US: Defense and oil company executives reap windfalls from Iraq war

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Since September 11, 2001, and the Bush administration's initiation of the "war on terror," inequality in the US has grown at a rapid rate and to grotesque proportions. The criminal nature of war on Iraq is reflected in every facet of American life, least surprisingly of all in the enormous fortunes of the ruling elite. Indeed, the current war, the most privatized in history, is viewed by a wide range of corporate executives and investors as an open-ended outsourcing opportunity.

Congress has appropriated more than $314 billion thus far for the illegal invasion and occupation of Iraq, largely at the expense of infrastructure, education, and other basic requisites for modern life at home. The massive government expenditures and cuts in vital social programs that characterize the US war economy, however, far from fostering restraint on the part of big business, have paved the way for shameless price gouging, corporate windfalls, tax cuts, pension-gutting and pay cuts for average workers in the US.

Results of "Executive Excess 2006," the thirteenth annual chief executive officer compensation survey by the Institute for Policy Studies (IPS), underscore the fact that the war has benefited a very few to the detriment of the broad mass of the population, both domestically and internationally.

Business Week estimates that in 1980 the ratio of US executive to worker pay was 42-to-1. IPS found that by 1990 the CEO-worker pay gap had grown to 107-to-1. In the period following 1990, one dominated by unprecedented deregulation and globalization, executive pay soared while workers' wages by and large stagnated, generating a pay gap of 411-to-1. "If the minimum wage had risen at the same pace as CEO pay since 1990," the report notes, "it would be worth $22.61 today, rather than the actual $5.15." Similarly, average worker pay would be more than $108,000 in 2005, rather than $28,314.

After 9/11, pay levels of defense and energy CEOs soared. According to the IPS, CEOs of the top 34 defense contractors saw their average compensation double, from $3.6 million in 2002 to $7.2 million in 2005. Since September 11, these 34 executives have pocketed a combined total of nearly a billion dollars, which the IPS estimates would be "enough to cover the entire wage bill for more than a million Iraqis for a year." Average defense CEO pay was 308 times the pay received by a deployed US Army private in 2005, $25,000.

George David, CEO of Black Hawk helicopter manufacturer United Technologies, raked in over $200 million between 2002 and 2005, making him the highest paid defense executive. In 2004, David took in $88.3 million in pay and stock options; last year his pay was $31.9 million, still the top defense executive. Boeing CEO W. James McNerney Jr. was not far behind in 2005, with $28.4 million.

The sharp rise in executive pay is directly tied to Pentagon budget increases. Last year alone, government expenditures for military contracts totaled $269 billion. As the ISP points out, the excessive funds have accelerated "the virtual revolving door between the Pentagon and private contractors." Former Defense Secretary William S. Cohen, for example, resigned in 2001 to become a lobbyist for the defense industry.

Divestitures in military health care contributed to the enormous profits of managed care company Health Net and the fortunes of its top executives. CEO Jay Gellert hauled in over $28 million between 2002 and 2005, a 1,134 percent increase in compensation over the four years prior to war. Gellert is the defense executive posting the biggest pay increase in the IPS survey.

Health Net holds contracts to provide health services to active military personnel as well as mental health counseling and care of wounded troops—profiteering driven by the huge numbers of injuries. The company's profits have increased by 26 percent since 2003, primarily due to a “risk-sharing” arrangement with the federal government, whereby the Pentagon makes up the difference for costs past the threshold of solvency. If not for this subsidization of contracting, the IPS estimates, Health Net would be running in the red.

The Pentagon has also outsourced intelligence collecting, paramilitary-style training, and management of unsavory and illegal detention facilities. The second-biggest executive pay increase went to Anteon International CEO George Kampf, whose company is responsible for training Coalition troops in prisoner interrogation techniques. According to the financial watchdog group CorpWatch, many of the interrogators working at facilities infamous for torture, including Guantánamo and Abu Ghraib, received their training through Anteon. CEO Kampf’s annual pay package rose from $600,000 before September 11, 2001, to $9 million last year.

The US oil industry has also conspicuously benefited from the war in Iraq, at the expense of the lives tens of thousands of Iraqis and the livelihoods of millions. Within the US, ordinary workers are struggling with drastically higher retail gasoline and residential fuel prices. Meanwhile, chief executives at the fifteen largest American oil companies have received record pay in the years since the “war on terror” was declared.

According to the IPS, these top CEOs claimed an average $32.7 million in compensation last year, 518 times the annual wage of an average oil industry worker. The highest paid executive was William Greehey of top refiner Valero Energy, with $95.2 million. The lowest-paid oil industry worker for which the Bureau of Labor Statistics keeps statistics, a site construction worker, would have to work for 4,279 years before earning as much as CEO Greehey made last year.

Greehey was followed by Occidental Petroleum executive Ray R. Irani, who took in $84 million, and outgoing ExxonMobil CEO Lee Raymond, who reported $69.7 million. Together, the top 15 saw average pay increases of more than 50 percent in 2005 over 2004.

The Center for Responsive Politics, which tracks lobbying and contributions, reported that the oil industry contributed more than $2.6 million to the reelection campaign of George Bush in 2004. The next highest contribution, worth $305,610, was to the pro-war campaign of Democratic opponent John Kerry. Along with a number of predominantly Southern Republican senators who received large sums from the industry, Bush and Kerry have promoted legislation to serve the interests of big oil, including unserious environmental policies emphasizing voluntary compliance and incentives, deregulation, and in the longer term, conquest of the Middle East.

Last year, ExxonMobil recorded $36 billion in profits, the largest ever recorded. Like all major oil companies in the aftermath of Hurricane Katrina, ExxonMobil seized on the destruction of the Gulf Coast and the damage to rigs and refineries in the region as a pretense for extreme gouging. CEO Raymond, called to testify before Congress in the face of public outrage, denied profiteering and defended the record profits. He reiterated two persistent lies: that salaries enjoyed by the upper crust were hard earned and justly deserved, and that price hikes were the uncontrollable result of supply and demand.

At the end of the year, Raymond retired, taking nearly $70 million with him for 2005. A few months later, he was awarded a retirement package—including a million dollar consulting contract, security, car and driver, use of a corporate jet, and nearly a quarter million dollars in country club fees—reportedly worth nearly $400 million.

Overall in 2005, the oil industry netted over $140 billion, more than three-quarters of which went to the top five oil companies. So far 2006 has been yet another record-breaking year. ExxonMobil’s second quarter profits were $10.36 billion, 36 percent higher than those of the same period last year.

With so much market share and so much of a critical resource dominated by a handful of corporations, oil companies can effectively shape the market to maximize their profits. The working class is held hostage with arbitrary price increases and artificially suppressed supplies. Currently the Energy Information Administration estimates that American refineries are operating at an average 86 percent capacity, resulting in gasoline production rates of 24 million fewer barrels per day than a year ago.