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US oil and defense industry chiefs cash in

By Emad Mekay

WASHINGTON - US oil and defense industry executives are raking in record personal profits, cashing in on the wars in Iraq and Afghanistan following the September 11, 2001, terror attacks and record oil price increases.

"CEOs [chief executive officers] in the defense and oil industries have been able to translate war and rising oil prices into personal jackpots," says a new report, Executive Excess 2006, a 60-page joint study by the Institute for Policy Studies in Washington and

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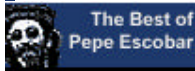
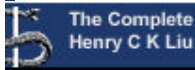
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the Boston-based United for a Fair Economy.

The report's authors say US taxpayers are funding much of this bonanza and faults US political and congressional leaders for not exercising better and more thorough oversight.

"Americans across the political spectrum should be outraged by the sight of executives cashing in on war windfalls," says report co-author Sarah Anderson. "Unfortunately, partisan politics has stopped Congress from effectively overseeing this war contracting free-for-all."

The study surveys all publicly held US corporations among the top 100 defense contractors that derived at least 10% of their

revenues from defense.

It found that the top 34 CEOs combined have earned almost \$1 billion since the September 11 attacks. This would have been enough money to employ and support more than 1 million Iraqis for a year to rebuild their country.

The defense executives' average compensation jumped from US\$3.6 million during the pre-September 11 period of 1998-2001 to \$7.2 million during the post-September 11 period of 2002-2005.

Among other startling facts revealed in the report is that in 2005 alone, defense industry CEOs garnered 44 times more pay than military generals with 20 years experience, and 308 times more than army privates.

The report names United Technologies CEO George David as the winner of the top spot in executive profits after the Iraq war with more than \$200 million in pay since September 11, 2001, despite investigations into the quality of the company's Black Hawk helicopters.

Health Net CEO Jay Gellert secured the biggest personal pay raise after September 11, a gigantic 1,134% leap over the preceding four years. "The company owes its earnings growth to American taxpayers, who may not realize they pick up a hefty share of cost overruns in the privatized military health-care system," said the report.

Halliburton CEO David Lesar made a modest \$26.6 million last year, even though his company has been criticized for its links to US Vice President Dick Cheney. "While Halliburton's future Iraq work is uncertain, Lesar will enjoy the nearly \$50 million he has made since the 'war on terror' began," the report says.

Oil company chief executives are also making three times the pay of CEOs in comparably sized businesses.

In 2005, the top 15 US oil industry CEOs got a 50% raise over 2004. They now average \$32.7 million, compared with \$11.6 million for all CEOs of large US firms, the report finds.

The top three highest-paid US oil chiefs in 2005 were William Greehey of Valero Energy at \$95.2 million, followed by Ray Irani of Occidental Petroleum at \$84 million and Lee Raymond, the outgoing CEO of ExxonMobil, at \$69.7 million. The lowest paid was Chad Deaton, CEO of Baker Hughes, at \$6.6 million.

"The average construction worker at an energy company would have to work 4,279 years to equal what Greehey collected last year," the report noted.

Executive pay at US-based oil companies also far outpaced pay at oil companies based outside the US, says the report.

International oil giants BP and Royal Dutch Shell, the second and the third largest internationally, paid their top executives only one-eighth what their US counterparts received - \$5.6 and \$4.1

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million in 2005, respectively. Both companies operate in the same global marketplace as their US-based competitors.

Since 1990, the overall CEO-worker pay gap in the US has grown from 107-to-1 to last year's 411-to-1, said the report

The study came out a day after another US think-tank, the Phoenix Center for Advanced Legal and Economic Public Policy Studies, issued a report defending oil industry profits by comparing the overall profitability of the US oil firms to other industries.

It concluded that "selling beer or bleach is more profitable than selling gas and oil, even during times of 'record' profits for the oil companies".

The Phoenix Center, which looks into broad public policy issues and promotes a free-market approach, studied profits from companies such as ExxonMobil, Chevron-Texaco, ConocoPhillips, Shell, Marathon, Hess and Sunoco.

"It may be fashionable to beat up on oil industry profits, but it appears that these firms do bear at least some of the burden of high oil prices," said George Ford, the Phoenix Center's chief economist and author of the study. "Our analysis shows that when gas prices are at their highest, oil industry profitability is at its lowest," he said.

But the Phoenix Center's position may be a lonely one in light of reports that BP, which operates some of the largest oil fields in the US, is under investigation by the Justice Department and the US Commodity Futures Trading Commission for possible manipulation of crude oil and gasoline markets.

(Inter Press Service)

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