
We foot the billing, Corporations make a killing

Whether you agree with the war or not, it's clear that military conflict means sacrifice for many Americans. Virtually everyone agrees that the war in Iraq will be expensive. Yet, instead of girding up to pay for a war, President Bush is cutting taxes for the rich. This will result in higher deficits, increased tax burdens for the poor and middle class, and cutbacks in health care, education, and other essential services.

Despite the economic sacrifice that most of us are being required to make, for a few key industries whose interests are tied to the war, military conflict could prove quite lucrative. For them, hefty profits will flow from the high-tech approach to war and the necessary post-war rebuilding.

The war is going to be costly.

Wars are expensive, especially without the support of the United Nations. President Bush has already requested \$75 billion in emergency spending for the first six months. But that's likely just the beginning, and it doesn't account for costly occupation and rebuilding. Taxpayers for Common Sense estimates a price tag of \$550 billion over the next ten years. Yale University economist William Nordhaus has calculated that a war in Iraq could cost up to \$1.6 trillion over ten years.

Instead of asking all Americans to pay for the war now, President Bush is asking Congress for a \$726 billion tax cut that will disproportionately benefit the rich. Asking for a tax cut at a time of rising federal deficits and uncertainty about war is the height of fiscal irresponsibility. If the Bush tax cut becomes law, the national debt could balloon to \$12 trillion. (See "How Tax Cuts Trickle Down," New York Times editorial, March 16, 2003.)

Most economists (including Fed Chairman Alan Greenspan) believe that raising the national debt increases interest rates because of the added borrowing pressure it imposes on the economy. Higher rates mean less business investment, which is bad for job creation and the rest of the economy. When Bush says his plan will promote growth, he is referring mostly to the bank accounts of his wealthy friends.

Who pays?

Bush's proposed tax cuts would accomplish something no president has ever attempted at a time of war — overwhelming tax relief targeted to the richest Americans. Bush and his allies decry critiques of "class warfare." But when you add up the numbers, Bush's tax policy turns out to be "class warfare" on the poor.

The plan to eliminate the dividend tax overwhelmingly helps the richest of the rich. According to NYU economist Edward Wolff, the top 1 percent own 49 percent of taxable stocks and mutual funds; the top 10 percent own 85 percent. Although half of U.S. households own stock, most own it in the form of already tax-advantaged retirement plans such as the 401(k). For them, a dividend-tax cut or elimination adds up to — nothing.

Bush is also pushing to repeal the estate tax — a huge tax cut that only benefits the wealthiest 2% of Americans. The Senate recently approved the repeal.

Corporations, meanwhile, pay just 13.7% of all taxes, leaving individuals to cover the rest. This is quite a change from 1940, when corporations and individuals roughly split the tax bill. In recent years, many corporations have beefed up their tax departments to take advantage of all possible loopholes, including the use of offshore tax havens. A number have even reincorporated in offshore tax havens. (see "Gaming the Tax System," Business Week March 31, 2003)

Individual taxpayers account for 86.3% of all taxes paid. Yet less and less is going to the individuals who need social services while more and more is going back to private corporations through subsidies, excessive contracts, and other forms of corporate welfare. A big chunk of Bush's proposed tax cuts come from slashing budgets for social safety net programs that benefit the most people. House Republicans, who are drafting Bush's plan into law, are cutting \$93 billion from Medicaid, \$14.6 billion in benefits for veterans (including money for disabilities), and also making significant funding cuts to education and other social services.

Both wealthy taxpayers and corporations take advantage of offshore tax havens, which IRS consultant Jack Blum estimates costs the government about \$70 billion in annual revenue, or almost enough to cover the \$75 billion that Bush estimates will be needed to cover the first 6 months of war.

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Contractors to rebuild Iraq

After the United States is done dropping the bombs, the cost of rebuilding Iraq will be tens of billions of dollars (at least), and most of that work will be done by private contractors. The American Academy of Arts & Sciences puts rebuilding costs at between \$30 billion and \$105 billion.



The U.S. Agency for International Development has already begun a closed bidding process for the first contract, a lucrative \$900-million package. Among those invited to submit bids were Washington insiders Bechtel Group Inc., Fluor Corp., Louis Berger Group Inc., Parsons Corp., and Halliburton subsidiary Kellogg Brown & Root.

Halliburton, the former company of Vice President Dick Cheney, is one of the most politically connected companies in America. Recently, it built the Guantanamo prison compound for terrorism suspects. Halliburton has donated \$709,000 to political campaigns between 1999 and 2002. But while Halliburton is happy to benefit from government contracts, under Dick Cheney, Halliburton increased its offshore tax havens from 9 to 44. Halliburton's federal taxes fell from \$302 million in 1998 to less than zero (an \$85 million rebate) in 1999.

Bechtel, considered the largest contractor in the world, has donated \$1.3 million to political campaigns between 1999 and 2002 and is the former employer of former Defense Secretary Caspar Weinberger, former Secretary of State George Schultz, and former CIA Director William Casey. Bechtel also has plenty of experience in Iraq. In the 1980s, Bechtel used its political connections (including now defense secretary Donald Rumsfeld) to push for a billion dollar oil pipeline through Iraq, courting Saddam Hussein even as he gassed Iranians. According to the Berlin newspaper Die Tageszeitung, Bechtel has supplied Hussein with weapons of mass destruction in the past.



For more, see: "Which Companies Will Put Iraq back together?" by Diana B. Henriques, *The New York Times*, March 23, 2003, and the Center for Responsive Politics' Capital Eye; <http://www.capitaleye.org/>

Private military services



As the U.S. military becomes increasingly privatized (a process begun by Cheney when he was defense secretary under Bush I), private military companies (PMCs) like Dyncorp Inc., Military Professional Resources Inc. (MPRI) and Halliburton subsidiary Kellogg, Brown and Root are picking up lucrative contracts to provide all kinds of military and security services. Military contractors, which are not easily held accountable for human rights violations and other atrocities, add another level of secrecy to the armed services.

According to the Washington Post, there is one private contractor for every ten military personnel in the Persian Gulf. According to the Center for Public Integrity, the Defense Department has entered into 3,601 contracts worth \$300 billion with 12 U.S.-based PMCs.

Virginia-based Dyncorp reported \$1.96 billion in revenue for 2001, \$6.8 billion in contract backlog, and a global network of more than 23,000 employees providing a broad range of military services — everything from protecting borders to running the Naval Air Warfare Center to protecting Afghan president Hamid Karzai. MPRI reported annual sales of \$95 million from numerous contracts with the U.S. and foreign governments.

Halliburton, meanwhile went from 73rd to 18th on the Pentagon's top contractors list during Cheney's tenure as CEO (1995-2000). Between 1991 and 2001, Halliburton provided \$2.5 billion in support services to deployed forces. In 2001, Halliburton won a 10-year contract to do more of the same work, with no cap on costs.

These for-profit military companies obviously have much to gain from a military installation in the Persian Gulf.



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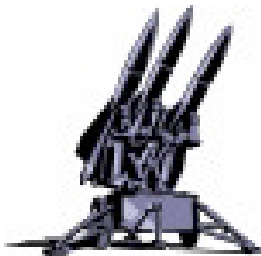
Weapons and weapons systems

The military-industrial complex that Eisenhower warned about 40 years ago is bigger than ever and continues to line the pockets of military contractors with money for weapons systems that even leaders at the Defense Department have opposed. Bush's proposed 2004 budget calls for \$380 billion for defense, the largest increase in two decades, with \$20 billion increases for each of the next five years.

Thanks to increased defense spending, Lockheed Martin Corp. got \$17 billion in contracts in 2002, up from \$14.7 billion in 2001. Boeing Co. got \$16.6 billion, up from \$13.3 billion, and Northrop Grumman got \$8.7 billion, up from \$5.2 billion.

Defense contractor ties to the Bush administration are strong and pervasive. Lockheed Martin VP Bruce Jackson was a finance chair of the Bush for President campaign. Vice President Cheney's wife, Lynne, is a former Lockheed board member. Undersecretary of the Air Force Peter B. Teets is a former Lockheed President and Chief Operating Officer. Secretary of the Air Force James Roche is a former Northrop Grumman Vice President. Deputy Secretary of the Department of Homeland Security (and former Secretary of the Navy) Gordon England is a former General Dynamics executive.

Defense corporations contributed \$13.69 million in the most recent election cycle, led by \$1.96 million from Lockheed Martin, \$1.42 million from General Dynamics, and \$1.37 million from Northrop Grumman. As a result, weapons systems like "Star Wars," the "Crusader" artillery and the "Osprey" remain a huge drain on the budget and provide little national security benefit.



The war in the Gulf is also a big boost to manufacturers of satellite technologies, which enable high-precision U.S. bombs and missiles to operate. Big winners include PanAmSat, Intelsat Ltd., and Iridium, a venture that cost Motorola Inc. \$2.6 billion and has been saved from bankruptcy by the military. (See "Now It's Really Space War," Business Week, March 24, 2003.)

For more, see The Arms Policy Institute (www.worldpolicy.org/projects/arms/)



Oil



Iraq possesses one-ninth of the world's proven oil reserves. But U.S. oil companies have been banned from those lucrative oil fields for more than a decade while French, Russian, and Chinese oil companies have been pumping black gold.

The oil industry's slick influence and crude ambitions permeate the administration from top to bottom. Both the President and the Vice President are former oil executives. National Security Adviser Condoleezza Rice is a former director of Chevron. President Bush took more than \$1.8 million in campaign contributions from the oil and gas industries in the 2000 election. All told, 41 members of the administration have ties to the oil industry.

While U.S. leaders have publicly said that Iraqis will get to decide who gets the rights to develop the oil fields once the war is over, the Bush administration has held private meetings with oil executives about developing Iraqi oil fields. The Wall Street Journal reported on January 16 that officials from the White House, State Department and Department of Defense have been meeting informally with executives from Halliburton, Schlumberger, ExxonMobil, ChevronTexaco and ConocoPhillips to plan the post-war oil bonanza.

For more, see Target Oil (www.targetoil.com), Foreign Policy in Focus (www.foreignpolicy-infocus.org/) and The Sustainable Energy and Economy Network (www.seen.org)





WAR IN IRAQ:



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What's the solution?

1. Money for families, not weapons and wars

The proposed 2004 Pentagon budget is \$380 billion a year with \$20 billion a year increases planned for coming years. President Bush has already requested \$75 billion for the first six months of war — and that's just the beginning.

How will Bush pay for a war at the same time he is pushing a \$726 billion tax cut for the rich? By cutting services for the poor. Medicaid benefits will be cut by \$93 billion over ten years. Veterans benefits will be cut by \$14.6 billion. Food stamps will be cut by \$13 billion. Temporary Assistance for Needy Families will be cut by \$8 billion.

Instead of cutting services for the poor, we need to cut some of the unnecessary weapons systems that bloat the Pentagon's budget despite dubious performance. The F-22 fighter, for example, will cost \$70 billion from design to production, enough to earn it the nickname "Tiffany's on Wings."

The perverse logic is that while Bush and company are willing to pay whatever it takes to "liberate" the Iraqi people, when it comes to our failing schools and crumbling cities and fracturing health care system, they can't even spare a dime. And worse, they want back the dime that they spent last year to pay for a war and tax cuts for the rich.

For more, see United for a Fair Economy's "War and the Economy" (www.faireconomy.org) and the Center for Budget and Policy Priorities' analysis of the Bush budget (www.cbpp.org). Also see: "War distracts from Bush's budget cuts," by Robert Kuttner in the *Boston Globe*, March 26, 2003.

2. Let the UN handle rebuilding contracts, not Halliburton and other Administration cronies

Money to rebuild Iraq should be channeled through UN humanitarian agencies, not paid to corporations with close ties to the Bush Administration through secretive closed-bidding processes. A handful of politically-connected companies have already been invited to bid on a \$900 million rebuilding contract, the first of many contracts. Halliburton subsidiary Kellogg, Brown & Root, meanwhile, has also received a contract to extinguish oil well fires in Iraq that has no set time and no dollar limit, a contract estimated at tens of millions of dollars. It is a "cost-plus" contract, meaning that Kellogg Brown & Root is guaranteed to recover costs and then make a guaranteed profit.

At the very least, high-ranking Administration officials should recuse themselves from any negotiations of contracts with companies with which they may be too closely associated.

3. Take the burden for the war off poor and middle-class taxpayers

With corporations paying less and less of their fair share and the richest Americans getting huge tax cuts, it's middle-class American taxpayers who are carrying more and more of the burden and getting less and less in return.

One way to reverse this trend would be to crack down on offshore tax evasion, which corporations and wealthy taxpayers use to cheat the government out of \$70 billion a year — roughly the cost of the first six months of war.

Other ways to reverse this trend are to reject the Bush tax cut and to beef up IRS resources to cut down on all types of widespread tax evasion by corporations and wealthy taxpayers.

For more, see ACORN (www.acorn.org)