

## War Woes of Business

by [Tom Engelhardt](#) and Mark Engler

The Bush administration, with its crony corporations in tow, essentially sallied forth into the world with the collective mentality of a plunderer, ready to strip-mine the planet. While its plans for global – and energy – domination (as well as the military conquest of space) have been aimed at forever, its business plans seemed more focused on tomorrow and the day after. For a while, it looked as if the President and his friends might even make it back to Crawford for a life of Mai Tais and brush-cutting without the economic chickens coming home to roost. This now looks less likely.

Mark Engler takes up a distinctly under-attended subject – just how bad for business (at least as measured by the post-Cold War presidencies of Bush the Elder and Bill Clinton) this administration might prove to be. He also explores the question of whether significant sectors of the business community will turn on the administration's war in Iraq and allied policies. Though largely forgotten, it happened once before – in the Vietnam era. ~ *Tom*

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### **Bush's Bad Business Empire: Making the World Unsafe for Microsoft and Mickey Mouse**

**By Mark Engler**

The Bush administration has a reputation for creating an unusually business-friendly White House. Put Dick Cheney's secretive Energy Task Force and massive tax cuts together with corporate lobbyists writing regulations for their own industries, and you've made an argument that seems pretty persuasive.

There are reasons, however, to consider a contrary notion: Maybe George Bush and Dick Cheney aren't very good capitalists at all.

George W. Bush's history as a failed businessman is well known. Dick Cheney, portrayed by conservatives as a brilliant ex-CEO and by progressives as a Halliburton shill, also has a suspect past. While he certainly increased Halliburton's profile in four-and-a-half years as its chief, his foremost accomplishment was the \$7.7 billion acquisition in 1998 of Dresser Industries, a rival that turned out to be plagued with staggering asbestos-related liabilities. In the wake of Cheney's reign, multiple Halliburton divisions sought bankruptcy protection and the company's stock price plunged. *Rolling Stone magazine* reported in August 2004, "Even with the bounce Halliburton stock has received from the war, an investor who put \$100,000 into the company just before Cheney became vice president would have less than \$60,000 today."

Many analysts hold the Vice President [accountable](#) for the downturn, arguing that Dresser's asbestos problems, which cost Halliburton billions, were predictable. Less harsh critics nonetheless question his success as a business leader. For instance, [Jason E. Putman](#), an energy analyst at Victory Capital Management, argues that, as Halliburton chief, "[o]verall, Cheney did maybe at best an average job." *Newsweek's Wall Street editor*, Allan Sloan, is less complimentary, suggesting Cheney was a "CEO who messed up big-time."

When it comes to Iraq, we hear a lot about the government largesse flowing toward Halliburton, Bechtel, and a handful of other favored firms. Less often do we consider the possibility that the administration's "war on terrorism" has been a major business blunder. If you start, though, with the lackluster corporate records of Bush and Cheney, the administration's foreign policy comes into quite a different focus. Even if you believe that the White House is designing its overseas crusade to benefit U.S. corporations, there's no reason to assume that it has been doing so successfully.

Increasingly, the business press is suggesting that corporate leaders, who once hoped the current administration would push the corporate globalization of the Clinton years to new heights, now fear another fate from the international order Bush has created. Tax cuts and deregulation on the domestic front have been obvious bonuses, but otherwise many U. S. multinationals face a troubling scene. The White House's failed CEOs

have pursued a global agenda that, at best, benefits a narrow slice of the American business community and leaves the rest exposed to a world of popular resentment and economic uncertainty.

When it comes to the interventions of Bush, Cheney, Condi, and the neocons in the global economy, "at best an average job" might be a charitable judgment, and "messed up big-time" could be closer to reality. Those business people who have yet to join the majority that opposes the president's handling of his war in Iraq – or the increasing chorus of conservative critics who have begun questioning the administration's foreign policy – may soon have a long list of reasons to get on the bandwagon, starting with the bottom line.

### **Not KFC's War**

In recent years, KFC has had some trying moments in the Muslim world. In early September, a [bomb exploded](#) inside one of the company's fried-chicken outlets in Karachi, Pakistan. It was not the first time the chain had been targeted. In May, a Shia mob, angered by U.S. backing for President Pervez Musharraf and by reported abuses at Guantánamo Bay, [set fire](#) to another KFC outlet – one decked out with large images of Colonel Sanders set atop fields of stars and stripes. Two other branches were destroyed shortly after the U.S. attack on Afghanistan in 2001.

The woes affecting KFC go well beyond one fast-food chain – McDonald's, too, has been attacked in Pakistan and Indonesia – and the torching of fast-food outlets is only the most dramatic sign of the new business climate being fostered by a changing American foreign policy. If Clinton's diplomatic affairs could be described as a sustained effort to make the world safe for Mickey Mouse, Microsoft, and popcorn chicken, the Bush/Cheney agenda represents something altogether more dangerous for business.

The Clinton administration served as a steady advocate for building a cooperative, "rules-based" international economy – a multilateral order known to critics as "corporate globalization." The Bush administration, while purporting to be interested in issues like "free trade," has offered up a very different set of policies. Aggressive and unilateralist, it has fashioned a new model of "imperial globalization" which has even put multilateral institutions like the World Trade Organization, decried by globalization activists, in jeopardy. Rather than working through such

bodies, the current administration has regularly shown intransigence in international negotiations around trade and development; it has focused on tying its aid for other countries directly to its militarist prerogatives; and it has tried to deny war-weary "Old Europe" its traditional role as a junior partner in the globalization endeavor. In the process, it has begun dismantling an international order that served multinational corporations very well in the booming 1990s, and facilitated their rise over the past 30 years.

In short: If Bush is an oil president, he's not a Disney president, nor a Coca-Cola one. If Cheney is working diligently to help Halliburton rebound, the war he helped lead hasn't worked out nearly so well for Starbucks.

### **A Bungled-Brand America**

Whether the administration's bold gamble for U.S. global dominance will prove profitable either in the near future or in the long run, the business costs of this approach are already becoming evident. For starters, the new wave of anti-Americanism sweeping the planet goes far beyond KFC bombings in South Asia or widespread hostility in the Middle East. In Asia, the *South China Morning Post* has noted that a "strong, growing hostility" toward the United States has complicated Disney's expansion plans in the area. The Bush imperial foreign policy, moreover, is inspiring consumer backlash even among traditional allies.

In December 2004, Jim Lobe of Inter Press Service [reported](#) on a survey of 8,000 international consumers released by the Seattle-based Global Market Insite (GMI) Inc. The survey noted that

"one-third of all consumers in Canada, China, France, Germany, Japan, Russia, and the United Kingdom said that U.S. foreign policy, particularly the 'war on terror' and the occupation of Iraq, constituted their strongest impression of the United States... 'Unfortunately, current American foreign policy is viewed by international consumers as a significant negative, when it used to be a positive,' comments Dr. Mitchell Eggers, GMI's chief operating officer and chief pollster."

Brands the survey identified as particularly at risk at the time included Marlboro cigarettes, America Online (AOL), McDonald's, American

Airlines, Exxon-Mobil, Chevron Texaco, United Airlines, Budweiser, Chrysler, Barbie Doll, Starbucks, and General Motors.

More recent assessments have verified these trends. Indeed, in past months, a litany of stories in the financial press featured unnerving questions for business. Typical were the British *Financial Times* in August ([World Turning Its Back on Brand America](#)) and *Forbes* in September ([Is Brand America In Trouble?](#)).

A *U.S. Banker* magazine article from August relaying the results of an Edelman Trust Barometer survey of global elites found that "41 percent of Canadian elites were less likely to purchase American products because of Bush Administration policies, compared to 56 percent in the UK, 61 percent in France, 49 percent in Germany and 42 percent in Brazil."

It's not just snooty foreigners who are negative, either. American business leaders themselves have been starting to link economic woes to imperial policy. The previously mentioned *U.S. Banker* article warned, "[T]he majority of American CEOs, whose firms employ eight million overseas, are now acknowledging that anti-American sentiment is a problem." And a 2004 *Boston Herald* story, headlined [Mass. Execs: Iraqi War Hurting; U.S. competitiveness becoming a casualty](#), pointed to the "sixty-two percent of executives surveyed by Opinion Dynamics Corp. [who] said the war is hurting America's global competitiveness."

Regularly featured in stories about America's image problems is a group of corporate executives who have come together as [Business for Diplomatic Action](#) (BDA). While avoiding an explicit stance on the Iraq war, the BDA argues:

"The costs associated with rising anti-American sentiment are exponential. From security and economic costs to an erosion in our ability to engender trust around the world and recruit the best and brightest, the U.S. stands to lose its competitive edge if steps are not made toward reversing the negativity associated with America."

Compared to the adverse impacts of Bush's imperial globalization, the administration's efforts [at Karen-Hughes-style](#) brand rehabilitation are laughable – and the BDA knows it. Taking diplomatic matters into their own hands, BDA spokespeople flatly state, "Right now the US

government is not a credible messenger."

## **A Quagmire for Corporations**

Is the problem just one of perception, or have the wages of war cut into business profits? In June 2004, *USA Today* reporter James Cox wrote about how financially ailing companies are pointing to the war as the culprit:

"Hundreds of companies blame the Iraq war for poor financial results in 2003, many warning that continued U. S. military involvement there could harm this year's performance. In recent regulatory filings at the Securities and Exchange Commission (SEC), airlines, home builders, broadcasters, mortgage providers, mutual funds and others directly blame the war for lower revenues and profits last year."

Among those complaining, Hewlett-Packard claimed that the occupation of Iraq has created uncertainty and hurt its stock price; meanwhile, media companies Hearst-Argyle Television, Sinclair Broadcast Group, and Journal Communications bemoaned the number of TV and radio ads pre-empted by war news.

While fingering the war might be just a convenient excuse for some underperforming executives, the level of grumbling is noteworthy, as are the comments of outspoken fund managers profiled by Cox:

"The war in Iraq created a quagmire for corporations,' David J. Galvan, a portfolio manager for Wayne Hummer Income Fund, says in his letter to shareholders.

"Vintage Mutual Funds concludes that 'the price of these commitments (in Iraq and Afghanistan) may be more than the American public had expected or is willing to tolerate'...

"In an SEC filing, Domenic Colasacco, manager of the Boston Balanced Fund, calls the ongoing U.S. occupation 'sad and increasingly risky.'"

Of course, we know that reconstruction companies are posting profits.

Sales of gas masks and armored Humvees are also up. But such war-supported companies are a small minority. On the other hand, the diverse businesses in the tourism industry have taken a huge blow. Delta Air Lines, JetBlue, Orbitz, Priceline.com, Morton's steakhouses, Fairmont Hotels & Resorts, and Host Marriott, to name just a few, have blamed disappointing returns on the war. [Travel industry leaders](#) have warned:

"The US is losing billions of dollars as international tourists are deterred from visiting the US because of a tarnished image overseas and more bureaucratic visa policies... 'It's an economic imperative to address these problems,' said Roger Dow, chief executive of the Travel Industry Association of America, tourism's main trade body... Mr. Dow stressed that tourism contributed to a positive perception of the US... 'If we don't address these issues in tourism, the long-term impact for American brands Coca-Cola, General Motors, McDonald's could be very damaging.'"

### **Economic Nightmares Foretold**

Every year, the global business elite gathers at a resort in Davos, Switzerland for the World Economic Forum. In the high-flying Clinton years, a feeling of exuberance pervaded the globalists' gathering – protests outside their meetings notwithstanding. By January 2003, however, the [mood in Davos](#) had already darkened perceptibly.

Economic optimism was waning. The coming war in Iraq, in particular, was causing concern. Corporate leaders showed little more enthusiasm than the protestors outside for the impending unilateralist invasion. Analysts fed their misgivings, citing "the threat of war as the biggest question mark hanging over global growth prospects."

Around the same time, progressive economists Dean Baker and Mark Weisbrot detailed a possible worst-case scenario in a policy report entitled [The Economic Costs of a War in Iraq](#). Beyond the costs of anti-Americanism abroad, they focused on three additional areas of concern: A war-related oil shock that might cost the American economy hundreds of thousands of jobs over a seven-year period; a heightened risk of terrorist attacks in the U.S. which might result in increased security costs, slowing the growth of the Gross Domestic Product (GDP); and a likelihood that increased oil prices would drag the developing world into

a deep recession.

I asked Baker how relevant the report's concerns have proven. Though he emphasizes that the worst did not come to pass, he notes worrying signs. Oil prices have indeed skyrocketed, owing largely to increased demand from China and India, but exacerbated by Iraq's [AWOL oil](#). Moreover, as each new intelligence estimate predicts that we are less, not more, secure because of the Iraqi occupation, the risk of an economy-crippling attack grows. Already, Baker points out, the hours we spend waiting in security lines at the airport or delayed in city subways represent costly economic losses.

Then, of course, there is the as yet unrealized possibility that spreading guerilla warfare and terrorism will include escalating sabotage against vast and largely indefensible stretches of oil pipeline in the Middle East. It is this scenario among others that caused professor of Middle Eastern history and Informed Comment blogger [Juan Cole](#) to liken Bush's Iraq debacle to "throwing grenades around in the cockpit of the world economy."

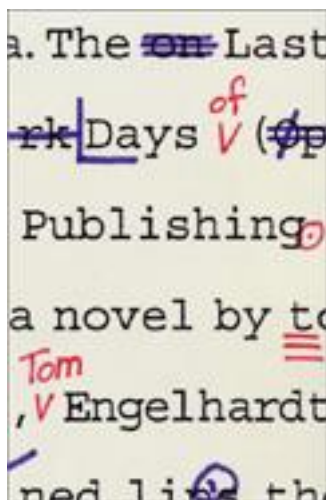
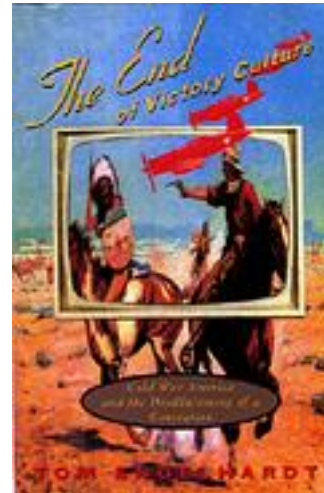
Such costs, foretold before the invasion, suggest that the pre-war pessimism in Davos was well justified. And such a modest list hardly exhausts the possible economic "downsides" to Bush administration policies in Iraq and beyond. The debate about Congressional spending, for one, deserves at least passing mention. Whether fiscal conservatives are right that Iraq- and tax-cut-bloated deficits are necessarily bad for business, or whether Military Keynesianism has actually been helping to soften a periodic economic downturn, the idea of war without sacrifice should sound fishy to any account-minded executive. Take [direct war costs](#) running in the hundreds of billions, add in medical bills for disabled veterans, then throw in the costs of National Guard reservists being pulled from small businesses, and pretty soon you're talking real money. At some point the overvalued dollar, which our creditors in the central banks of China and Japan have decided to let ride for the time being, will have to come down and is likely to bring the economy with it. When that happens, Colonel Sanders won't be the only one to feel the pain.

### **Will Business Turn?**

Back in August of the 2004 election cycle, the Kerry campaign distributed a list of 204 business executives who supported the

candidate's policies. It was a nice try, but, as Bloomberg News [reported](#), the Democrat trailed Bush badly in corporate support. Fifty-two chief executives from major companies had by then donated to Kerry; 280 to the president's re-election campaign. (Business being business, "at least three executives on Kerry's list also gave the maximum \$2,000 to Bush's re-election campaign.")

*A year has passed since the elections. Approval ratings for the victorious president continue to sink to all-time lows, and "staying the course" remains official Washington policy for Iraq. In this context, it's not surprising that Republican "realists" like Brent Scowcroft (who warned in a [Wall Street Journal op-ed](#) before the war that "it undoubtedly would be very expensive – with serious consequences for the U.S. and global economy") are making noise again. And it would make perfect sense if an increasing number of those Bush CEOs were by now pining for a return to Clinton-style multilateral globalization of a sort still held out by the defeated Senator from Massachusetts and many other Democrats.*



*Neither of these alternative camps will seem particularly appealing to progressives, but they pose a genuine threat to the imperial globalists who seem incapable of extracting themselves from Iraq. Indeed, intra-party rivalry among the Republicans – which is likely to increase as we enter an election year – could play a vital role in turning White House hawks into dead ducks. All the better if this avian transformation is sped by dissatisfaction from corporate leaders reevaluating the costs of Bush foreign policy and deciding that empire just doesn't pay.*

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