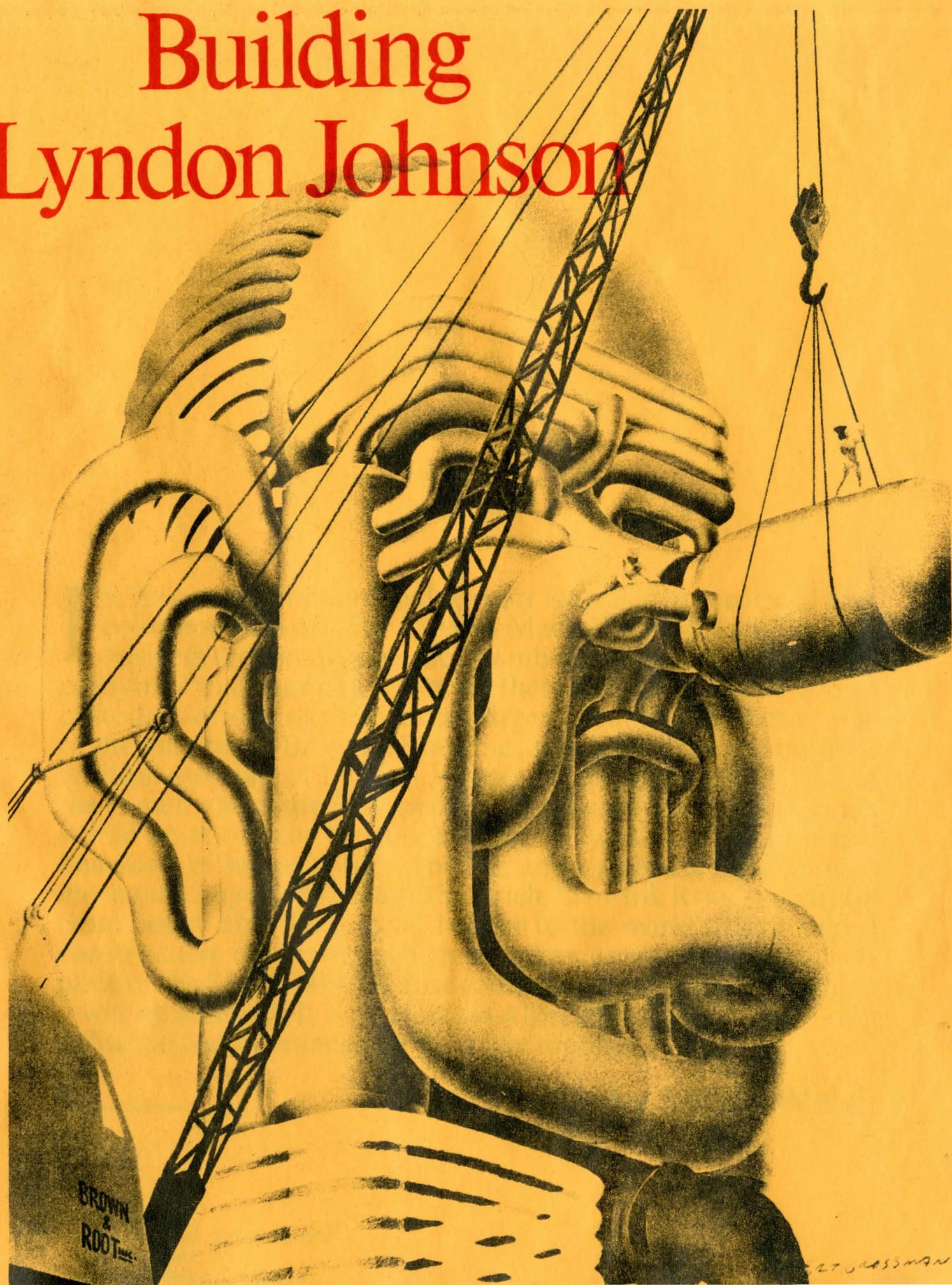


Building Lyndon Johnson



IN Houston's International Airport is an alcove decorated with color portraits of "The 15 Who Made Houston Tick," mostly business tycoons who, as the Chamber of Commerce never tires of saying, "built our city." Among them is George Rufus Brown, custodian of one of the nation's larger fortunes, board chairman of the mammoth Brown & Root Inc., and close friend and business-political associate of Lyndon Johnson. If someone made a list of the 15 men who made *Johnson* tick, George and his brother Herman would be at or near the top. For the Browns were the principal financiers of his early rise to power, and Lyndon is the man who more than anyone else made them rich. Brown & Root's ascension from penny ante Texas road builder to the world's third largest construction company—which numbers among its contracts a piece of the \$1,600,000,000 base construction program in Vietnam—was no accident. It is no Horatio Alger story. It is the story of a politician and a business, on the make together.

by David Welsh

Illustrations by Robert Grossman

[FINGERS IN THE PORK BARREL,
FINGERS IN THE WAR]

THE BROWN BROTHERS, like Lyndon Johnson, started small. And like Lady Bird Johnson, they were children of a storekeeper, growing up in the central Texas town of Belton. George, the younger, went to college. Herman went to work on the roads. In 1915, Herman branched out and began hauling dirt on his own, after his boss fell on hard times and gave him equipment in lieu of pay. Four years after that he formed a partnership with one Dan Root to build roads with their mule-drawn fresnos, an arrangement that was to last until Root's death in 1929. Herman and George, who had since joined the company, decided to keep old Root in the company name.

Herman was a rough diamond, known for his daring and ruthlessness, but he shared with his more courtly, college-educated brother the realization that the path to the big money passed through the seats of government. And so it was that on the eve of the Great Depression and the most extravagant public spending program the nation had ever seen, a pair of shrewd brothers from a humble Texas backwater took out incorporation papers and began to lobby. They reinvested their profits politically, making friends in city halls and courthouses all over central Texas and in the state capital at Austin.

By the mid-'30s the Brown brothers had enough road jobs to weather the slump and were angling for some of those big federal contracts which FDR was passing out like jujubes. And in 1936 it happened. The federales were building a dam near Austin on the Lower Colorado River, and veteran Congressman James P. Buchanan of Texas, chairman of the House Appropriations Committee, saw to it that Brown & Root (with a partner) made the low bid and got the contract. Those who submitted more realistic bids for the Marshall Ford (Mansfield) dam and powerhouse were not surprised when costs rose to \$23 million—more than four times the original Brown & Root bid. Like other businessmen, the Browns may have had philosophical objections to the New Deal, but it didn't prevent them from raking in all that government green. For that matter, the New Dealers did not appear to have any serious objections to non-union, barrelbottom-wage contractors like the Browns, for all their liberal talk.

Instrumental in the Marshall Ford contract award was Alvin J. Wirtz, who was both lawyer for Brown & Root and general counsel for the Lower Colorado River Authority, with political connections stretching from the Pedernales to the Potomac. It was Wirtz who had urged the appointment of Lyndon Johnson as congressional secretary to Richard Kleberg, when the heir to the King Ranch fortune was elected to Congress in 1931. Wirtz had been impressed, during Kleberg's primary race, with Johnson's political savvy as a campaign worker, the facility with cash and favors that was to become an LBJ trademark. "Somewhere in Johnson," wrote Robert Sherrill in *The Accidental President*, "is a compass that holds truest where the cash is piled highest." And when that lanky, back-slapping, 23-year-old schoolteacher was bundled off to Washington as Kleberg's secretary in 1931, the seeds of his long and fruitful relationship with Wirtz and the Browns were already in the ground.

In 1935, Sam Rayburn put the arm on FDR to appoint Johnson as Texas director of the National Youth Administra-

tion (NYA). Alvin Wirtz was chairman of the state advisory board for the NYA, which ultimately spent \$32 million providing busywork for the hands and minds of Texas youth. Johnson used the opportunity to build a small political machine of his own and to make the acquaintance, through Wirtz, of Herman Brown, whom he asked to serve on the NYA advisory board. Then, in 1937, Congressman Buchanan died in office, and an election was held to fill his unexpired term. Lyndon Johnson was chosen to succeed him—by Alvin Wirtz, the chief devoted servant in Buchanan's district of the New Deal-business coalition. Oozing encomiums about President Roosevelt, Johnson easily defeated his 11 opponents. Managing his campaign was a crony from his NYA days named Ed Clark, of the old Austin law firm of Looney & Clark which took care of business at the legislature for George and Herman Brown.

By the time the war hit, the alliance between Lyndon and the Browns was already solidly forged. Brown & Root had won REA, WPA and PWA contracts for a chain of dams and power stations on the Texas Highland Lakes and along the Colorado and Pedernales in Johnson's district—thanks to LBJ's efforts on their behalf. President Roosevelt was anxious to have Texas support for his programs, and Johnson, his protégé, got practically everything he asked for. In Johnson's first two years on the Hill alone, he funneled more than \$70 million of federal money to the Texas hill country, with Wirtz's help. In 1938 he organized the Pedernales Electric Cooperative, the largest REA cooperative in the nation at the time, with headquarters at Johnson City. He and Wirtz paid a call on the President to ensure the necessary funds. Not surprisingly, Wirtz's law firm, attorneys for Brown & Root, came to represent Texas Rural Electric, a statewide association of REA cooperatives which helped disburse a disproportionate share of building jobs to the central Texas contractor.

But if New Deal porkbarreling put Brown & Root on its feet, it was the war that launched it into the "industrial giant" class. In 1940 came the naval air station at Corpus Christi, Texas—the biggest cost-plus contract ever awarded in the U.S. up to that time—with Brown & Root as one of the prime contractors. It was awarded after President Roosevelt called to his office Navy Secretary Frank Knox and Lyndon Johnson, then a member of the powerful House Naval Affairs Committee. Knox was advised that Johnson should be "consulted" on the Corpus Christi award. Brown & Root got 37-1/2 per cent of the action. Total cost of the air station, more than three times the original estimates, climbed to nearly \$100 million.

The Corpus Christi contract was the first time Brown & Root feasted at the Navy trough, but that was only *hors d'oeuvres*. There was Guam in the '40s, Spain in the '50s, Vietnam in the '60s—evidence of what was to be the Navy's general predilection for Texas contractors, and of Johnson's particular predilection for the brothers Brown. It was Congressman Johnson, with an influence over naval affairs entirely out of proportion to his seniority, who threw their way a packet of wartime shipbuilding contracts that must have made even those tough, tightlipped Browns grow vaguely enthusiastic. In mid-1941 they formed the Brown Shipbuilding Co., erected a \$6 million shipyard along the Houston ship channel, and built subchasers and a fleet of \$5 million destroyer escorts—359 ships in all, employing 25,000 workers at the height of the war. By 1944, Brown Shipbuilding had performed \$357,100,000 worth of work for the Navy and ranked 68th

by volume on the list of prime war suppliers. Although ship-building profits were the meat of their war winnings, the Browns picked up plenty of gravy on other government contracts, including the construction of military bases in the Southwest.

[BROWN & ROOT FOR SENATE—1941 AND 1948]

MEANTIME, LYNDON JOHNSON had twice been reelected to Congress, boasting of the dams and defense work he was bringing to Texas, when in 1941 he decided to run for the Senate in a special election following the death of the incumbent. He set up headquarters in the Brown Building in Austin (owned by Herman Brown) to take on Governor W. Lee ("Pass the Biscuits Pappy") O'Daniel, and toured the state with a couple of blackface comedians. He lost to O'Daniel in a close race, despite heavy backing from Brown & Root.

In June of 1942, the Internal Revenue Service began investigating the Brown & Root campaign contributions—illegal when donated by a corporation. But what interested the probers was not so much that the Browns had financed Johnson's campaign in return for multimillion dollar favors—for this has become such common political practice that it has acquired a kind of legitimacy—but an alleged attempt by Brown & Root to evade income taxes by deducting campaign contributions to Johnson as "business expenses," "attorney's fees" and "bonuses." The IRS investigation, under the direction of Special Agent James M. Cooner, was dropped early in 1944, apparently on orders from the White House.

The full story of the '41 election probe did not break until March 1956 in the columns of Drew Pearson, at a time when Johnson was trying to block a proposal for mandatory listing of contributions in primary elections. Pearson's information, from photostat documents of the IRS investigation which had somehow come into his hands, has never been successfully challenged, let alone disproved. Cited was an Internal Revenue exhibit showing that Victoria Gravel Co., a Brown & Root subsidiary, had paid a \$5000 "business expense" to an employee who stated under oath that he had mailed \$2500 of it to Johnson campaign headquarters. The IRS also uncovered Brown & Root payments of \$12,500 in "attorney's fees," through Victoria Gravel, to a Houston lawyer who later wrote checks to pay LBJ campaign expenses. Although Johnson denied ever hearing of the lawyer, IRS agents said photostats of checks deposited to the Lyndon Johnson Club at Houston's Second National Bank revealed that the attorney had indeed paid for radio time, printing and other campaign expenses. The IRS also turned up a series of Brown & Root "bonuses" to the company's executives—not at Christmas but in the springtime, during and just before Johnson's 1941 Senate campaign. Among the "bonuses" were \$5000 to office manager Carl Burkhart (now senior vice president and secretary) and \$30,000 to vice president L. T. Bolin (now senior executive vice president of Brown & Root). Questioned by the IRS, the recipients gave no explanation for the bonuses; nor would they explain what they had done with the money, although most of the checks were cashed within a day of their receipt. Bolin did recall making a contribution to Johnson's campaign, but was uncertain of the amount. IRS agents were able to refresh his memory when they located Bolin's checks for

\$1150 and \$1870, both on behalf of the Johnson campaign.

In late 1942, Pearson reported, Brown & Root began complaining to Washington that the inquiries were hindering their war work; IRS agents were accordingly instructed to be "diplomatic." The investigation continued for 14 months more, suffering fits and starts after renewed complaints from Brown & Root. Then, on January 13, 1944, the ubiquitous Alvin Wirtz, who had served as FDR's undersecretary of the Interior (on Johnson's recommendation) and was back again as Brown & Root's attorney, accompanied Congressman Johnson to the White House for a chat with the President. That afternoon Elmer Irey, the Treasury Department enforcement chief, phoned Dallas to say the President wanted a full report on the investigation; the next morning the Brown & Root file was teletyped to Irey in Washington and shown to Roosevelt. And three days later, a new agent was sent to the Dallas IRS office, and a series of conferences were held to assess Brown & Root's overall tax liability. The proposed assessment of \$1,062,184, plus a fraud penalty of \$531,092, was reduced to \$372,000. The investigation was over.

How much of Brown & Root's million dollars in delinquent taxes represented illegally deducted personal or campaign contributions to Johnson was not disclosed. But whatever they may have paid, it is clear that the Browns have reaped a consistently high return on their investment in Lyndon Johnson. As for the contested tax returns of Brown & Root, Victoria Gravel and their implicated employees, they have, fortuitously, disappeared. The records were moved to a quonset hut in South Austin which somehow caught fire and burned to the ground on June 5, 1953. Destroyed were all those disputed tax returns—or so it was said.

The Browns, as we have seen, were heavily dependent on Johnson for the war contracts that made them rich. But when peace was declared in '45, someone turned down the valve on the government's bloody money pipeline, and it became once again apparent that Lyndon Johnson in the Senate would be considerably more valuable than Lyndon Johnson in the House. War contracts depend for their very existence on a war policy, and no one had better credentials as a war politician than Johnson. From the beginning of his congressional career, Johnson fought as insistently as anyone for heavy increases in arms spending. In the late '30s and early '40s, he was one of FDR's Number One Hawks. In the late '40s he was among the first to call attention to the "Russian menace" and push for massive Cold War appropriations. His perennial concern for defense is typified by a speech he gave in Congress on March 15, 1948, on behalf of the Air Force, the rising Texas aircraft industry, and above all his contractor friend who would build the bases. "No matter what else we have of offensive or defensive weapons," he said, "without superior air power America is a bound and throttled giant, impotent and easy prey to any yellow dwarf with a pocket knife."

Lyndon was in his fifth term when O'Daniel's Senate seat fell vacant in 1948. The detailed story of Johnson's fraudulent, 87-vote run-off victory over Governor Coke Stevenson in that primary has been told before—the 203 late-arriving "extra" votes from Precinct 13 of Jim Wells County (202 of them for Johnson), cast by a few dead Mexicans and some live persons who "voted," curiously enough, virtually in alphabetical order. The maneuvers by LBJ's campaign manager John Connally to stymie an investigation are also a matter of public

record. Less well known is the fact that Connally was an Alvin Wirtz law partner and a Brown & Root attorney, and that altogether, George and Herman Brown were a major factor in Johnson's '48 victory. They contributed heavily to his campaign, together with representatives of the aircraft industry, and donated the use of company aircraft. When the state Democratic executive committee met to certify candidates for the rubber-stamp November elections, it was one of the Browns' closest business collaborators—Charles I. Francis—who argued the case for Johnson. (It was Francis who, in 1947, engineered the sale of the government's war-built Big Inch and Little Big Inch pipelines to the Brown-controlled Texas Eastern Transmission Corporation, today the nation's third largest gas pipeline company, with Francis as stockholder and director and George Brown as chairman of the board.) Francis argued the case again in federal district court, this time losing. Federal Judge T. Whitfield Davidson, finding *prima facie* evidence of "fraud in the manipulation and counting of votes" in Precinct 13, issued a temporary injunction prohibiting the secretary of state from putting Johnson's name on the ballot, and opened a federal court investigation.

When Johnson took his case directly to the U.S. Supreme Court and Justice Hugo Black—who, after a hasty hearing in his chambers, ruled in Johnson's favor, canceling the Davidson investigation—it was Francis again, together with New Deal/big business attorney Abe Fortas (now on the Supreme Court), who presented his case. Directing the battle in Texas were Alvin Wirtz and Ed Clark. The same Alvin Wirtz who helped quash the IRS investigation of Brown & Root contributions to Johnson's '41 campaign and whose law partner, Ben H. Powell Jr., became senior vice president and general counsel of Brown & Root. The same Ed Clark who managed Johnson's first campaign for Congress; whose law partner, Donald Thomas, runs the Brazos-Tenth Street Co., widely believed to be a front for part of LBJ's estimated \$14 million personal fortune; and who is today Lyndon's ambassador to Australia, lobbying for Texas business investment down under. These were the very same Alvin Wirtz and Ed Clark whose law firms have histories as highly paid lobbyists and counsel for Brown & Root.

[THE BEAUTIFUL THING ABOUT A WAR . . .]

Texas is a state with one senator from Standard Oil and one senator from Brown & Root—WAYNE MORSE, 1953.

THE BEAUTIFUL THING about a war, for a company like this, is that it's always good for business—before, during and after. The flow of jobs to Brown & Root did not stop with the Japanese surrender. There was the reconstruction; more important still, the huge new foreign markets opening up for America, the only major capitalist country to survive the war with its economy intact. The war had not only built the likes of Brown & Root, Kaiser and Reynolds into large, diversified concerns; it had also crippled our foreign competitors, permitting an immense American business expansion abroad. Thus, Brown & Root, once a creature of the government contract, did only 12 per cent of its business with the government in 1966, by the company's own calculations. The rest was for private industry in the United States and more than 36 foreign countries and territories, as well as for foreign governments. But that 12 per cent

figure can be misleading if we fail to consider the size of the Browns' holdings, and their more than a billion dollars worth of business over the last 27 years in direct support of war.

One of their first postwar jobs was the construction, with two other contractors, of Navy and Air Force bases on Guam, now a major logistical base for the Vietnam war. The Navy contract was for \$130,000,000, but as usual this was far below the actual cost on completion. Before the job was over, Brown & Root was at work on the Pacific islands of Koror, Ponape, Turk and Saipan as well. The Cold War was on, and in the five years following Hiroshima an estimated \$100 million in additional war work went the Browns' way, including a big job in Canada and Alaska rehabilitating the DEW line. During the Korean War, Brown & Root had an estimated \$10 million cost-plus contract to overhaul medium tanks, and another to machine turrets and hulls for new medium tanks.

Johnson, meanwhile, was moving with unprecedented speed up the Senate ladder—from Democratic whip (1951), to minority leader (1953), to majority leader after his reelection in 1954. He was also a member of the Armed Services Committee and, after 1950, chairman of the Preparedness Subcommittee—all of which put him in an admirable position to influence the award of defense contracts. Moreover, Johnson was Eisenhower's most valued lieutenant in the Senate, and Lyndon in turn had great pull with the President. Their close alliance was not in the least unusual. They were sympathetic to essentially the same interests—big oil and natural gas, big utilities, big aerospace and defense contractors—the same "military-industrial complex" that Ike waited until his farewell address to excoriate. It was not surprising, therefore, that Brown & Root won a healthy pile of contracts from the Eisenhower Administration. For when Ike carried Texas over Adlai Stevenson in '52 and '56, he did it not only with the behind-the-scenes support of Lyndon's Boy, John Connally, but with that of George and Herman Brown. And when contract time came, Ike could scarcely have forgotten the benevolent neutrality, during those campaigns, of Senator Johnson himself.

The '50s saw Brown & Root fighting on at least two fronts—the hot war in Korea and the Cold War in Europe. With partners, the company was management contractor under the Air Force for the construction of nine NATO air bases in France, a \$200 million-plus contract. Then came Spain, where Brown & Root teamed up with Raymond International and Walsh Construction Co. on a \$357-million cost-plus contract awarded by the Navy. The Houston Post reported that more than 150 companies had competed for the job. Brown-Raymond-Walsh, as the consortium was known, built four major U.S. Air Force bases, a large naval base and complete support facilities, ranking among the top 40 military prime contractors.

The U.S. General Accounting Office (GAO) was not too happy with Brown-Raymond-Walsh (BRW). In reports issued in 1960 and 1963, the GAO accused the contractors of overcharging the government \$6.7 million by claiming (and collecting) excessive administrative costs. The charges, in keeping with the staid character of the GAO, were diplomatically couched. In December 1960, the GAO reported to Congress that when part of the contract was converted from a "cost-plus-fee" to a "fixed price" basis, the fixed price included "administrative cost allowances . . . about \$6.7 million in excess of reasonable estimates. . . ." Included in this amount was \$3,875,000 the contractors collected from the Navy for

expenses incurred at their *home* offices. But under the fixed price agreement, the allowance for "home office expenses" had been specifically set at a \$535,000 ceiling. In other words, Brown-Raymond-Walsh had conned the government out of \$3,340,000 on this item alone, money the Navy was not contractually obligated to pay, but which it did with no questions asked. The GAO contended that the three contractors had simply charged off a portion of their normal home office overhead to the BRW contract. "We found no evidence," said the GAO, "and BRW has presented none, to show that the home offices of the individual joint venturers performed any significant services for which they had not been otherwise adequately reimbursed." Another item on the GAO list was \$463,000 in "bonuses paid to American employees," which BRW had agreed would be paid out of profits but which was claimed as contract costs. Again, the Navy did not question it: they paid it.

The GAO charges were specific and essentially unchallenged, and the Navy promised to do something about it. A Navy official informed a congressional subcommittee that as of April 1, 1961, the Navy had recovered \$5.1 million of the excessive allowances in breathtakingly simple fashion: by placing additional work with BRW with "little or no allowance for the contractor's related administrative costs."

But the GAO charged in its 1963 report that the Navy had "overstated the amount of recovery by \$2.1 million" by juggling the terms of the contract and its change orders. "The Navy's actual recovery by placing additional work under the contract was about \$3 million," the report said, pointing out that some of the Navy's claimed recovery of excessive costs resulted from duplicate accounting of jobs already performed. The GAO clearly implied that the Navy's preposterous \$2.1 million "error" in BRW's favor was deliberate. To the GAO the errors were "evident" and "obvious." Moreover, the GAO report stated that when BRW finally terminated operations in May 1962, the Navy still had not recovered the outstanding \$3.7 million from the contractor. While the GAO was urging Defense Secretary McNamara to "initiate any action which may be available to him, and is necessary, to obtain . . . recovery of the excessive administrative costs now outstanding," the Navy blandly stated its opinion that "the contractor is under no legal obligation to effect any refund. . . ."

It is significant that throughout the Spain bases controversy the secretary of the Navy was John Connally, whose association with Brown & Root has been as close and longstanding as Lyndon's. (In Connally's 1964 primary campaign for governor of Texas, George Brown and his executives were to report contributions of \$4500; associates of the First City National Bank of Houston, in which Brown has sizable holdings and influence, reported individual contributions to Connally in excess of \$9500; Brown & Root's Washington lobbyist, Frank Oltorf, also contributed.) As a result, Brown & Root and co-venturers were in a much better position to silence the unpleasant business than the GAO was to keep it alive. One would have thought, at least, that the Pentagon would be wary of awarding future contracts to such obvious predators on the public treasury. But Raymond International and Brown & Root were promptly hired for one of the biggest base-building jamborees in history—Vietnam. Once again, the eagle-eyed GAO looked into the books, and came up with a report on contractor irregularities that made Spain look like small potatoes.

[THE CIA'S "BROWN & ROOT DIMENSIONS"]

WHEN HOUSTONIANS WANT to refer to something gigantic, they often describe it as being "of Brown & Root dimensions." But the Browns hardly ever sought publicity—for good reason, as we have seen. Houston man-about-town columnist George Fuermann tells of a rare interview George Brown once granted to *Time* magazine. Brown gave one of three answers to all significant questions: 1) "I'm not informed on that"; 2) "I don't know"; and 3) "No."

Brown & Root's assets and income have climbed geometrically from the early road contracting days. Balance sheets filed at the secretary of state's office in Austin show assets of \$658,000 on December 31, 1935 (with a net profit for that year of \$122,000), and \$1,147,000 on December 31, 1937, after the New Deal contracts began to flow in. War contracts brought the corporation's June 30, 1942 assets to \$5,332,000, and that excludes Brown Shipbuilding Co., its biggest war breadwinner. The last balance sheet on file, dated October 31, 1954 (before the Spain contracts), gives a profit-loss surplus of \$13,271,000 and assets of \$27,497,000. The figures are those reported by the company and do not include the concealed assets for which the Browns were famous.

With Herman Brown's death in 1962, George sold the company for an alleged \$36,745,000 to the Halliburton Company, the world's leading oil and gas service company, acquiring Halliburton stock in the process. Brown & Root continues to operate independently as a subsidiary of Halliburton. According to the authoritative *Engineering News Record*, Brown & Root alone did \$639 million worth of business in 1965, \$211 million of it outside the U.S.

All over the world, wherever big money is spent, George Brown has holdings. His interests own or control companies dealing in insurance, real estate and banking, as well as oil and gas production, distribution and service. They control Texas Eastern Transmission, which after the war bought up the government-built Big Inch and Little Big Inch pipelines for \$143 million—a fraction of present value—and grew to a net worth of more than \$1.1 billion in 1966. The acquisition made the Browns a power in the oil industry, and it was through them that Johnson's intimate ties with the industry developed. Throughout his career, George Brown has "remembered" his political friends. In one bank, the Capital National in Austin, Brown interests were co-stockholders as of 1964 with Ed Clark, Lyndon's ambassador to Australia; former Texas governors Allan Shivers and Dan Moody; two Johnson-controlled trust funds; and the Brazos-Tenth Street Co. The Browns used to control the \$91 million bank (Herman was board chairman), but control has passed to what Texans call the "Johnson group." It is part of what appears to be a concerted drive by Johnson to acquire control of central Texas banking.

But if Brown was willing to give Lyndon his little bank in Austin, he is still a major power in Houston banking, with substantial holdings in the \$900 million First City National Bank and reported interests in at least six others. Moreover, he has long ago ceased being a strictly Texas tycoon. He is not only board chairman of Brown & Root and Texas Eastern Transmission, but a director of International Telephone and Telegraph, ARMCO Steel, TWA and other corporate giants. And there is no telling how much Brown has invested under little-

known "street names," set up by banks to disguise ownership of companies by corporate buccaneers.

Another interesting family enterprise is the Brown Foundation, to which Herman bequeathed much of his holdings and which acquired most of the \$36 million paid by the Halliburton Co. for Brown & Root. Assets as of mid-1965 were reported at \$74,490,000. Aside from the Foundation's tax-free business investments (\$55,882,000 in corporate stocks alone), it has contributed to the Lyndon B. Johnson State Park and heavily to oil-rich Rice University. It also contributed to the Vernon Fund, a CIA conduit in Washington (\$95,000 in 1960; \$150,000 in 1962), and to the CIA's Radio Free Europe. Especially intriguing are the Brown Foundation gifts to the American Friends of the Middle East (AFME), a CIA-supported group working closely with various Arab countries—where Brown & Root and other Brown-affiliated companies do a healthy business servicing the oil industry. The first donation to AFME on record was \$50,000 in 1960. Not long afterward, Brown & Root won a contract to lay oil pipelines in Saudi Arabia for the Arabian-American Oil Co., a consortium of U.S. oil companies—itsself a contributor to AFME. There followed a \$50,000 donation to AFME in 1962 and another for \$150,000 in 1964, as the Near East contracts continued to flow in. It is a short step from backing Lyndon to helping the CIA subsidize the propaganda activities of Arab governments.

Iraq, Kuwait, Libya, Saudi Arabia, Egypt—wherever the oil is, Brown is, too. But his self-interest in helping pro-Arab causes is not limited to immediate contract benefits. As Thomas D. Cabot, head of the Boston-based Cabot Foundation (which also contributed to AFME) and the Cabot Corporation (which extracts carbon black from Middle East oil), wrote in the *Christian Science Monitor* in 1953: "Oil is the key to war, the Middle East the key to adequate oil, and [pre-Nasser] Egypt the key to the Middle East. We need the friendship of Egypt. . . ." Since one of the apparent aims of the CIA is to make the world safe for U.S. business, it is small wonder that a man like George Brown would cooperate.

Brown's interests were also peripherally involved in other CIA funding operations. William A. Smith, a director of Brown's Texas Eastern Transmission Corporation and senior board chairman of Southern National Bank (a Texas Eastern property), was a founder and trustee of one of AFME's principal benefactors, the San Jacinto Fund. This mysterious tax-exempt foundation received large contributions from anonymous sources and dispensed them to such CIA favorites as AFME (which received \$500,000 from the Fund in 1960-61) and the National Student Association. Headquarters for the Fund were in Houston's San Jacinto Building, downstairs from the offices of the Brown Foundation and several of George's oil companies.

Other elements of the Houston corporate aristocracy associated with Brown in banking and business ventures also volunteered to provide secret conduits for CIA money. The interlocking ties are of bewildering complexity. One such conduit is the M.D. Anderson Foundation, which shares with Brown and the Brown Foundation major holdings in Houston's First City National Bank and owns stock in the Brown-affiliated American General Insurance Co. (whose board chairman, Gus Wortham, is a longtime friend and financier of Lyndon Johnson). LBJ's pal Leon Jaworski, an attorney for big eastern interests in Texas, is an M.D. Anderson trustee; his

law partner, John H. Freeman, is the foundation's president. A close banking associate of the M. D. Anderson Foundation, Ernest Cockrell Jr., is a founder and trustee of the San Jacinto Fund. With George Brown on the First City National board are two executives of Quintana Petroleum Corporation, whose vice president, Douglas B. Marshall, set up the Marshall Foundation, a pipeline for government subsidies to AFME and other CIA charities. George Brown lunches regularly, since Herman's death, with Oveta Culp Hobby, Eisenhower's first secretary of Health, Education and Welfare, publisher of the *Houston Post*, friend of LBJ—and founder of the Hobby Foundation, another CIA conduit to AFME. George A. Butler, a director of Texas Eastern Transmission and other Brown-affiliated companies, as well as of the *Houston Post*, is a Hobby Foundation trustee. William P. Hobby, Oveta's son and another foundation trustee, readily admitted the CIA link. And he probably summed up the sentiments of George Brown and all these millionaire beneficiaries of federal largesse when he said: "We are glad to have done it and proud to have been of service to the federal government."

[GEORGE BROWN AND ALBERT THOMAS WORK A LITTLE DEAL]

PRACTICALLY ALL LARGE CORPORATIONS are "political," but Brown & Root is an extra-special case. For years Herman Brown ran the Texas legislature as a one-man show, employing two or three full-time lobbyists plus a stable of lobbyist-lawyers. "You couldn't get *any* bill through the legislature," recalls an Austin lawyer, "without the okay of Herman's lobbyists." Texas journalist Hart Stilwell wrote of Brown in *The Nation* in 1951: "Politically he is already the most powerful man in Texas and close to bossing the entire state." When trade unions tried to organize some of Herman's companies, he pushed a bill through the legislature making union shops illegal, and in 1950 arranged for a court order enjoining 92 unions from picketing any of his jobs. (The term "Brown & Root job" is a household expression among Texas workingmen used to describe anything distasteful or unrewarding.) State highway contracts (\$100 million in 1950) cascaded Brown's way. Tax laws were written by the Texas Research League and "ratified" by the legislature; the league, which saw to it that Texas got more annual revenue from cigarettes than from oil and gas, consisted of Brown, his close allies, Humble Oil and Texas Gulf Sulphur, and a roster of the major economic powers of the state. This was the Brown machine, or the Johnson machine, as it was later called. It ran the state and brooked no interference.

Texas of the '40s and early '50s was still a state where industrial safety and the minimum wage were practically communist demands, and Herman Brown wanted to keep it that way. He could be vindictive to those who opposed him. When Stuart Long, a popular Austin radio commentator on station KVET, started making pro-labor noises, Herman had him fired. That was easy, for the chief owner of KVET was John Connally. KVET had been established as a satellite of Lady Bird Johnson's radio station KTBC, located (where else?) in Herman's very own Brown Building in downtown Austin. Later, as LBJ grew in power, Texas Democratic politicians would tell how they had incurred Lyndon's wrath after crossing paths with Herman Brown.

Wherever the power is, the Browns have sought it out, cultivated it, incorporated it as another political subsidiary—from the lowest levels of Houston government on up. Their machine supports candidates for school board, legislature, Congress, with the full force of the Brown & Root organization. Contributions are made in curious ways. One common practice is an “annual safety show” organized by one of the city’s political law firms, for which Brown & Root will buy a (tax-deductible) block of \$7.50 tickets for its employees. Grass-roots political organizing is another Brown specialty. Employees are encouraged to address personal postcards to their friends (postage paid by the company), urging them to vote for company-approved candidates. Saturation mailings giving the Brown & Root line on political issues are dispatched from such organizations as the “Conservative Action Club” at 4100 Clinton Drive, the company offices. C. D. Stephens, the company’s full-time political education officer, holds regular indoctrination briefings for employees. The Brown & Root house organ, although occasionally prone to lapse into mystical conservatism, stated the company’s political principles quite concretely in a recent issue. “Where a political issue directly affects the conduct of business,” it said, “whatever benefits one employee of Brown & Root affects *all* employees—whether vice president or craftsman. Legislation harmful to the aggregate productivity and profits of Brown & Root people is harmful to each.”

Those principles were rigorously applied last year to two congressional primary races in Houston. The incumbents, Albert Thomas and Bob Casey, who had represented Brown & Root in Congress for years, were threatened with an uprising of Texas liberals who wanted nothing to do with Brown. One of the challengers, Attorney Bill Kilgarlin, described the two campaigns: “On election day, Brown & Root had three hand-bill-pushers in practically every precinct in the two districts—about 350 of their employees in all, by rough count—and getting overtime because it was Saturday. Their foremen had set it up. They were driven to the polls and told they would be picked up when the polls closed to be taken back to the Brown & Root grounds. It was just their job for the day.” When the results were in, George Brown had won a split decision. His boy Casey was reelected. His boy Thomas unfortunately died, and his stand-in lost—despite the full-time assistance of C. D. Stephens, Brown & Root’s agit-prop specialist, and despite Brown’s personal intervention with Oveta Culp Hobby to ensure the endorsement of the Houston Post.

There is a story that George Brown kept two dogs at the Huntlands, his estate in Virginia where Senator Johnson had his near-fatal heart attack in 1955. One dog was called “Albert,” the other, “Thomas,” and when Lyndon would drop in for a visit, which was often, George would stoop, snap his fingers and call, “Here, Albert. Here, Thomas.” Lyndon, reportedly, was invariably amused. The unkind anecdote is surprising, because Albert and George had been close friends ever since they were classmates at Rice University in Houston. George, moreover, had taken \$500,000 of Brown Foundation money and founded the Albert Thomas Chair of Political Science at Rice—most appropriate, for Thomas was a genius at the kind of business proxyship that passes for politics in America. As chairman of the Independent Offices Subcommittee of the House Appropriations Committee, he had virtual life or death power over funding for Civil Defense, the Veterans Administration and NASA, among other agencies.

When President Kennedy was on his Civil Defense kick, he discovered that Thomas didn’t believe in Civil Defense, and that until he made a believer of the congressman no amount of presidential pounding would shake an appropriation out of Thomas’ subcommittee. Kennedy failed to convince him and Civil Defense became a dead issue. It was perhaps Kennedy’s mistake that he neglected to guarantee Brown & Root a piece of the civil defending.

Kennedy was also keen on space, but again Albert Thomas was not so keen. Some appropriations went through, others were held up, interminably it seemed to Kennedy, particularly the Manned Spacecraft Center for which some 20 cities were clamoring. The logical place for the space center was near the launching pad at Cape Canaveral, Florida, certainly not on a treeless coastal plain 22 miles from Houston, just outside Thomas’ district. But realism intervened, Houston won the space center and Thomas, thereafter, was an enthusiastic convert to space. Also helpful in the award were the chairman of the National Aeronautics and Space Council, Lyndon Johnson; a member of the House Science and Astronautics Committee, Bob Casey, of Houston; and that man with a passion for anonymity, George R. Brown. Marvin Hurley, of the Houston Chamber of Commerce, writes about it in his book, *Decisive Years for Houston*: “Early in June, 1961 . . . I heard rumors of some type of new installation for the nation’s space effort, and made calls at the office of Vice-President Johnson and upon Congressmen Albert Thomas and Bob Casey. . . . The inspection team conducted its investigation a few weeks later. . . . George R. Brown was especially effective in working out site arrangements with Congressman Thomas.”

The land on which the space center was to be built belonged to Humble Oil & Refining Co., largest oil company in Texas (now a subsidiary of Jersey Standard) and an old political and business friend of Brown & Root. “Mother Humble” was apparently prey to the same charitable impulses that led the Rockefellers to give a parcel of New York’s East River slum land to the United Nations, only to see their surrounding real estate skyrocket in value. Humble Oil’s donation of 1000 acres to NASA was arranged through Rice University; George Brown, chairman of the board of trustees, was a key figure in the negotiations. In the process, Humble, Rice and Brown made a killing. Not only did Humble’s surrounding land values go up, but its real estate subsidiary snatched plenty of business building an industrial park at nearby Bayport on the Houston Ship Channel; recreational facilities, and a huge housing development (for which Johnson crony Jack Valenti, a former Humble employee, won the advertising contract). Rice University won a government-subsidized space science department, and became a NASA contractor, very much like any other business.

Brown & Root, of course, was a prime contractor in building the \$250 million center. And it has, with the Northrop Corporation, a continuing scientific maintenance contract awarded over nine other bidders and now worth \$10 million a year. NASA awarded another maintenance contract to Darius Field, a Brown & Root subsidiary and one of the few unionized jobs in the entire company. But Brown & Root’s space winnings did not stop with the government contracts. The company performed about 80 per cent of last year’s heavy highway and industrial construction in space center suburbs, built a \$1 million “spaceland airport,” began a \$100 million project to

develop nearby Nassau Bay, and was the principal contractor in Humble Oil's \$900 million project at Bayport. And all because George Brown was "especially effective in working out site arrangements" with Congressman Albert Thomas.

[\$1000 TICKETS TO THE WHITE HOUSE DOOR]

ANOTHER AGENCY SUBJECT to the whims of Thomas and his subcommittee was the National Science Foundation (NSF), which in 1962 awarded a most unusual contract to Brown & Root—digging a hole in the ocean floor four miles deep. Known as Project Mohole (or Project Rathole as one congressman termed it), it cost the government \$55 million before it was scuttled. It seems that a group of scientists wanted to see what the rocks looked like, down where the earth's crust meets its mantle at a boundary known as the "Mohorovicic discontinuity," or Moho. A hole through the Moho would be, of course, a Mohole, and the scientists wanted to get going on it immediately. Some even raised the frightening possibility that the Russians might get there first. Bidding on the Mohole were some of our leading corporations, including five oil companies, General Electric and Aerojet General. To them any immediate profit from the contract was as nothing; what counted was the technical knowledge to be acquired from drilling a hole of unprecedented depth from a floating platform, and the competitive advantage for the company that won the job.

Brown & Root's bid was late and unexpected. Its proposal, in contrast to the detailed, technical outlines of other bidders, was sketchy. Rated by a panel of experts on a 1000-point scoring system, taking into account "drilling experience" and, of all things, "responsiveness to the public interest," Brown & Root placed fifth, more than 100 points behind the leader, Socony Mobil. By the time the contestants had been rated and re-rated, and after NSF consultations with Albert Thomas, who held the purse strings, the bid procedure was dropped and the contract *negotiated*—with Brown & Root, at a price almost double the low bid. NSF explained that, although Socony Mobil and another contestant had the deep drilling experience that Brown & Root lacked, awarding the contract to an oil company would give it an "unfair competitive advantage" in the industry. Surely NSF members were aware that George Brown was already a power in the oil industry; if they were not, they must have found out during the ensuing controversy when President Johnson appointed the president of Humble Oil to the NSF board. And six months later, Brown & Root merged with Halliburton, the world's largest supplier of oil-well services and equipment, and prepared to get an education in deep well drilling—at government expense.

Mohole was a subject of congressional outrage throughout its four-year life, as estimated cost on completion rose to three times the original contract price. Its most fervent support came from representatives of Texas, Utah and California, where contracts were let, and Hawaii, where the hole was to be drilled. But even the outraged seemed motivated largely by pique over the failure of favored companies to win the award—like Senator Aliott, of Colorado, where Socony Mobil has an installation. Funds for the project were blocked briefly, but with Albert Thomas at the valve they didn't stay shut off for long. The project went ahead slowly. For Brown & Root, assured of a \$1.8 million fixed fee and a cut on the subcontracting,

Mohole had lower priority than its bigger contracts, first NASA and then Vietnam. In 1965 it let a \$30 million subcontract for the drilling platform to National Steel and Shipbuilding, of San Diego. Unsurprisingly, National Steel is 50 per cent owned by Morrison-Knudsen, Brown & Root's partner in Vietnam, and 50 per cent owned by Kaiser Industries, an old Johnson ally with a base-building contract in Thailand.

The Mohole controversy blew hot again on May 5, 1966 when, after Albert Thomas' death, the House Appropriations Committee refused to approve \$19.7 million in additional Mohole funds requested by the President. Congressman Casey, of Brown & Root and Houston, who had two family members on the Mohole payroll (and who, like Johnson, made a habit of flying around the country in Brown company planes), failed in a last valiant attempt to save it. By the time the House considered the Mohole funding again in August, a timely \$23,000 contribution to the President's Club by George Brown's family was already public knowledge, and Mohole was definitely scrapped. President's Club reports showed that Brown's three daughters and their husbands made six donations totaling \$23,000, all on May 13—eight days after the Appropriations Committee killed the Mohole funding and six days *before* President Johnson made a special appeal for the money. This was also more than two weeks after the President's Club dinner in Houston, by which time most of the city's party patrons had recorded their contributions. Brown himself had contributed \$2000 the week before this dinner. "We do things in a family way," said Brown of his daughters' benefactions.

Brown's executives also do things in a family way: Brown & Root president Herbert Frensey donated \$1000 to the club (at the same time sending telegrams to congressmen urging their support for Mohole), and Texas Eastern Transmission vice president John F. Lynch kicked in \$2000 during the same period. (Other 1966 contributions to the club included \$10,000 from W. W. Heath, a millionaire Austin businessman, lobbyist and lawyer whom Johnson appointed this year as ambassador to Sweden; \$1000 from Leon Jaworski, LBJ's crony and trustee of the CIA-serving M.D. Anderson Foundation, who is reportedly under consideration for the next vacant seat on the U.S. Supreme Court; and \$1000 from H. B. Zachry, a San Antonio builder with a fat war contract in Thailand.)

Rarely has the facade of our corporation government been lifted so dramatically as during the Mohole/President's Club debates. "Influence peddling" is much too weak a phrase to describe the chronic and wholesale purchase of government officials by large corporations, which had gone on for three-quarters of a century before the President's Club was even a gleam in Lyndon's eye. Yet it went unnoticed by most Americans, except perhaps Texans, whose oral tradition is rich with satire about the raw exercise of corporate power in government. Today that power has increased to a point where discretion is no longer thought necessary.

The new brashness was first evidenced during the 1964 Democratic National Convention with the sale of high-priced corporation ads in the convention program, estimated to have enriched party coffers by more than a million dollars. More recently, such elephantine government contractors as Hughes Aircraft and Lockheed paid \$15,000 a page to advertise in a Johnson-inspired guide to the Great Society. But the President's Club, by far the biggest Democratic fund raiser, is the nerviest

of them all. It collected more than \$4 million between the '64 election and September of last year alone. And it's exclusive: only contributors of \$1000 or more can join. Clifton Carter, a Johnson troubleshooter since the '30s and, until August 1966, executive director of the Democratic National Committee, explained the club to prospective members at meetings held last year in major cities. "Members," he said, "are assured of a direct relationship with President Johnson. Members who want to talk to the President, the vice president, or one of their assistants have only to contact my office. Members will immediately be put in contact with whomever they want to reach."

Carter said Johnson uses members "to solicit advice" in making appointments and "in developing a consensus on important domestic and foreign issues." At a meeting of wealthy Democratic Party patrons in San Antonio, Carter said the club would be used "to strengthen the President's hand as he builds your kind of Democratic Party." He said they could have confidence that Johnson himself would decide on the distribution of club funds to 1966 congressional candidates; the implication was that Johnson's favorites would receive more campaign money than other candidates of the party. By this time, Carter and Johnson had moved to ensure close control of President's Club operations. Nine months before the big '66 donations began to roll in, Johnson had already taken the membership list out of the hands of party treasurer Richard Maguire, and named the secretary of Marvin Watson, his trusted aide, as its custodian.

The Brown family's well-timed gift was one of several similar "coincidences" to come out during the House debate on the President's Club, all well-reported in the press. Among them was the case of the Anheuser-Busch brewery, which had an anti-trust suit against it dismissed a few weeks after company officials and their wives gave \$10,000 to the club. Of course, not all the President's Club donors stood to gain quite so immediately from their gifts to LBJ's war chest. There were long-term gainers too, like defense contractors H. B. Zachry and George Brown. According to Defense Department figures, Texas' share of military prime contracts jumped from 4.0 per cent in the 1962 fiscal year (\$1 billion), to 6.6 per cent in fiscal 1966 (\$2.3 billion); Texas moved in the same period from the seventh to the third-ranking state in war profiteering, right behind California and New York. It is perhaps not unrelated that of all contributions to the President's Club in the first five months of 1966, more than half were from the Texas rich.

Republican Congressman Donald Rumsfeld of Illinois was shocked. "The continuing revelations of 'coincidences,'" he said, "which attract the most unlikely business and political bedfellows to the privacy and intimacy of the President's Club, certainly would suggest to all but the most innocent mind that the President's Club is where the action is." He took the cases of Anheuser-Busch and George Brown (whom he called a "prime mover in the Houston cell of the President's Club"); added Cliff Carter's statements about club members' hot-line privileges and influence at the White House, and threw them in Lyndon Johnson's lap. "If that isn't the implication the President wants the club to have," he said, "he has only to so state. He has not so stated." Three days later at a press conference, Johnson did issue a perfunctory denial, although indirectly, and ducked all direct questions about the club. Said the President: "You can expect to hear political charges of this

kind until November." And he was right, in part, because after November nobody said much about the President's Club any more.

[VIETNAM—THE BUSINESS OF PATRIOTISM]

Mohole is little more than a drop in the Brown & Root bucket.

—GEORGE R. BROWN, August 1966

The capacity of the Brown & Root bucket is certainly vast, even by Texas standards. And it may prove to be bottomless as well.—CONGRESSMAN DONALD RUMSFELD

ACROSS FROM THE CATHEDRAL in Saigon at the headquarters of RMK-BRJ, the biggest war construction combine in history, a vinegary lady from Texas was leafing through the atlas-sized folders of names, badge numbers and IBM code data. "Who do you want to see? What are their badge numbers? Well, they've all been surplused. You know, shipped home."

Fifteen miles away at Bien Hoa, the Brown & Root construction stiff was sitting around the mess hall talking. "When they don't need you any more they surplus you, like an old generator; but you don't care, because you're only in Vietnam for the money anyway, and the money's good." He was still drunk from the night before, but for him as for most of "the horrible ones," as American construction foremen are called, drink was a refuge from any vestigial qualms of conscience. "We're just building all this for the VC anyway. They'll take it over when the time comes. Already we're paying 'taxes' to the VC, to keep our equipment on the road. Half our Vietnamese work force are VC, come to work in the morning half-asleep because they've been up all night shooting mortars, and they steal us blind. But Brown & Root don't care: they'd build bases for the devil himself if the fee was good."

When Brown & Root came to Vietnam in August 1965 to help with the escalation it was like old home week. There (since 1962) were Raymond International, its partner in the Spain base-building, and Morrison-Knudsen, its partner in an \$86 million federal dam project at Los Banos, California. Joining them in August was J. A. Jones Construction, a Brown & Root teammate since they shared a \$17 million Army pork-barrel contract to rehabilitate a South Dakota dam. Put them all together and it spells RMK-BRJ, responsible for \$1.2 billion of Secretary McNamara's \$1.6 billion "final price tag" on military construction in Vietnam. Morrison-Knudsen is the "managing partner," with 40 per cent of the take; Brown & Root, Jones and Raymond each own 20 per cent of the action. The action, of course, is almost over. After two years of frantic activity, more than a billion dollars of construction is already in place, leaving tiny South Vietnam littered with airfields, headquarters, barracks, and everywhere those eerie troposcatter antennas bringing George Orwell to the Southeast Asian jungles. Danang and Cam Ranh Bay, \$150 million each and now two of the finest ports in Asia; a sprawling headquarters complex at Long Binh, including "the ole LBJ" as soldiers call the Long Binh military jail; a \$1 million U.S. Embassy, with a helipad to spare Ambassador Bunker the dangers of the Saigon streets; and at Tan Son Nhut Airport, General Westmoreland's own \$25 million "Pentagon West" (or Pentagon East as the *old* colonials call it)—RMK-BRJ-LBJ built them all. Even some of those Saigon streets.

Today, as the lady said, they're surplusing. From a peak

employment of 51,000 last year—including 4100 Americans, 5800 Koreans and Filipinos (mostly skilled) and 41,000 Vietnamese—the work force has dwindled to about a fourth that size. But it was a good deal while it lasted—for the Americans, that is. With salaries ranging up to \$2000 for engineers and averaging well over \$1200, exemption from income tax if they stayed 18 months, and infinite possibilities for profit-making sidelines, it was the American Dream come true for those sour, noisy “stateside rejects.”

But the high wages paid to attract skilled foreigners to the war zone did not represent any change in Brown & Root’s traditionally venomous attitude toward labor—not that its partners or the Navy were any more beneficent. The combine depended on mass labor from the countryside. Wages paid to these workers, based on a 1957 scale and lower than the hourly rates local contractors were paying, would buy very little in the inflation economy of 1966. (RMK-BRJ, then the country’s largest private employer, had helped to create that inflation, not only as an employer but through large-scale currency manipulations on the black market by its American staff.) A Vietnamese carpenter made \$45 a month, the occasional chief accountant \$210. The average Vietnamese wage was around \$35. But the mass of the labor force, unskilled workers, were making as little as \$21 a month—17 piastres or 8 cents an hour, at the real market exchange rate, for a 60-hour week. American employees earned on an average nearly 60 times the wage of Vietnamese laborers. The wage differential—4100 Americans with monthly earnings over \$5 million; 41,000 Vietnamese drawing \$1.4 million a month—is comparable only to the white-colored pay differential in South Africa.

In May of last year, when labor discontent erupted into 11 separate strikes or riots on company sites, there were charges—and some vague admissions—that Americans were treating their Vietnamese workers as slaves. Beatings were reported with monotonous regularity, and one worker was fatally shot by an American guard. Revealing was the well-organized strike of May 9 against the New Port outside Saigon, a \$60 million project under the direction of Brown & Root, which had prime responsibility for Region III surrounding the capital. The strikers charged that a Brown & Root supervisor had “treated workers as slaves on five occasions,” and demanded his removal. Courtney Roberts, the RMK-BRJ labor relations director, said their charges were “largely unfounded” but had the man transferred anyway. “Had their charges been made against some of our other Americans,” he conceded, “they might have been justified.”

In some areas it was common RMK-BRJ practice to do their hiring at nearby internment camps among the “refugees”—most of whom had been either forcibly removed from their homes in NLF-controlled areas in preparation for a U.S.-allied attack, or driven out by U.S. bombs. Recruiting these otherwise jobless people to build U.S. bases, after uprooting them from their land and source of livelihood, amounts, in the kindest terms applicable, to forced labor.

The Navy contract was of the “more-you-waste-the-more-you-profit-so-damn-the-cost” variety, or cost-plus-percent-of-cost. Until May of last year, it provided a profit of 3 per cent of the “estimated cost” of construction. (Estimated cost includes labor, overhead and all equipment and materials purchased by the contractor.) In May, the contract was converted; thereafter, profit was reduced to 1.7 percent of estimated cost,

with an additional “incentive fee,” based on a performance rating by the Navy, which could raise profits as high as 2.46 per cent. But “incentives” were awarded for speed, not economy; and for the first six months under the new arrangement, RMK-BRJ collected 2.31 per cent or most of the “incentive.” All contract changes taken into account, the partners stand to make approximately \$30 million in profit by the time their \$1.2 billion project is completed. Brown & Root’s share will come to about \$6 million.

The partners insist they would much rather be somewhere else where the profit rate is higher, a somewhat questionable plea in view of the billion-dollar volume and the resulting dramatic rise in their gross profits. John P. Harbin, vice president of Brown & Root’s parent Halliburton Company, said they agreed to go to Vietnam “mainly for patriotic reasons”; their business patriotism contributed to admitted 1966 revenues for Brown & Root 57 per cent higher than the previous year. Harbin said Brown & Root had been particularly reluctant to sign the Vietnam contract because it required the company to take out a \$50,000 war risk insurance policy on every American employee. This couldn’t have been too great a burden, however, since after April 1966 the Navy reimbursed the contractors for all war risk insurance premiums.

Morrison-Knudsen also adopted a patriotic stance. “While the return is not commensurate with the enormity of the effort involved,” said a recent report to the stockholders, “. . . we consider the company’s role in the war zone as an obligation to our country and trust that stockholders wholeheartedly accept our position.” The stockholders undoubtedly accepted the company’s *income* position for the first half of 1966, because it was twice the figure reported the year before. Vietnam helped to pull Raymond International out of a *deficit* in the first six months of 1965 to its highest six-month earnings in this decade a year later. But even the sizable *reported* profits do not account for half the money these companies and their executives are sucking in from the Vietnam war. The reason? “air” in the costs.

In all fairness to the contractors, it should be said that they have put down an immense amount of construction in an unprecedentedly short period of time (reaching \$3 million worth each day in the spring of 1967), under constant pressure from the military to speed it up and “damn the cost.” This was an attitude shared by President Johnson, who a decade before had warned against letting the Korean War become a “book-keeping war.” As a result the bookkeeping was for a long time largely in the heads of RMK-BRJ officials, whose patriotism is, of course, unquestioned. But sometimes, in the scatter of construction, the confusion got out of hand. Witness this exchange from hearings of a Senate appropriations subcommittee earlier this year:

SENATOR SYMINGTON: Now when I was in Thailand talking to the Comptroller General’s people out there, they said there was a private contract of \$300 million and they had lost the records on \$120 million of that amount. Do you know about that one?

SECRETARY McNAMARA: A military contract?

SYMINGTON: Yes.

McNAMARA: Never heard of it. . . .

SYMINGTON: Will you have somebody on your staff look into it?

McNAMARA: Yes, indeed, I will.

Those particular missing records, for construction in Viet-



nam and Thailand, were later found. But last year the Defense Department discovered it had "underestimated" the cost of projects authorized for Vietnam by more than \$200 million. It was potentially a scandal to rival the Moroccan air bases fiasco of the '50s; I say "potentially," because the public heard little more than righteous titters from the press. On the other hand, there was no reason for anyone to be surprised. Morrison-Knudsen had been a prime contractor in the Moroccan bases con game; Brown & Root and Raymond International were partners in the tainted Spain bases consortium.

It was a \$200 million misunderstanding that neither the Pentagon nor the contractors could adequately explain. The Navy did, however, rise heroically to the defense of RMK-BRJ. At a not-for-attribution news conference September 8, a "top Pentagon planner" declared: "The contractor has come to us and said, 'You're wrong.' He now needs \$200 million more to finish the projects currently authorized, due to underestimations by the Air Force, Navy and Army." The Navy, of course, was the service responsible for the contract. And once again, as in Spain, the Navy acted to protect Brown & Root and other contractors accused of fraud.

The Pentagon's "admission of error" was based on the way the Navy's contract with RMK-BRJ was supposed to work, but it had little to do with the estimating procedures actually being followed in Saigon. Under the contract, the Navy was to negotiate each new project with the contractors to establish a definite cost estimate. The contractors were married to that estimate. Profit would be paid only on *estimated cost*; if actual costs rose above that figure, the contractors would be reimbursed for the additional costs but would earn no additional profit. The idea was to prevent the contractors from ballooning costs to swell their profits. In practice, however, it didn't work that way. On most projects during the 1965-66 escalation, the field work outpaced estimating procedures. Often the contractors would finish a job and use their version of *actual* costs as the estimate; as a result, profit was figured on actual cost, over which the Navy had exercised no scrutiny. The contractors were in effect setting their own profits.

Moreover, the Pentagon could say what they liked because there were no carefully audited books to contradict them. In fact RMK-BRJ's expenditures on the billion-dollar contract had hardly been audited at all. The U.S. comptroller general reported to Congress that the combine's Saigon records had been audited by a single Navy auditor up to June 1964, and by two Navy auditors on temporary duty from Tokyo between that date and September 1965. After January 1966, following a congressional howl, the Saigon audit staff was beefed up to a grand total of six Air Force officers and one clerk—all on 12-month tours. At RMK-BRJ's office in San Bruno, California, two civilians were handling all the auditing as of April 1966. With that kind of cost control, the contractors could not have asked for a freer hand. Although estimating, planning and accounting were all on a job-by-job basis—with each project to be allocated its share of total overhead costs—overhead costs were never allocated in any systematic way, and as a result RMK-BRJ could demand and get almost any reasonable-sounding figure for a job.

The consequence of such wild practices first became apparent in early summer 1966. In June, a Navy official supervising the contract predicted that if no further funds were forthcoming, the program could be bankrupt by January 1967—with only

about 60 per cent of the assigned work having been completed. And in July, RMK-BRJ informed the military that they would be able to put only \$590 million of construction "in place" by January—but would have spent \$830 million to do it! The \$830 million is approximately what the military had allocated at the time for completion of work assigned. The \$590 million projection represented value of work-in-place since the beginning of the contract in 1962, and based on total costs. And the \$240 million difference? "The result of poor planning and waste," said an RMK-BRJ official in September. The combine was "not allowed to amortize equipment and material over a longer time frame and a larger span of projects," said a former official of the consortium. Congressional critics charged that RMK-BRJ had "lost or wasted as much as \$125 million worth of materials" alone by summer 1966.

When the GAO looked into the Vietnam wasp's nest, it came up with a shocking, 108-page summary report on contractor irregularities, many of them with the apparent complicity or benign indifference of the Navy—and each one serving to raise the cost, and profit, of the RMK-BRJ contract. But whatever the reasons for the disappearance of more than \$200 million, the Pentagon obligingly reached into a reserve fund and plugged \$204 million more back into Vietnam construction. The contractors, as far as we know, continued to collect their more than two per cent cost-plus on every dollar spent. And if the armed services may have been correct in taking the blame for their "underestimations," they also conveniently neglected to mention the contractors' evident overestimations.

[POSTSCRIPT]

THE STORY OF THE Brown & Root-Johnson team is a case study of big business control over American political life. Their connivance over the last 30 years may have been more blatant than usual, but it is not exceptional: it is representative. When Senator Johnson introduced a joint resolution on "acceleration of military construction" in 1958, he was joined as co-sponsors by 64 other senators, each with a vested interest in a speedier flow of tax dollars to war contractors in their states. The resolution said: "It is hereby declared to be the sense of this Congress that all such military construction programs . . . should be accelerated to the greatest practicable extent. . . ." The main objectives of the resolution were to "reduce unemployment" and "put our productive facilities to fuller use," which in translation means a government subsidy to the giants of the defense industry. Such is the degree of concentration that the top nine prime military contractors in fiscal year 1966, including RMK-BRJ, accounted for 25 per cent of the total \$33.5 billion allocated for defense contracts.

"A large military-industrial complex dominates Congress," said Senator Fulbright last October. "All we in the Senate are trying to do is put some kind of limit on the power of the military-industrial complex to control the foreign policy of this nation," said Senator Eugene McCarthy. In preparing this article, RAMPARTS reporters were time and again astounded by the labyrinth of business-government connections into which we had stumbled, exceeding our wildest suspicions and going far beyond the scope of this essay. The saga of George Brown and Lyndon Johnson is only the prototype.