TABLE 2
Telecom Sector Announced Layoffs of U.S. Workers in 2001

Motorola	48,400	SBC Communications	6,500
Nortel Networks	48,000	Sprint	6,000
Lucent Technologies	46,000	Agere Systems	6,000
Communications	17,000	Avaya Inc.	4,900
JDS Uniphase	16,000	Cable & Wireless	4,000
WorldCom	11,550	Bell South	3,000
Qwest Communications	11,000	Global Crossing	2,000
ADC Telecom	9,600	Level 3 Communications	1,725
Ericsson	9,000	McLeodUSA	1,600
Cisco Systems	8,500	Ciena	1,430
Agilent Technologies	8,000	Nokia	1,300
Corning	7,575	Marconi	1,000
Philips Electronics	7,000	360 Networks800	
3Com	6,500		

Source: Challenger, Gray & Christmas.

will be in New Jersey. Otherwise, Chicago; Dallas; San Jose, California; Cedar Rapids, Iowa; and Raleigh-Durham, North Carolina are areas with significant exposure to telecom equipment makers.

That the collapse process is still accelerating, is shown by the case of Nortel Networks Corp., one of the world's three largest makers of telephone handsets and other equipment. Though a Canadian company, Nortel makes most of its sales in the United States. In fiscal 2000, Nortel had sales revenue of $30 billion; in March, it projected sales revenue to fall to $12.3 billion in fiscal 2002, a drop of 59%. When profits fall 59%, that is significant; but when sales revenues drop by 59%, it is a sign that the company is evaporating.

Fed Chairman Greenspan and Bush Administration officials still point to the New Economy, underpinned by the telecom sector, as the supposed leader to take the U.S. economy into recovery. So do industry "experts": When February semiconductor sales, for example, were announced as 35% below a year ago, the Semiconductor Industry Association pronounced, "Although business investment has yet to pick up, [and] flat to slow growth of sales in the first quarter" was expected, "overall recovery" is on the way.

In fact, the diametric opposite is true.

The U.S. telecom sector debt is valued at $650 billion, and the debt of America's entire New Economy is estimated at considerably above $1 trillion. It is estimated that the debt of the New Economy firms worldwide is above $2 trillion. Because the City of London-Wall Street financiers insisted on thrusting the New Economy into the central place in the world economy, the implosion of the New Economy's debt and its physical-economic structure will disintegrate the world financial system.

The Federal Reserve Vs. the United States

by John Hoefle

Major financial crises are never announced in the newspapers, but are instead treated as a form of national security secret, so that various bailout and market-manipulation activities can be performed behind the scenes. The primary vehicle by and through which these secret activities are performed is the Federal Reserve, which sets U.S. interest rates through its Federal Open Market Committee (FOMC), and intervenes in the banking system through its regional banks, and the markets through the Federal Reserve Bank of New York.

Even though it acts in many respects as a government agency, the Fed is a private corporation owned by the banks, and was created by the financial oligarchy in 1913 for the purpose of seizing control of the money- and credit-creation powers of the Federal government. The Constitution reserves such powers for Congress, as they are essential elements of national sovereignty. Congress has no right to give up those powers, and the Fed has no right to assume them. Thus the Fed is an illegal institution, the activities of which are in violation of the U.S. Constitution.

This is not an academic question, as the Fed is actively involved in looting the American population for the benefit of giant U.S. and global financial institutions, and the global casino. Few Americans have any idea the extent to which the Fed and its system reach into their pockets on a daily basis, and the extent to which their standard of living has been eroded by the financier-led deindustrialization of the United States. The cost of this usurious system is embedded in the price of every purchase, a form of hidden tax. That hidden tax also shows up in the form of shoddy goods, poor customer service and long lines at stores, time-wasting commutes, inadequate wages, and similar mechanisms in which costs are transferred to the citizen. Even more important, is the way in which the scientific and technological development of the country has been vandalized by the financier crowd; not only do we suffer from an inadequate infrastructure, but we have lost the benefits of those breakthroughs which would have occurred, the technologies which would have been developed, had the parasites not taken over the economy. It is the failure to push back the boundaries of science, that is responsible for most of our problems today. The Fed, with its imperial back-to-feudalism world outlook, is one of the deadliest and most corrupt institutions in the world. It does more damage through its policies, than even the most prolific thieves and murderers.

Above the Law: The Case of Arthur Andersen

The Fed does not consider its activities illegal, but rather considers itself above mere nation-states, and thereby above their laws. This view is clearly expressed by Fed Chairman Alan Greenspan, whose consistent demand is that Congress keep its nose out of the financial system. In Greenspan's view it is the Money, not the Declaration of Independence and Constitution, which rules. The same holds true for his predecessor at the Fed, Paul Volcker, who deliberately engineered the "controlled disintegration" of the U.S. economy on behalf of the New York Council on Foreign Relations and its "Project 1980s."

After performing his deadly mission, Volcker became an elder statesman in the financial world, deployed to various financial crises as the bankers' enforcer. Volcker descended upon Bankers Trust after it went bankrupt in 1994, to oversee the unwinding of the bank's derivatives portfolio and make sure that none of the buried bodies were unearthed. Volcker's latest assignment is Arthur Andersen, the accounting firm now disintegrating in the wake of its role in Enron and several less-publicized scandals. The story that Andersen brought in Volcker is a polite fiction to hide the police-state nature by which the oligarchy manages its affairs.

The way in which the "Enron affair" has been handled, reveals much about the way the oligarchy operates, for those with the gumption to look. Once it became clear that Enron's days were numbered, it was savagely taken down in a campaign led by the *Wall Street Journal.* Not only did the *Journal* pound on Enron every day beginning in mid-October of 2001, but its coverage focussed on a handful of the 3,000 or so partnerships, affiliates, and off-balance-sheet operations of the firm. As Enron plunged, a Special Committee of its board was formed to "investigate" the allegations of illegal activities at the firm; this three-man committee, Harvard men all, included two new directors, one a former Lazard Frères partner and one with close ties to Vinson & Elkins, Enron's Houston-based law firm. The committee's report focussed on the same small group of partnerships as did the *Journal,* and its findings provided the road map for numerous Congressional investigations.

While the Special Committee channeled the Enron investigation into the desired direction, Volcker moved in to manage the Andersen end of the investigation. When the Department of Justice indicted Andersen for obstruction of justice on March 14, it amounted to a virtual death sentence for the firm, since few companies will accept an auditor accused of a Federal crime. However, while Andersen's downsizing or even demise could be managed from the bankers' point of view, a Federal criminal investigation into its activities would be highly problematic. In an attempt to stop the government from pulling on threads which could lead to areas the bankers would rather keep hidden, Volcker attempted to get the indictment dropped, by offering to take over Andersen himself. The *Wall Street Journal,* which had excoriated Enron for keeping secrets, did an abrupt about-face on the Andersen matter, editorializing in favor of Volcker's proposal.

Building the Bubble: The House of Morgan

The *Journal*'s seeming reversal was not really an about-face, but rather was a continuation of its consistent policy of serving its Wall Street masters, including the world's largest derivatives bank, J.P. Morgan Chase & Co.

Financial bubbles do not just appear out of some primordial ooze, but are created and nurtured by a small army of bankers, lawyers, accountants, credit-rating agencies, consultants, and public relations flacks, the latter a category which includes most financial journalists and Wall Street analysts. That is especially true of the current bubble, which began with Volcker's "controlled disintegration," escalated through the real-estate speculation- and junk bond-fuelled 1980s, and soared through the derivatives-soaked 1990s. Regulations were swept aside, accounting rules loosened, checks and balances discarded. as the production-oriented economy was overrun by speculators, manipulators, and pure greed.

Right in the middle of this was the House of Morgan. Drexel Burnham Lambert was an offshoot of Morgan, from the days when Drexel was the Philadelphia agent of Morgan, and the Lamberts were the Belgian cousins of the Rothschilds, with whom Morgan worked closely. Many of the so-called "Milken's Monsters," named after Drexel junk bond chief Michael Milken, were hot-money boys, who used Drexel's junk bond operation to invest and launder drug money and related hot cash. When Drexel and the junk bond market collapsed at the end of the 1980s, another Morgan front, Bankers Trust, took the lead in building the derivatives bubble. Bankers Trust failed in 1994, but it had served its purpose, launching the derivatives market as the new model for the big banks.

One of the companies which Drexel Burnham Lambert helped launch was Enron. Drexel helped fund Enron in the mid-1980s through junk bond sales, and former Enron Chairman Ken Lay often turned to Michael Milken for advice. Bankrupt telecommunications company Global Crossing was another Drexel-related firm; its founder, Gary Winnick, was a former Drexel junk bond specialist, who sat next to Milken in the firm's Beverly Hills office.

Not surprisingly, Arthur Andersen has its own Morgan connection. Founded in Chicago in 1913, the firm was catapulted into national prominence in the 1930s, when J.P. Morgan picked Andersen to manage the restructuring of the electricity of Samuel Insull. Insull, a one-time secretary of Thomas Edison, had built a complex of electric utilities in direct competition with Morgan, whose General Electric had taken over Edison's operation. Morgan's banking interests eventually maneuvered to pull the plug on Insull. Arthur Andersen, the man, was offered the chairmanship of the New York Stock Exchange in 1938, but declined the offer. He died in 1947, but his firm lived on, as did its ties to Morgan. In 1954, it helped General Electric install the first

Paul Volcker's latest assignment is to "fix" the Arthur Andersen accounting firm.

commercial computer system in the nation, to handle payroll in one of its plants. (GE, not coincidentally, was a major beneficiary of electricity deregulation, profiting handsomely from selling generating turbines to the independent electricity producers.)

In addition to its accounting and consulting businesses, Andersen appears to have played an important role in building the bubble, particularly in the energy and telecom realms. While Enron was generally considered to be an energy firm, it was actually—even by its own admission—primarily a derivatives firm, and was assigned the mission of opening up the energy markets for Wall Street-style derivatives speculation. In addition to Enron, Andersen worked with other energy pirates, including Calpine and Mirant. Andersen was also a driving force among the new telecom companies, where its clients included Global Crossing and Qwest. Andersen literally wrote the book on telecom "swaps," authoring a white paper on the subject widely used by other accounting firms and their clients. (The term "swaps" here refers to the widespread practice of the new telecommunications companies to sell each other capacity on their networks, booking the sales as revenues and the costs as capital expenditures, in order to overstate their revenue. Enron and the energy pirates pulled an equally egregious scam, counting their gross sales of energy as revenues, without deducting the amount they paid for that energy. Such practices made Enron seventh on the Fortune 500 revenue list in 2000, and fifth in 2001, despite its bankruptcy.) Andersen was also the leading auditor of casinos, handling half of the casinos in Atlantic City, and was the auditor for Sunbeam and Waste Management, two high-profile scams.

Market Manipulation

The Fed routinely manipulates the New York stock market, pumping in cash when the Dow Jones Industrial Average plunges and threatens to trigger a run on stocks, and it is not above raiding other currencies when it feels the need for cash. In 1992, Morgan and Citicorp (then bankrupt and secretly run by the Fed) participated in an assault on the European Exchange Rate Mechanism, working with the Bank of England; Citigroup walked away with a billion dollars, significantly improving its financial condition.

The Fed and the big New York commercial and investment banks have also been accused of manipulating the stock exchange through the gold market. The Gold Anti-Trust Action Committee (GATA) has accused the Fed, the Treasury Department, J.P. Morgan Chase, Goldman Sachs, the Bank for International Settlements, and others of using the proceeds of gold leases to fund market interventions, and of manipulating the price of gold through derivatives to keep the price from rising. According to GATA, the result is a "gold carry trade" in which the big banks borrow gold cheaply, then sell it and use the proceeds to invest in securities and other high-yield paper. Eventually, the players must buy gold to replace what they borrowed—hence the need to keep gold prices stable. Gold also functions as an economic indicator, with a sharp rise in gold being seen by many as a sign of trouble; keeping the Dow up and gold down are key elements in keeping the suckers in the market.

There's an old saying in poker that there is a sucker in every game, and that if you don't know who the sucker is, *you* are the sucker. That saying also applies to today's financial markets, where fleecing the suckers has been elevated to high sport. Greenspan, Volcker, and company are essentially running a rigged game, looting the country and its citizens. The problem with being a successful parasite, however, is that the more you grow, the weaker becomes your host. Because of their wild success in building the bubble, Greenspan, Volcker, and company have mortally wounded the physical economy upon which they and their bubble depend. Picture a 500-pound flea on a 50-pound dog, and you get the idea. No wonder they are hysterical.