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THE POLITICAL ORIGINS OF HALLIBURTON

By JEFFREY ST CLAIR

Halliburton, the signature corporation of the Bush-Cheney onslaught on Iraq, didn't start its corporate life on the government dole. In fact, the company patriarch, Erle P. "Red" Halliburton, despised the federal government. His distaste for Uncle Sam was matched only by his ferocious hatred of Mexicans, blacks and labor unionists.

In 1919, Red Halliburton started the New Method Oil Well Cementing Company from his home in Wilson, Oklahoma, a hardscrabble town in the oil patch. Halliburton's big innovation was something called the Cement Jet Mixer. When the oil boom hit Texas, the wildcatters and other drillers quickly began experiencing problems with their deep shafts. The steel pipe funneling the oil up from the Permian basin and other reservoirs of crude would sooner or later develop cracks, allowing groundwater to contaminate the crude. In some cases, the pipes would even explode.

Halliburton's solution, which he unveiled in the oil town of Burkburnett, Texas, was to seal the well-pipes in a sheath of concrete, protecting the pipes from corrosion and precious loads of crude from contamination. He was soon in demand across the oil fields of Texas and Oklahoma. Erle changed the name of the company to Halliburton and raked in millions from his patent. Halliburton continues to garner millions from its drilling technology, from Saudi Arabia to the Amazonian rainforest.

Meanwhile, in that same crucial year of 1919, the other half of Halliburton was also beginning to take shape as two friends from San Marcos, Texas, Herman Brown and Dan Root, formed a road paving company that would eventually become one
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Bolivia's Third Revolution

By NEWTON GARVER

During the past month there has been an intense combination of turmoil and opportunity in Bolivia. The news reports have sometimes compared these recent events with those of October 2003, but the differences are significant and this year's crisis cannot be resolved as easily as that of 2003. The main event in 2005 is a power play by the Indians of Bolivia, led by the Aymara, but there is also a counter power play by entrepreneurs of Santa Cruz. The events of 2003 are indeed part of the prelude, but we cannot understand what is happening without taking note of the centuries of Spanish oppression, the earlier revolutions of 1952 and 1982, and differences between 2003 and 2005.

The Spaniards treated all of the Indians of South America as slaves, and people of European ancestry continue to compose the elite of Bolivia and to hold the reigns of power, even though indigenous people constitute between 65% and 70% of the population. The Indians were never content with their subjugation, but it is only since 1952 that there has been steady progress toward overcoming it.

During the 1940s several leftist-oriented political parties were organized. The most important of these was the Nationalist Revolutionary Movement (Movimiento Nacionalista Revolucionario, or MNR), founded by young nationalist intellectuals and headed by Victor Paz Estenssoro, an economist and one-time close adviser to a previous president. The MNR opposed the power of the big mining companies and advocated freeing the Indian people from exploitation. In 1943, the MNR led a successful coup, encouraged unionization of tin mines, and tried to improve Indian living conditions. These efforts brought con-

flict with the tin barons, culminating in a bloody uprising in La Paz in 1946, and for the next six years the government remained in the hands of conservatives.

In 1951, even though exiled in Argentina, Victor Paz won nearly half the presidential election vote. To prevent his installation, the government was placed under the control of a military junta. In 1952, a revolution by the MNR and the miners put him in the presidency, and the MNR began its program of profound social, economic, and political changes. It pledged to make the Indians full-fledged members of the national community, to free the country from control of the largely foreign-owned mining companies, to develop the economy, and to bring about real political democracy.

The MNR regime acted quickly. Beginning in August 1952 it extended the vote to all adults, legalized the formation of labor unions, and nationalized the major tin-mining companies. A year later, through its land reform law, it broke up the estates of the large landlords and transferred ownership of the small plots to Indian farmers (campesinos). It began extensive projects for education and founded medical clinics in the countryside and farm cooperatives among the peasants. The second MNR president, Hernán Siles Zuazo, came into office in 1956, and Victor Paz was returned to the presidency in 1960.

Prior to 1952, it was barely legal for Indians to attend independent schools. For example, Quakers began missionary work among the Indians in Bolivia in the 1920s, and helped them establish schools beginning in the 1930s, but these first schools had to be clandestine. When the Constitution of 1952 was promulgated the number
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of the world's largest construction firms. The Brown & Root Co. shared Halliburton's antipathy toward organized labor, but realized early on that there was a fortune to be made through outsourced government work.

Brown & Root also understood that government contracts are a lot easier to get if you have a politician on retainer. In the late winter of 1937, the imperious Texas Congressman James P. "Bucky" Buchanan, chairman of the House Appropriations Committee, suddenly died in office. Buchanan departed the living with some unfinished business of extreme importance to his political cronies. The congressman, who controlled the federal purse, was in the midst of pushing through congress the Lower Colorado River Project, a scheme to build a network of dams across the Texas hill country that would bring water to the people and millions in federal funds to favored contractors. The centerpiece of this enterprise was the Marshall Ford Dam outside Austin, and the company that had won the contract to build the dam was none other than Brown & Root.

The \$10 million dam deal was the biggest Brown & Root contract to date. But there were two problems left by Buchanan's ill-timed passing: the money for the dam hadn't yet been approved by congress and the land at the dam-site wasn't owned by the federal government. What had suddenly looked like a sure thing, now found Brown

& Root on the unnerving verge of bankruptcy. The company had gone into debt by more than \$1.5 million in order to purchase the equipment needed to build the dam.

Brown & Root decided there was no turning back. They began construction on the dam before getting any federal funds and before the feds had actually acquired the land from the state of Texas.

But the company had an ace in the hole in the shape of Lyndon Baines Johnson, the lumbering former schoolteacher who was vying to replace the departed Buchanan. In the spring of that year, young LBJ met several times with Herman Brown, vowing to make congressional approval of the dam project his top priority. Brown sluiced cash into LBJ's campaign, and the latter sailed to victory in a special election on May 13, 1937. LBJ lived up to his obligations. A little more than a week after having arrived in DC, the freshly hatched congressman had engineered congressional approval for both the appropriation and the land purchase.

The Marshall Ford Dam deal launched LBJ's career as a can-do politician without parallel in American politics and it set Brown & Root on course to become one of the federal government's favorite contractors. The apex political fixer Thomas "Tommy the Cork" Corcoran later observed that "LBJ's whole world was built on that dam". So too was Brown & Root's.

LBJ had the good fortune to land on the congressional committee overseeing the operations of the U.S. Navy as it prepared for WW II. When LBJ's fortunes rose on the Hill, so did Brown & Root's. As a brawny member of the Naval Affairs Committee, the ambitious congressman, then a key southern supporter of FDR's New Deal, steered as many big contracts to his political financiers as possible.

It was courtesy of LBJ and his privileged position in the congress that Brown & Root got into the Pentagon contracting business in a big way. In 1940, the former road-paving firm won a huge contract to build the Corpus Christi Naval Air Station, a complex of runways, hangars, barracks and command centers sprawling across 2,000 acres of swamp and scrubland on the gulf coast of Texas. It was a model for things to come.

The Corpus Christi Naval Air Station was one of the first "cost-plus" contracts, a sweet deal where the government simply pays every bill the contractor submits. The initial price-tag was pegged at \$23.5 million, with Brown & Root guaranteed a profit of \$1.2 million. But within a year, the cost had soared to more than \$45 million, with Brown

& Root pocketing more than \$2.4 million in profits. It was an early lesson in the demented logic of Pentagon contracting: the bigger the cost-overruns, the juicier the profits. In the end, the Naval Air Station cost the Pentagon more than \$125 million.

The Corpus Christi deal initiated Brown & Root into the risk-free fraternity of favored Pentagon contractors. The company that had prospered through the Great Depression thanks to federal dam projects was poised to make a killing from World War II, with most of the deal coming courtesy of the U.S. Navy and its congressional overlord LBJ and the powerful congressman from Houston, Albert Thomas. Working together, LBJ and Thomas convinced the Navy to give Brown & Root a lucrative shipbuilding contract, even though, as investigative reporter Robert Bryce notes, up until that point the company "had never built so much as a canoe."

But over the next five years, Brown Shipbuilding, a huge operation on the Houston Ship Channel, would build 355 ships for the Navy, specializing in sub chasers and escorts for destroyers. The company made a cool \$500 million from the deal.

As the war drew to a close, Brown & Root went from building ships to melting more than 20,000 surplus airplanes they bought on the cheap from the War Assets Administration. They were soon one of the big players in the aluminum business, much of which they sold right back to the feds, making tens of millions in profits. This neat trick was followed by a huge cost-plus contract to build the U.S. military base on Guam in the south Pacific, a deal that started out with a price tag of \$25 million but soon ballooned to more than \$250 million.

Never say that Brown & Root wasn't grateful. They knew that their fortunes rode on the backs of their political benefactors and they did their best to keep them happy. Unlike many others in Congress during the 1940s, Johnson wasn't rich. He and Lady Bird fretted about money during the early years of their marriage. Then, in the mid-1940s, opportunity came calling when KTBC, Austin's first radio station, went on the market. Using money from Lady Bird's inheritance and generous infusions of cash from Brown & Root, the Johnsons bought the station, made major upgrades in its operations and squeezed federal broadcast regulators into allowing it to expand its output and change its location to a more central place on the dial. Soon the Johnsons were rich. As LBJ said, "Finally, I was a millionaire". CP

(To be concluded in our next issue.)

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