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Romney's Slash-and-Burn Economics

By Mike Whitney

Mitt Romney is not the vacillating Reagan clone that people think he is. He's worse. And we're not referring to allegations that Romney bullied a gay student while he was attending the posh Cranbrook prep school 50 years ago. No, what we're talking about is Romney's time at Bain Capital where he inflated his personal fortune to an eye-watering \$200 million. Bain is where the hard-driving Romney established his *bona fides* as a vulture capitalist and learned how to transform red ink and massive layoffs into windfall profits for himself and his cohorts. Now Romney's past is being put under the microscope because the ex-CEO continues to insist that his business experience makes him more qualified to be president than his opponent, Barack Obama. But does it?

The question can't be answered without digging a little deeper into Romney's role at Bain. Was Romney really saving businesses and creating jobs as he likes to boast, or was he buying companies, loading them up with debt, liquidating their assets, throwing workers out on the street, and walking away with bundles of cash for himself and his partners?

As it turns out, it was a bit of both. Certainly Romney had his successes at Bain, but there were some notable flops, too. In fact, a study by a large European Union bank found that nearly half of the buyouts that were made during Romney's tenure didn't really pan out at all. Fortunately for him, the good bets exceeded the duds, which is why the company did so well on his watch. Even so, there's nothing to suggest that Romney really gave a damn about boosting overall productivity, adding jobs, or promot-

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Resistance's Half-Life: Militarization and the Growing Academic Silence

By David Price

I am now immersed in my summer writing projects, working on a large book manuscript examining anthropologists' Cold War connections to the CIA and Pentagon, while also keeping abreast of current development pertaining to the militarization of American academia. Switching back and forth between these two projects I find many continuities between past and present military efforts to use anthropology, but I also find increasing differences between past and present reactions from anthropologists and other social scientists when approached by would-be military and intelligence patrons.

The basic history of anthropologists' pushback at the militarization of the discipline can be traced back to 1965, when

sociologist Johan Galtung focused critical public scrutiny on a U.S. Department of Defense scheme to recruit anthropologists and other social scientists for Project Camelot, a project to study insurgency and counterinsurgency in South America and elsewhere. Political skirmishes between the State Department and Pentagon added to the political uproar following Galtung's disclosures, and the pushback from Latin American countries and US academics led to Camelot's cancelation, congressional investigations, and LBJ's soon forgotten edict that "no Government sponsorship of foreign area research should be undertaken which in the judgment of the Secretary of State would adversely affect United States for-

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The Fall of the House of Stanford

By Jeffrey St. Clair

On June 14th, R. Allen Stanford was sentenced by U.S. District Judge David Wittner to 110 years in federal prison for his role in a \$7 billion fraud scheme. On pronouncing the sentence, Judge Wittner said that Stanford treated his victims like "economic roadkill." Here is the chronicle of his rise and fall.

This is the story of a deadbeat banker. His name is Allen Stanford and he was once known as the \$7 billion man.

Born in Mexia, Texas, the mysterious arc of Stanford's career sees him rise from burger-flipping gym rat in Waco to globe-trotting banker, a lord of cricket and a friend (and travel agent) of politicians. His robust resumé also includes strangely intimate histories with numerous female acquaintances (known in his

circle as the "Outside Wives"), as well as the Drug Enforcement Agency.

Blinking stridently on the radar of federal investigators at various agencies for more than 20 years, Stanford's banking empire was finally shut down by the Securities Exchange Commission, which claims, in self-congratulatory language, that Stanford's fraudulent operations put the "integrity of the markets" at risk. Stanford was convicted of an imposing list of crimes, ranging from banking fraud to bribery of regulatory officials in Antigua to personal enrichment from the vaults of depositors.

Stanford still denies all. He claims that the sudden insolvency of his banking operations stemmed not from embezzlement or fraud but from, in the words of his lawyer Dick DeGuerin, "the SEC's

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eign relations.”

The revelations of Project Camelot shocked most American anthropologists, and in its wake, efforts by RAND and other military linked attempts to harness anthropological knowledge galvanized broad resistance. In 1968, when the navy placed ads in the American Anthropological Association (AAA) publications for PSYOP positions in Vietnam, the AAA membership's opposition led to a policy banning ads for jobs generating non-circulating reports. These events later came to a head in 1970-71. With revelations that anthropologists were contributing to counterinsurgency operations in Thailand, the Association developed a strong ethics code declaring covert research and work on projects with nonpublic data to be unethical. The half-life of a strong ethics code is about a decade; with time the strength of the code was weakened by market forces, as anthropologists increasingly worked in corporatized settings and the need to produce proprietary assessments undermined prohibitions against secret reports.

As I now read through the thousands of documents I've collected from the 1960s and 70s on efforts by the CIA and Pentagon to use anthropology, I am struck by the speed at which a new silence has come over the discipline as academic engagements with these agencies continues to be resisted by most anthropologists, even as the presence of this militarization becomes passively normalized. Contemporary changes in attitude are difficult to identify or isolate, but shifting my reading from the present to this correspondence from the 1960s and 70s highlights stark contrasts of expressions of conscience and resistance.

I am working through filing cabinets of correspondence I collected at archives over the last decade, and I recently came across an exchange of letters representing the raw resistance of many past academics to the militarization of their discipline. A good sample from this correspondence, illustrating the tone of resistance from the mid-late 1960s is found in a brief exchange from September 1966, when University of Washington sociologist professor Pierre L. van den Berghe, received a letter of inquiry from Dr. Hans Weigert, of the Atlantic Research Corporation, tendering an invitation

to work as a consultant on a Defense Department project investigating, “The Impact of Tribalism on the National Security Aspects of Nation Building in the Congo.” The project was funded by the Pentagon's Advanced Research Projects Agency (ARPA).

The proposal framed this use of social science as an opportunity to bring peace to a war-torn region of the developing world, claiming that,

“a better understanding of these conflict patterns is necessary, especially when the military planner is confronted with the need to respond to internal security and national security problems... The proposal is designed to provide through a case study of the Congo insights into the relations between African tribalism, internal security and stability, and nation building, on the basis of which military policy decisions can be made more accurately. United States military interest in the emerging and newly developed nations of Sub-Saharan Africa, such as the Congo, includes a major concern with the causes of social tension, civil unrest, violence, and insurgency. This is amply supported by U.S. involvement in the Congo... in November 1964, the United States supplied military support for the rescue mission in Stanleyville. United States military planning, especially for counterinsurgency operations, including civic action programs, is rendered more difficult by the highly complex social and ethnic structure of the former Belgian Congo.”

Van den Berghe was struck by the proposal's similarities to Project Camelot, and in replying to Weigert explaining his reasons for rejecting his offer, he wrote that he had no interest in being “associated in any way in research which will be used as an instrument of intervention in the domestic affairs of African states. I regard this type of work as unethical.”

Dr. Weigert was outraged by Van den Berghe's reply and with a scolding tone he wrote Van den Berghe that, “Only a halfwit or a very malicious person could interpret the proposal which you were privileged to read as suggesting research to be ‘used’ as an instrument of intervention in the domestic affairs of African States.’ You comment that you regard this type of work as ‘unethical’ means that you accuse us... of being prepared to engage in unethical activities. That you are obviously very immature and that

you have not yet learned how to communicate with professional people in the United States is small excuse for your insulting us without the slightest provocation.

“Since the initials of the typist indicate that a University employee typed your insulting letter and since the letter is on University stationary, I am sending [a] copy of this letter to the Chairman of your Department.”

Weigert's decision to send correspondence to Van den Berghe's chair was a retromingent gesture meant to threaten an uppity professor who did not know his place within the military industrial university complex.

Van den Berghe replied that his “intention was never to insult anybody, but simply to make clear my reasons for declining your invitation. The use of university stationary for professional correspondence of this nature is completely routine in the academic world, and people familiar with academia recognize that each professor is an independent individual who does not in any way commit the institution where he teaches to the stand he takes.” He scoffed that Weigert would think he was jumping to any conclusions about the ends to which this research would be put, stating that it was simple to deduce that ARPA's interest in “social tension; ‘civil unrest; ‘violence; and ‘insurgency’ so that ‘military policy decisions can be made more accurately... especially for counterinsurgency operations” to be used for humanitarian purposes.

Van den Berghe pointed out that Weigert's proposal “specifically mentions the military involvement of the United States in Stanleyville in 1964, and it cites this episode as an example of why this kind of study is needed by ‘military planners.’” Van den Berghe stressed the absurdity of the claim that the U.S.'s interest in the Congo was for purposes of “defense,” writing: “barring the rather unlikely possibility of the Congo Republic attacking the United States, I can conceive of no legitimate concerns of the Defense Department in the internal affairs of the Congo, and I conclude that both your organization and your military sponsor envisage intervention therein. Indeed, your research proposal invokes historical precedents of intervention to establish the need for the study.”

Van den Berghe responded to

Weigert's cheeky move of sending his reply to his departmental chair, and adopting the *faux* polite tone of professional correspondence, he added:

"I realize, of course, that my interpretation may be erroneous, and I therefore propose to make your proposal and our correspondence known to my professional colleagues in the African Studies Association, in the American Anthropological Association, and among social scientists generally. I know that many of my colleagues have expressed concern over the 'Camelot Project' which, on the face of it, bears a rather striking resemblance with the Congo project of your organization. Since your intentions are beyond reproach, and since my interpretation is that of a 'half-wit or a very malicious person,' I am sure that you will welcome any publicity which our exchange and your project receive. There is nothing like a free flow of information to clear the paranoid suspicions of 'immature people' like myself."

True to his word, Van den Berghe compiled a summation of Weigert's clumsy recruiting efforts, and he sent copies of his account to colleagues, including anthropologist Ralph Beals who was then writing a report for the AAA critically evaluating anthropologists' engagements with intelligence agencies.

Van den Berghe closed his letter to the AAA identifying himself "as a Congolese by birth, and as an Africanist by academic specialty" (his parents were Belgian, living in the Congo at the time of his birth in 1933), and adding that he felt "morally obligated to publicize the above facts to the best of my ability. I am deeply distressed at the continued misuse of social science research for purposes which conflict with the generally accepted norms of international relations as expressed in international law and in the United Nations Charter. Beyond the ethical issues involved, the behavior of some of our colleagues is making the pursuit of cross-cultural studies increasingly difficult for most of us. We have a collective responsibility in trying to put an end to this kind of academic colonialism."

What strikes me when reading this exchange, and others like it from this period, after a decade of post-9/11 military and intelligence intrusions into academia, is how the reaction of most academics to offers from military contractors (who increasingly wrap their

counterinsurgency projects in the language of development or humanitarian assistance) differs not only from that of our predecessors of four decades ago; contemporary responses differ from those of scholars a half-decade ago.

Because I have written about the militarization of anthropology since the mid-1990s, after the post-9/11 recruitment renaissance began, I often received copies of recruitment emails forwarded to me along with the angry replies that scholars had sent to the unwanted solicitors. I have a file of these forwarded angry replies from 2004-2008, when these feelers from the military and contractors were seen by many as shocking.

McChrystal lectures hiding behind a protective wall of "nonattribution" where all students must agree that his classroom comments are "off the record."

Sometimes a single recruitment email would be forwarded to me by a dozen concerned scholars. These were then new, previously unthinkable proposals, shocking that they were made so openly and broadly circulated. In many cases, the approached anthropologists vented spleen in ways reminiscent to Van den Berghe's above response, giving history and ethics lessons to would-be recruiters – who I'm sure generally did not read past the first few lines of anger and deleted the replies, or perhaps deleted the sender from an e-list. Certainly no minds were changed from these responses, but the reaction measured the outrage many anthropologists felt over these disciplinary border intrusions. In some instances it is possible to deduce having obviously taken the contract.

While I still regularly receive forwarded emails from scholars disturbed by military and intelligence recruitment solicitations, reading Van den Berghe's reply made me realize that there has been an almost complete cessation of forwarded replies from scholars expressing their anger by responding to these programs. I suspect that it is not that scholars incensed by these approaches are any more glad than they were a decade ago to re-

ceive these inquiries, but there has been a shift in the acceptance that these military and intelligence intrusions into our daily lives are now a normal feature of our world. These military advances into academia have become regular features of our social fabric. These are the social facts of a militarized society.

This shift toward silence feels like a natural byproduct of the militarized saturation of American society. This decline of expressed resistance is a natural part of the expansion of what anthropologist Catherine Lutz calls, "the military normal" – the ubiquitous spread of the military into all aspects of American daily life and consciousness, advancing at such a rate that we internalize the militarization of everything from police departments, hiring practices, educational processes, discussions of healthcare, workplace regimentations, to an extent where the militarization of everything becomes a normal part of our cultural fabric in ways we hardly notice anymore.

With a barrage of new campus programs ranging from the Pentagon's Minerva Initiative to new campus CIA programs like the Intelligence Community Centers of Academic Excellence, or the Pat Roberts Intelligence Scholars Program, the Pentagon and CIA now embed academic assets on campuses across the nation. In one of the latest installments, General Stanley McChrystal (Ret.) now teaches at Yale, under extraordinary accommodations that violate the academic freedom of the students in his classroom. As a private citizen, McChrystal lectures hiding behind a protective wall of "nonattribution" where all students must agree that his classroom comments are "off the record." Yale's well-heeled faculty sit quietly cuckolded, abetting this assault on the academic freedom of their students and the American academy. This is just the latest installment of special rights for military-linked representatives of this new generation of military-campus relationships that cannot compete under the normal standards of academic accountability and transparency; but it is the civilian academics who must shoulder the blame for allowing these intrusions without meaningful protest. The new military normal deadens scholars' natural objections to nonattribution and nondisclosure as these grotesque affronts to the free pursuit of knowledge become

normal ways of protecting the military's inability to respond to academic criticism on a level playing field.

With the current wave of retirements, American universities increasingly find themselves without the generation of professors who know firsthand the history of CIA and Pentagon intrusions on our campuses. With the loss of this embodied historical memory, the remaining generations of scholars will have to study this history to understand why these relationships are so dangerous for the prospects of free inquiry. But even those who bother learning this history will have to struggle against an incoming tide, as three decades of neoliberal programs' impacts on student loan debt, campus austerity programs, and new promises of military funding converge to transform American universities into even greater extensions of military and intelligence programs, even as faculty increasingly respond with silence. CP

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ing innovation. Oh, no. This was all about turbo-charging profits for Bain and enhancing his personal wealth.

Under Romney's direction, Bain Capital made most of its money through leveraged buy-outs, that is; it would only invest a small amount of its own capital when it purchased a target company. The balance of the debt would be heaped onto the company's books. This reduced the risk for high-fliers like Romney, but increased the probability of default by the targeted companies sometime in the future when the debt-load became unmanageable. Leveraged buyout deals are often structured in a way that ensures profitability for the predatory firm whether the company prospers or not. By exploiting tax loopholes, private equity outfits can rake in the dough even when the company is headed for the crapper. *Rolling Stone's* Josh Kosman has compiled a short-list of Bain acquisitions that later fizzled. Here's what he came up with:

- 1988: Bain put \$10 million down to buy Stage Stores, and took it public, collecting \$184 million from stock offerings. Stage filed for bankruptcy in 2000.

- 1992: Bain bought American Pad & Paper, investing \$5 million, and collected \$107 million from dividends. The business filed for bankruptcy in 2000.

- 1993: Bain invested \$25 million when buying GS Industries, and received \$58 million from dividends. GS filed for bankruptcy in 2001.

- 1994: Bain put \$27 million down to buy Dade Behring. Dade borrowed \$230 million to buy some of its shares. Dade went bankrupt in 2002.

- 1997: Bain invested \$41 million when buying Details, and collected at least \$70 million from stock offerings. The company filed for bankruptcy in 2003.

So, this is how a rich guy got even richer, through a tax-friendly, debt-layering,

Romney had a field day running roughshod over the lives of thousands of people who were just trying to make a living by showing up on time and doing their jobs to the best of their ability.

Ponzi-operation that focused on vulnerable companies that were easy prey. That may be a good way to pad the old bank account, but it's hard to see how this dubious record of cold-blooded predation implies that Romney is qualified for the highest job in the land, especially since so many of the takeovers ended in disaster for workers. As Dave Foster, a former union representative for laid off workers at GS Steel, explains:

"Bain Capital went in in 1993 put very little of their own money down and borrowed the rest to buy the GS Steel plant. Then they turned around and paid themselves back with borrowed money and proceeded to lever the company up with unsustainable amounts of debt, so by the end of the 1990s, the company had \$500 million in debt, and it couldn't survive."

It's a familiar pattern, but one that's worth mulling-over all the same. Romney ran GS Steel into the ground leaving the company battered and bankrupt. The employees lost their jobs and retiree health insurance, while their pensions

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Dear CounterPunch Subscribers,

Every spring CounterPunch business slows down. From October through March our mailbox is packed daily with renewals and donations and our phone rings regularly, and so for a moment it's a reprieve, but it's not long before we see business slow to a near halt, and by May, as readers start thinking about how they'll spend summer vacations and subscriptions fall to the way side. At this time we begin to get antsy and send out lots of renewal notices and email pleas begging renewals. Without fail, by August our subscriber role is always shorter and these last couple of years it's shrunk considerably. This year we have decided to do something about it – we're holding an online auction in July! Keep your eye on www.biddingforgood.com/counterpunch for updates on the auction. We are gathering donations now and have lots of original art, tickets to exclusive performances, signed copies of books and more! Hope you'll join the fun!

As we march towards our 20th anniversary, we can look back on these two decades to over 400 issues of the CounterPunch newsletter covering four U.S. elections, wars, protests, scandals, cause célèbre, catastrophes and so much more. For the most part, readers have lauded the work of all our writers and it is you, our subscribers, who have supported our cause: to provide credible reporting and commentary in the newsletter and on the website, helping readers to make informed and balanced assessments – vital for a healthy democratic society – on the public issues of the day.

After twenty years, we've only raised the cost of our newsletter once- from \$40 annually to \$45. With the cost of postage close to double what it was when we began, and the cost of printing up as well, we must raise our print-edition rates to \$55 annually to make ends meet. We know this is a stretch for some, so we'll still offer the hard-copy for students, low-income and seniors at \$45. The email only edition will continue at the reduced rate of \$35 and to cushion the deal, we'll be sending out regular bonuses including special email only edition articles.

*Onward!
Becky Grant and Deva Wheeler
Business Office*