

## **Meet UNCLE SAM - without clothes - parading around China and the world**

**Andre Gunder Frank 13 01 2005**

Uncle Sam has just reneged and defaulted on up to forty percent of its trillions of dollars [\$] foreign debt, and nobody has said a word except for a line in this week's Economist. In plain English that means that Uncle Sam runs a world-wide confidence racket with his self-made \$ based on the confidence that he has elicited and received from others around the world, and he is also a dead-beat in that he does not honor and return the money he has received. How much of our dollar stake we lost depends on how much we, the creditors, originally paid for it. He let, or rather through his deliberate political economic policies, drove his \$ down by over 40 percent from one Euro at \$ 80 cents at its highest to now 135 cents against the Euro, Yen, Yuan and other currencies. And \$ is still declining, indeed apt to plummet altogether.

There was also a spate of competitive devaluations in the 1930s, and it was called the "Beggars Thy Neighbor Policy" of shifting the costs for the neighbor/s to bear. True, with the decline of \$, so has the real value that foreigners pay decreased to service their debt to Uncle Sam. That works only if they can themselves earn a profit from an increase in value of other currencies against \$. Otherwise, foreigners earn and pay in the same devalued \$, plus the loss from devaluation between the time they received \$ and had to repay it to Uncle Sam. China and other East Asians do earn in and have pegged their currencies to \$, so they have already lost a substantial portion of their world's by far largest \$ stake. And they, like all others, will also lose the rest.

For Uncle Sam's debt to the rest of the world already amounts to over one third of his annual national domestic production NDP, and it is still growing. That already makes his debt economically and politically never repayable, even if he wanted to, which obviously he does not. Uncle Sam's domestic debt, e.g. by consumers on credit cards and mortgages, is almost 100 percent of GDP and consumption, including that from China. Uncle Sam's federal debt is now \$ 7,5 trillion [T], of which all but \$1T was built up in the last three decades, the last \$ 2T in the last eight years, and the last \$1T in the last two years. Alas, that costs over \$ 330B in interest, compared to \$ 15B spent on NASA.

"Who Me, Worry?" Congress just raised the debt ceiling to \$8.2 T. To help us visualize, only \$ 1 T in tightly packed \$ 1,000 dollar bills would match a building 40 stories high, so that \$ 7.5T would be 300 stories or about three times the height of the Empire State Building. Nearly half of that is owed to foreigners. All Uncle Sam's debt, including private household debt of about \$ 10T, plus corporate and financial debt, with their options, derivatives and the like, plus state and local government debt comes to an unimaginable \$ 37 trillion, to help you 1,480 Empire State buildings high, and nearly four times Uncle Sam's NDP. Uncle Sam's issue last year of a mere record high \$ 140B in high-yielding junk bonds must seem puny, even if they are so called because they are [only!] the first to be defaulted, after or along with consumer and mortgage debt and business belly ups. Only some of that debt and its coming

default can be managed domestically, but with dangerous limitations for Uncle Sam as noted below. That is only one reason I want you to meet Uncle Sam, the dead-beat confidence man, who may remind you of the Meet Joe Black movie. For as we get to know Uncle Sam better below, we will find that he is also a Shylock and a corrupt one at that.

Before we go on, let's first translate this jumble of numbers into plain English. It was already done back in 1948 by George Keenan, otherwise known as Mr. X the architect of Uncle Sam's Containment Policy:

We have about half the world's wealth ...but only 5 percent of its population.... In this situation ... our real job in the coming years is to devise a pattern of relationships which permit us to maintain this position of disparity....To do so we have to dispense with all sentimentality and day-dreaming, ... concentrate everywhere on our immediate national objectives...[and] deal in straight power concepts. The less we are hampered by idealistic slogans, the better [Department of State Policy Planning Study No. 23, 1948].

Of course, that statement was for Uncle Sam's private internal consumption only. For the rest of the world, including most Uncle Sammies, "idealistic slogans" will do better, so long as they don't hamper us, of course. For they manifest the world's grandest ever Ponzi Scheme Confidence Racket run around the world by Uncle Sam. How else "to maintain this disparity"? Naked power helps, but it is not enough. All the more so, given that since Mr. X wrote, the already then terribly UNfair world distribution of income has become about 3 times more unequal. For today, just consider this simple index: 265 MILLION Uncle Sammies consume more oil, 22 percent of the world's total, than over THREE BILLION Asians, who all put together get 20 percent – and want more, especially the Chinese. Of course the Uncle Sam also accounts for a similar proportionate share of the Good Earth. To help him do it, he also relies on the Pentagon, which to boot is itself probably the biggest and least observed single polluter of all.

This observation also marks a continuity across that other wall, the one that fell in Berlin in 1989. For it shows that Mr. X's Cold War Containment was not only or even primarily against the Russians, but also a Containment of the other 95 percent of the world and especially of the vast poor majority who suffers most from the disparity he observed. Indeed, he suggests that the East-West Cold War, that he was instrumental in starting already as Uncle Sam's ambassador in Moscow, was largely a proxy for the North- and especially Uncle Sam-South real war over that half, or both halves, of the world's wealth. So that should leave us less surprised at the failure of the mistakenly anticipated "Peace Dividend" to materialize after that little wall fell down in 1989. The other, or the real, war continues and only takes other forms or rather labels, for 'human rights,' "democracy," the "free market" and "free trade," "freedom" in general, indeed even "civilization," all of the last several of which are echoes of the "white man's burden" from the 19th century. Just add a few new againsts, first "narco terrorism" by Bush Daddy vs. Noriega, and now just undefined "terrorism" by Bush Son vs. anybody and everybody "who is not with us." I forgot "weapons of mass destruction," the ones of which Uncle Sam has and uses the most, oh and weapons of mass deception that Uncle Sam uses like nobody's business. That is of course a sine qua non of any Confidence Racket, and he runs the world's grandest ever, as we will observe ad naseum, starting right now.

Uncle Sam is the world's most privileged for having the exclusive right to print the world's reserve currency at will at a cost of nothing but the paper and ink it is printed on. By so doing, he can also export to foreigners the inflation that his

irresponsible printing of \$ generates. For there are already at least three times as many \$ floating around the world as at Uncle Sam's home. Additionally, his is also the only "foreign" debt that is mostly denominated in his own \$ currency. Most foreigners' debt is also denominated in the same \$, but they have to buy \$ from Uncle Sam with their own currency and real goods.

So Uncle Sam simply pays the Chinese and others essentially with those \$ that have no real worth beyond its paper and ink. So especially poor China gives away for nothing at all to Uncle Sam \$ hundreds of billions [Bs] worth of real goods produced at home and consumed by rich Uncle Sam. Then China turns around and trades these same Uncle Sam paper \$ bills in for other Uncle Sam paper \$ called Treasury Certificate bonds, which are even more worthless, except that they pay a percent of interest. For as we already noted they will never be able to be cashed in and redeemed in full or even in part, and anyway they have already lost much of their value to Uncle Sam already. In an earlier essay, I argued that Uncle Sam's power rests on two pillars only, the paper \$ and the Pentagon. Each supports the other, but the vulnerability of each is also an Achilles heel that threatens the viability of the other. Since then, Afghanistan and Iraq have shown much of the confidence in the Pentagon to have misplaced. That has helped reduce confidence and value also in \$ in the dollar, which has in turn reduced Uncle Sam's ability to use that \$ to finance his Pentagon foreign adventures. See my 2004 essay "Coup d'Etat and Paper Tiger in Washington, Fiery Dragon in the Pacific," which also conjures up the productive growth of China

[http://rrojasdatabank.info/agfrank/new\\_world\\_order.html#coup](http://rrojasdatabank.info/agfrank/new_world_order.html#coup)

Additionally we must realize that Uncle Sam's numbers above and below are also all literally relative. So far the relations – in particular with China - still favor Uncle Sam, but they also help maintain an image that is deceptive. Consider the following:

" ... a \$2 toy leaving a Uncle Sam-owned factory in China is a \$3 shipment arriving at San Diego. By the time a Uncle Sam consumer buys it for \$10 at Wal-Mart, the Uncle Sam economy registers \$10 in final sales, less \$3 import cost, for a \$7 addition to the Uncle Sam gross domestic product (GDP)"  
[ [mhttp://archives.econ.utah.edu/archives/a-list/2004w07/msg00083.htm](http://archives.econ.utah.edu/archives/a-list/2004w07/msg00083.htm) [the original said US].

Moreover, ever clever Uncle Sam has arranged matters so as to earn 9 percent from his economic and financial holdings abroad, while foreigners earn only 3 percent real return on theirs, and only one percent on their Treasury Certificates, invested in Uncle Sam's God's Country. Note that this difference of 6 percent is already double what Uncle Sam pays out, and his total 9 percent take is triple the 3 percent he gives back. Therefore, although the reciprocal foreign holdings by each other with Uncle Sam and abroad are now about equal, Uncle Sam is still the BIG net interest/ed winner, just like any Shylock, but no other ever did so grand a business.

But Uncle Sam also earns quite well, thank you , from other holdings abroad, e.g. from service payments by mostly poor foreign debtors. The sums involved are not peanuts. For from his direct investments in foreign property alone, Uncle Sam profits now equal 50 percent, and including his receipts from other holdings abroad, now are a full 100 percent, of Uncle Sam's profits derived from all of his own domestic activities combined! These foreign receipts add more than 4 percent to Uncle Sam's NDP. That helps nicely to compensate for the failure of domestic profits yet to recover even their level in 1972. That is because Uncle Same has failed to make enough real good investments at home to boost productivity and profits thereon. That extra profit from foreigners also compensates for much of the Uncle Sam still rising trade deficit of

\$ 600+ B a year [last month it was at an \$ 666 annual rate, it was announced today] from excess home consumption over what he himself produces. That has resulted in the trillions \$ [three of them it is said] of his foreign debt. But Uncle Sam is playing his cards close to his chest and is understandably reluctant to make any official revelation of how high [ more than the Empire State building in \$ 1000 bills?] his foreign debt really is. Nonetheless, we may rest assured that his gross foreign debt is by far the world's largest and remains so also as net foreign debt even if we deduct foreigners' debts to him.

The productivity hype of Clinton's "new economy" 1990s was limited to computers and IT, and even that proved to be a sham when the dot com bubble burst. Also, not only the apparent increase in "profits" but also that of "productivity" was being boosted by shop-floor, office and sales floor worker speed-up and/or longer work-times at the bottom. WALMART obliges its non-union [it won't permit any] workers on threat of dismissal to "clock-out" and return to work at no pay. At the top productivity and profits were boosted by "creative accounting" hype by Enron, Arthur Anderson and others of their likes engaged in shams.

Why any and all this?, we may well ask. The simple answer is that Uncle Sam, who is increasingly hooked on consumption not to mention harder drugs, saves no more than 0.2 percent of his own income. The Fed's guru now you see him-now you don't Dr. of financial and media magic, Alan Greenspan recently observed that this is so, because the richest 20 percent of Uncle Sammies, who are the only ones who do save, have reduced their savings to 2 percent. Yet, even these measly savings [other and poorer countries save and even invest 20, 30, 40 percent of their income] are more than counterbalanced by the 6 percent deficit spending of the Uncle Sam government, which does so largely on their behalf. That is what brings the average between the two together to those 0,2 percent. So Uncle Sam has a \$ 400+ reported budget deficit, which is really \$ 600+ B if we count ,as we should, the \$ 200+ B Uncle Sam "borrows" from the temporary surplus in his own Federal Social Security fund that he is also bankrupting. But never mind, Uncle Sam President Bush just promised to privatize much if that and let people buy their own old age "security" in the ever insecure market.

Rich Uncle Sam, and primarily his highest off the hog earners and consumers as well as of course the Big Uncle in Washington himself, to live off the fat of the rest of the world's land. Apart from printing world money, Uncle Sam also does so with his "twin deficits," first his \$ 600+B budget deficit and then the above mentioned related \$600+B trade deficit, now at an \$ 666B annual rate last month, as we saw. With them. Uncle Sam absorbs the savings of others who themselves are – often much - lower on the hog: Particularly their central banks place many of their reserves in world currency \$ in the hands of Uncle Sam in Washington and some also in \$ at home. Their private investors send \$ to or buy \$ assets in Wall Street, all with the confidence that they are putting their where-with-all in the world's most safe Uncle Sam haven [that of course is part of the above mentioned confidence racket]. From the central banks alone, we are looking at yearly sums of over \$ 100B from Europe, over \$ 100B from poor China, \$ 140B from super-saver Japan, an amount of many \$10sB by many others around the world. That also includes investors and banks from the poor Third World.

In addition, Uncle Sam also obliges the states in the Third World to act as collection agencies or even as Repo Goons, where goons are the ones sent out to repo-ssess the Godfather's property by any means. Only in this case, it is not even that; for he is just taking new possession, since the original debt has long since been paid off. The states raise taxes and fees from the population but lower social spending on education and health to at home to divert funds to pay the debt abroad. They also

borrow in turn from private capital at home at high interest rates that the state pays to the rich lenders, but out of taxes collected from the poor. That way, income is “recycled” from poor to rich at home as well as from these poor via the foreign debt to the even richer abroad. These literally forced savings of the poor are then sent to Uncle Sam in the form of “service” on the \$ debt that is “owed” to him.

Privatization is the name of the game in the Third World as elsewhere, except for the debt! Only the debt was socialized after it had been incurred mostly by private business, but only the state had enough power to squeeze the greatest bulk of back payments out of the hides of its poor and middle-class people and transfer them as “invisible service payments” to Uncle Sam. When Mexicans were told to tighten their belt still further, they answered that we can’t because we already ate it yesterday. Only Argentina and for a while Russia declared an effective moratorium on debt “service” and that only after political economic policies, imposed by Uncle Sam’s advisers and his IMF strong arm, had destroyed their entire societies like never before in “peace” time. Uncle Sam’s Treasury Secretary and his IMF hand-maiden blithely continue to strut around the world insisting that the Third – and ex-Second, now also Third – World of course continue to service their foreign debts, especially to him. No matter that with interest rates multiplied several times over by Uncle Sam himself after the Fed’s Paul Volker’s coup in October 1979, most have already paid off their original borrowings three to five times over. For to pay at those interest rates that Volker boosted to 20 percent, they had to borrow still more at higher rates until their outstanding foreign debt doubled and tripled. And so did their domestic debt from which part of the foreign payments were raised as particularly in Brazil. All that, while Uncle Sam himself is blithely defaulting on his own foreign debt, as he already had several times before in the 19th century.

Speaking of that, it may be well to recall at least two pieces of advice from that time: Lord Cromer, who administered Egypt for then dominant British imperial interests sad that his most important instrument for doing so was Egypt’s debts to Britain. These had just multiplied when Egypt was obliged to sell its Suez Canal shares to Britain in order to pay of f earlier debts. British Prime Minister Disraeli explained and justified his purchase of the same on the grounds that it would strengthen British Imperial interests. Today, that is called “debt-for-equity swaps,” which is one of Uncle Sam’s latter day favorite policies to use the debt to acquire profitable and/or strategically important real resources, as was the Canal as the short cut to the jewel of the British Empire in India.

Another piece of practical advice came from the premier military strategist Clausewitz: Make the lands you conquer pay for their own conquest and administration. That is of course exactly what Britain did in India through the infamous “Home Charges” remitted to London in payment for Britain administering India. Even the British themselves recognized this as “tribute” that was responsible for much of “The Drain” from India to Britain. How much more efficient yet to let foreign countries’ own states administer themselves [Britain called it “Indirect Rule], but by rules set and imposed by the Uncle Sam run IMF and then effect a drain of debt service anyway. So therein the British also set a 19th century precedent with “independent” states. It has since been called the “imperialism of free trade.” As long as the rules work, fine. When they don’t, a bit of gun-boat diplomacy can help, and Uncle Sam already learned to use that early in he 20th century. When even that was not enough, the next option is to invade, and if necessary to occupy – and then to rely on the Clausewitz rule to make the victims pay for their own occupation. We shall note several recent instances thereof below and pay special attention to the present one in Iraq.

Meantime as I write, but after I wrote the above, I received the following e-mail:

Confessions of an Economic Hit Man: How the U.S. Uses Globalization to Cheat Poor Countries Out of Trillions. We speak with John Perkins, a former respected member of the international banking community. In his book Confessions of an Economic Hit Man he describes how as a highly paid professional, he helped the U.S. cheat poor countries around the globe out of trillions of dollars by lending them more money than they could possibly repay and then take over their economies.

JOHN PERKINS: Basically what we were trained to do and what our job is to do is to build up the American empire. To bring -- to create situations where as many resources as possible flow into this country, to our corporations, and our government, and in fact we've been very successful. We've built the largest empire in the history of the world... primarily through economic manipulation, through cheating, through fraud, through seducing people into our way of life, through the economic hit men. I was very much a part of that.... I was initially recruited while I was in business school back in the late sixties by the National Security Agency, the nation's largest and least understood spy organization... and then [it] send[s] us to work for private consulting companies, engineering firms, construction companies, so that if we were caught, there would be no connection with the government....

I became its chief economist. I ended up having fifty people working for me. But my real job was deal-making. It was giving loans to other countries, huge loans, much bigger than they could possibly repay. One of the conditions of the loan--let's say a \$1 billion to a country like Indonesia or Ecuador--and this country would then have to give ninety percent of that loan back to a U.S. company, or U.S. companies ... a Halliburton or a Bechtel.... A country today like Ecuador owes over fifty percent of its national budget just to pay down its debt. And it really can't do it. So, we literally have them over a barrel. So, when we want more oil, we go to Ecuador and say, "Look, you're not able to repay your debts, therefore give your oil companies your Amazon rain forest, which are filled with oil." And today we're going in and destroying Amazonian rain forests, forcing Ecuador to give them to us because they've accumulated all this debt ... [We work] very, very closely with the World Bank. The World Bank provides most of the money that's used by economic hit men, it and the I.M.F.

[<http://www.democracynow.org/article.pl?sid=04/11/09/1526251>]

Last but not least, oil producers also put their savings in Uncle Sam. With the "shock" of oil that restored its real price after its dollar valuation had fallen in 1973, ever cleverer by half Henry Kissinger made a deal with the world's largest oil exporter in Saudi Arabia that it would continue to price oil in \$, and these earnings would be deposited in Uncle Sam, partly compensated by military hardware in return. That deal de facto extended to all OPEC and still stands, except that before the War against Iraq it suddenly opted out by switching to pricing its oil in Euros, and Iran threatened to do so as well. North Korea has no oil but trades entirely in Euros. That constitutes the triple "rogue states axis of evil." Today Venezuela is a major oil supplier to Uncle Sam and also supplies some at preferential rates as non-dollar trade swaps to other poor countries like Cuba. So Uncle Sam sponsored and financed military commandos from its Plan Columbia next door, promoted an illegal coup, and when that failed a legal referendum in his attempt at yet another "regime change" there as well; and now along with Brazil all three are being baptized as yet another "axis of evil."

After writing this, I found that the good [hit] man Mr. Perkins was in Saudi Arabia too:

Yes, it was a fascinating time. I remember well ... the Treasury Department hired me and a few other economic hit men. We went to Saudi Arabia,... And we worked out this deal whereby the Royal House of Saud agreed to send most of their petro-dollars back to the United States and invest them in U.S. government securities. The Treasury Department would use the interest from these securities to hire U.S. companies to build Saudi Arabia—new cities, new infrastructure—which we’ve done. And the House of Saud would agree to maintain the price of oil within acceptable limits to us, which they’ve done all of these years, and we would agree to keep the House of Saud in power as long as they did this, which we’ve done, which is one of the reasons we went to war with Iraq in the first place. And in Iraq we tried to implement the same policy that was so successful in Saudi Arabia, but Saddam Hussein didn't buy. When the economic hit men fail in this scenario, the next step is what we call the jackals. Jackals are C.I.A.-sanctioned people that come in and try to foment a coup or revolution. If that doesn't work, they perform assassinations. Or try to. In the case of Iraq, they weren't able to get through to Saddam Hussein. He had -- His bodyguards were too good. He had doubles. They couldn't get through to him. So the third line of defense, if the economic hit men and the jackals fail, the next line of defense is our young men and women, who are sent in to die and kill, which is what we’ve obviously done in Iraq.

<http://www.democracynow.org/article.pl?sid=04/11/09/1526251>

To return to the main issue and call a spade a HUGE spade, all of the above are part and parcel of the world’s biggest ever Ponzi scheme confidence racket. Like all other ones, its most essential characteristic is that it can only continue to pay off \$ and be maintained at the top as long as it continues to receive new \$ at the bottom, voluntarily through confidence if possible and by force if not. [Of course, the Clausewitz and Cromer formulaes result in the poorest paying the most, since they are also the most defenseless: so that the ones sitting on/above them, pass as much of the cost and pain down to them].

But what if and when confidence runs out, and \$ no longer comes? Things are already getting shakier at the Uncle Sam house. The declining \$ reduces the necessary

\$ inflows. Last month, they were only \$ 48B against outflows of \$ 55B. So the Uncle Sam Dr. Greenspan needs to raise interest rates to maintain some Uncle Sam attraction for the foreign \$ he needs to fill the trade gap. As a quid pro quo for being reappointed by President Bush, he promised to do that only after the election. That time has now arrived, but doing so threatens to collapse the housing bubble that was built on low interest and mortgage – and re-mortgage- rates. But it is in their house values that most of Uncle Sam people have their savings if any. They and this imaginary wealth effect supported over-consumption and the nearly as high as NDP household debt. Volker’s high interest rate successor at the Fed, Greenspan lowered interest rates almost to zero, which made borrowing and mortgages – that is debt - cheap and plentiful. That increased the demand for consumer goods and houses. The former are cheap from China, but the latter drives up the price and “value” of houses, which has encouraged upgrading to still more expensive ones, increased “collateral,” and still more borrowing, and still more consumption. So did capital flight from East Asia after its 1997 financial crisis. It fled to Uncle Sam’s safe haven, both to Washington into Treasury Certificates and to New York into Wall Street equities. At the same time, Uncle Sam benefited from the crisis by buying devalued East Asian currencies and using them to buy up East Asian real resources, and in Korea also banks, at bargain basement reduced prices. That is what generated the big bull market of rising stock prices and again apparent greater wealth, which also supported more consumption. Since then, the stock market has already crashed again.

When the housing market also crashes with Dr. Greenspan's present and future increase in interest rates, and therefore mortgage costs, a collapse of the housing price bubble would not only drastically undercut house prices. It would thereby have falling domino effects on the owners' enormous second and third re-mortgages, consumer credit card and other debt, their consumption, corporate debt and profit and investment. In fact, these factors would be enough to also plummet Uncle Sam into deep recession, if not depression, and another Big Bear deflation on stock and de facto on other prices, rendering debt service even more onerous. If \$ declines, even domestic \$ price inflation is de facto deflationary against other currencies, that Russians and Latin Americans discovered to their peril as we observe below. Still lower real Uncle Sam investment would reduce its industrial productivity and competitiveness even more – probably to a degree lower than can be compensated by further devaluing \$ and making its exports cheaper as is the confident hope of many, probably including the good Dr.

Until now, the apparent inflation of prices abroad in rubles and pesos and their consequent devaluations have been a de facto deflation in terms of the \$ world currency. Uncle Sam then printed \$ to buy up at fire sale bargain \$ prices their natural resources in Russia [whose economy was then run on \$100 bills], and companies and even banks, as in South Korea. True, now Dr. Greenspan and Uncle Sam are trying again to get other central banks also to raise their interest rates and plunge their own people into even deeper depression. But even if he can, thereby also canceling out the relative attractiveness of his own interest rate hike, how could that save Uncle Sam himself?

So far beyond Osama bin Laden, Al Qaeda and all terrorists put together, the greatest real world threat to Uncle Sam is that this \$ does not keep coming in. For instance, foreign central banks and private investors [it is said that “overseas Chinese” have a tidy trillion \$] could any day decide to place more of their money elsewhere than in the declining \$ and abandon poor ol' Uncle Sam to his destiny. China could double its per capita income very quickly if it made real investments at home instead of financial ones with Uncle Sam. Indeed Henry G.K. Liu writes, albeit a bit unrealistically that “if the US\$430 of Chinese exports were consumed domestically at their final market price, US\$2.15 trillion would be added to China's 2003 GDP of \$1 trillion, tripling it” [<http://archives.econ.utah.edu/archives/a-list/2004w07>].

Central banks, European and others, can now put their reserves – in rising! – Euros or even soon to be revalued Chinese Yuan. Not so far down the road, there may be an East Asian currency, e.g. a basket first of ASEAN + 3 [China, Japan, Korea] – and then + 4 India. While India's total exports in the past five years rose by 73 percent, those to ASEAN rose double that rate and six-fold to China. India has become an ASEAN summit partner, its Prime Minister just declared that India wants ever closer relations with ASEAN, and its ambitions stretch still further to an AEC from India to Japan [EPW]. Not for nothing, in the 1997 East Asian currency and then full economic crisis, Uncle Sam strong-armed Japan not to start a proposed East Asian currency fund that would have prevented at least the worst of the economic crisis. But now, the indeed Uncle Sam friend in need China is already taking steps toward such an arrangement, only on a much grander financial and now also economic scale.

A day after writing the above, I read in the Economist [11-17 Dec. 2004:50] a report on the previous week's summit meeting of Asean+3 in Malaysia. Its Prime Minister announced that this summit should lay the groundwork for an East Asian

## Community

EAC that “should build a free-trade area, co-operate on finance, and sign a security pact ... that would transform East Asia into a cohesive economic block.... In fact, some of these schemes are already in motion....China, as the region’s pre-eminent economic and military power will doubtless dominate... and host the second East Asia Summit.” The report goes on to recall that in 1990, Uncle Sam shot down a previous initiative for fear of losing influence in the region. Now the report is entitled “Yankee stay home.”

Or what if already long before that comes to pass, exporters of oil simply cease to price it in ever devaluing \$, and instead make a mint by switching to the rising Euro and/or a basket of East Asian currencies. For that would at one stroke, in order still to be able to buy oil, vastly diminish the world demand for and price of \$ by obliging anyone who wants to buy oil to purchase and increase the demand price of the Euro or Yen/Yuan instead of \$. That would crash \$ and tumble Uncle Sam in one fell swoop, as foreign and even domestic owners of \$ would also sell off as many of them as fast as they could and other countries’ central banks would switch their reserves out of \$ in the no longer safe haven Uncle Sam. That would drive the \$ down even more, and of course halt any more \$ inflow to Uncle Sam by the foreigners who have been financing the Uncle Sam consumption spree. Since selling oil for falling \$ instead of rising Euro is evidently bad business, the world’s largest exporters in Russia and OPEC have been considering actually doing just that. In the meantime, they have raised the \$ price of oil so that in Euro terms it has remained about stable since 2000. So far, many oil exporters and others still place their increased amount of \$ with Uncle Sam, even though he now offers an ever less attractive and less safe haven, but Russia is now buying more Euros with some of its \$.

So, many countries’ central banks have begun to put ever more of their reserves into the Euro and currencies other than Uncle Sam \$. Now even the best friend indeed, the Central Bank of China, the greatest friend of Uncle Sam in need, has begun to buy some Euros. China itself has also begun to use some of its \$ - as long as they are still accepted by them - to buy real goods from other Asians and thousands of tons of iron ore and steel from Brazil, etc. Its President recently took a huge business delegation to China, and the Chinese one just went to Argentina. They are going after African oil and South African minerals too.

All Ponzi schemes build a financial pyramid. Many who pay into them also live in a financial world themselves, but others need to derive their in-payment through earnings from production in the real world. In today’s world of financial transactions that every day are one hundred fold more than all payments for real goods and services put together, the financial ones put the real ones into the shadow behind their brilliance. Moreover to over-simplify a very complex matter into more intelligible lay wo/man’s language, options, derivatives, swaps and other recent financial instruments have been ever much further compounding already compounded interest on the real properties in which their stake and debts are based, which has contributed to the spectacular growth of this financial world. Nonetheless, the financial pyramid that we see in all its splendor and brilliance, especially in its center at Uncle Sam’s home, still sits on top of a real world producer > merchant > consumer base, even if the financial one also provides credit for these real world transactions.

Now what if we look at the world as a doughnut, analogous to so many cities in Uncle Sam rust belt. The center is derelict and hollowed out as production and consumption has moved to the surrounding suburbs [in automobile Detroit, the windows of the principal department store Hudson’s have been boarded up for years, even as Detroit has built an expensive “Renaissance Center” to re-gentrify it’s

city center, a process that has “succeeded” in some other cities]. Derelict General Motors Flint gives us Michael Moore, who features it from [GM CEO] “Roger and Me” to ‘Fahrenheit 9-11.’ We might look at the entire world in doughnut terms, with the whole of Uncle Sam in the empty hole in the middle that produces almost nothing it can sell abroad. The main exceptions are agricultural goods and military hardware that are heavily subsidized by the Uncle Sam government from its tax-payers and \$ paper printing press, and even so he runs a \$ 600 +B budgeted deficit.

The BIG difference in this Uncle Sam doughnut is that both the budget and the \$ 600+B trade deficit are financed by foreigners, as we have seen. Uncle Sam would exclude most of them as persons, but gladly receives the real goods they produce. As world consumer of last resort, as already suggested, Uncle Sam performs this important function in the present world political economic division of labor: everybody else produces and needs to export, and Uncle Sam consumes and needs to import.

The crash of \$ would [will?] crumble this entire world-embracing and organizing political economic doughnut and throw hundreds of millions of people, not to mention zillions of \$ and their owners, into turmoil with unforeseen and perhaps unforeseeable consequences. Many people, high and low on the world totem pole, have a BIG stake in avoiding that, even if it requires continuing to blow the empty Uncle Sam up like a balloon. Or to refer to a well know simile, to continue to pretend that the Emperor with no Clothes is dressed up and to send him some to boot. That still includes China, for which a financial show down with Uncle Sam would be a blessing in disguise: That would oblige China to change political economic course, and instead of giving its goods away for free to Uncle Sam, to turn production and consumption inward to its poor interior and to the near outward in East Asia, all of which it could and should be doing already; and the latter China has recently begun to do, but not yet the former.

So what will happen to the rich on top of the Uncle Sam Ponzi scheme, when the confidence of poorer central banks and oil exporters in the middle runs out, and the more destitute poorest around the world, confident or not, can no longer make their in - payments at the bottom? The Uncle Sam Ponzi Scheme Confidence Racket would – or will? – come crashing down, like all other such schemes before, only this time with a world-wide bang. It would cut the world’s present Uncle Sam consumer demand of last resort down to real/istic world size and hurt many exporters and producers elsewhere in the world. In fact, it may involve a wholesale fundamental reorganization of the world political economy now run by Uncle Sam.

Of course, crashing the \$ would also in one fell swoop wipe out, that is default, the Uncle Sam debt altogether. Thereby, it would simultaneously also make all foreigners and rich Americans lose the whole of their \$ asset shirt. They are still desperately trying to save as much of it as possible by not going for the crash, that is for broke. That is, they are trying to protect the remainder of their \$ investment shirt by keeping their \$ live sustaining pump going. The whole business of maintaining the Uncle Sam Ponzi Scheme poses the world’s biggest and craziest Catch – 22 since MAD, and it is just about as mad.

All the more reason why it MUST be resolved. But the way out of the mad Catch 22 need not be a soft landing. It can be hard one indeed. This dissolution of the Uncle Sam Ponzi Scheme will be costly and the greatest costs will as usual probably be dumped on the poorest who are least able to bear these costs, but who are also least able to protect themselves from being forced to do so. And the historically necessary transition out from under the Uncle Sam run doughnut world can bring the entire world into the deepest depression ever. Only East Asia is in a relatively good

position to save itself from being pulled – or pushed - to the bottom, but even then also after paying a high cost for this transition – toward itself!

However, the world is facing an even MADer global geo political and military Catch 22.

It remains the great unknown and perhaps unknowable. How would [will?] Uncle Sam react as a Paper [money] Tiger that is wounded by a crash of the Ponzi Scheme Confidence Racket from which he and millions of un-knowing Uncle Sammies have lived the good life? To compensate for less bread and civil rights but more “Patriot”ic acts at home, a more chauvinist Uncle Sam can provide a World War III circus abroad. A crash of \$ will pull the financial rug out from under, and his discourage his foreign victims from continuing to pay for new Pentagon adventures abroad. But some more wars may still be possible with the weapons he would still have and some more Military Keynesian government deficit spending at home, also for the new “small” nukes he is preparing for the occasion. That could well – nay horribly – be the cost to the world of the current policies to “defend Freedom and Civilization.” The Super Catch 22 is that almost nobody other than Osama bin Laden wants to run that risk.

Yet, such a transition would [will?] not be historically new. Recall how much the transition to Uncle Sam cost: a 30 Year War from 1914 to 1945 with the intervening second Great Depression in a century that cost 100 million lives lost to war, more than in all previous world history combined, not to mention the literally [hundreds?] of millions who suffered and died from unnecessary starvation and disease. Or the previous transition to the British Major Bull cost the Napoleonic Wars, the Great Depression of 1873-95, colonialism and semi-colonialism, to name a few, and their human costs. The latter coincided with the most pronounced El Nino climatic changes in two centuries, which ravaged Indians, Chinese, and many others with famines. But these were in turn magnified by the Imperial Colonial powers who used in their own interests, e.g. increased export of wheat from India especially during years of famine.

The parallels with today, including even again taking advantage of a century later renewed stronger El Ninos are too horrifying and guilt generating for hardly anybody to make. They include Uncle Sam’s IMF imposed “structural adjustment” that obliges Mexican peasants to have already eaten the belt that the IMF wants them to tighten still further. Three million dead and still counting in Rwanda and Burundi, and then some in neighboring Congo, came after IMF imposed strictures and the cancellation primarily by Uncle Sam of the Coffee Agreement that had sustained its price for these producers. And now – nay since the CIA murder of Lumumba and the elevation of Kosavubu in Katanga in 1961, indeed since the King of Belgium’s private reserve of the Congo in the 19th century, we get the scramble for and production and sale there of gold for Uncle Sam’s Fort Knox, and now also titanium so that we can communicate by mobile cell phone, diamonds for ever, and so on. Uncle Sam also took advantage of yet another strong El Nino event that ravaged South East Asia, and especially Indonesia, simultaneously with the post 1997 financial crisis that Uncle Sam deliberately parlayed into an economic depression. It was so great that it swept out of office President Suharto whom Uncle Sam had installed there thirty years earlier with his CIA coup against the popular father of Indonesian independence, Sukarno. That had cost at least half a million but also an estimated up to one million lives that Suharto took directly plus the poverty generated by the infamous “Berkely Mafia” that he installed to run the Indonesian economy into the ground. The parallels with the past also include environmental degradation, and the shift of ecological damage from the rich who generate it to the poor Third World who bears its greatest burden. And of course we should not forget World War III [the third after the second AND fought in the Third World] that Daddy

Bush began against Iraq in 1991 [See my “Third World War”  
[http://rrojasdatabank.info/agfrank/gulf\\_war.html](http://rrojasdatabank.info/agfrank/gulf_war.html)  
[http://rrojasdatabank.info/agfrank/nato\\_kosovo/msg00080.html](http://rrojasdatabank.info/agfrank/nato_kosovo/msg00080.html)].

Yet there are also others in the world who do not [yet?] feel all that caught up in the Catch 22. Calculatedly just before this year’s 2004 Uncle Sam election, one of them said so out loud in a video broadcast to the world. It seems to have been least publicly noted by its principal addressee Uncle Sam, who should have been the most interested party: For it was none other than bin Laden himself who announced that he is “going to bankrupt the Uncle Sam!” In view of the deliberate Uncle Sam blindness to the shakiness of his real world foundation abroad, so massive a collapse abroad may not be more difficult to arrange than as it was only to topple its Twin Tower symbol at home.

Meantime back on the farm as the saying goes in Texas, what does Uncle Sam himself blithely do with the world’s hard earned savings and money? His consumers still over-consume it without 99.9 percent of them knowing what they are doing, since hardly anyone tells them so. And Uncle Sam’s government uses much and all of its increase of hundreds of B\$ for the Pentagon. That money is not spent to pay its poor professional soldiers who come mostly from small town rural America and took the only job they could get, and even less is spent on its hapless reservists. They told Rummy in Kuwait that he does not even provide them with sufficient and safe equipment. Rummy replied, I am an old man, I just got up, and I need time to get my thoughts together.

But at home in the Pentagon, Rummy faces no such problem. There he knows very well what he is doing, privatizing war also in Iraq as at home. The Military-Industrial Complex against which General Eisenhower warned in his 1958 parting Presidential address is alive and kicking, more than ever under the stewardship of “Vice” President Cheney and his De[a]fSec Rumsfeld. With their jobs disasterously well done, both are being kept on for a second term. So is Paul Wolfowitz “of Arabia” who with Douglas Feith is one of the duo at the Pentagon that went to Israel. Regarding the latter, the German Der Spiegel Dec 20,2004:33 quotes Tommy Franks, who was the commander of the Iraq invasion, as calling “the greatest total idiot that there is on God’s Earth, with whom I have to battle almost every day”].

Between 1994 and mid – 2003, Uncle Sam’s Pentagon made over 3,000 contracts valued at more than \$300 billion with 12 Uncle Sam private military companies [PMCs] out of the 35 estimated by the NYT, others of which are small and offer mercenary services. But more than 2,700 of those contracts were given to only two companies: to Kellogg Brown & Root (KBR), a subsidiary of Cheney’s Halliburton, and to Booz Allen Hamilton. [Center for Public Integrity’s International Consortium of Investigative Journalists, cited in Mafruza Khan e-mail, 16 Aug 2003]. In Iraq these PMCs now have as many mercenaries as Uncle Sam and UK troops combined. But of course that is still “small” potatoes, since the bulk of Pentagon money is Uncle Sam-ed to buy expensive weapons systems from the only four major Uncle Sam “Defense” contractors and the likes of Vice President Cheney’s Halliburton.

Uncle Sam then uses these arms unilaterally to twist others arms by armed threat and blackmail, and if that is not enough to invade the world that provided the money in the first place. After all, Uncle Sam has to do what it must to keep the money coming in. Uncle Sam unilateralism is not so much, as often mistakenly supposed, just going it alone. Yes, it is to proclaim fighting for “Freedom” [whose?-we may ask] and “saving Civilization,” as Uncle Sam President Bush and his even more eloquent UK mouth piece Tony Blair proclaim every day. The simplest way to

“save” civilization was by simply abolishing in a day its most precious gift of the whole body of international law to keep the peace, which the West had taken centuries to develop, admittedly also in its own imperial interests. Still, it was the best and only international law we had, and at the very least better than nothing at all. Now the only “Law of the West” that remains is indeed ‘The law of the West’: The spaghetti western vigilante law of posses that, with or without a conniving judge, take the ‘law’ into their own hands to form a lynch party. Then they go after whom and where and when they please. Alas, now in the real world the self-appointed posses operate “out of area” on a much grander scale than any fictional spaghetti western film could ever have imagined.

That also means disemboweling and paralyzing the UN institution that was established to guard the peace, except when Uncle Sam after its own wars always re-cycles the UN to pick up the pieces he shattered in Yugoslavia, Afghanistan and now Iraq. But in so doing, it also means, to dupe, threaten, cajole and blackmail all others – friends and foes alike – to do his bidding on every issue, big and small. He has trained a whole civilian army of officials to do that. That way, Uncle Sam “unilaterally” throws his still apparent weight around in all other international institutions that deal with endeavors from agriculture and aviation to zoology. But Uncle Sam extorts real unilateral favors for himself even more through his bi-lateral relations. That is why WTO was dead on arrival. Indeed Uncle Sam now prefers to Uncle Same bi-lateral relations unilaterally, as he increasingly isolates himself internationally. So, he can exercise even more military, political and economic bargaining power over any one of his victims than he any longer can over all or even many of them in international institutions.

And when that bargaining is not enough, or even if it could be, Uncle Sam simply attacks when he feels like it and invades little Grenada [population, all of 300,000]; Nicaragua [with the help of arch-enemy Iran]; Panama [7,000 civilians killed in one night to capture one man only, Daddy Bush’s one-time friend and ally Noriega – there is an all smiles photo of them shaking hands]; Iraq in 1991 [that was even a money making venture as Uncle Sam extorted more \$ from his allies to pay for the war than it actually cost him! But Iraq was contaminated by Uncle Sam’s depleted uranium, which has multiplied birth defect there – and which caused the infamous “Gulf War syndrome” among his and British troops, which Uncle Sam denies and refuses to acknowledge]. The less said about Somalia the better. Yugoslavia was attacked in part to make an example out of what can happen when a state is weak enough and, yet in abject defiance of Uncle Sam and his IMF, maintains some state ownership of important means of production and still provides social welfare state protection to the population. That is like still Belarus today, where Uncle Sam also tried to get “regime change,” but military action is more difficult on the border of Russia, unless it is in accord as against Afghanistan or is bought off. Moreover, Yugoslavia only gave up in 1999 after Russia withdrew its support from it; because Uncle Sam successfully used political economic blackmail and partly bought it off in Berlin.

Then Afghanistan became a targeted victim, again with the help of Iran and Russia. That is after Uncle Sam created and sponsored the Taliban government that eradicated opium. But the “liberated” Afghanistan now grows opium again even more that before Taliban eradicated it so that opium now accounts for one third of Afghanistan’s GDP, according to the new announcement upon taking office by the new President who was installed by Uncle Sam. At the same time as I write, Uncle Sam is launching a renewed military offensive against Taliban; but there is no more mention of bin Laden. And now innocent Iraq is already the Uncle Sam target and victim again, of which more below. Whos’e next, Iran?, Syria? – not Libya, it is now obediently making oil deals with Uncle Sam; and not North Korea that made nukes

to protect itself against precisely that.

Sorry, I neglected to mention two additional perhaps possible alternatives prior to invasion. One is of course sponsoring, organizing, or even making a military or otherwise coup d'etat of which the CIA has a proud record,: Iran in 1953, Guatemala in 1954, Congo in 1960, Vietnam in 1961, Brazil in 1964, Guyana in 1964, Indonesia in 1964-65, Dominican Republic in 1965, Ghana in 1966, Greece in 1967, Cambodia in 1970, Chile in 1973, Argentina in 1976, Bolivia again and again, Fiji in 1987, Nicaragua in 1990 by "election" under threat of continuing the Contras war, Haiti again and again – against the ex-puppet Uncle Sam put there in the first place, just to name a few of the better known ones [of course not at the Uncle Sam home].

Another alternative is better known and attempted several times against on Fidel Castro in Cuba with explosive cigars and other imaginative CIA "dirty tricks," all of which have been unsuccessful. So was the bombing of Cornel Ghadafi's tent home that killed his daughter. But our good Mr. Perkins relates a successful CIA attempt:

The Japanese wanted to finance and construct a sea-level canal in Panama. [It's President Omar] Torrijos talked to them about this which very much upset Bechtel Corporation, whose president was George Schultz and senior council was Casper Weinberger. When Carter was thrown out (and that's an interesting story-how that actually happened), when he lost the election, and Reagan came in and Schultz came in as Secretary of State from Bechtel, and Weinberger came from Bechtel to be Secretary of Defense, they were extremely angry at Torrijos -- tried to get him to renegotiate the Canal Treaty and not to talk to the Japanese. He adamantly refused. He was a very principled man. He had his problem, but he was a very principled man. He was an amazing man, Torrijos. And so, he died in a fiery airplane crash, which was connected to a tape recorder with explosives in it, which - I was there. I had been working with him. I knew that we economic hit men had failed. I knew the jackals were closing in on him, and the next thing, his plane exploded with a tape recorder with a bomb in it. There's no question in my mind that it was C.I.A. sanctioned, and most -- many Latin American investigators have come to the same conclusion. Of course, we never heard about that in our country. <http://www.democracynow.org/article.pl?sid=04/11/09/1526251>

Torrijos had previously signed a treaty with President Carter handing over the Panama Canal to – Panama!

Simple inspection also reveals that being too good a political friend or tool of Uncle Sam can also be just about the riskiest, that is foolish, thing any statesman can do; for it can easily spell his political or physical death sentence after Uncle Sam stabs him in the back. A successor of Torrijos, as we noted, is now sitting in an Uncle Sam jail after loyally serving and smiling in a photo with George Bush [father]. But the line is long and goes all the way around the world starting in the 1950s and 1960s: Rhee in Korea, Diem in Vietnam, Trujillo in the Dominican Republic, Somoza in Nicaragua, virtually everybody in Haiti from Papa and Baby Doc to the priest Aristide installed by Clinton and removed by Bush, the Shah of Iran – put there after the 1953 CIA coup against Mossadeq after he had nationalized Irani oil but was let go when his usefulness faded, as was Mobutu after three decades in Zaire, Saddam Hussein - Rummy himself went to see him twice in his already previous incarnation as Secretary of Defense, Yugoslavia's Milosevic – he was the necessary and reliable implementor of the Uncle Sam Dayton agreement in Bosnia, and of course the Taliban - Uncle Sam himself formed and put it in charge of Afghanistan, not to mention one Osama bin Laden – he also served Uncle Sam there.

[Not?] incidentally, simple inspection of the facts on the ground also reveals that, if the above "lines of defense" fail and Uncle Sam goes to war, except for little Grenada, not a single one of these or any other Uncle Sam wars was ever won by his military force, unless it be the Pacific one against Japan. World War II was won in Europe at Stalingrad in 1943 by Russian troops who would have reached Berlin even if Uncle Sam had not arrived later]. The Korean War was and remains a stalemate. The War against Vietnam was lost. The War against Yugoslavia was "won" only when the Russians withdrew their support, and then all but seven Yugoslav tanks and all of its planes left Kosovo unharmed. Only its and Yugoslavia's civilian infrastructure had been bombed to smithereens, and its and the wider Balkan landscape was polluted for eons by Uncle Sam's renewed use of depleted uranium. The War against Afghanistan is being lost, and so is the War against Iraq, despite the reported use once again of depleted uranium, also again of napalm as in Vietnam and even of gas.

Nonetheless, Uncle Sam has plenty other geo-political economic military plans going again. For starters, he has already built 800 military bases around the world and especially in the oil rich "heartland" of Zbigniew Brzezinski [Ziggy's] global "Chessboard" and to surround China. The Pentagon is also to redeploy 60 percent of U.S. Submarine fleet to Western Pacific [according to a P. Jakob Fürg j.foerg@msc-salzburg.at December 12 e-mail] All that is for future use but also already present political influence. Apart from that, Uncle Sam President Bush has a new "Plan for the Middle East," which now stretches from Morocco beyond Pakistan – to Muslim Indonesia? Just what this plan involves is not yet clear, but civil society is already paving the way as well: Yale University Press already lists Pakistan among its "Middle Eastern" Studies, and Swissair has a paper place mat that places Karachi, Delhi and Mumbai on its "Middle Eastern" destinations. What is clear is that Israel is to remain the Uncle Sam political and military stalking horse in the region that it has always been. Never mind whether Republicans or Democrats rule in Washington, Israel's hunting dog like role for Uncle Sam in its oil rich area of operation remains, and so does the security Israel in turn enjoys from Uncle Sam's international diplomatic, political and military protection no matter what, as well as Uncle Sam's direct economic and military support without which of Israel could not exist. Only now, Israel's assigned and self-appointed regional reach may expand even further as the two above mentioned high placed Pentagon neo-cons even went there to make a plan for the racist chauvinist Likud party now in power. And Bush himself went to Africa, especially West Africa to look at its oil.

In the Americas, his Plan "Colombia" [it has oil too] has been extended to the whole Andean region [Ecuador also exports oil], he has yet another plan for the Amazon [maybe some oil is to be found there and in the meantime he built a huge base there, allegedly for NASA which is not unknown to engage in military ventures], a plan to "take care of" with World Bank help the world's largest underground deposit of sweet water under Iguazu Falls, where Brazil, Argentina and Paraguay meet, and he is already again training 40,000 Latin American military personnel at a time on Uncle Sam bases at home, of which he has another half dozen beyond his shores as well.

Just recently Rummy went to Ecuador to meet with, lay out his plans for, and reportedly cajole, his counterpart assembled "Defense" Ministers from all the Latin American countries.

All this is a giant global military political economic foundation on which to maintain Uncle Sam's financial Ponzi Scheme Confidence Racket, and cheap at twice the price for those that end up with the \$ as long as he can pay for it all with the self-made paper \$ that so far also maintains the global Ponzi business. Well to be

honest, it's not only for the \$. After all that is only useful if you can actually buy something with it, especially the oil that keeps the foundation running.

Not only does Uncle Sam have to buy ever more oil, today with self-printed \$, but perhaps tomorrow with Euros or Yuan. He also has to try to make sure to have his hand on every spigot; so he can control who else can, and especially who can not buy it. So that is why we now find him attempting political and financial \$ control of the oil spigots, wherever he still can, and for establishing a military presence as in Central Asia, or Uncle Sam-ing military power to go in as to Iraq. That is both to use it as a lever of control and/or to warn its neighbors what may happen to them if they fail to continue to play along with Uncle Sam. Fortunately for him, most of East Asia and especially China also seem to be obliged to buy foreign oil, even if tomorrow perhaps no longer with \$ but with Yuan/Yen. On the other hand sad but true, the world's biggest seller of oil is Russia, whose spigots remain beyond Uncle Sam control. But how could Uncle Sam continue to pay for and maintain all these bold Uncle Sam ventures in Defense of Freedom with that self made paper \$ -- if nobody accepts it any more? And why should anybody ?

The December 10 FT offers some additional tip of the iceberg examples of Uncle Sam Defense of Freedom in Iraq. Though poor Iraq sits on top of the world's largest still unexploited pool of ever more precious oil, it remains in the background or only at the bottom of this story that barely mentions it and, like the present essay, focuses instead on related \$ and Uncle Sam. In two different reports, it relates how three helicopters flew 14 tons of \$ 100 dollar bills in to the Kurds, who long since have been an Uncle Sam Fifth Column in the area. The money, much of the \$ 1.8B Uncle Sam pay-off to the Kurds, was part of Iraq's earnings in the UN "oil-for-food" fund. Initially, of course, the bills simply were the product of the self-same Uncle Sam printing press, for which Iraq had exported real oil. It did not come from the \$ 18B that Uncle Sam's Congress appropriated for 'reconstruction' of Iraq. As an FT graph graphically shows, no more than \$ 388 million – or 2.15 percent - of that Uncle Sam money had yet been spent, and only \$ 5B of it had even been budgeted by Uncle Sam in Iraq by the time Uncle Sam pro-consul Brenner went home with a job well done. No, instead in his wisdom the Good Uncle had thought it best to have spent \$13B of the \$ 20B of Iraqi funds. That was 65 percent of the Iraqi money compared to the still only 2 percent of the nearly equivalent amount of original Uncle Sam money. By the time the new Iraqi government took over some tasks from Uncle Sam who put them there, they discovered that a full \$ 20B of their funds had been spent, \$ 11B from sales of oil [IHT]. How come? – we may ask. So simple is the answer of the "responsible" finance officer, Uncle Sam Admiral Oliver, "I know we spent some money from [the Iraqi] fund. It was purely the matter that we'd run out of Uncle Sam money" – of which there was only another \$ 17.5+B unspent. We might wonder whether the good General was schooled in Clausewitz on war and happened to discover his good advice about making the conquered victim pay for his own military occupation, in this case by Uncle Sam,

The Iraqi representative on the funding disbursement and oversight committee attended only one of its 43 meetings; but why bother with more, when most expenditures were authorized without any meeting at all. So although Uncle Sam funds were budgeted for all sorts of projects, they were nonetheless paid out of Iraqi funds. Of these, many disbursements were even made without any contract whatsoever, in one case a mere \$ 1.4B. Most others occurred without any multiple competitive, nor otherwise open bids. The Uncle Sam funds, on the other hand, remained virtually unspent in Iraq. Maybe Admiral Oliver had "run out of Uncle Sam money" in Iraq, because it remained with Uncle Sam at home in Washington; and if disbursed at all, it simply changed hands and bank accounts right there. After all, that is much more efficient than it would be to send it back and forth, and

a bit of it might not even get back. Moreover also, it has long since been SOP for the bulk of the \$ that Uncle Sam lends or even “gives” “to” and “for” all Third World countries, just to leave the \$ at home where it belongs and would return to anyway. No matter; Uncle Sam Congress has already appropriated another \$ 30B to “prepare for transition to elections” in Iraq in January 2005.

All that being the case, it would of course be altogether undesirable for Iraqi, let alone Uncle Sam’s, funds to be squandered on any Iraqi service of old foreign debt to others. So it was only logical to strong-arm “allies” who can’t help already losing Uncle Sam debt to them, also to forgive the Iraqi debt. That is, as we may recall from above, while Uncle Sam still insists that the rest of the Third World must continue servicing their debts to him! For God forbid that any re-payment of Iraqi debt should go instead to those un-Godly Russians, traitorous Frenchmen or even to the Chinese best friend indeed, who most invested in Iraq, a dastardly thing to do in the first place, when Uncle Sam has much more worthy causes for the Iraqi money.

And what are these grander worthy Uncle Sam causes?, we may ask. The largest single payment of \$ 1.4B was of course to the self-same Vice President Cheney’s Halliburton. Yet we now know that at the same time it was also cheating even his generous Uncle Sam benefactor out of hundreds of millions more \$ on the side, buying petrol for x \$ in Kuwait and selling it in Iraq for 5 -10x \$ and other sly frauds. Altogether, Halliburton got Iraq contracts for a cool \$ 10B – plus change. [IHT]. [Cheney also has an interest in UNOCAL that has long wanted to build an oil pipe line



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