: Perpetuating the US Military Economy," PhD Dissertation, University of Maryland, 2011.
- <sup>39</sup> Carl Conetta, "Undisciplined Defense," Project for Defense Alternatives, Jan. 18, 2010.
- <sup>40</sup> Ibid., x.
- <sup>41</sup> See the seminal works by Chalmers Johnson, including *Blowback, Second Edition: The Costs and Consequences of American Empire*, Holt Paperbacks, 2004; *The Sorrows of Empire: Militarism, Secrecy and the End of the Republic*, Metropolitan Books, 2004; and *Nemesis: The Last Days of the American Republic*, Metropolitan Books, 2007.
- <sup>42</sup> Jerry Harris, *The Dialectics of Globalization: Economic and Political Conflict in a Transnational World*, Newcastle: Cambridge Scholars Publishing, 2008, 129-130.
- <sup>43</sup> Nicholas Confessore, "Public Goals, Private Interests in Debt Campaign," *New York Times*, Jan. 9, 2013, p. A1.

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