

George Shultz: Godfather of Bush And Schwarzenegger

The following is the introduction to a LaRouche PAC pamphlet, “Bush’s Social Security Fraud—Stop George Shultz’s Drive Toward Fascism!” The article is entitled, “Behind the Social Security Heist Stands George Shultz: The Fascist ‘Godfather’ of Bush and Schwarzenegger.”

George Shultz, the political Godfather of President George W. Bush and California Governor Arnold Schwarzenegger, is, like his role model Hjalmar Schacht, the kind of fascist who, one would imagine, arrogantly believes he will get off scot-free at the next Nuremberg war crimes tribunals. Hjalmar Schacht, the architect of the Hitler genocide, from his posts as Minister of Economics and German Central Bank chief of the Nazi regime, was tried and acquitted at the original Nuremberg trials, despite the fact that it was his radical austerity policies that led, lawfully, to the Holocaust, in which millions died—Jews, Gypsies, Slavs—the elderly, the young, the sick, and the feeble (the “useless eaters”) exterminated in the gas chambers, while the able-bodied were worked to death.

The ugly truth that most people today do not want to face about 20th-Century Nazism and Fascism is that, before there were the populist demagogues, the Hitlers and the Mussolinis, there were the “liberal” bankers, who demanded, under financial collapse conditions, that the bankrupt banks be saved at all costs. The Storm Troopers and the concentration camp kapos came later. They were the enforcers of the fascist policies, dictated, top-down, from such institutions as the Bank for International Settlements, through the actions of three-piece-suited bankers. Hjalmar Schacht was one leading example. So was Count Volpi di Misurata, who served as the Finance Minister and the Svengali behind Mussolini, on behalf of an Anglo-Venetian financier oligarchy. Bank of England Governor Montagu Norman, New York Federal Reserve chairman Benjamin Strong, Wall Street bankers Averell Harriman and Prescott Bush, Sr., along with the Directors of J.P. Morgan, were all among the central bankers and private financiers who contributed their cash and their political muscle to impose Nazism and Fascism on Europe, and drive the world back to war and chaos, for the second time in the century.

So, today, George Shultz, the wanna-be Hjalmar Schacht of the late 20th and early 21st Centuries, peddles the identical fascist austerity policies, under even

Bush's Social Security Fraud—

Stop George Shultz's Drive Toward Fascism!

Larouche PAC

\$5

INTRODUCTION

Behind the Social Security Heist: George Shultz, Fascist 'Godfather' Of Bush and Schwarzenegger

George Shultz, the political Godfather of President George W. Bush and California Governor Arnold Schwarzenegger, is like his role model Hjalmar Schacht, the kind of fascist who, one way or another, always seems to get off scot-free at the next Nuremberg war crimes trials. Hjalmar Schacht, the architect of the Hitler genocide, from his posts as Economics Minister and German Central Bank chief of the Nazi regime, was tried and

acquitted at the original Nuremberg trials, despite the fact that it was his radical austerity policies that led, lawfully, to the Holocaust, in which millions died—Jews, Gypsies, Slavs—the elderly, the young, the sick, and the feeble (the “useless eaters”) exterminated in the gas chambers, while the able-bodied were worked to death.

The ugly truth that most people today do not want to



George Shultz, the price-dragging California Governor, who used to speak enthusiastically of Adolf Hitler as a great Austrian who took over a great country. Here, Schwarzenegger is seen promoting his 2006 fiscal austerity budget for California.



COVER: AP Photo/Steve Yeater/Pool; Among the arch-plotters against Social Security, left to right: George Shultz, California Governor Arnold Schwarzenegger, and Shultz's fellow "Chicago Boy," Milton Friedman, in an October 2004 gathering of the Governor's Council of Economic Advisors, which Shultz chairs.

© February 2005

Paid for by the Lndon LaRouche PAC and
Not Authorized by Any Candidate or Candidate's Committee

The LaRouche's PAC's new pamphlet features on the cover (left to right) George Shultz, California Gov. Arnold Schwarzenegger, and Milton Friedman, in an October 2004 gathering of the Governor's Council of Economic Advisors, which Shultz chairs. Shultz personifies the financier oligarchs who, in times of financial collapse, back populist demagogues—like Hitler and Mussolini in the 20th Century—in an effort to save the bankrupt banks at all costs.

more severe conditions of imminent collapse of the present, hopelessly bankrupt world financial system—the post-Bretton Woods floating-exchange-rate system that Shultz, personally, helped create.

And Shultz, like Germany's Schacht and Italy's Volpi, has chosen his populist demagogues, to sell fascism to a desperate and increasingly irrational population. It is no secret that Shultz was the behind-the-scenes architect of the George W. Bush Presidency, hand-picking his core team of campaign advisors, the so-called “Vulcans,” and placing trusted long-time collaborators, like Dick Cheney and Donald Rumsfeld, and loyal protégés like Condoleezza Rice, Paul Wolfowitz, and Elliott Abrams, in key White House and Administration posts. But even Shultz knows that G.W. is, at best, a transitional figure, whose Presidency was “made” by the events of Sept. 11, 2001.

Shultz's hand-picked future Führer, with real-live Nazi blood flowing through his veins, is California's Governor Arnold Schwarzenegger. While Bush flubs his lines and increasingly loses his composure, even in front of pre-screened adoring audiences of fundis and rightwing Republican shills, as he peddles the looting of the Social Security Trust Fund, Hollywood action-hero and former steroid-popping Austrian bodybuilder Schwarzenegger is just the kind of demagogue that Shultz and company are looking to in the near future. California is the test case for the real thing, and George Shultz has inserted himself as the chief of Governor “Arnie’s” economic hit team, just as banker Schacht stepped back into the government, once Hitler was installed in power.

They All Hate FDR

Like the Schachts, the Normans, the Harrimans, and the Volpis of the 1923-45 period of depression, fascism and world

war, today's Schachtians, led by the likes of George Shultz and Alan Greenspan, despise everything that American President Franklin Delano Roosevelt ever stood for. FDR saved the world from fascism, by returning the United States to its founding principles, leading an unprecedented economic recovery, and mobilizing America's industrial might and its most precious asset, the American people, for the fight to defeat Hitler.

At home, FDR launched a series of great projects, financed by government-directed credits, to put a broken and demoralized American people back to productive work. Projects like the Tennessee Valley Authority, rural electrification, and the creation, from the ground floor, of an airplane-manufacturing industry, a petro-chemical industry, and other new industries, transformed the United States. Programs like Social Security for the first time brought full meaning to the Constitutional mandate that government provide for the General Welfare of all Americans of the current and future generations. For the first time, America's elderly, ill, and orphaned were no longer trapped in a life of degrading poverty. For 70 years, FDR's Social Security program has protected Americans from want.

On the international stage, FDR's crowning achievement, beyond the defeat of fascism, was the Bretton Woods system, which created a stable, international financial system, without which the postwar recovery would have been impossible. FDR, at Bretton Woods, organized the 44 Allied governments, to establish a fixed-exchange-rate system, pegged to a monetized value of gold. The Depression era and World War II debt, over a period of years, was written off, to ensure that there would be no replay of the Versailles System constructed at the close of World War I, which created, through rapacious war reparations, the bitter resentment that ultimately led to

fascism and catastrophe.

It was Roosevelt's intention, as recounted by his son Elliott, to rid the postwar world of all vestiges of European colonialism and imperialism. Sadly, FDR died before he could see that final mission through to completion. Winston Churchill breathed a deep sigh of relief, when FDR was replaced in the White House, upon his death, by Vice President Harry Truman, a little man who was wholly unprepared for the job, and who surrounded himself with what FDR had earlier denounced as "American Tories," the internal proponents of empire and free trade.

Shultz as Schacht

Just a few short years after the death of Franklin D. Roosevelt, George Shultz first appeared on the political stage, already dedicated to undoing everything that FDR had created.

To a certain extent, Shultz was "born into the job." His father, Birl Earl Shultz, was a seminal, albeit behind-the-scenes, figure in the early-20th-Century Anglo-American financial oligarchy, serving for years as the personnel director of the American International Corporation, of 120 Broadway, New York City. AIC was an investment conglomerate for the major Wall Street financial houses, deeply involved in dirty financial operations inside the Soviet Union, shortly after the Bolshevik Revolution. State Department documents from the World War I era identified AIC as a hub of what historians called the "Anglo-American Trust." From 120 Broadway, the elder Shultz moved directly onto Wall Street, establishing the New York Stock Exchange Institute, the training school for future brokers.

After getting his B.A. from Princeton in 1942, George Shultz served in the Marine Corps for three years, before entering graduate school in economics at MIT. At MIT, according to several accounts, Shultz teamed up with the German social engineer Kurt Lewin, until Lewin's death in 1947. Lewin, along with MIT professors John Von Neumann and Norbert Wiener, was a major player in the "Cybernetics Group," which pioneered the "information age" of post-industrial society. Lewin developed techniques for small group behavior modification, which were widely applied, during the 1950s, in the corporate sector, paving the way for the paradigm shift to deindustrialization, cost-accounting and, eventually, radical environmentalism.

Shultz got his PhD in economics, specializing in Lewinite labor-management relations, later joining the MIT faculty. During the Eisenhower Administration, Shultz was brought to Washington, to work for Arthur Burns at the Council of Economic Advisors (Burns's other leading protégé was Milton Friedman). Shultz next moved to the University of Chicago Economics Department, joining Friedman. Shultz became the dean of the University of Chicago Graduate School of Business in 1962. The Chicago School was the American command post for the financier oligarchy's Mont Pelerin Society, the most radical anti-government, free-trade



Former Nazi Economics Minister Hjalmar Schacht, in 1962. He was let off scot-free at the Nuremberg war crimes tribunals, because his economic policies, which paved the way for the gas chambers, were (and are) shared by many "liberal" financial circles outside Germany.

cult of speculative monetarism.

It is not surprising that the University of Chicago of the Shultz era provided cohabitation for the neo-liberal Mont Pelerinites and Leo Strauss (who was deprived of his Nazi party card, only because of his Jewish birth), and the Straussian promoters of Nazi ideologues Martin Heidegger and Carl Schmitt. In his subsequent political postings in the Nixon and Reagan Administrations, and in his shaping of the George W. Bush Administration, Shultz would function as the perfect bridge between the neo-liberal Schachtians and the neo-conservative imperialists.

When Richard Nixon was elected President in November 1968, he tapped Shultz to be his Secretary of Labor. But as the leading Chicago School figure in the Nixon Administration, Shultz would play a far more profound role than that. Shultz executed the final collapse of the Bretton Woods System, in concert with two other Nixon Administration figures, Paul Volcker and Henry A. Kissinger.

The Bretton Woods system had been under systematic attack from the City of London from no later than the mid-1950s, when the British reopened the London gold exchange to speculative trading to undermine the dollar peg. Contrary to urban legends that the British, through John Maynard Keynes, had created the Bretton Woods system, the British government had, in fact, voted against the FDR-created Bretton Woods arrangements at the 1945 ratification conference in Savannah, Ga. It was the only opposing vote.

On Nov. 29, 1967, the British devalued the pound sterling by 14%, triggering an overall currency crisis, and forcing the U.S. government to spend 20% of its entire gold reserve to

protect the \$35 gold price against London speculators. On March 16, 1968, the central bank heads of the seven leading industrial nations reached a rotten compromise. They agreed to create a two-tier gold pricing system, retaining the official peg of \$35 an ounce, but allowing speculators to trade freely on gold and allowing the “market” to set the price—the sky was the limit. This led to an inevitable dollar crisis—which set the stage for Shultz et al. to take down the hated FDR Bretton Woods system altogether.

In the early months of the Nixon Administration, the President signed National Security Study Memorandum 7 (NSSM-7), which put Paul Volcker, Undersecretary of Treasury for International Monetary Affairs, in charge of a task force assigned to study new international monetary policy options and report to the National Security Council, headed by Kissinger. In May 1971, the Volcker team at Treasury prepared a contingency study, which, among other options, proposed “suspension of gold convertibility”—i.e., the bust-up of Bretton Woods.

By this time, George Shultz had moved from Secretary of Labor to the newly created post of head of the White House Office of Management and Budget (OMB). According to John Connally, who would soon be replaced by Shultz as Secretary of the Treasury, the order to end the Bretton Woods system came directly from Shultz, in a face-to-face meeting. Shultz was accompanied by Kissinger and Volcker, but it was Shultz who did all the talking, literally dictating to Connally that the dollar peg to gold would be ended. Just days before the Aug. 15, 1971 announcement by President Nixon, breaking the dollar peg to gold, the British Ambassador had turned up at the Treasury Department, demanding that \$3 billion in British dollar holdings be converted, on the spot, to gold, an impossible demand that was rejected. But the threat had been delivered.

On Dec. 13-14, 1971, President Nixon met with French President Georges Pompidou in the Azores. The French President tried to convince Nixon to salvage the Bretton Woods system of fixed exchange rates, through some adjustments in currency rates, but Nixon, under Shultz’s sway, refused. In June 1972, Shultz replaced Connally as Treasury Secretary, and he devoted the next several years to quashing all efforts to reconstitute a fixed-exchange-rate system. The death knell for Bretton Woods was formally sounded at the November 1975 Rambouillet summit, which Shultz attended, as part of the Ford Administration delegation. Shultz, in his book *Economic Policy Beyond the Headlines*, crowed that “markets rather than governments were explicitly in charge.”

By this time, Shultz had left government, and had been named CEO of the Bechtel Corporation, one of the world’s largest construction companies. Author John Perkins, in his groundbreaking book, *Confessions of an Economic Hit Man*, named Shultz as the head of an IMF-linked international network of cartels, dedicated to looting and destroying targeted Third World nations, by saddling them with impossible debts.

The break-up of the Bretton Woods system was part of a larger Schachtian policy paradigm-shift, orchestrated by Shultz, Kissinger, and the British. In 1974, Kissinger promulgated a new national security doctrine for the United States, through National Security Study Memorandum 200 (NSSM-200), which explicitly claimed American extra-territorial sovereignty over the strategic-raw-materials wealth of much of the developing sector, under the cloak of American responsibilities to defend the “free world” against the Soviet menace. The Kissinger document defined economic development in the Third World as a threat to U.S. national security and set out radical population reduction goals for several dozen Third World countries, including India, Turkey, Brazil, Indonesia, Nigeria, Egypt, and several states in the oil-rich Persian Gulf. This Malthusian declaration of war against the darker-skinned races of the planet placed both Kissinger and his “Chicago School” ally Shultz in the same camp as Lord Bertrand Russell, who, in his infamous 1951 book, *The Impact of Science on Society*, had called for scientists to develop a means of unleashing a Black Plague once every generation, to ensure that population growth did not get out of control.

The Pinochet Model

Kissinger and Shultz put their NSSM-200 schema into practice in 1973, with the U.S.-backed military coup in Chile that ousted and brutally murdered President Salvador Allende. Over the next decade, Chile would be turned into the laboratory of the “Chicago Boys.” As the earlier Hitler and Mussolini cases demonstrated, the imposition of Schachtian austerity can only be achieved at the point of a gun. Under the dictatorship of Gen. Augusto Pinochet, at least 30,000 Chileans were “disappeared”—kidnapped and executed by Chile’s secret police, the DINA, and by allied rightwing regimes in South America. Under “Operation Condor,” a joint death squad program involving a half-dozen South American rightwing dictatorships of the 1970s, Chilean opponents of the Pinochet regime, and members of the deposed Allende government, were assassinated in South America, Western Europe, and the United States.

In Chile, under Pinochet, the labor movement was crushed, wages were driven down by 70%, and, by the end of the 1970s, the country was bankrupt. To deal with the crisis, Pinochet’s Minister of Labor and Social Security, José Piñera, devised a plan to “privatize” the government pension system. Under privatization, pension funds were diverted to private accounts, managed by banks and brokerage houses that pilfered outrageous management fees, and left most workers with a pittance on their retirement. Today, the Chilean Congress is scrambling to “reform” the privatized account system, which has been looted, nearly to the point of extinction.

George Shultz, however, has a different view of the “Chilean model.” In a PBS-TV interview on Oct. 2, 2000, Shultz described the Chile events: “The armed forces took over and no doubt did some unnecessarily brutal things in the process,

but nevertheless they took over. . . . There were in Chile some people who came to be called ‘Chicago Boys.’ They had studied economics at the University of Chicago. . . . And so a Chicago School-like economy gradually evolved in Chile. It worked.”

So enamored of the “Pinochet model” of Social Security privatization/looting was Shultz, that in early 1981, he travelled to Santiago, ostensibly on behalf of the Ronald Reagan Presidential transition team. There he met with José Piñera, who was now Pinochet’s Minister of Mines, and asked Pinera to prepare him a short memorandum on Chile’s supposedly successful pension privatization scheme. As early as 1973, according to former George W. Bush Treasury Secretary Paul O’Neill, Shultz was already peddling Social Security privatization. In 1978, Shultz apparently sold the idea to a young Texan running for a U.S. Congressional seat. George W. Bush, running in his first election campaign in West Texas, pushed Social Security privatization, on the fabricated grounds that the system would be bankrupt by 1988. He was defeated by a landslide. Some people never learn.

As Ronald Reagan’s Secretary of State, George Shultz was the first American official to call for the United States to adopt the imperial policy of preventive war. Addressing a Jewish congregation in New York City in 1984, Shultz warned that America could be forced to take preemptive action against a terrorist threat—before it had the full and accurate intelligence picture. Six years later, Shultz ally, Dick Cheney, then the Secretary of Defense in the George H.W. Bush Administration, attempted to promote the Shultz doctrine as part of a Defense Guidance. It was trashed by President Bush, his National Security Advisor Gen. Brent Scowcroft, and his Secretary of State, James Baker III. It would take Shultz’s hand-picked “Bush 43” Administration to impose this Hitlerian doctrine. Today, Shultz is promoting preemptive war against Iran, Syria, North Korea, and, eventually, China, from his latest perch, as the co-chairman of the Committee on the Present Danger.

George and Arnie

But George Shultz’s real passion, at this moment, is to pave the way for Arnold Schwarzenegger’s ascent to the Presidency—even though this will require a Constitutional amendment, to allow a naturalized American to seek the highest office in the land. Schwarzenegger is the kind of fascist demagogue who can play the Hitler to Shultz’s Schacht. Today, even as President Bush peddles Social Security privatization to an increasingly wary Congress and American public, California’s “Governator” is moving to steal California’s state pension fund system, through executive caveat, outright theft, and the threat to bypass the “punks” in the state legislature, through a referendum. Schwarzenegger is pursuing a Jacobin confrontation, modelled on the Venezuelan admirer of Carl Schmitt, President Hugo Chavez.

Shultz’s pet Arnie is a dyed-in-the wool Nazi. His father was a member of the Nazi Party in Austria, who served in the

SA, the notoriously brutal Brownshirts. In an interview with George Butler in 1977, Schwarzenegger voiced his own views on the Nazi dictator: “I admired Hitler because he came from being a little man with almost no formal education, up to power. And I admire him for being such a good public speaker and for his way of getting to the people and so on.” Arnie juxtaposed Hitler’s discipline to the softness of America. “America . . . There is one thing I don’t like here and that [is] people go on their own little trips too much,” he told Butler. “The unity isn’t there anymore. And I don’t think it’s too much the people’s fault. I think it’s because we don’t have a strong leader here.”

Schwarzenegger got teary-eyed in describing the Nazi Party’s annual Nuremberg rallies, which he attempted to replicate in his own demagogic gubernatorial campaign: “To speak to maybe 50,000 people at one time and have them cheer, or like Hitler in the Nuremberg Stadium, and have all those people scream at you, and just being in total agreement with whatever you say.”

The Imminent Dollar Crash

While George Shultz personifies that faction of the Anglo-American financial oligarchy that has been obsessed with tearing down the FDR legacy for decades, it must be emphasized that the drive now to loot the Social Security Trust Fund goes way beyond ideology. The urgency is driven by the growing recognition that the entire post-Bretton Woods floating-exchange-rate system is about to crash.

At the recent Davos World Economic Forum and the Group of Seven meeting of central bankers and finance ministers in London, a series of leading “Establishment” figures admitted that the net inflows into the U.S. equity and bond markets, which have prevented a precipitous crash of the dollar up until this point, are about to dry up. C. Fred Bergsten told the Davos attendees that the U.S. economy now depends on a net inflow of nearly \$5 billion per day, to cover the mushrooming U.S. Federal government deficits and current accounts deficits. Fan Gang, a leading Chinese economist, openly stated at Davos that China could no longer justify pouring good money after bad to defend the dollar.

On Feb. 4, on the eve of the G-7 meeting, former U.S. Treasury Secretary Robert Rubin, in a debate with Federal Reserve chairman Alan Greenspan, warned that the U.S. deficits were unsustainable and that a systemic crisis was being fuelled by the Fed and the Bush Administration’s refusal to deal with the debt bubble.

For Shultz and his ilk, the answer to the prospect of a drying up of foreign cash flows into the U.S. is simple: Steal the biggest untapped income stream left in the bankrupt domestic U.S. economy—the Social Security taxes. Forget about “saving Social Security.” Forget about Bush Administration concerns about the retirement funds for young workers. This is a Schachtian grab pure and simple.

—by Jeffrey Steinberg, Richard Freeman, and Harley Schlanger