Shultz's Hit Man, Fischer, To Head Bank of Israel

by Steven Meyer and Dean Andromidas

Stanley Fischer, vice chairman of Citigroup, was named the eighth Governor of the Bank of Israel on Jan. 10. As Deputy Managing Director of the International Monetary Fund (IMF) from 1994 to 2001, Fischer oversaw the financial meltdowns in Asia, Russia, and Argentina, and his new appointment signals that the IMF considers a major financial blowout of the Israeli economy possible.

The nomination of Fischer, who is not an Israeli citizen and speaks only rudimentary Hebrew, to one of the most powerful positions in the Israeli government, was kept secret from the public, and from the Israeli political class, until after he accepted Jan. 9. There was good reason to keep the secret. Fischer is the protégé of former U.S. Secretary of State George Shultz and free-marketeer Milton Friedman, and had been one of the world's foremost "economic hit men" for more than two decades.

Fischer was also one of the chief architects of Israel's transition from a growing industrial economy, to one of the world's "model" radical free-market, neo-liberal economies. His appointment is aimed at saving Israeli Finance Minister Benjamin Netanyahu's economic reforms, in the face of a potential social explosion caused by the collapse of living standards Netanyahu's austerity measures have brought about, to the point that one in five Israelis is living in poverty, and one in five Israeli children goes to bed hungry.

The Moral Equivalent of a Mercenary

Confirming that Fischer will be the enforcer of Netanyahu's reforms, Israeli commentator Hannah Kim wrote in the Israeli daily *Ha'aretz* Jan. 11: "Fischer is slated to be the policeman who will prevent political changes—if such do take place in Israel—from affecting the economic policy that Netanyahu is orchestrating. He is the one who is supposed to continue to press ahead with the neo-liberal moves that will further reduce the remains of the Israeli welfare state. He represents those very same international markets about which Israeli politicians tend to say, 'The markets won't let us,' every time there's a proposal that would require a deviation from these draconian austerity policies.

"Fischer has received the second most important position in the economy, despite not having an Israeli public service record. He is, in fact, something of a mercenary, even if he really is 'a warm Jew,' as he has oft been described over the past few days. A mercenary is employed when the internal elements are no longer sure of their strength. . . ."

While agreeing that Fischer was a kind of "mercenary," Professor Danny Gutwein of Haifa University, who is an economic advisor to Amir Peretz, chairman of the Histadrut Labor Federation, told *EIR* that it is more appropriate to say Fischer will be the "high commissioner" of globalization to Israel—sort of a globalized equivalent to Great Britain's high commissioner in pre-1948 Palestine.

Gutwein said that naming Fischer is part of Netanyahu's determination to build a "Great Wall of China" around his economic reforms, because they are generating a social explosion that could could bring down the Sharon government. Second, he said, Israel's economic reforms are being seen as a "global model," which the likes of Fischer, one of the high priests of globalization, are determined to see implemented.

In a recent interview with the Israeli press, Fischer praised Netanyahu's brutal policies: "The reforms are moving at the

The new governor of the Bank of Israel, Stanley Fischer—who is not even an Israeli—is an economic hit man for the International Monetary Fund.

appropriate speed. There are things that have been spoken about for 15 to 20 years . . . but things are beginning to move." He added that "taxes in Israel are too high, the welfare system is too large and should be reduced, . . . other ways should be found to help the poor. . . ."

Netanyahu's claim, in justification of the appointment, that Fischer is an "ardent Zionist," did not go down well in the Knesset, the Israeli Parliament. Knesset Member Avraham Poraz, of the Shinui Party, declared, "To me an ardent Zionist is a man who immigrates to Israel, serves in the army, sends his children to the army, goes through all the wars here with us, and, when they attack us with Scuds, puts on a gas mask . . . I'm not interested in having a man like this in such a high position in Israel's civil service. . . ."

Fischer will have to give up his U.S. citizenship for Israeli citizenship for his new position, which pays $150,000 a year, a fraction of what he got at Citigroup.

George Shultz's Hit Man

Stanley Fischer is one of the world's foremost economic hit men, thanks to former U.S. Secretary of State Goerge Shultz. Shultz is a chief architect of the current Bush Administration; his latest fascist project was to put the Austrian Nazi-lover Arnold Schwarzenegger into the Governor's mansion in California.

Fischer was born and raised in white-supremacist Rhodesia, now called Zimbabwe, where, he told an interviewer, "The education system was British."[1] He told the same interviewer that he earned his first university degree at the London School of Economics, because "for us, England was the center of the Universe."

Fischer went on to do his post-graduate studies at the Massachusetts Institute of Technology, and later at the University of Chicago's infamous Chicago Business School, where, only a few years before, Shultz himself had been dean. It was here that Fischer attended Milton Friedman's "money workshop," the kindergarten of a generation of radical free-market ideologues and architects of today's "globalized" international economy. On the other side of campus, one could find Professor Leo Strauss, the fascist philosopher who was the mentor of those who later became the Bush Administration's "neocons," such as Richard Perle and Paul Wolfowitz.

In the 1970s, Fischer was in Israel as visiting lecturer at the Hebrew University, but the "ardent Zionist" didn't immigrate. He returned to MIT, because, unlike Israel, "MIT was such a wonderful place to be," as he said in the 2004 Russell Sage Foundation interview.

In 1983, Shultz plucked Fischer from the ivory tower of academia to bring him into the world of the economic hit man. As Fischer said in the 2004 interview, "My real opportunity came in 1983 when George Shultz asked me to join an advisory group he was creating on the Israeli economy . . . that's how I got into the policy game." This group, including Shultz crony and "Chicago boy," Herbert Stein, drafted the policies that would transform Israel's "Labor Zionist economy" into a free-market economy under the control of the Anglo-American financial oligarchy.

Netanyahu: Another Shultz Hit Man

Those reforms were so radical and brutal that, according to Fischer, Shultz was convinced they would be accepted only if seen as coming from Israelis themselves. So Shultz lent his patronage to an up-and-coming young Israeli right-winger, Benjamin Netanyahu, then spokesman at the Israeli Embassy in Washington.

In 1984, in support of his protégé, Shultz, still Secretary of State, attended the opening conference of the Jonathan Institute, an anti-terrorism think-tank created by Netanyahu's family and named after Netanyahu's brother, who died in the Israeli raid on Entebbe, Uganda. Netanyahu became a champion of Shultz and Fischer's economic reforms.

Also in 1984, the Institute for Advanced Strategic and Political Studies was formed, with offices in Jerusalem and Washington. Its Division for Economic Policy Research continues to be the foremost center for radical free-market policies in Israel. In 1996, this institute presented Netanyahu, then Israeli Prime Minister, with the infamous policy paper, "A Clean Break: A New Stategy for Securing the Realm." Drafted under the direction of Richard Perle and Doug Feith, this paper, five years later, would become the policy of the Bush Administration. "Clean Break" called for military attacks on Iraq, Syria, and Iran, and for creation of a new economic order based on the same radical free-market policies drafted by Fischer more than a decade earlier.

1. Interview with Russell Sage Foundation, Aug. 13, 2004. (http://www.citigroup.com/citigroup/features/data/fischer040813.hm)

Austerity in the Guise of 'Stabilization'

The collapse of the Israeli economy in 1984, as a result of Ariel Sharon's Lebanon War, presented Shultz and Fischer with the opportunity to ram these reforms down Israeli throats. Inflation was at 400%, the banking system had collapsed, and the country was in a political upheaval over the war. In 1984, Shimon Peres became Prime Minister and travelled to Washington to beg for $1.5 billion in economic aid. In classic hit-man mode, Shultz offered Peres a deal he could not refuse: Implement the Chicago boys' reforms, now called the "Economic Stabilization Plan," and you will get your $1.5 billion (in addition to the $3 billion Israel got in military and economic aid).

To ensure that the reforms occurred, and became the foundation of U.S.-Israeli policy, Shultz created the Joint Israeli-U.S. Economics Development Group. Co-chaired by the U.S. Undersecretary of State for Economic Affairs and the Director General of Israel's Ministry of Finance, it includes "economic experts" from both countries.

Peres returned to Israel and formed an economics team to launder the policies demanded by Shultz, and drafted by Fischer and Stein. Besides Israelis, this team included Michael Bruno, the Harvard University Professor of Economics who was the mentor of Jeffrey "shock therapy" Sachs. It also included Jacob Frenkel, who had befriended Fischer when both were at Chicago. Bruno and Frenkel would, like Fischer, become top officials in the World Bank and IMF. The whole process was overseen by Fischer and Stein, who went to Israel to monitor the operation as advisors of Secretary of State Shultz.

In his autobiograhy, *Battling for Peace,* Peres recalls how he was able to force the Economic Stabilization Plan, "drafted by Israelis," into implementation. In the years to come, no matter who led the government, the transformation of the Israeli economy continued; Bruno and Frenkel became Governors of the Bank of Israel, where they championed radical free-market policies during the 1980s and 1990s.

For Fischer, the experience went beyond "economics," to the exercise of power. He told the Russell Sage interviewer that as advisors to Shultz, they had the authority to say to Israeli politicians and officials, especially those hesitant to implement the Plan, that "The Secretary of State believes this." Then Fischer went on to say: "As a professor, that didn't impress me. But when you say 'the Secretary of State believes' to a government that depends on the United States, they are not listening only to the economics."

Fischer no doubt enjoyed such power when he was the financial oligarchy's hit man as a Director of the World Bank (1988-90) and the Deputy Managing Director of the IMF (1994 to 2001). In the latter post, he was involved in all the major financial crises—Asia, Mexico, Russia, and others. As the new Governor of the Bank of Israel, he will not be representing Israeli interests, but those of his masters in the international financial oligarchy.

Fischer Destroyed the Peace Process

Fischer's appointment as Governor of the Bank of Israel targets the entire region. Any peace must involve Israel, and it must involve regional economic cooperation. Lyndon LaRouche's Oasis Plan for a Middle East Peace, which calls for massive investment in economic infrastructure, especially in water desalination using nuclear energy as the power source, is the only hope. Fischer's appointment is aimed at sabotaging any such effort—look at his role in destroying the Oslo Accords.

The foundation for the success of the 1993 Oslo Accords lay in the so-called economic annexes, which called for Israeli-Palestinian cooperation for economic and regional development. These annexes identified a number of projects, including a seaport and airport to be build in Gaza and the Mediterranean-Dead Sea Canal, desalination and other water development projects, and agricultural and industrial development—among the main reasons Yasser Arafat accepted the agreement.

But before the ink was dry on the Accords, the World Bank stepped in as "coordinator" of all economic aid to the Palestinian Authority. This was the beginning of the end of the agreement.

In 1990-93, from MIT, Fischer was involved in what he called various "quasi-academic initiatives" on the "economics of Middle East Peace." He wrote "Building Palestinian Prosperity"(*Foreign Policy,* Vol. 93, Winter 1993-94), where he laid out a "free-market" economic policy for the West Bank and Gaza Strip. It was, in effect, the first economic stabilization plan to be proposed for a militarily occupied territory that was not even a state. Beginning in 1994, as First Deputy Managing Director of the IMF, Fischer could exercise hands-on control of economic policy for the Middle East.

With their hands on the flow of the Palestinian aid, the World Bank and IMF ensured there would be no great projects, no Mediterranean-Dead Sea Canal, no water desalination, no regional transportation projects—and no peace. The World Bank even forbade the Palestinain Authority to use its funds to construct 200,000 desperately needed housing units, which would have permitted them to dismantle the squalid refugee camps where more than half the Palestinian Authority population lives.

The same policy applied to Jordan, Egypt, and other countries in the region. If Shimon Peres's touted "New Middle East" were to come into being, it would have to be a radical free-market Middle East.

By 1996, the real GNP of the Palestinian territories had declined by 22.7%; real per-capita GNP declined 38.8%. In 1996, unemployment in the Gaza Strip was at 39%; on the West Bank, 24%. Wages fell 16% and 8%, respectively.

Also by 1996, Israeli Prime Minister Yitzhak Rabin was dead at the hands of an Israeli assassin, and Benjamin Netanyahu was Prime Minister of Israel. The peace process was dead. The rest is history.