

Vulture Funds Are Squatting on Congress

by Anton Chaitkin

The widely reported unblushing corruption of Senate Majority Leader Harry Reid (D-Nev.), in privately assuring private-equity fund managers he would block Congress from raising their taxes, has sharply illustrated the necessity behind Lyndon LaRouche's strategy: To save the country, as with LaRouche's proposed Homeowners and Bank Protection Act of 2007, you must rally the state and local political levels to force Congressional action—with pitchforks.

Legislation has been introduced into Congress to raise to normal income-tax levels the taxation on equity-fund and hedge-fund managers who are now taxed at lower capital-gains rates. The gigantic "buyout" vulture funds' lobbying war against Congress was the biggest mid-Summer political news item in Washington.

Blackstone Group, Carlyle Group, and other funds paid over \$5 million to lobbyists to try to block the tax proposals, even funding an obscene front group calling itself the Coalition for Capital Access, that appeared in September, saying it represents "minorities and women" who, unlike the usual white male billionaire pirates, are *also* managers of hedge funds and private equity funds.

London Speaks

The British imperial center moved in directly, issuing a thinly veiled warning to the U.S. Congress. In his first press interview since appointment as Chancellor of the Exchequer (Treasury chief), Alistair Darling said July 5 that he was wary of making any sudden changes to British taxation laws concerning private equity funds. He cautioned that such rapid changes could have unintended and undesirable consequences, citing as an example, the Sarbanes-Oxley law passed in the United States in the wake of the Enron scandal. That, he said, damaged the U.S. economic market, and "London's actually benefitted because of that."

LaRouche commented on the scuffle, as reported July 10 on larouchepac.com: "The rich have to pay their taxes. States are already reporting tax shortfalls and deficits. The Federal government needs the tax income to make capital loans and grants to the states to recover. These private equity looters, in particular, have stolen the pensions, and/or the jobs, of millions of employees of corporations they've bought up. They

claim they're making money for pension funds, but the jobs and pensions were stolen by them. They should shut up and pay their taxes."

Reid Sneaks

The *Washington Post* reported Oct. 9 that Senator Reid had met repeatedly in closed sessions with private equity leaders, and told them the legislation raising their taxes would not appear on the Senate's calendar this session. The *Post* quoted Reid's spokesman Jim Manley: "Given the difficulty in getting any legislation through the Senate and the little time left this year for moving other issues important to the American public, it is unclear whether there is sufficient time to address the appropriate tax treatment of private equity firms."

The hedge/equity fund strong-armers have been pressing all around the Congress, and swarming over all of the Republican and Democratic Presidential candidates as well.

Take, for example, the pathetic case of Sen. Barack Obama (D-Ill.), a candidate for the Democratic Presidential nomination. He announced, at the end of September, that he had hired lobbyist Moses Mercado as a senior campaign advisor. Mercado's firm, Ogilvy Government Relations, is the main lobbying agency for Blackstone Group, Carlyle Group, and the hedge and private equity funds attacking Congressional attempts to tax them. Obama's own on-his-knees campaign fundraising efforts began last December 2006, when billionaire George Soros convened a council of investment bankers to back Obama, who was seen as an alternative to the Clintons.

Mercado is a former top aide to Democratic National Committee chairman Howard Dean. His insider status with "Screamer" Dean—as their faction squeezed funds to Democratic Congressional candidates despite warnings from LaRouche and the Bill Clinton forces—has been publicly lauded by Ogilvy's chief Wayne Berman, Mercado's lobbying boss. Berman's firm was formerly notorious as the Federalist Group, a center of the Tom DeLay/K-Street corruption machine in Washington. Wayne's wife Lea Berman is currently social director at the White House, having previously served in the same capacity for Vice President Dick Cheney and his wife Lynne, and then as Lynne Cheney's chief of staff.

Or take the case of former professional basketball star Earvin "Magic" Johnson: Johnson is the most prominent public spokesman for the Access to Capital Coalition, formed Sept. 7, 2007 as the "minorities and women" front for the Private Equity Council (Carlyle Group and Blackstone Group). At the same time, Johnson has been raising funds for Hillary Clinton's Presidential candidacy.

Magic Johnson owns his own private equity enterprise, which is part of a billion dollar partnership called Canyon-Johnson Urban Funds. This is managed by Canyon Capital Advisers, a hedge and realty fund unit spun off from Michael

Milken's operation within Drexel Burnham Lambert. When Milken went to prison for his junk bond scams, the men who helped him shape his deals, Joshua Friedman and Mitchell Julis, went off to form Canyon.

Friedman, Julis, and their partner Robert Turner—who directly manages Johnson's money in the Urban Funds—all still speak at events sponsored by Michael's "Milken Family Foundation."

Get the Pitchforks

In his Oct. 10 webcast, LaRouche was blunt:

"The people in the Congress are insane from the top down. That ... means they're intimidated by Harry Reid, [and] by [House Speaker Nancy] Pelosi, and so forth ... Therefore, they will sabotage anything ... not pleasing to the bankers, to the financiers. And that is to the international financiers, in the City of London...."

"All we have to do, is reestablish the principle of sovereign government: That sovereign government is the highest authority on this planet, and especially in our own country...."

"I'm setting fire to the tail of some creatures these days. And I'm going to get more and more rough. It has to be done: We're trying to save the nation, and these gutless wonders, they disgust me.

"Don't be intimidated by this crap. We ... know, on the state level, ... we have support from those who are recognized representatives. Whether they're in government or in leading institutions like trade unions.... And cumulatively, on a national level, we know the majority of the people, as against what we're getting in the Congress, agree with us! We're right! And they're wrong, and they're cowards. And that's what the problem is.

"And the way to deal with this, is, don't say, 'how do we do this, if these guys, won't?... ' Well, we can always lynch 'em! And you know, that may be said in jest, but it's a very nice jest to make.

"... Harry Reid is ready for retirement.... He has his own prejudices; he's pro-Truman, which is not to his credit, but essentially, he is in the twilight of his career in the Senate. And he is ready to throw up his hands and say, 'Okay, I'm about ready to quit. What do you want me to do?' to the bosses. And I saw him turn—remember, I was involved with him all through 2005, into the beginning of 2006. I saw him turn in 2006, and he was reached. He went exactly the opposite way on every kind of issue ... with an emotional turn against me on this thing. Very clear, clear signal. 'No, no, no, no, no.' And he sold out everything...."

"You get ... not someone who is naturally malicious, who's made some big deal, but when big power came up to them—like the Mormons in that region told Harry Reid, 'No Harry,' he said 'Okay.' And he took his licking, and he's been taking it ever since. I would say he's a man who decided to quit, but to go out with a nice pension."