

# The Crusader affair: A military-corporate oligarchy out of control

**Patrick Martin****16 May 2002**

The controversy over the proposed cancellation of the Army's new self-propelled artillery piece, the Crusader, sheds light on a fundamental characteristic of contemporary America: the increasingly brazen role of the military and corporate elite in dictating the policies of the US government.

Secretary of Defense Donald Rumsfeld officially announced the cancellation of the Crusader at a news conference May 8, after a week of mutual backstabbing between two forces usually closely allied: the Bush administration and the congressional Republican leadership.

The next day the House Armed Services Committee voted to retain \$475 million in the Pentagon budget to fund the artillery system, and the full House followed suit a few hours later, including Crusader in the \$383 billion bill authorizing the military's 2003-2004 budget.

The bill, passed by a lopsided margin of 359 to 58, includes language directing the administration not to terminate Crusader pending an Army study. Rumsfeld aides said if this language was incorporated into the final bill the defense secretary would ask President Bush to veto the Pentagon budget approved by his own party in Congress.

The Bush administration kept the Crusader in its initial military spending request outlined in January 2002, but the artillery system was already under fire from sections of the Pentagon's civilian leadership and self-styled "reform" elements among military planners, who viewed the Crusader as a relic of Cold War military thinking—the huge howitzer was originally designed to counter Soviet tanks and heavy artillery on the plains of Germany.

In battles taking place in remote and mountainous regions such as Afghanistan, they argued, the Crusader, at 80 tons, was too heavy to airlift into place or to move easily once on the battlefield. Its massive striking power—it can fire ten 155mm shells per minute a distance of 30 miles—would have little application in scenarios involving rapid movement and small-unit conflict. The firepower required for such warfare could be supplied more easily and effectively from the air, using cruise missiles, tactical weapons like helicopter gunships, and long-range bombers.

Deputy Defense Secretary Paul Wolfowitz presented the decision to cancel Crusader to the Army on May 1, according to press accounts. The response was a virtual uprising by civilian officials and military brass. Army Secretary Thomas White argued that a slimmed-down 39-ton version of the weapon would be viable. Army lobbyists contacted key congressmen, particularly in the Republican delegation from Oklahoma, the state where Crusader would be manufactured and many of the artillery pieces would be based.

Senator James Inhofe (Republican of Oklahoma) issued a statement declaring "without exception, every uniformed officer and enlisted

person that testified before Congress on this issue agreed that Crusader was the crown jewel of our Army modernization program. The fight for Crusader will continue in Congress." He was joined by Oklahoma Republican Congressman J.C. Watts, chairman of the House Republican Conference, who successfully moved to keep the Crusader in the House version of the Pentagon appropriations bill.

Oklahoma's other Republican senator, assistant minority leader Don Nickles, also declared his support for the Crusader, and the co-chairmen of the Senate Armed Services Committee, Carl Levin (Democrat of Michigan) and John Warner (Republican of Virginia), asked Rumsfeld to appear before the committee to explain the "sudden change" of position on the weapon. Virtually inviting an Army challenge to Rumsfeld, they asked Army Chief of Staff Eric K. Shinseki, a vocal proponent of Crusader, to appear alongside Rumsfeld.

Rumsfeld initially suggested that the decision to cancel Crusader was not irrevocable, and that the Army would have another 30 days to study its feasibility. But he denounced the open lobbying campaign by Army officials who are nominally his subordinates, and ordered the Army's inspector general to investigate how "talking points" for keeping the Crusader came to be faxed from the Army's Office of Legislative Liaison to Congress, directly undermining the official Pentagon position.

The "talking points" leveled extraordinary accusations against Rumsfeld, Wolfowitz and other opponents of the Crusader, saying that they wanted a "quick kill to demonstrate their political prowess and their commitment to transformation," and that their action would "put soldiers at risk," leading to a greater number of US battlefield deaths.

Rumsfeld's press spokeswoman, Victoria Clarke, publicly rebuked Army Secretary White for the attempt to lobby Congress behind the backs of the top Pentagon civilian leadership, and suggested that he might be removed from his post. She added, "If people try to blame some midlevel staffers, it would be inappropriate and wrong."

A few days later, however, what was "inappropriate and wrong" became Bush administration policy. The inspector general declared that White had not known about the "talking points" and the Army secretary was officially exonerated of the accusation of disloyalty. A mid-level aide, Kenneth Steadman, the civilian deputy chief of the Office of Legislative Affairs, took the fall, handing in his resignation after a statement that he had approved and disseminated the "talking points" without notifying either White or the military officer, Major General Joe G. Taylor, who heads the Office of Legislative Affairs.

White's survival in this bureaucratic infighting is significant. It demonstrates the powerful influence within the administration of two constituencies: the Army brass and the energy industry. White is a

retired Army general who became president of Enron Energy Services after leaving the military, then moved back to the Pentagon after Bush entered the White House. His appointment as Army Secretary effectively erased the line between military and civilian, putting a retired general in a position that supposedly ensures civilian control over the military.

The collapse of Enron put the spotlight on White's personal business dealings, since he retained a substantial investment in the company until February 2002, more than a year after taking the Pentagon position. He is now under investigation by the FBI and the Securities and Exchange Commission for his contacts with former Enron colleagues, as well as his continued stockholdings. At the same time, the Defense Department inspector general is investigating White's use of a military jet to conduct personal business, including visiting his condominium in Aspen, Colorado.

What has put habitual allies like Watts and Rumsfeld, or Nickles and Wolfowitz, at each other's throats? Both sides in the conflict over Crusader support the huge \$48 billion increase in military spending proposed in the current Bush administration budget. Both endorse the massive increases in the Pentagon budget projected for the ensuing years, in the name of "force modernization" and the "war on terrorism."

Those who oppose Crusader don't want to shift a penny of the \$11 billion allocated for its development to address the countless unmet social needs in America. They merely advocate spending the money on other weapons systems, ranging from the Joint Strike Fighter to new computers for the "electronic battlefield" of the future. What is involved here is as much a matter of conflicting corporate sponsors as conflicting views on military strategy and tactics.

Underlying the conflict is the rivalry of giant arms conglomerates in a ferocious struggle for profits, each seeking to cash in on the massive arms bonanza. This struggle has become increasingly desperate in the course of what the military-industrial complex regards as the "lean years" of post-Cold War downsizing, culminating in a series of mergers and takeovers in which weaker companies like Grumman, Raytheon and Martin-Marietta were absorbed by their stronger competitors.

The sums at stake are immense. When Lockheed-Martin won the contract for the Joint Strike Fighter last fall, over rival Boeing, the deal was worth over \$200 billion—20 times the value of the Crusader contract. The conflict over these enormous guaranteed profits has become so unrestrained that it overshadows any rational estimation—even from an imperialist standpoint—of military necessity, and disrupts the functioning of the Pentagon, setting one clique against another, even in time of war.

United Defense Industries (UDI), manufacturer of the Crusader, would appear to be overmatched in a struggle against the likes of Lockheed-Martin or Northrop-Grumman. But it has an advantage which goes beyond the support of the Oklahoma congressional delegation: it is controlled by perhaps the most politically well-connected company in America, the \$12 billion Carlyle Group, a private US investment firm headed by former Reagan defense secretary Frank Carlucci.

The Carlyle Group employs an array of top former government and military officials, most notably the president's father, former president George H.W. Bush. While it is routine in corporate America to employ former government officials as well-paid lobbyists, Carlyle enrolls many as equity partners. It has made multimillionaires of Carlucci, former secretary of state James Baker, and former Bush

budget director Richard Darman. Its stable also includes former Securities and Exchange Commission Chairman Arthur Levitt, former British Prime Minister John Major and former Philippines president Fidel Ramos. Among its major investors, until their presence became an embarrassment last fall, were members of the bin Laden family of Saudi Arabia.

United Defense Industries followed the example of its corporate parent, hiring three retired military officers as consultants or directors. William A. Owens was former vice chairman of the Joint Chiefs of Staff, J.H. Binford Peay III was an Army general and commander-in-chief of Central Command, while John M. Shalikashvili, also an Army general, is former chairman of the Joint Chiefs.

UDI has proved to be a bonanza for Carlyle and its well-heeled investors since Carlyle created it in 1997 in a leveraged buyout that combined two older defense contractors, FMC Corp. and Harsco. By one estimate, Carlyle has turned a \$173 million investment into dividends, capital gains and stockholdings worth \$900 million in only five years.

The relationship between the Carlyle Group's profiteering and the Bush administration's "war on terrorism" is particularly crass. Five weeks after the attack on the World Trade Center and the Pentagon, Carlyle announced it would launch an initial public offering for United Defense Industries. In a prospectus filed last October 22 with the Securities and Exchange Commission, UDI declared: "The terrorist attacks of September 11, 2001, have generated strong Congressional support for increased defense spending.... We believe that domestic and international defense spending will grow over the next several years as a result of an increased focus on national security by the US government and its allies."

On December 13, 2001, the House and Senate completed passage of the Defense Authorization Bill, which provided full funding for the Crusader and several other weapons contracts with UDI. The next day UDI went public, and company President and Chief Executive Thomas Rabaut was invited to ring the opening bell at the New York Stock Exchange to celebrate the new initial public offering. The stock soared, and Carlyle raked in more than \$237 million in that single day.

A month later, the Bush administration released its fiscal 2003 budget, with another \$475 million earmarked for Crusader. UDI's stock hit \$30 a share. But since the effort to cancel the weapons system became public, the share price has fallen to under \$22. Little wonder that UDI declared, in response to Rumsfeld's announcement that the Crusader would be shut down, that it would carry the fight for the weapons system—which provides 23 percent of its corporate revenue—into the halls of Congress.



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