

The Boesky 'insider trading' affair

by Chris White

Don Regan's "magic of the market place" grip on U.S. economic policy has been dealt a potentially fatal blow by developments in the so-called "insider trading" case associated with the indicted takeover artist Ivan Boesky.

Boesky has been indicted by the Securities and Exchange Commission in developments following from the earlier SEC action against Drexel Burnham official Dennis Levine. Initial panic that followed reports of the investigation was vastly magnified when it became known that, bargaining to stay out of jail, Boesky had been wired, and his offices fitted out with federal video cameras, to tape and record his planning sessions with other Wall Street insiders, for an as yet undetermined period prior to the formal announcement of the federal agencies' proceedings.

While much of the public attention in the affair has focused on the role of Boesky personally, Sharkface's day in the limelight detracts from what will undoubtedly become the broader areas that will open up during the continuing investigation. The unraveling of the affair may also portend the cited fatal blow for Donald Regan's "free enterprise" operation against the United States.

Boesky, who has visited with President Reagan at the White House, and been a funder of Republican Party activities and candidates, is one member of a stable of shady takeover artists kept in play by Wall Street brokerage firms such as Drexel Burnham Lambert, the U.S. front for the global dealings of the Belgian-based Baron Lambert, and his Swiss holding company, Pargesa, through which Wall Street's Drexel is run. Pargesa, in turn identified with the Swedes Anders Wahl and Pehr Gyllenhammer of Kissinger Associates, is a prime interface for Soviet financial and economic influence in the West.

Others of the group, such as Carl Icahn—who last year took over TWA airlines, and most recently has endeavored to take over USX, the still viable shell of the once mighty

U.S. Steel Company—and the mooted successor of the mob's Meyer Lansky, Victor Posner, are also under investigation. So too are the company Drexel Burnham as a whole, specific individuals employed by Drexel, such as Michael Milkin, the architect of junk bond financing, and traders at Prudential-Bache, Goldman-Sachs, and other securities houses. With a net that broad, it's no wonder the paranoia levels rose when it became known that Boesky was wired for federal eavesdroppers.

There are three interrelated features of the case that will perhaps leave Donald Regan and his friends deep enough in the mess to see them drummed out of government.

The first is more narrowly political. Partners with Boesky are such notorious "respectable" fronts for the north American underworld as Meshulam Riklis, and Canada's Belzberg brothers, along with Martin Peretz of the *New Republic*. The significance of this grouping is perhaps understood best by those who wondered, what exactly it was that accounts for North Carolina GOP Senator Jesse Helms's increasingly strange behavior since before the 1984 elections. The answer to that standing question, raised because of Helms's continued toleration of members of his staff hobnobbing with the Anti-Defamation League and Sikh circles responsible for assassinating Indira Gandhi, and for Helms's vendetta against the foes of narco-terrorism in Panama and other parts of Ibero-America, is partly provided when it is known that it was Boesky who helped provide financial backing for Helms's failed takeover of CBS.

The Belzbergs and Riklis are part of the lineup of drug lobby-connected layers with Israel's pro-Shi'ite faction led by Ariel Sharon. These are the ones who have mediated aspects of the U.S. connection with moderate terrorists in Iran since the Carter era. Weapons smuggling, though the networks of the notorious Cyrus Hashemi, was part of this. It should, then, be a legitimate area for investigation to de-

termine if, and to what extent, the shady speculative activities of Boesky and company were used to provide funding for the international drugs-for-weapons deals that are the underpinnings of that network, and were also used to launder the proceeds of that international criminal activity into the United States.

The second, broader, financial side of the case is most readily understood when the public trail left by investigators is abandoned, and it is realized that the picture thus presented is upside down. It's not Boesky and company who were manipulating Drexel Burnham; it's the other way round. It would be better to look at the picture from the standpoint of the hypothesis that Boesky and the pool of takeover artists were a cut-out operation for the brokerage houses being investigated. Like Bernie Cornfeld, and his IOS scam, it would probably turn out that they had been given a piece of the action, and were permitted to run with it.

To answer the question, "What was the action?" it is enough to pose another question, "How has Donald Regan's so-called recovery been financed?" There are two aspects to this, both of which contributed to the tightening stranglehold of narcotics-based speculative financial interests over the wreckage of the U.S. economy.

First, it was Donald Regan, when chairman of Merrill Lynch in the period through 1979, who worked out with Paul Volcker the deregulated financial mechanisms, such as money market accounts, which allowed the speculative offshore Euro-market to be brought back on shore to threaten the national credit system of the United States. One of the main vehicles for that development was the growth of the securitized instruments known as junk bonds, low-grade corporate paper, for which no formal market exists.

By 1985 the junk-bond market was providing a pool of about \$100 billion for deployment into takeover actions, and raids, like Goldsmith's recent attack on Goodyear, to strip out otherwise viable corporate assets. The practice is more correctly known as extortion and robbery. Volcker and Regan had created the conditions in which the asset base of especially non-financial corporations could be stripped. The airline victims of deregulation are typical. They could no longer muster the liquidity to withstand stock raids and takeover efforts backed by seemingly bottomless pools of ready, if dirty cash.

The Regan/Volcker-orchestrated "appreciation of the dollar" after the unfolding of the debt crisis in 1982, opened the floodgates for an inflow of hot speculative funds, including funds laundered from the proceeds of the international narcotics trade, and capital flight from nations of Ibero-America, and elsewhere. The merger mania that followed Volcker's high-interest-rate wrecking job against U.S. industry, agriculture, and households, was the motor of the increase in stock prices that kept the funds coming in. The junk-bond business, pioneered by Drexel and company, which accounts for half the \$100 billion market, was the way in which the hot speculative, illegal foreign funds were turned

into a battering ram against U.S. industry and economic activity.

The SEC investigation seems to be precisely targeted at the vulnerable point in this whole arrangement, the interface between apparently respectable brokerage and investment institutions, and the shady, if not outright criminal and drug-related layers, through whom that investment community actually works.

The spread of the investigation, and subsequent indictments, would then be enough to put an end to the speculative, dirty-money-based takeover and raider bull market. Already a division has appeared in stock-dealing, as stocks rumored or known to be targeted have fallen, while the rest of the market remains relatively stable. This cannot last. If merger mania is eliminated, the market will be forced back on more traditional methods of evaluating the worth of corporate stocks. The apparently endless "bull-market" that has been one of the principal symptoms of the unprecedented expansion of indebtedness associated with Regan's recovery will be over.

It ought to be clear that a country which essentially hands over control over its finances and credit system, willfully, to the kind of institutions that backed Boesky and the crime-related layers he worked with, is also a country which, in tolerating that its most vital decisions be made by such outfits, is thereby abandoning its own very fitness to survive.

The strategic aspect

This is highlighted by the third area of immediate concern. In the *EIR Quarterly Economic Report* dated April 15, 1985, the thesis was developed that the stupidities of U.S. economic policy, typified by the "buy cheap, sell dear" magic-of-the-marketplace outlook associated with Boesky and company, were the most deadly of weapons available to the Soviet Union in that resurgent empire's efforts to seize world hegemony in the time interval 1988-90.

The Boesky case symptomizes that reality. Who were Ted Turner and Jesse Helms acting for, when they jointly attempted to take over CBS with Boesky's help and funding from Drexel Burnham? Turner's behavior since that 1984 attempt, along with the reported features of Helms's behavior, help make that clear. Soviet objectives were being served by the effort. How many other cases are there in which principals acting for the Russians, through the dirty-money crowd, have enabled the Russians to build up arm's-length, or even hands-on, positions of influence and control, in U.S. financial and corporate institutions, screening their presence under cover of the free-enterprise ideology that their intended victims extoll? Have the Russians, through their allies in the financial interests associated with the dope trade, built up the kind of position which they could use to, for example, dictate the timing of the upcoming financial crash?

It were better to clean out, and put in order our own financial house, right now, even if that means dumping Don Regan and his friends, than to wait to find out.