
U.S. Senate Moves Toward 'Pecora' Investigation

Financier Oligarchy Reacts with Media Campaign Against the Pope and FDR

by Helga Zepp-LaRouche

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Feb. 7—While European governments have yet not even begun to analyze the deeper reasons for the financial crisis, wasting time and tax money with proposals for ineffective “rescue packages,” only to then “slam on the brakes” because of the debt, as Germany just did, the American Congress and Senate have begun serious investigations into the deeper causes of the financial crisis. Republican Sen. Richard Shelby from Alabama, speaking to the Banking Committee, demanded that “Pecora hearings” be held, for launching a comprehensive investigation into the underlying causes of the crisis. But the financial oligarchy is not asleep either: It is waging an international media campaign to create a hostile environment against all ideas and political personalities that support a new financial system oriented towards the common good.

Despite that, there are hopeful signs of a positive climate change evident in the United States. The recognition that “Lyndon LaRouche was absolutely right” about the systemic crisis, has increased the willingness of important circles to examine the solutions he has proposed. For example, for some time, LaRouche has been demanding the formation of a commission in the tradition of Ferdinand Pecora, who investigated the Crash of 1929; it would investigate today’s mixture of incompetent policies and criminal activities which helped bring about the current systemic crisis.



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The Pecora Commission hearings before the U.S. Senate Committee on Banking and Currency, Jan. 31, 1934. Right to left: chief counsel Ferdinand Pecora, Sen. Duncan Fletcher, James Couzens. The commission paved the way for the New Deal by exposing the criminality of Wall Street financial establishments.

This is precisely what Senator Shelby demanded during the cited hearings on Feb. 4—specifically, that before we consider how to address the financial crisis, we need to first understand its underlying causes. He argued that if we do not have a comprehensive understanding of what went wrong, we will not be able to determine with any degree of certainty, whether our regulatory structure was sufficient and failed, or, was insufficient and must change. The crisis has been going on for a year and a half already, he said, rejecting the bailout package as wasting taxpayer dollars, while the crisis rages on without an end in sight.



Sen. Richard Shelby (R-Ala.), currently on the Senate Banking Committee, has called for new Pecora hearings to investigate the causes of the crisis today. (See excerpts from his testimony in *National*.)

That is why a thorough investigation must be made into the market practices, regulatory actions, and economic conditions that led to this crisis, and all relevant parties should be heard by a new Pecora Commission, Shelby declared. The so-called “Pecora hearings” produced a detailed report, exposing a wide range of abuses on Wall Street. This committee heard testimony from hundreds of witnesses, producing nearly 12,000 pages of transcripts from over 100 hearings. The investigative staff was made up of dozens of individuals, and included attorneys, accountants, and statisticians, conducting scores of interviews and sworn depositions. A budget demand for such hearings has already been made, he reported.

Dope Money in Bernie Madoff’s Fund?

In addition, the House Financial Services Committee, which is dealing with the scandal of Bernie Madoff, the former chief of the Nasdaq who cheated his clients out of the considerable sum of \$50 billion, has also dug up plentiful material to warrant the formation of a new Pecora Commission. Harry Markopolos, the well-known financial analyst and certified fraud examiner, with intelligence service experience, dropped a bombshell recently with his presentation on



Bernie Madoff is not smiling so brightly now, since he was charged with perpetrating a Ponzi scheme that looted \$50 billion from investors. His indictment is expected soon.

the results of his investigations into the Madoff case—namely that a not-insignificant portion of Madoff’s money came from the drug trade and other organized crime sources. As he stated, Madoff pulled off an unbelievably gigantic swindle, with money from the Russian mafia and the Latin American drug cartels, most of which went through the offshore markets. There is no question, he said, that the only reason for investors and speculators to take their business offshore, would be because a good portion (usually between 5% and 50%) is dirty money. He emphasized that in the case of Madoff’s hedge fund, which operated very much on the quiet, the rates of profit were extremely high, and the percentage of illegal money certainly exceeded 5%.

No less explosive was his allegation that since the year 2000, he had repeatedly warned the head of the SEC about Madoff’s criminal methods, but that his warnings were ignored. His investigating team unearthed the fact that Madoff’s client base in the United States was clearly quite distinct from his European one. In the U.S.A., the victims were mostly retirement funds, health insurance, and scholarship funds, while in Europe they were primarily the royal houses, the old aristocracy, the bluebloods, and the *nouveaux riches*.

You have to look at the entire history of the last 76 years to appreciate what panic the hearings in the Senate and the House have unleashed among the international financial oligarchy, especially given the possibility that President Obama might keep his promise, to orient his Presidency to Lincoln and Franklin D. Roosevelt. For the fact that Roosevelt significantly limited the power of Wall Street and acted on behalf of the “forgotten man”—in other words, for the lower income brackets and the common good—had a per-

manent traumatic effect on these circles. After Roosevelt's untimely death in April 1945, enormous efforts were undertaken under Prime Minister Winston Churchill and President Harry Truman to change the population's axioms, which the election of Roosevelt had made possible. Included in these efforts were, among other things, the formation and the influence of the Frankfurt School and the Congress for Cultural Freedom.¹

International Media Blitz

Thus it is not surprising that an international media blitz has begun, whose single aim is to prevent a revival of Roosevelt's policies, with articles in the last few days in the *Washington Post*, *Le Figaro*, and the Swedish press. In Spiegel-Online, the well-known neoliberal Gabor Steingart wrote a sophisticated article with the headline "What Obama Can Learn from Germany," in which he shamelessly distorts the historical facts about the successes of the late German Chancellor Ludwig Erhard against the alleged frivolousness of Roosevelt. The fact is, that Roosevelt's New Deal succeeded in leading the United States out of the Depression, while in Germany the austerity policy of the governments from Chancellor Hermann Müller through Chancellor Heinrich Brüning and Reichsbank President Hjalmar Schacht, brought Hitler to power. Steingart's praise for Erhard fudges the issue, that in fact the post-World War II policies of the Kreditanstalt für Wiederaufbau were modelled on the American Reconstruction Finance Corp., which Roosevelt made into his primary instrument for reconstruction when he took office. The fact is also that Hitler could have been stopped, if the 1931 proposals by the German Economics Ministry's economist, Dr. Wilhelm Lautenbach, or the so-called WTB Plan of the ADGB trade union, had been accepted. Both plans provided for the creation of state credit for creating more jobs, which would have remedied the social conditions that made Hitler's seizure of power possible.²

1. Cf., Helga Zepp-LaRouche, "Wie Deutschland seine Seele wiederfinden kann" (How Germany Can Rediscover Its Soul), *Neue Solidarität*, 32/2004.

2. Cf., Helga Zepp-LaRouche, "Die Bedeutung des Lautenbach-Plans heute—Wie die Machtübernahme der Nazis hätte verhindert werden können" (The Significance of the Lautenbach Plan Today—How the Nazi Coup Could Have Been Prevented), *Neue Solidarität*, 1-3/2003. See also, in English, Zepp-LaRouche, "The Lautenbach Plan and Its Consequences," *EIR*, Jan. 10, 2003.



Fraud investigator Harry Markopolos revealed that a significant portion of Madoff's ill-gotten games came from the drug trade.

This is the international historical context for the shocking events in Germany of the past few days, with the unprecedented campaign against Pope Benedict XVI. Whether this campaign—which has done more lasting harm to certain politicians and journalists than it has to the Pope—is the surfacing of an operation which has been in the works for a long time, or whether it is ad hoc, taking advantage of a lapse by Cardinal Dario Castrillon Hoyos, or a combination of the two, is to be further investigated.

On Feb. 4, Welt-Online news reported that an internal Vatican report had called the recent Swedish TV interview with British Bishop Williamson a "deliberately laid trap for his Holiness," alleging that it was broadcast deliberately to attempt to harm the Pope.

The Swedish daily *Svenska Dagbladet* cites Church circles in Rome, that although the revocation of the excommunication of Williamson and three other bishops had been in the works for a long time, Swedish SVT television aired the interview with Williamson three days beforehand, in order to harm the Pope as much as possible.

The timing of the broadcast absolutely confirms this. In fact, the decision to make the attempt to heal the schism, after the death of Archbishop Marcel Lefebvre in 1991, had already been made by the cardinals at the end of 2007. It was also clear that Lefebvre's followers have not yet been rehabilitated, but that a process of dialogue with the bishops should follow, which should clarify whether they would be willing to recognize the decisions of Vatican II.



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Pope Benedict XVI has repeatedly denounced the negative effects of globalization, while an internal Vatican report called the Williamson affair “a deliberately laid trap for his Holiness.”

Evidence that this operation has long been planned—the Vatican paper speaks of “a meticulously crafted plan of action”—is also indicated by the fact that the well-known French investigative journalist Fiametta Venner leaked undocumented information about Williamson’s denial of the Holocaust to the Swedish TV broadcaster. In fact it is quite possible that the Swedish journalist who aired the interview, Ali Fegan, was unaware of the proposal to bring Williamson back into the Church, as he claims. But that does not change the role played by the investigative journalists in a country with a tightly controlled media, who often do jobs only on assignment as part of intelligence services’ campaigns.

To suppose or allege that the Pope tolerates anti-Semitism, is so monstrous that, rather than impugn the absolute integrity of the Pope, it highlights the way that his self-appointed critics think. Just the fact that a Christian Democratic Union Chancellor, Angela Merkel, would ask the Pope to clarify his position on the Holocaust, is most revealing about Germany’s condition, where enmity towards Rome has been historically a long and problematic intellectual tradition.

Cui Bono?

The internal Vatican report does not identify who might have an interest in confronting the Pope with this “meticulously crafted plan of action,” but the question of *cui bono* is not difficult to answer. Pope Benedict XVI has in recent times repeatedly denounced the negative aspects of the globalized financial world; however, in his Jan. 1, 2009, World Peace Day message, he did this most comprehensively.

He attacked the system of “financial transactions, which are based on thinking in the extreme short-term, believing that financial transactions are the cause for an increase in wealth” while “completely lacking in any concern for the general welfare. The constriction of the objectives of international financial brokers to the extreme short term” destroys production and labor. “A financial

world constricted to ever-shorter terms will be dangerous to everyone, including people who still managed to profit from this during phases of financial euphoria.”

In another location, Benedict demanded a reform of the financial system, which would begin at the roots; short-term rescue attempts are not enough, he stated; we need an ethical financial system which orients itself to the plight of the poor and to the worldwide food crisis. He also spoke about the increasing chasm between rich and poor as a threat to world peace.

Furthermore, it is known that the Pope is working on a new Encyclical, which we may anticipate will relate to the breakdown of the “unbridled free market economy” and will demand ethical standards with which a new system must allow itself to be judged. The world financial system is hopelessly bankrupt, and for 18 months the leading governments have proven themselves incapable of dealing with this crisis. The financial oligarchy obviously believes, in spite of the fact that this system has become dangerous even to them, that it is in their interest to combat both the spirit of Franklin Delano Roosevelt as well as the moral voice of the Pope, in this moment of breakdown.