

# Southern Strategy, Inc.: Where Wall Street Met Tobacco Road

by John Hoefle

The political success of Richard Nixon and Jimmy Carter's "Southern Strategy," transforming the White House and Congress into bastions of white Southern power, would have been impossible, without the economic transformation of the United States from the greatest industrial and scientific nation-state in history, to a post-industrial nation of white collar accountants, real estate brokers and computer programmers, retail clerks, and hamburger-flippers. This transformation of America, over the past 30-plus years, has been characterized by the collapse of the urban industrial and cultural centers of the North—New York, Detroit, Chicago, Boston, Cleveland, etc.—and the gradual emergence of the "New South" as the heartland of America's post-industrial economy.

Today, Southern cities like Houston, Dallas, Atlanta, and even Charlotte, North Carolina dominate the "new economy" and house the multinational corporate and banking headquarters that preside over the deregulated looting of every last remaining income stream.

This Houston-Atlanta-Charlotte nexus can be dubbed "Southern Strategy, Inc." Of course, it was Wall Street—most prominently the financial interests associated with Harriman, Morgan, and Rockefeller—which set this shift in motion. But the deregulated monster represented by such corporate creatures as Enron Corp. in the energy field, the Rainwater interests buying up hospitals, or Corrections Corporation of America in private prison operations, signals a process of financial speculation and physical-economic chaos, which Wall Street no longer can control. With President-Elect George W. Bush and Vice President-Elect Richard Cheney moving from Texas to Washington, the power of this Southern-based corporate looting apparatus is almost certain to grow at an even more accelerated rate.

We take up one significant slice of that corporate octopus, the Texas-centered network of oil industry giants that have been tied to the political fortunes of the Bush clan for much of the present century.

## Behind the Bushes

The role of the Bushes in pushing deregulation, like their role in grabbing control of physical assets, is in the service of something much older and nastier.

Sitting at the center of this web, and typifying the level of

corruption, are two Texas-based energy industry giants, each with ties into the nastiest of the Wall Street and European financial oligarchies: Schlumberger and Enron.

By far the oldest and filthiest of the two is Schlumberger, the intelligence apparatus masquerading as an oil services company. Schlumberger is one of the two biggest oilfield services companies in the world, Halliburton<sup>1</sup> being the other. While Schlumberger, the company, was formed in Paris in the early 1900s, the intelligence network which operates through it is much older, a part of the banking empire of the interlocked de Neufville, Schlumberger, and Mallet-Prevost families, which have been running operations against the United States since the American Revolution.<sup>2</sup>

In Houston, the Schlumberger/Lazard nexus is closely allied with a nest of British assets centered around the Harriman interests and operating through a group of powerful law firms. E.H. Harriman was a Nineteenth-Century railroad robber baron whose companies were fronts for the British Royal Family and their fellow aristocrats. Harriman's agents in

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1. Halliburton, which acquired the Harrimans' Dresser Industries, has surpassed Schlumberger as the largest oilfield services company. Among Halliburton's subsidiaries is Brown & Root, the Houston construction firm which does sensitive work worldwide for the Pentagon and the State Department. Halliburton was also the first U.S. oil company to work the Chinese mainland and, beginning in 1986, was selected by the People's Republic of China to perform offshore field work. In the 1980s, the Halliburton board included James Glanville of Lazard, Lord Polwarth of the Royal Bank of Scotland, William Simon of Wesray and Kissinger Associates, and the King Ranch's Anne Armstrong. The "Torbitt" report identified Halliburton and Brown & Root as being among the principal financiers of Permindex, the financial front suspected of involvement in the assassination of John F. Kennedy. Halliburton head Richard Cheney, a former Secretary of Defense, left the firm to become George W. Bush's Vice President.

2. The Schlumberger family was part of a Swiss-based intelligence network operating in partnership with the British Secret Intelligence Service, to defeat the American Revolution. Among the agents run by this network were Aaron Burr, the man who killed Alexander Hamilton and who was tried for treason, Jefferson's Treasury Secretary Albert Gallatin, and the most notorious of all American traitors, Benedict Arnold. A key role was played by members of the Prevost family, British military commanders from a Swiss oligarchic family which was intermarried with the Mallet family of the de Neufville, Schlumberger Mallet Bank, known today as the Schlumberger interests. For further details, see Anton Chaitkin, *Treason in America* (Washington, D.C.: Executive Intelligence Review, 1998).



*President Sir George Bush with Queen Elizabeth II. "Sure, I'm an Anglophile," he boasts.*

Houston included Baker & Botts,<sup>3</sup> the law firm of former Bush Secretary of State James A. Baker, III, which has also represented Schlumberger since the 1950s. The Bush family is also a creature of the Harriman networks and their British controllers, through both the Bush and Walker sides of the family. Both George H.W. Bush's father, Prescott Bush, and his uncle Herbert Walker were top officials of the Harriman investment bank, and the Harrimans, Lazard, and Scottish banker James Gammell funded the business and political career of Sir George (Prescott, Herbert, and Sir George were also members of Skull & Bones, the powerful Yale-based secret society). Also coming together in Houston were the British intelligence networks of Col. Edward Mandell House, the global oil cartel, and the "legendary" King Ranch.

Enron, which has an energy trading room in its Houston

3. The firm today known as Baker & Botts was formed in 1866 by Judge Peter Gray and Walter Browne Botts, and became Baker & Botts when Capt. James A. Baker joined in the 1870s. It had a distinct Confederate and Masonic heritage. Judge Gray had been the Assistant Treasurer of the Confederate States of America, where, under the command of Confederate Secretary of State Robert Toombs, he had financed the operations of Gen. Albert Pike among the Indian tribes in the Southwest. After the war, Pike and Toombs reestablished the Southern Jurisdiction of the Scottish Rite, and Pike deputy Philip C. Tucker set up a Scottish Rite lodge in Houston in 1867, with Walter Browne Botts and Benjamin Botts as leaders. Captain Baker would later play a key role in pushing eugenics—the precursor of Nazi race science—for the Harrimans, through Rice University, which he helped found and chaired for 40 years. In 1912, Baker brought in the head of the British Eugenics Society, Julian Huxley, to help the school set up its biology department.

headquarters which rivals the trading rooms of the big Wall Street investment banks, is perhaps the single company most responsible for the chaos in today's domestic energy markets. Its "success" in energy speculation has raised virtually every electricity bill, natural gas bill, and heating oil bill in the country, some of them by orders of magnitude,

Enron is a relative newcomer, but serves an important role in allowing the financial sharks, under the guise of deregulation, to get their hands on the income streams generated from the production and consumption of electricity, natural gas, and related energy products. Enron's fortunes are directly tied to the Bush League: Enron is the single-largest contributor to the political campaigns of President-Elect George W. Bush, and the firm hired as "consultants" a number of top officials of his father's administration—including James Baker, III, and Commerce Secretary Robert Mosbacher—after they left Washington. In return, these officials used their political pull to get Enron a series of lucrative contracts around the world. Enron Chairman Kenneth Lay has been touted as a potential member of the Bush cabinet, and Southern Strategy zealot Rep. Tom DeLay (R-Tex.) is widely known as "the Congressman from Enron."

Enron is "Dubya" Bush's biggest career patron, having given him more than \$500,000, according to the Center for Public Integrity.

### **A Bit of Texas History**

When Texas became a Republic in 1836, the political battle revolved around the forces of patriot Sam Houston on



Anne Armstrong, of the King Ranch, was U.S. ambassador to Britain in the 1970s, and chairman of the President's Foreign Intelligence Advisory Board under Reagan and Bush.

the one side, and Mirabeau Buonaparte Lamar on the other. Lamar was a member of the aristocratic, plantation-owning Lamar family of Georgia and New York. Houston was inaugurated as the first President of Texas in October 1836, with his bitter enemy Lamar as his Vice President. Under the Texas Constitution, Houston could not succeed himself in office, and not one, but two of his hand-picked successors died while campaigning for the Presidency, a fortuitous set of circumstances which helped Lamar become the second President of the Republic of Texas, in 1838.

This Texas-Georgia-New York connection is one of the recurring themes in this report, exemplified by the Carter-Menil Foundation of former President Jimmy Carter and Dominique Schlumberger de Menil, and the Houston connections of Atlanta-based Coca-Cola. Coke Chairman J.P. Austin was the Trilateral Commission member who helped Zbigniew Brzezinski recruit and train Jimmy Carter, to be the President of the Democratic Party's version of the Southern Strategy. The Lamar tradition also remains strong in Texas: It was in the Lamar Hotel that the Houston elite gathered to play cards and run much of the state, and when Texas Commerce Bancshares celebrated the 150th anniversary of

the Republic of Texas with an ad paying homage to the heroes of the Texas Revolution, leading the list was oligarch Mirabeau Buonaparte Lamar, with no mention of the patriot Sam Houston.

In the late 1800s-early 1900s, the government of the State of Texas was dominated by an alliance between the King Ranch and Col. Edward House. House, who later gained fame as Woodrow Wilson's controller, was the son of a wealthy British plantation owner in Houston. Back in Houston, the House family groomed young Jesse Jones to take over as Houston's leading light. In the 1920s, Jones became a real estate developer in New York, and among his partners was Robert Lovett, who succeeded E.H. Harriman as the head of the Union Pacific Railroad. Jones's personal attorney was Capt. James Addison Baker of Baker & Botts, a firm which represented Harriman interests in Texas. Jones, in turn, passed the torch to what became known as the "8F Crowd," so named because they gathered to play poker and run the state in Room 8F of Jones's Lamar Hotel. The 8F crowd ran Houston and exerted considerable control over state affairs during the 1940s to the 1960s, and created institutions that continue to exert significant power today, notably three of the most powerful law firms in the country, Baker & Botts, Vinson & Elkins, and Fulbright & Jaworski. Until the late 1980s demise of the Texas banking system, these law firms were all closely associated with a major bank: Baker & Botts with Texas Commerce; Vinson & Elkins with First City; and Fulbright & Jaworski with Bank of the Southwest.

### Meanwhile Back at the Ranch . . .

In 1983, Debrett's Peerage Ltd., publisher of *Debrett's Peerage and Baronetage*, issued a book entitled *Debrett's Texas Peerage*, on "the aristocrats of Texas." Featured quite prominently in the book was "The Royal Family of Ranching," the Klebergs of the King Ranch.

"Robert Justus Kleberg, Jr., was a god among Texas ranchers," the chapter on the King Ranch began. "They still talk about him today in reverent tones, not only on ranches around the world, but at '21,' The Pierre, Saratoga, The Jockey Club and other exclusive enclaves which he used to frequent during racing season in the East."

The *New York Times* has repeatedly referred to the spread as "the legendary King Ranch," and *Debrett's* said that before the ranch opened itself to oil production, it was known as "the Walled Kingdom." The Klebergs, *Debrett's* gushed, had "lifelong friendships with the Whitneys, Vanderbilts and other horsey families of the East." The ranch has also been host to some of the most powerful oligarchs in the world, including Prince Johannes von Thurn und Taxis, hereditary head of the Venetian intelligence service, and Prince Charles of Britain. Anne Armstrong of the King Ranch was U.S. ambassador to Britain in the 1970s, as well as being chairman of

the President's Foreign Intelligence Advisory Board (PFIAB) from 1982 to 1990, under Reagan and Bush.<sup>4</sup>

The King Ranch was formed in 1857 by Capt. Richard King, who had made his living as a steamboat captain running cargo and passengers along the Rio Grande River; he had arrived on the Rio Grande just after Gen. Zachary Taylor arrived with his army to defend the State of Texas against Mexico. King and his partner Mifflin Kenedy ran supplies for Taylor, in an operation which was actually an intelligence network operating under the cover of commerce. Just prior to the Civil War, King and Kenedy bought huge tracts of land just south of Corpus Christi; another member of the network was Charles Stillman, a border merchant who later moved to New York to found the National City Bank (a.k.a. Citibank). King's principal lawyer in the early days was Stephen Powers of Brownsville, who had previously been a U.S. consul to Switzerland.

During the Civil War, the King Ranch was an important transshipment point for Confederate supplies, particularly when the Mexican port of Matamoros took on crucial importance after the Union blockade closed the ports in the South. The ranch also functioned as an intelligence center for the Confederacy.

The Klebergs entered the picture when Robert Justus Kleberg ("Kleberg the First," according to *Debrett's*) married Captain King's daughter, Alice. When Captain King died in 1885, Kleberg took command of the ranch. Kleberg the First and Alice had two sons and three daughters. The elder son, Richard Mifflin Kleberg, went to Washington as a Congressman, and hired a young man named Lyndon Johnson to be an aide. The younger son, Robert, Jr., eventually took over the ranch from his father.

The business operations of the ranch circa the mid-1980s were run by Jim Clement, the Princeton-trained son of Martin Clement, a former honcho of the Pennsylvania Railroad. One of Clement's friends and regular guests was the late Prince Johannes von Thurn und Taxis, the aforementioned Venetian spook and top-level oligarch.

The King Ranch got a financial boost when oil was discovered on the property, and oil royalties from Humble Oil & Refining (later bought by Exxon) started rolling in. With their

social and political connections, and the oil money, the King-Kleberg heirs moved into the corporate world.<sup>5</sup>

In 1977, Prince Charles visited the Armstrong Ranch to play polo with Anne's husband, Tobin Armstrong of the Armstrong Ranch; his brother John Armstrong of the neighboring King Ranch; John's son Charles Armstrong, and oil heir Will Farish of Houston, among others.

## Enter the Schlumbergers

On Jan. 10, 1901, Capt. Anthony Lucas and Patillo Higgins discovered oil at Spindletop, Texas. The Spindletop salt dome contained enough oil to double the production of the Pennsylvania fields where John D. Rockefeller's Standard Oil ruled, and allowed the United States to surpass Russia as the leading oil producer of the day. Oil had been drilled in Texas since 1866, but Texas had never come close to matching the output of Pennsylvania until Spindletop. With the Spindletop gusher, a black-gold rush began, and fortune-seekers from all over the world poured into Texas. Among them were oligarchs and their agents, seeking to gain control over this new source of wealth. Over time, Houston became a center of the oil industry, and a captive of the British-dominated global oil cartel.

With Schlumberger came two important figures, Jean de Menil and his wife, Dominique Schlumberger de Menil. Jean, whose background had been deliberately muddied, was a Tsarist White Russian of some stature, who had fled Russia to avoid Communist reprisals, while Dominique was the daughter of company co-founder Conrad Schlumberger. As a top official of Schlumberger, Jean de Menil's responsibilities included the company's Ibero-American operations, while Dominique was a cultural and political warfare operative who founded the Rothko Chapel as a coordinating point for all sorts of unsavory operations, including terrorist networks involved in the assassination of Egyptian President Anwar Sadat.

While the full story of Schlumberger's intelligence remains the subject for further investigation, some aspects are already known. Jean de Menil, as documented in *EIR's* book *Dope, Inc.*, was a member of the Solidarists, a group comprised of Eastern European and White Russian fascists and feudalists. Many of the Solidarists had been officials of "Quis-

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4. Anne Legendre Armstrong, the daughter of aristocratic New Orleans coffee merchant Armand Legendre, became friends with Helenita Kleberg at the exclusive Foxcroft and Vassar schools. She married Tobin Armstrong, whose brother John was married to Helenita's sister Henrietta Kleberg, and was second in command at the King Ranch. The Armstrongs trace their heritage to Texas Ranger John Armstrong, an enforcer for the King Ranch in its early days. Their much smaller Armstrong Ranch is, politically, an adjunct to the King Ranch. At PFIAB, Armstrong was involved in operations against Lyndon LaRouche and his associates, and helped bring Henry Kissinger into the Reagan Administration in 1983. She chaired the advisory committee of the influential Georgetown Center for Strategic and International Studies, and was co-chair of the Republican National Committee in 1971-73.

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5. Belton Kleberg "B.K." Johnson started his own ranch, and joined the boards of AT&T, Campbell Soup, Tenneco, U.S. Trust and First City Bancorp., among others. His half-brother Robert Richard "Bobby" Shelton bought a ranch in Kerrville, Texas; Bobby Shelton also served a stint as head of the Texas Department of Public Safety, the state police agency which included the famous Texas Rangers, which at times seemed to have functioned as the private police of the King Ranch and its cohorts. These children, along with Anne Armstrong, were heavily interlocked with the 8F Crowd institutions in Houston. BK and Anne both sat on the board of First City Bancorp. of Houston, and Anne was also a director of American Express, General Motors, Boise Cascade, Braniff, Union Carbide, and Halliburton.

ling” pro-Hitler governments during World War II. A leading component of the Solidarist movement was a highly professional espionage, sabotage, and assassination network called the Narodnyi Trudovoy Soyuz (NTS). The NTS had been founded by Menshevik circles in Russia in the 1920s, and functioned as one of British Intelligence’s premier spy rings inside Russia. The principal Western financing conduit for the NTS and the Solidarist movement was the Tolstoy Foundation of New York, of which Jean de Menil was a director.

De Menil and Schlumberger were involved in helping to put Castro in power in Cuba, and later in attempts to overthrow him, in operations involving both the CIA and George Bush’s Zapata Offshore. More importantly, Jean de Menil was a key figure in Permindex, the corporate front for the assassins of John F. Kennedy and the attempts upon Charles de Gaulle. Permindex was closely linked with British Intelligence’s Special Operations Executive of Sir William Stephenson and Col. Mortimer Louis Bloomfield, and with the FBI’s secret Division Five, headed by Bloomfield. Schlumberger’s links with the intelligence community are also indicated by its close relationship to former CIA director Sir George Bush, and the presence on its board today of former CIA director John Deutch. This is not to suggest that Schlumberger is a CIA “front,” however, but rather that Schlumberger is part of a much older oligarchic intelligence network, with tentacles into national intelligence agencies such as the CIA.

The Schlumberger/de Menil apparatus had strong ties to the Houston corporate world and ruling elite. Jean de Menil was, for a time, on the board of Bank of the Southwest, the bank closely interlinked with Fulbright & Jaworski, the firm which produced Nuremberg and Watergate prosecutor Leon Jaworski. Baker & Botts partner Dillon Anderson, an official in the Eisenhower Administration, was on the board of the Schlumberger Foundation circa the 1950s, and senior partner George Jewell was on the board of Schlumberger in the 1980s. Schlumberger is also closely linked with Lazard, which played a big role in financing Texas companies like George Bush’s Zapata and Pennzoil. Later, Dominique de Menil would co-found the Carter-Menil Center in Atlanta, with former President Jimmy Carter. A key liaison between Carter and de Menil was Charles W. Duncan of Houston, who is both a former president of Coca-Cola and Carter’s Secretary of Energy. Both Charles and his brother John House Duncan sat on numerous corporate boards of relevance to this network, including John Duncan’s seat on the King Ranch board.

Schlumberger family and board member Didier Primat has rather secretive operations in the Carolinas and Virginia, overlapping the intelligence and eugenics operations of the Smith-Richard Foundation and the family of Bush legal counsel C. Boyden Gray. Primat also held the title to Mary Sue Terry, who as Virginia Attorney General led a witch-hunt against the LaRouche movement, throwing a number of innocent individuals into state prison on trumped-up charges.

These Texas-Virginia-Carolina connections also played a role in the rise of Charlotte, N.C. as a national banking center. Charlotte’s North Carolina National Bank (NCNB) has, through an ever larger series of acquisitions, transformed itself into Bank of America, one of the largest banks in the world, while crosstown rival First Union has grown into a top-ten bank in the United States. NCNB significantly extended its reach in 1989, when it bought the bankrupt First Republic-Bank of Dallas for virtually nothing, in a move that helped conceal the maneuvering that was used to keep First Republic-Bank’s doors open until after Presidential candidate (and former director) George Bush won the Texas primary. NCNB transformed itself into NationsBank in 1991, with the acquisition of C&S/Sovran, itself the union of Georgia and Virginia banks. After a number of smaller acquisitions, NationsBank bought the San Francisco-based Bank of America in 1998; with the takeover, NationsBank renamed itself Bank of America, with the headquarters, and the control, remaining in Charlotte. Bank of America is number 12 on the list of top contributors to the political campaigns of Gov. George W. Bush, and in its NCNB days, the bank was caught running dirty tricks against the LaRouche movement.

## The Bush League

After graduating from Yale, young Skull & Bones member George Herbert Walker Bush got his start in the business world at Cleveland-based Dresser Industries, where his Bonesman father, Prescott Bush, was a director from 1930 until he entered the U.S. Senate in 1952. Dresser was controlled by the W.A. Harriman & Co. bank,<sup>6</sup> where Prescott Bush worked and where George H.W. Bush’s uncle and namesake, George Herbert “Bert” Walker, was president. After stints in Cleveland and California, young Bush moved to the Permian basin oilpatch town of Odessa, Texas, circa 1949, to work for Dresser’s IDECO subsidiary. While Bush would cultivate an image as a Texan, the money which would finance his career came from Wall Street and the City of

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6. W.A. Harriman & Co., organized in 1919, was the private bank of the Harriman family. The chairman was W. Averell Harriman, who with his brother Roland “Bunny” Harriman controlled the bank, while founding members included George Herbert Walker, Sr. and Percy Rockefeller. Prescott Bush joined the firm in 1926. All but one were members of Skull & Bones; Walker was not, but his son, G.H. Walker, Jr., would be.

In 1931, W.A. Harriman & Co. merged with the Brown Brothers investment bank to form Brown Brothers Harriman. The Harriman brothers and Prescott Bush were senior partners at BBH, while Walker retired to his own G.H. Walker & Co. Brown Brothers was a spin-off of the British bank Brown, Shipley, whose best-known partner was Bank of England head Montagu Norman.

In October 1942, the U.S. government seized the Union Banking Corp. under the Trading With the Enemy Act for acting as an agent of Nazi Germany. UBC had been co-founded by Bert Walker, Sr., and its board included Roland Harriman and Prescott Bush. Several other Harriman-Bush-related companies were also seized, for the same reason.

*James Baker III was one of George Bush's key Texas allies, in building a political machine that would install him in the White House.*



London; under the cowboy hat was a preppe Connecticut Yankee.

Not long after arriving in Texas, Bush decided to strike out on his own, forming the Bush-Overbey Company with landman John Overbey, funded with \$300,000 raised through Uncle Bert Walker. A significant portion of that money came from the City of London and from Scottish investor James (later Sir James) G.S. Gammell of Edinburgh's Ivory & Sime. Other investors included the Lazard-linked publisher of *The Washington Post*, Eugene Meyer, and daddy Prescott Bush. Gammell, by the way, would later partner with Schlumberger's Didier Primat in Adams Bank.

In 1953, Bush decided to link up with Midland oilmen the Leidtke brothers, the sons of a Tulsa judge who became a top lawyer for the Mellons' Gulf Oil. They formed a new company, Zapata Petroleum, financed through Uncle Herbert; Herbert kept a chunk of the company for himself, and sold some to James Gammell, who got a seat on the board. Basically, Herbert Walker raised \$500,000, and the Leidtkes' Tulsa crowd raised a like amount. In 1954, the company formed Zapata Offshore, a for-hire drilling subsidiary. Officially, the offshore company was formed to take advantage of the new leases being offered in the Gulf of Mexico, but there were other reasons as well. Zapata's first rig, the Scorpion, was leased by Gulf Oil in 1958 (three years before the Bay of Pigs fiasco) and started drilling just 54 miles north of Isabela, Cuba, a perfect base for covert intelligence operations against Castro.

In 1959, Bush and the Leidtkes decided to split their company into two parts, with Bush taking the CIA-connected Zapata Offshore, and the Leidtkes taking the rest. Bush be-

came CEO of Zapata Offshore and moved it to Houston, while the Leidtkes expanded Zapata Petroleum through mergers, eventually transforming it into the Houston-based Pennzoil. But it wasn't long before Bush cast his eye on politics.

In those days, the Democratic Party, dominant in Texas, was divided into two camps: a liberal/FDR-influenced wing led by Ralph Yarborough, Sam Rayburn, and Wright Patman, and a Dixiecrat wing, grouped around Shivers and John Connally, who ultimately ran for President as a Republican. These Dixiecrats would become the basis for a Republican takeover of the South, determined to undo the industrial and racial progress which had occurred in the South under FDR and the war mobilization.

When Bush moved to Houston in 1959, he began socializing with the likes of James A. Baker, III, and the Houston oiligarchs, and became active with the Harris County Republican Party, of which he became chairman in 1963, helped both by Harriman money and the sudden dropping out of the race by his opponent. In September 1963, he announced another Senatorial bid. Bush won the Republican nomination, but lost the election to Yarborough. But Bush had an ace up his sleeve, with a lawsuit to force a redrawing of Congressional districts in Texas. The result was the creation of an entirely new district in western Houston, an area which Bush had carried in the 1964 election. Faced with this gift of a friendly district with no incumbent, Bush left Zapata Offshore in 1966 to run for Congress. Not surprisingly, he won, and in January 1967, George Bush became a member of the House of Representatives. In Congress, Bush heavily pushed birth control and Malthusian policies, while defending the oil depletion allowance. Unsatisfied with a seat in the House, however, Representative Bush decided to run for the Senate in 1970. In that race, he expected to face Yarborough, but Yarborough lost the Democratic nomination to Lloyd Bentsen, who beat Bush 53% to 47%.

After the defeat, Bush took a series of non-elective offices. In December 1970, Nixon appointed Bush to the post of U.S. ambassador to the United Nations. Bush moved to New York City, and the Waldorf-Astoria. He was nominally working for Secretary of State William Rogers, but his real boss was National Security Adviser Henry Kissinger. In 1973, Nixon appointed Bush to head the Republican National Committee. When Nixon resigned in 1974, Bush angled for President Gerald Ford to appoint him Vice President, but the job went to Nelson Rockefeller, and Bush got the job as U.S. Liaison to the People's Republic of China; since the United States did not have formal diplomatic relations with China at the time, Bush was not officially an ambassador, and thus did not require what would likely have been a difficult confirmation by the Senate. In late 1975, Ford shifted personnel around, in preparation for his own Presidential bid, and George Bush was appointed director of the CIA. After a contentious confirmation battle, Bush was confirmed by the Senate and sworn

in as CIA director on Jan. 30, 1976. It was a short-lived post, as Ford lost to Carter, and Bush returned to Texas when Carter took over in 1977.

Back in Houston, Bush was appointed to the board of First International Bank of Houston, its parent First International Bankshares (a.k.a., InterFirst) of Dallas, and of InterFirst's London-based First International Bankshares merchant bank.<sup>7</sup> Bush also joined a few corporate and educational boards, and became an adjunct professor at Rice University.

Bush's main preoccupation was building a political machine that would carry him to the White House, and one of his key allies was James A. Baker, III. Baker was the chairman of the Reagan-Bush campaign in 1980, while fellow Texan Robert Strauss headed the Carter-Mondale effort. Baker had headed the Ford campaign in 1976, and had been Ford's Deputy Secretary of Commerce. Oilman Robert Mosbacher

7. In 1987, the ailing InterFirst merged with its Dallas crosstown rival RepublicBank to form First RepublicBank, which became the biggest bank in Texas and ultimately its biggest banking disaster. Within months, First RepublicBank was insolvent, but Federal regulators kept the bank open until after the Texas primary in Spring 1988, to avoid embarrassing Bush in his Presidential bid. A few weeks after Bush won the primary, the remnants of the bank were sold to Charlotte's NCNB in a sweetheart deal. A Federal study later revealed that the government had pumped \$3 billion into the bank to keep it afloat.

headed up Bush's national finance operation.

Bush formally announced his Presidential candidacy on May 1, 1979, and one of his campaign themes was the Union of English-Speaking Peoples. "The British are the best friend America has in the world today. . . . Sure, I'm an Anglophile," Bush said at the time. "We should all be. Britain has never done anything bad to the United States."

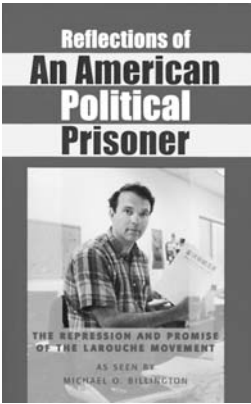
### 'Post-Industrial' Southern Strategy

The heart of the Southern Strategy was the oligarchy's plan to shift the United States from the world's most powerful industrial economy, into a post-industrial rentier-financier empire. The industrialized cities of the North would be allowed to decay, while the relatively small cities of the South would be built up as cheap-labor service centers. As the Industrial Belt turned into the Rust Belt, the New South ascended. Houston, spurred by the oil boom, became the fourth-largest city in the country, old Atlanta became the "New Atlanta," and sleepy Charlotte became a major international financial center. Existing cities were transformed — Dallas, San Antonio, Jacksonville, Orlando, Tampa-St. Petersburg, Miami, to name a few — while Northern cities such as Baltimore, Cleveland, and Philadelphia went into decline.

### Speculation and Deregulation

Coincident with this Southern shift, was the ascension of finance over industry. U.S. industry had largely been in the hands of the financiers since the days of J.P. Morgan's creation of the industrial trusts, and that control was rapidly consolidated during the 1980s. Orchestrated by Bush's masters, the speculators took over. The corporate raiders, financed by the dirty-money junk bond networks, bought up significant chunks of corporate America, and terrified the rest. The raiders' targets, and those who feared they might become targets, turned to Wall Street's investment banks and law firms for "protection." As such, the leveraged buy-out/junk bond operation functioned as a giant protection racket, destroying some as a way of collecting tribute from the rest. At the same time, dirty money poured into the real estate market, notably through the giant Canadian developers Olympia & York and Cadillac Fairview. These firms built the skyscrapers which were then filled up with service workers — bankers, lawyers, accountants, clerks, and other white-collar types. Having the tallest office building became something of a fetish for the business leaders, spurring ever-larger towers, which in turn were filled with ever larger numbers of white-collar workers.

The pouring of hot money into the real estate markets caused real estate prices to rise. The "wealth" created by these rising values provided more money to pump into the bubble. The rising stock market served a similar function. The cities were transformed into service centers ringed by suburbia, leaving the inner cities full of the poor and minorities, ripe for Strategic Bombing Survey decimation through drug distri-



## Political Prisoners in America??

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bution and “Negro removal.”

In the office buildings and the suburbs, the ordinary citizen was also being hooked on speculation. One of the effects of Fed Chairman Paul Volcker’s deadly interest-rate hikes in 1979-80, was that ordinary savings accounts suddenly started paying high rates of interest, giving the ordinary citizen a taste of the action. As more and more of the “little people” discovered the joys of usury, the modern “my money” era was born. That process escalated with the rise in residential real estate prices—homes were transformed from residences to “investments,” with rising equity values adding significantly to the pools of “my money.” The ordinary citizen also began making money off the rising stock market. Over time, a significant portion of the population became addicted to usury and speculation, considering it their right to make money off the manipulation of money. The speculator went from being the enemy to being the role model; the suckers now identified with the casino. The old-style productive industry became the realm of “losers,” replaced by the hot new “industries” of finance and information. Make derivatives, not steel!

While this transformation was made possible by the policy changes in Washington and in the states, the mechanism for the change was specific networks within the corporate world.

The junk bond market of the 1980s, for example, was a joint operation of the Morgan/Rothschild Drexel Burnham Lambert investment bank, and the money laundries of Dope, Inc. Today, the junk bond market is bigger than ever, with more junk bonds issued in 1998 alone, than in all of the 1980s combined. The leveraged buy-out (LBO) wave was led by Kohlberg Kravis & Roberts, which was closely linked to the Harriman/Bush machine, and continues with such new Bush-connected players as Hicks Muse Tate & Furst, the Carlyle Group, the Bass Brothers, Richard Rainwater, and Sam Wylie’s Maverick Capital hedge fund. The LBO market declined significantly during the 1990s, as highly inflated stock prices became the currency of choice for takeovers, but is now making a comeback as a vehicle for taking key assets private in preparation for a crash.

The Texas networks have spawned wave after wave of deregulation. The deregulation of the airline industry began in Texas with Frank Lorenzo and Texas Air, which became Texas International and ultimately took over Continental and Eastern, while the Bush League’s Albert Checchi took over Northwest Airlines. Texas is also the center of energy deregulation, home to Enron and a host of smaller competitors, such as James A. Baker, III’s Reliant Energy (the parent of Houston Lighting & Power) and Dynegy; while many other players have Houston links, notably North Carolina’s Duke Energy and the Schlumberger-linked CMS and American Electric Power. Enron has also moved into the private water market in England and the United States, hoping to get a piece of the income streams from water and sewage.

The effect of all this deregulation and speculation has been the decimation of the physical economy of the United States. Over the last three decades, the productive capacity of the U.S. economy has been cut in half, measured in terms of market baskets of goods on a per-capita, per-household, and per-square kilometer basis. At the same time, the monetary claims on that declining production have risen hyperbolically. The process defined by rapidly rising claims on a steadily declining production is clearly unsustainable—at some point, it must break down; the question is not if, but when that will occur.

## Post-Crash Positioning

It is widely understood among the governments, political elites, and financial oligarchy that the present financial system is doomed. While there is a desperate attempt to postpone the inevitable as long as possible, the serious thought is being put into preparing a new system to be implemented when this one goes. From the oligarchic perspective, the key to retaining control in a post-crash environment is twofold: 1) smash the power of sovereign nations through balkanization and globalization, so that they cannot protect their citizens from looting; and 2) grab control of as much of the world’s supplies of essential raw materials, strategic minerals, food supplies, energy supplies, and similar assets as possible. If they can do those two things, the oligarchs believe, they can run the post-crash world.

This process is far advanced, both within the United States and internationally. Take electricity, for example. U.S. firms such as Enron have been buying up power plants all over the world. One little-known firm, AES Corp.,<sup>8</sup> is poised to become the largest generator of electricity in Ibero-America, once its various acquisitions are completed. If you and a cartel of “competitors” can control the electricity supply of a continent, you have tremendous power to decide who survives and who dies, while grabbing as much of the electricity income-stream as the market will bear.

Apply the same process to agriculture, where consolidation among the major food companies is proceeding at a breathtaking pace. Apply it to the telecommunications companies, which provide essential communications services; apply it to the production of strategic minerals and metals that are essential to modern industrial production. What you are left with, in effect, is a return to the days of the empires, when imperial trading companies controlled entire continents, and those who were not involved in making the companies rich, were considered expendable.

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8. AES may not be widely known, but it has very high-level sponsors. Co-founder Roger Sant is a director of Prince Philip’s World Wildlife Fund/World Wide Fund for Nature, and AES director Russell Train is the former chairman and president of the WWF. AES specializes in expanding into areas controlled by narco-terrorists.