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What Was Behind the Pentagon's Betting Parlor?

by **David Morse**

What was behind the Pentagon's screwball scheme to establish an online futures market for acts of terrorism?

The \$8 million betting parlor was scuttled only three days before its scheduled debut on August 1. Was it just a one-time fluke? If so, it raises questions about who is running the Pentagon. If it was part of a pattern, then it raises some serious questions about the Bush administration.

The announced purpose of the Policy Analysis Market, as it was known, was to harness the "anonymous forces of market capitalism" to predict the likelihood of acts of terrorism - much as commodity-trading speculates on the future price of coffee or pork bellies. The Pentagon's justification was that "markets are extremely efficient, effective and timely aggregators of dispersed and even hidden information."

But critics in the Senate raised moral, as well as tactical concerns, in pointing out the obvious. Not only were markets faulty predictors of the future (witness the last stock market bubble and its collapse), but if anonymous online traders could bet on the probability of various acts of terrorism in the Middle East - assassinations and coups - the setup was an invitation to mischief, including insider-trading by terrorists themselves. This may have been the Pentagon's real intent all along: to use its cyber-surveillance capability to track buyers and sellers. But even as a long-term sting operation, it was ripe for abuse by speculators of every stripe.

"Can you imagine," asked Senator Byron Dorgan of North Dakota, who helped blow the whistle in the Senate, "if another country set up a betting parlor so that people could go in - and is sponsored by the government itself - people could go in and bet on the assassination of an American political figure?"

The new toy was the latest brainstorm from its Defense Advanced Research Project Agency, DARPA, created to spearhead the War on Terrorism, and headed by the notorious John M. Poindexter. DARPA was trumpeted by Paul Wolfowitz, Deputy

Secretary of Defense, as “brilliantly imaginative.”

The idea was anything but brilliant, of course. It was, as one Congressman put it, “unbelievably stupid.” A New York Times editorial called it “wacky,” and demanded Poindexter’s resignation, without asking how the idea had gotten past Wolfowitz. In response to the bipartisan outrage, Wolfowitz lost no time distancing himself from the project, suggesting that the brainstormers at DARPA “got too imaginative.”

The project was scuttled. Poindexter resigned. Heads of state in the Middle East can presumably sleep better. Was it a fluke? The facts suggest otherwise.

First, never mind that this is the same rear admiral John Poindexter who was indicted during the Reagan years for his role in the scheme by which arms were sold to Iran and the proceeds funneled to the right-wing rebels in Nicaragua. Never mind that Poindexter lied to Congress, and escaped a prison sentence on a technicality. Never mind, even, that the Bush administration put this same John Poindexter in charge of DARPA, where he concocted a plan for wholesale surveillance of U.S. citizens.

The problem goes far wider and deeper than Poindexter or his boss, Wolfowitz. Or Wolfowitz’s boss, Donald Rumsfeld. Or Condi Rice. Or even George W. Bush..

Poindexter’s follies are the quintessence of what this administration has been about from the beginning. This latest scheme simply exposes the tip of an ideological iceberg that is no less wacky or dangerous, but which has escaped such noisy condemnation because it floats in a sea of general acceptance. It is the ideology of privatization, carried to extreme.

At its most benign, this ideology rests on the very dubious assumption that every aspect of government, from elections to social institutions, to foreign policy, can be governed by the so-called free market. At its most vicious, it is simply monopoly capitalism masquerading as government: profoundly antidemocratic, as well as anti-competitive, with no thought beyond lining the pockets of the powerful.

The war on Iraq reflects this more vicious mode. The war was motivated by corporate greed, and sold with false advertising. Allies were bullied and bought. Underlying the administration’s steamroller approach was the arrogance of a monopoly. No alternatives would be considered. The largest-ever mass demonstrations around the world were brushed off like consumer complaints.

The Pentagon itself is run according to a more competitive model. Troops were delivered to Iraq in accordance with industry’s just-in-time standards of efficiency, with Donald Rumsfeld playing the role of a CEO downsizing the Pentagon as if it were a recent acquisition. Instead of the supplying the 240,000 or so troops requested by Pentagon brass, Rumsfeld delivered 170,000 - not enough to perform the many tasks of occupation

In both cases, the corporate model is flawed. Wholesale greed does not yield intelligent foreign policy. And a military occupation is not the same as a corporate takeover.

As the occupation grinds on, with more loss of American lives and political rumblings at home, the corporate brainstormers running the administration have resorted ever more desperately to the ploys one would expect from runaway capitalism - the placing of bounties on Saddam Hussein, dead or alive, the degrading attempt to buy the loyalty of former Iraqi army troops with hundred dollar bills. The cynicism of these devices, and the grumbling of our own troops, all convey the essential failure to secure a just peace for the Iraqi people. But that objective was missing all along.

The corporate model for the war is flawed in other ways as well. The Pentagon outsourced some of its manpower requirements to Mexican nationals who were willing to join the U.S. Army. But while this may blunt the political impact at home, it does not translate into lower wages - the Army being the Army, and not a multinational sweatshop. We are still spending \$4 billion a month in Iraq. And Americans reading of mounting U.S. casualties might not notice how many surnames are Hispanic.

As for those fat, cost-plus contracts awarded to Halliburton and other politically connected U.S. firms for rebuilding Iraq's infrastructure, they will cost U.S. taxpayers far more than would the services of European firms that are more competitive and better positioned geographically to do the job.

Which takes us to the essential fallacy so evident in the wacky betting parlor scheme. It is not just Poindexter's folly; it is the bogus assumption that privatization translates into efficiency and that marketplace greed should govern human affairs.

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