As Biden and Republicans move to slash social spending to pay for war

“60 Minutes” exposé reveals massive Pentagon price-gouging

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26 May 2023

In a letter issued Friday, Treasury Secretary Janet Yellen advised the White House and lawmakers negotiating sweeping social cuts in connection with raising the debt ceiling that the deadline for averting a default was now June 5 instead of her previous estimate of June 1.

The new Treasury estimate, conveniently announced Friday afternoon before a long Memorial Day weekend, afforded President Joe Biden and House Speaker Kevin McCarthy extra time to lock down the votes in their respective parties needed to enact a bipartisan deal to make the working class pay for the war against Russia in Ukraine and the preparations for war against China.

Media reports indicate that Biden and the Democrats have already agreed to Republican demands for a freeze on discretionary spending, with the exception of defense and veterans’ benefits. Biden’s record $1 trillion Pentagon budget, a 3 percent increase over the previous year, will remain intact, while outlays for Medicaid, food stamps, welfare, education, housing, job training, public transit and the environment will be substantially cut.

There will be no increase in taxes on corporations or the rich, and money allotted to hire more Internal Revenue Service agents to crack down on wealthy tax cheats will be slashed.

In the name of “fiscal responsibility,” social programs will be ravaged while the financial oligarchy and the military-industrial complex, bathed in blood, gorge themselves.

A window into the criminality and plundering of American society by the Pentagon and Wall Street was provided by a CBS “60 Minutes” exposé that aired this past Sunday. The program featured Shay Assad, a former director of defense pricing and contracting at the Department of Defense. Before working at the Pentagon under the Bush, Obama and Trump administrations, Assad, a Naval Academy graduate, spent 22 years at Raytheon, one of the largest military contractors in the world.

In the “60 Minutes” interview, Assad said the Pentagon overpays for “almost everything.” He called the price-gouging that takes place “unconscionable.”

As an example, Assad presented two oil switches. One, with cabling, was purchased by NASA for $328. The same switch, without cabling, was purchased by the Pentagon for over $10,000.

In relation to the US-NATO war against Russia in Ukraine, Assad pointed to the exorbitant price being paid for the shoulder-mounted Stinger missile. In 1991, a new missile for the launcher cost $25,000. Today, the same missile, which is supplied only by Raytheon, costs over $400,000.

During his time at the Pentagon, Assad’s team authored reports showing that the Department of Defense had paid a subcontractor, TransDigm Inc., $119 million for parts that previously sold for $28 million. During the Iraq war, TransDigm raised the price of a valve needed for the Apache helicopter by 40 percent, or $737, to $1,830. Assad noted that by 2018, the same valve made by TransDigm was being sold for “almost $12,000.”

He observed that price-gouging within the defense industry increased substantially following an edict issued by the Pentagon in 1993 urging military companies to merge, resulting in the consolidation of 51 companies into five. At the same time, the Pentagon, under the Bill Clinton administration, oversaw a massive reduction in the Civilian Acquisition Workforce, whose job is to negotiate and monitor military contracts. From 1990 to 1999, the

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workforce within this "watchdog," which included negotiators, overseers and engineers, was reduced by over 130,000 people, or more than 50 percent.

As in every industry, weapons corporations' price-gouging is done for the enrichment of a privileged few. A graphic displayed during the program showed that from 2000 to 2009, the five major US weapons makers—Lockheed Martin, Boeing, Raytheon, General Dynamics and Northrop Grumman—spent about 3.7 percent of their revenue on dividends and share buybacks, while 6.2 percent went for research, development and capital expenditures. In the following decade, from 2010-2019, these same companies nearly doubled the portion of revenue spent on rewarding their major investors and inflating their stock, spending an average of 6.4 percent on dividends and buybacks. R&D fell by 0.3 percent.

All five major US weapons makers handsomely reward their executive officers. According to *Forbes*, in the year 2021 the five weapons companies received over $116 billion in Pentagon contracts while paying their top two dozen executives a total of $287 million.

The CEOs of the five companies commanded a combined salary of over $104 million in 2021. James Taiclet of Lockheed Martin received $18.1 million; David Calhoun of Boeing, $21.1 million; Gregory Hayes of Raytheon, $21.8 million; Phebe Novakovic of General Dynamics, $23.5 million; and Kathy Warden of Northrup Grumman, $19.9 million. The average salary of these CEOs, roughly $21 million, is over 466 times the average salary ($45,000) of a US worker.

The Cost of War Project at Brown University found that, in order to ensure a steady supply of government contracts, weapons makers have spent $2.5 billion on lobbying since the launching of the "War on Terror" in 2001. Over the last five years, weapons companies have employed "on average, over 700 lobbyists per year," substantially more than one lobbyist for every member of Congress.

Beneficiaries of weapons companies' stock buybacks and dividends include dozens of members of Congress, who own shares in the same companies to which they award multi-billion-dollar contracts.

According to CapitolTrades.com, in the last three years 19 politicians have traded a combined total of at least $1.22 million worth of Lockheed Martin stock; 18 members of Congress, Democrats and Republicans alike, have bought and sold at least $1.29 million of Raytheon stock; 10 lawmakers have bought and sold at least $379,000 worth of General Dynamics shares; 16 members of Congress have traded $2.22 million in Boeing shares; and 13 lawmakers have bought and sold $635,000 worth of Northrop Grumman stock.

On February 24, 2022, the day Russia invaded Ukraine, Republican Representative John Rutherford of Florida and Democratic Representative Earl Blumenauer of Oregon each purchased between $1,001 and $15,000 worth of Raytheon stock.

Two days before the invasion, Georgia Representative Marjorie Taylor Greene purchased between $1,001 and $15,000 worth of Lockheed Martin shares. Greene also purchased Lockheed Martin shares in similar amounts in December and November of 2021.

Seeking to present the illusion of "accountability" where none exists, on Friday a bipartisan group of senators, including Chuck Grassley (Republican of Iowa), Bernie Sanders (Independent of Vermont), Elizabeth Warren (Democrat of Massachusetts), Mike Braun (Republican of Indiana) and Ron Wyden (Democrat of Oregon), announced that they were leading an investigation into price-gouging at the Pentagon.

The investigation thus far has amounted to sending a letter to Secretary of Defense Lloyd Austin requesting that the Pentagon investigate itself. The senators asked Austin to "provide us an update on the Department's efforts to implement outstanding Government Accountability Office recommendations... as well as your efforts to investigate the price-gouging uncovered by CBS's recent reporting."

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