

The State, the Deep State, and the Wall Street Overworld

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In the last decade it has become more and more obvious that we have in America today what the journalists Dana Priest and William Arkin have called two governments: the one its citizens were familiar with, operated more or less in the open: the other a parallel top secret government whose parts had mushroomed in less than a decade into a gigantic, sprawling universe of its own, visible to only a carefully vetted cadre – and its entirety...visible only to God.¹

And in 2013, particularly after the military return to power in Egypt, more and more authors referred to this second level as America's "deep state."² Here for example is the Republican analyst Mike Lofgren:

There is the visible government situated around the Mall in Washington, and then there is another, more shadowy, more indefinable government that is not explained in Civics 101 or observable to tourists at the White House or the Capitol. The former is traditional Washington partisan politics: the tip of the iceberg that a public watching C-SPAN sees daily and which is theoretically controllable via elections. The subsurface part of the iceberg I shall call the Deep State, which operates according to its own compass heading regardless of who is formally in power.³

At the end of 2013 a New York Times Op-Ed noted this trend, and even offered a definition of the term that will work for the purposes of this essay:

DEEP STATE n. A hard-to-perceive level of government or super-control that exists regardless of elections and that may thwart popular movements or radical change. Some have said that Egypt is being manipulated by its deep state.⁴

The political activities of the deep state are the chief source and milieu of what I have elsewhere called "deep politics:" "all those political practices and arrangements, deliberate or not, which are usually repressed rather than acknowledged."⁵

Others, like Tom Hayden, call the deep state a "state within the state," and suggest it may be responsible for the failure of the Obama administration to follow the policy guidelines of the president's speeches:

We have seen evidence of a "state within the state" before, going back as far as the CIA's operations against Cuba. In Obama's time, the president correctly named the 2009 coup in Honduras a "coup", and then seemed powerless to prevent it.⁶

This development of a two-level or dual state has been paralleled by two other dualities: the increasing resolution of American society into two classes – the "one percent" and the "ninety-nine percent" – and the bifurcation of the U.S. economy into two aspects: the domestic, still subject to some governmental regulation and taxation, and the international, relatively free from governmental controls.⁷ All three developments have affected and intensified each other – particularly since the

Reagan Revolution of 1980, which saw American inequality of wealth cease to diminish and begin to increase.⁸ Thus for example we shall see how Wall Street – the incarnation of the “one percent” – played a significant role in increasing the deep state after World War Two, and how three decades later the deep state played a significant role in realigning America for the Reagan Revolution.

In earlier books I have given versions of this America-centered account of America’s shift into empire and a deep state. But another factor to be mentioned is the shift of global history towards an increasingly global society dominated by a few emergent superpowers. This trend was accelerated after the Industrial Revolution by new technologies of transport, from the railroad in the 19th century to the jet plane and space travel in the 20th.⁹

In the fallout from this rearrangement we must include two world wars, as a result of which Britain ceased to act as the dominant superpower it had been since Napoleon. Not surprisingly, the Soviet Union and the United States subsequently competed in a Cold War to fill the gap. It was not however predetermined that the Cold War would be as thuggish and covertly violent as for decades it continued to be. For that we should look to more contingent causes on both sides of the Iron Curtain – starting with the character of Stalin and his party but also including the partly responsive development of the American deep state.

The Deep State, The Shadow Government and the Wall Street Overworld

The “deep state” was defined by the UK newsletter On Religion as “the embedded anti-democratic power structures within a government, something very few democracies can claim to be free from.”¹⁰ The term originated in Turkey in 1996, to refer to U.S.-backed elements, primarily in the intelligence services and military, who had repeatedly used violence to interfere with and realign Turkey’s democratic political process. Sometimes the definition is restricted to elements within the government (or “a state-within-the state”), but more often in Turkey the term is expanded, for historical reasons, to include “members of the Turkish underworld.”¹¹ In this essay I shall use “deep state” in the larger sense, to include both the second level of secret government inside Washington and those outsiders powerful enough, in either the underworld or overworld, to give it direction. In short I shall equate the term “deep state” with what in 1993 I termed a “deep political system:” “one which habitually resorts to decision-making and enforcement procedures outside as well as inside those publicly sanctioned by law and society.”¹²

Like myself, Lofgren suggests an ambiguous symbiosis between two aspects of the American deep state:

- 1) the Beltway agencies of the shadow government, like the CIA and NSA, which have been instituted by the public state and now overshadow it, and
- 2) the much older power of Wall Street, referring to the powerful banks and law firms located there.

In their words,

It is not too much to say that Wall Street may be the ultimate owner of the Deep State and its strategies, if for no other reason than that it has the money to reward government operatives with a second career that is lucrative beyond the dreams of avarice – certainly beyond the dreams of a salaried government employee.¹³

I shall argue that in the 1950s Wall Street was a dominating complex. It included not just banks and oil firms but also the oil majors whose cartel arrangements were successfully defended against the

U.S. Government by the Wall Street law firm Sullivan and Cromwell, home to the Dulles brothers. This larger complex is what I mean by the Wall Street overworld.

The Long History of the Wall Street Overworld

Lofgren's inclusion of Wall Street is in keeping with Franklin Roosevelt's observation in 1933 to his friend Col. E.M. House that "The real truth ... is, as you and I know, that a financial element in the larger centers has owned the Government ever since the days of Andrew Jackson."¹⁴

FDR's insight is well illustrated by the efficiency with which a group of Wall Street bankers (including Nelson Rockefeller's grandfather Nelson Aldrich and Paul Warburg) were able in a highly secret meeting in 1910 to establish the Federal Reserve System – a system which in effect reserved oversight of the nation's currency supply and of all America's banks in the not impartial hands of its largest.¹⁵ The political clout of the quasi-governmental Federal Reserve Board (where the federal Treasury is represented but does not dominate) was clearly demonstrated in 2008, when Fed leadership secured instant support from the successive administrations of a Texan Republican president, followed by a Midwest Democratic one, for public money to rescue the reckless management of Wall Street banks: banks Too Big To Fail, and of course far Too Big To Jail, but not Too Big To Bail.¹⁶

Wall Street and the Launching of the CIA

Top-level Treasury officials, CIA officers, and Wall Street bankers and lawyers think alike because of the "revolving door" by which they pass easily from private to public service and back. In 1946 General Vandenberg, as Director of Central Intelligence (DCI), recruited Allen Dulles, then a Republican lawyer at Sullivan and Cromwell in New York, "to draft proposals for the shape and organization of what was to become the Central Intelligence Agency in 1947." Dulles promptly formed an advisory group of six men, all but one of whom were Wall Street investment bankers or lawyers.¹⁷ Dulles and two of the six (William H. Jackson and Frank Wisner) later joined the agency, where Dulles proceeded to orchestrate policies, such as the overthrow of the Arbenz regime in Guatemala, that he had previously discussed in New York at the Council on Foreign Relations.¹⁸

There seems to be little difference in Allen Dulles's influence whether he was a Wall Street lawyer or a CIA director. Although he did not formally join the CIA until November 1950, he was in Berlin before the start of the 1948 Berlin Blockade, "supervising the unleashing of anti-Soviet propaganda across Europe."¹⁹ In the early summer of 1948 he set up the American Committee for a United Europe (ACUE), in support of what became by the early 1950s "the largest CIA operation in Western Europe."²⁰

The Deep State and Funds for CIA Covert Operations

Wall Street was also the inspiration for what eventually became the CIA's first covert operation: the use of "over \$10 million in captured Axis funds to influence the [Italian] election [of 1948]."²¹ (The fundraising had begun at the wealthy Brook Club in New York; but Allen Dulles, still a Wall Street lawyer, persuaded Washington, which at first had preferred a private funding campaign, to authorize the operation through the National Security Council and the CIA.)²²

Dulles's friend Frank Wisner then left Wall Street to oversee an enlarged covert operations program through the newly created Office of Policy Co-ordination (OPC). Dulles, still a lawyer, campaigned successfully to reconstruct Western Europe through what became known as the Marshall Plan.²³ Together with George Kennan and James Forrestal, Dulles also "helped devise a secret codicil [to

the Marshall Plan] that gave the CIA the capability to conduct political warfare. It let the agency skim millions of dollars from the plan.”²⁴

This created one of the earlier occasions when the CIA, directly or indirectly, recruited local assets involved in drug trafficking. AFL member Irving Brown, the assistant of AFL official Jay Lovestone (a CIA asset), was implicated in drug smuggling activities in Europe, at the same time that he used funds diverted from the Marshall Plan to establish

a “compatible left” labor union in Marseilles with Pierre Ferri-Pisani. On behalf of Brown and the CIA, Ferri-Pisani (a drug smuggler connected with Marseilles crime lord Antoine Guerini), hired goons to shellack striking Communist dock workers.²⁵

An analogous funding source for the CIA developed in the Far East: the so-called

“M-Fund,” a secret fund of money of enormous size that has existed in Japan [in 1991] for more than forty years. The Fund was established by the United States in the immediate postwar era for essentially the same reasons that later gave rise to the Marshall Plan of assistance by the U.S. to Western Europe, including the Federal Republic of Germany..... The M-Fund was used not only for the building of a democratic political system in Japan but, in addition, for all of the purposes for which Marshall Plan funds were used in Europe.²⁶

For at least two decades the CIA lavishly subsidized right-wing parties in countries including Japan and Indonesia, possibly still using captured Axis funds.²⁷ (One frequently encounters the claim that the source of the M-fund was gold looted by Japan during World War Two (“Yamashita’s gold”).²⁸

As a general rule the CIA, rather than assimilating these funds into its own budget, appears to have left them off the books in the hands of cooperative allied powers – ranging from other U.S. agencies like the Economic Cooperation Administration (ECA, set up in 1948 to administer the Marshall Plan) to oil companies to powerful drug kingpins.²⁹

The CIA never abandoned its dependency on funds from outside its official budget to conduct its clandestine operations. In Southeast Asia, in particular, its proprietary firm Sea Supply Inc., supplied an infrastructure for a drug traffic supporting a CIA-led paramilitary force, PARU.³⁰ The CIA appears also to have acted in coordination with slush funds from various U.S. government contracts, ranging from the Howard Hughes organization to (as we shall see) the foreign arms sales of U.S. defense corporations like Lockheed and Northrop.³¹

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