

# Dead Crocodiles Found Beached On the Queen's Cayman Islands

by John Hoefle

The islands of the Caribbean have long played a key role in the British Empire's assault against the United States. The Brits set up the offshore banking centers in the Caribbean to pave the way for the explosion of narcotics out of Ibero-America, then used the proceeds from the dope trade to take over the U.S. financial system. The result of this cultural, political, and financial warfare by the Brits and their pirates of the Caribbean is the creation of the largest financial bubble in world history, a giant casino which is now collapsing.

The most important of the Caribbean offshore financial centers is the Cayman Islands, a British Overseas Territory run by a royal governor appointed by Queen Elizabeth II. With a small population and a tiny land area, the Caymans are mainly a mail drop and regulation-free zone, a place where hot money is welcome and few questions are asked. Some 80% of the world's hedge funds are registered there, as are international banks, insurance companies, and corporations. Though some of the biggest hedge funds in the world are actually run out of places like New York and Connecticut, they register themselves in the Caymans in order to take advantage of the tax breaks, lax regulations, and secrecy provided by the British.

This system has been extraordinarily successful in assisting the United States to commit economic suicide by pushing deindustrialization, deregulation, and globalization, but that success has sown the seeds of its own demise. Today, with the global financial system in flames, the predators of the Cayman Islands are dying with it.

## **Dope, Inc.**

It is well known in law enforcement circles that the dope trade would quickly choke on its own cash were not a significant portion of the global financial system devoted to money laundering, and the offshore centers in the Caribbean were set up to facilitate the South American drug trade, and have expanded with it.

The story of how the British set up business in the Caribbean, using Canada as their base, is documented in *EIR*'s blockbuster exposé *Dope, Inc.* The story involves both the establishment of British-run Canadian banks in the Caribbean and the organized crime apparatus which grew out of British control of the liquor business during Prohibition.

What we know as organized crime in the United States is largely a product of the 1920s Prohibition laws, as criminal gangs formed to import and market liquor; the major supplier was the Bronfman gang of Canada, which was controlled by British intelligence. The dominant figure in organized crime after World War II was Meyer Lansky, who oversaw the transformation of the mob into a more corporate structure. The rise of Las Vegas and later, Atlantic City, as major gambling—and money laundering—centers was largely run by Lansky, and controlling Lansky was the British Special Operations Executive, run by Sir William Stephenson.

By no later than 1960, Lansky began implementing his plan for a "Hong Kong West" in the Caribbean. Backed by British financial circles, Lansky took over the Mary Carter Paint Company and eventually turned it into Resorts International. Lansky built a resort-casino in the Bahamas, another British territory, then used a series of scandals to take control of the islands. Into this Lansky scheme was folded the Banque de Crédit Internationale of Tibor Rosenbaum, the British Permindex assassination bureau, and the remnants of Bernie Cornfeld's money-laundering Investors Overseas Service.

A company called International Intelligence, or Intertel, was created to provide cover for the Lansky apparatus. A listing of Intertel's board, read, to quote *Dope, Inc.*, "like a print-out of British Intelligence, the Mafia, and the Mossad," and also included a number of former top officials of the U.S. security and intelligence network. Intertel was also heavily involved in Howard Hughes' purchase of a number of Las Vegas casinos, as the old mob operations were upgraded into a more corporate structure.

The Cayman Islands were ceded to Britain by Spain in the Treaty of Madrid in 1670, and were governed as a single colony with nearby Jamaica until 1962, when Jamaica became a member of the British Commonwealth and the Caymans became a British Overseas Territory.

In 1993, as part of a global reorganization of the financial system, the decision was made to turn the Caymans into a major offshore financial center. The Mutual Fund Law was passed, providing for the easy incorporation and/or registration of hedge funds and other speculative vehicles. The primary benefits of registering in the Caymans were low registration fees, no taxes, minimal reporting require-

ments, and strict secrecy.

The results were predictable: By late last year, the Cayman Islands were home to over 8,000 hedge funds, and its banking system held \$1.4 trillion in deposits, making it the fourth-largest banking center in the world, after the U.S.A., Japan, and Britain. It also became a major insurance center, holding some \$30 trillion of the more speculative assets of the insurance sector.

Overseeing the Caymans financial system are a brace of imperial operatives. The royal governor, Stuart Duncan Jack, is a knighted Commander of the Royal Victorian Order. The Cayman Islands Monetary Authority is run by Timothy Ridley, who was made a knight of the Order of the British Empire for his role in building up the hedge funds and their infrastructure during the 1990s. The Center for Economic Growth is run by Richard Rahn, a member of the oligarchic Mont Pelerin Society.

## Global Cartels

The rise the Caymans and other offshore banking centers such as the British Virgin Islands and Bermuda, also play a role in what former Lehman Brothers banker George Ball called the world company. Ball outlined the world company project to the 1968 annual meeting of the Bilderberg Society, of which he was a top official. The idea, Ball said, was to use the corporate structure to replace the “archaic” nation-state, as a mechanism for global control. The idea was explicitly Malthusian, based upon the claim that the combination of global overpopulation and a shortage of natural resources required a more efficient management process than nations, with their political biases, could provide.

The primary target of the world company project was the United States, whose resilient political system had frustrated British efforts at recapturing its former colony. At the time Ball made his speech, his Lehman Brothers and the closely allied Lazard Frères were actively involved in building the holding companies known as conglomerates, as a model for what was to come. In the early 1970s, Lazard banker Felix Rohatyn headed a crisis task force of the New York Stock Exchange to restructure a number of ailing brokerages on Wall Street; Lazard and Rohatyn then became the premier merger specialists on Wall Street, mergers and acquisitions being a euphemism for cartel-building. At the same time, the process described by John Perkins, in his *Confessions of an Economic Hit Man*, was introduced, with the aim of hooking the developing sector nations on debt, as a way of controlling their activities and limiting their development.

This process was aided by the institutions of the United States. In 1971, President Nixon ended the Bretton Woods system of fixed exchange rates, opening the door to the speculators. The case officer for this project was George Shultz, who brought in Pete Peterson to head the team writing the justification for the move. Peterson, whose personal assets were

held in a blind trust administered by Felix Rohatyn while he was in Washington, was then installed as the chairman of Lehman Brothers by George Ball; Peterson later founded the Blackstone Group, one of the largest of the private equity firms. When Blackstone recently went public, Lord Jacob Rothschild joined its board.

The Federal Reserve under Paul Volcker added to the damage by jacking interest rates into the stratosphere in 1979-80, making it difficult for ordinary businesses to expand, and giving the edge to the hot-money boys; Congress took the process even further, by changing the tax laws to favor speculation and deregulating the banking system and, in particular, the savings and loans. The predictable result was the rise of corporate raiders, financed by junk bonds, which not only led to many firms being taken over, but also drove many more into the waiting arms of the investment bankers, for “protection” against the raiders. One of the favored “defenses” pushed by the bankers was for potential takeover targets to incur so much debt that no buyer would want them. By the time of the 1987 stock market crash, the savings and loan sector lay in ruins, the Texas banking system had begun to vaporize, and the national banking system was bankrupt.

In late 1989, the Federal Reserve under Alan Greenspan began systematically lowering interest rates to bail out the banking system, and in late 1990, the Fed also secretly took control of Citicorp, then the nation’s largest bank. In 1991, the Fed arranged a series of mergers involving six of the 12 largest U.S. banks, and closed the Bank of New England, in the first collapse of a major derivatives bank (a mere \$36 billion in derivatives took a year to clean up). Under President George H.W. Bush, the Treasury Department instructed Federal bank examiners to ignore bad loans, despite the promises after the S&L debacle that standards would be tightened.

The situation deteriorated in September 1992, when British and American banks, under the cover of George Soros’s Quantum hedge fund, ran a currency warfare campaign against the European Exchange Rate Mechanism, stealing billions for Fed-run Citicorp and other bankrupt banks. Soros became known, falsely, as “the man who broke the pound” and Joe Lewis, the man who just bailed out Bear Stearns, also rose to prominence for his profits from that raid.

With the ERM currency raid the hedge-fund era was born, and the big funds became battering rams to use against financial and political opposition to imperial policies. It was to facilitate and expand this operation that the Queen’s Cayman Islands were turned into a home for hedge funds, from which further assaults on the nation-states could be made.

This system is now blowing up, and the only solution to the crisis is to reverse course, to jettison deregulation and globalization and to return to the principles of the sovereign nation-state.