TELLS THE FACTS AND NAMES THE NAMES

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The End of the Washington Consensus

By Michael Hudson and Jeffrey Sommers

Wall Street's financial meltdown marks the end of an era. What has ended is the credibility of the Washington Consensus – open markets to foreign investors and tight money austerity programs (high interest rates and credit cutbacks) to "cure" balance-of-payments deficits, domestic budget deficits and price inflation. On the negative side, this model has failed to produce the prosperity it promises. Raising interest rates and dismantling protective tariffs and subsidies worsen rather than help the trade and payments balance, aggravate rather than reduce domestic budget deficits, and raise prices. The reason? Interest is a cost of doing business while foreign trade dependency and currency depreciation raise import prices.

But even more striking is the positive side of what can be done as an alternative to the Washington Consensus. The $700 billion U.S. Treasury bailout of Wall Street's bad loans on October 3 shows that the United States has no intention of applying this model to its own economy. Austerity and "fiscal responsibility" are for other countries. America acts ruthlessly in its own economic interest at any given moment of time. It freely spends more than it earns, flooding the global economy with what has now risen to $4 trillion in U.S. government debt to foreign central banks.

This amount is unpayable, given the chronic U.S. trade deficit and overseas military spending. But it does pose an interesting problem: why can't other countries do the same thing? Is today's policy asymmetry a fact of nature, or is it

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The Election of 2008

By Alexander Cockburn and Jeffrey St. Clair

The morning of the third presidential debate, a friend of ours in Landrum, South Carolina, conducted an informal survey of voter sentiment in this rural town in the heart of Dixie. He pulled over at a convenience store-cum-coffee shop, and walked in with a wad of McCain/Palin stickers. "Don't you bring those things in here," said the man behind the register. Our friend strolled around among the regulars sipping their coffee, most of them retired, and could find no takers. "Not one, and these were people who voted 100 per cent for Bush in 2004. They're angry." Why? After a terrible summer of soaring gas prices and plunging stock portfolios, "a lot of them have lost their retirement funds and health savings." Our friend said that at local nursing homes – an upscale place near Tryon – some residents are telling staff they can't afford to stay. He added that all the talk about Obama's links to terror, to Islam, to bombers has also had the effect of intimidating elderly Republicans from even putting McCain/Palin signs in their yards.

Our friend's experience in Landrum came amid the inglorious tailspin of the disastrous strategy of trying to sink Obama by hanging former Weatherman Bill Ayers around his neck. When Republican consultants like Mary Matalin and Steve Schmidt first pondered this tactic in the late summer, it must have seemed to them like a no-brainer – a reprise of the way George H.W. Bush finished off Michael Dukakis in 1988. Lee Atwater, Bush's smear manager, picked up Al Gore's use of Horton – the black rapist furloughed for a weekend under a law passed by Gov. Dukakis – and retooled it, throwing in slurs about Dukakis as being some foreign outsider. So, in the final weeks of Campaign 2008, Barack Hussein Obama would be hit with similar accusations (actually, first aired by Hillary Clinton last April) of being an alien radical, with intimate ties to a man who had tried to blow up Congress and the Pentagon.

It might have worked but for the fact, which apparently escaped the notice of the well-paid campaign consultants running the McCain campaign – that America was engulfed in the worst economic crisis since the Great Depression. There was a total disconnect between the financial hurricane hitting America and some archaeology about a Sixties radical sitting with Obama on the board of the Woods Fund, a nonprofit financed by the Annenberg Foundation (and today featuring board members from other known terrorist organizations such as British Petroleum and the Swiss banking giant UBS, whose U.S. operation has on its payroll as a vice president McCain's pal and advisor, Phil Gramm).

In fact, some of the archaeology is of scant comfort to McCain. We can reveal here that in the early 1970s, when Ayers was underground and being sought by the FBI, he found refuge in an old mining camp in the Oregon Cascades, called Jawbone Flats. This mining camp was then owned by Vic Atiyeh and his wife. The camp was being run at the time as a kind of hostel by Atiyeh's nephew George, a Vietnam vet who would later play a central role in the campaign to protect the ancient forests of the Pacific Northwest. The crown jewel of these old-growth stands, Opal Creek, is adjacent to the mining camp.

Vic Atiyeh, a Republican of Syrian descent, became the first Arab-American governor in the United States, when Oregonians elected him to the post in 1979. He served as one of best and most popular governors in Oregon's history, from 1979 to 1987. And yes, Atiyeh the Arab, host of domestic terrorists, is now John McCain's honorary campaign chairman in Oregon.

It could have been different. At the end of August, the gods seemed to be smiling on McCain. Hurricane Ike kept Bush and Cheney out of the Convention in St Paul. Palin's surprise nomination nullified Obama's bounce and seemed to invigorate McCain. Then the economic crisis intensified. At this fraught moment, with Obama keeping a cautious profile, McCain could have seized the initiative. Even after the stumble about the fundamentals of the economy being sound, the senator could have recouped by saying that he was returning to Washington to lead the opposition to the bailout. McCain could have gone into the first debate attacking Obama for his support of the bailout. He could have sent Palin across the country denouncing Wall Street greed and predatory bankers, as she did in her debate with Biden. Unlike McCain, Obama and Biden, Palin had no Wall Street cash showing in her campaign war chest, filled only with virtuous mooseburgers.

With Phil Gramm whispering in his ear and McCain's campaign manager Rick Davis' lobby shop still on Fanny Mae's payroll, McCain chickened out, as he always does. He played a feeble role in Washington and voted meekly for the bailout, and, thereby, threw away the chance to put Obama on the defensive and to allow Palin to taunt Biden for his vote, when she faced the paid agent of the credit card companies in St. Louis.

This election has advertised not only McCain's stupidity but also the absence of an effective third force in American politics, at a moment when the credibility of both parties and of both major candidates is open to sweeping challenge. Voters are disgusted with the entire system and the direction the country is taking. Disapproval of Bush and of the Democrats running Congress is at the same high level. Obama and McCain share many positions, starting with the bailout and continuing with endorsement of a belligerent foreign policy from Georgia to Iran, total fealty to Israel and a ramp-up of the doomed Afghan campaign. With this in mind, it is instructive to look back at the Perot campaign of 1992.

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After scoring very high polling numbers in June of 1992, showing him to be in the lead over Clinton and Bush, Perot announced his withdrawal from the race, later disclosing that he didn't want his candidacy to prompt release, by Republican operatives, of compromising photos of his daughter before her wedding. Perot didn't re-enter the race until October 1. He talked his way into the debates and riveted the nation with his famous denunciations of free trade and laments for America's industrial decline, which he blamed on both the major parties. Five weeks later, he won 19 per cent of the vote, thereby costing George H.W. Bush the election.

A similar scenario could have unfolded in this election, with the most likely standard bearer of a third force being Ron Paul, the libertarian congressman from Texas. Paul had plenty of money and a national organization. He would have been able to launch effective attacks on both candidates on the issue of war and the bailout. At his well-attended shadow convention in St Paul, he could have declared as an independent. He declined.

Ralph Nader is a man for whom the economic crisis has come as total vindication of everything he has been proclaiming for decades about the corruption of Wall Street, the ties between Wall Street and Congress, the economic sellouts of Clinton time, from free trade deals to the repeal of Glass-Steagall. Yet, Nader has no party and hence suffers from hugely diminished political purchase on everything, from volunteers to finance to media presence, at a moment when his message could have resonated hugely with the furious and fearful electorate. The political groups and coalitions that rallied to Nader in 2000 are all shadows of their former selves. Eight years of Bush have pushed the environmental and labor lobbies back into the Democratic Party, where their voices are inaudible and political influence scarcely visible to the naked eye. Obama pounds the drum for nuclear power and hugely toxic coal-to-gas conversion plants and campaigns through the industrial wastelands of the Midwest, while remaining more or less mute on "free" trade.

If there was to be a boomlet for the Libertarian Party's Bob Barr (one of the better transformations in political ideology in our memory), the economic crisis overwhelmed it.

It looks as though a big win for Obama and the Democrats might be in the offing. Seldom has economic catastrophe come so propitiously for a candidate. But though crisis has helped him, he has not risen to the occasion. He has actually got less inspiring as the weeks pass. On September 23, he stated on NBC that the crisis and prospect of a huge bailout required bipartisan action and meant he likely would have to delay expansive spending programs, outlined during his campaign for the White House. Thus does

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EDITORS
ALEXANDER COCKBURN
JEFFREY ST. CLAIR

ASSISTANT EDITOR
ALEVTINA REA

BUSINESS
BECKY GRANT
DEVA WHEELER

DESIGN
TIFFANY WARDLE

COUNSELOR
BEN SONNENBERG

CounterPunch
PO Box 228
Petrolia, CA 95558
1-800-840-3683
counterpunch@counterpunch.org
www.counterpunch.org

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merely voluntary and the result of ignorance (spurred by an intensive globalist ideological propaganda program, to be sure)? Does India, for instance, need to privatize its state-owned banks as earlier was planned, or is it right to pull back? More to the point, have the neoliberal programs imposed on the former Soviet Union succeeded in "Americanizing" their economies and raising production capacity and living standards as promised? Or, was it all a dream, indeed, a nightmare?

The three Baltic countries, for instance – Latvia, Estonia and Lithuania – have long been praised in the Western press as great success stories. The World Bank classifies them among the most "business friendly" countries, and their real estate prices have soared, fueled by foreign-currency mortgages from neighboring Scandinavian banks. Their industry has been dismantled, their agriculture is in ruins, their male population below the age of 35 is emigrating. But real estate prices added to the net worth on their national balance sheets for nearly a decade. Has a new "moment of truth" arrived? Just because the Soviet economic system culminated in bureaucratic kleptocracy, has the neoliberal model really been so much better? Most important of all, was there a better alternative all along?

We expect the post-Soviet economies to go the way of Iceland, having taken on foreign debt with no visible means of paying it off via exports (the same situation in which the United States finds itself), or even further asset sales. Emigrants' remittances are becoming a mainstay of their balance of payments, reflecting their economic shrinkage at the hands of neoliberal "reformers" and the free-market international dependency that the Washington Consensus promotes. So, just as this crisis has led the U.S. government to shift gears, is it time for foreign countries to seek to become more in the character of "mixed economies"? This has been the route taken by every successful economy in history, after all. Total private-sector markets (in practice, markets run by the banks and money managers) have shown themselves to be just as destructive, wasteful and corrupt and, indeed, centrally planned as those of totally "statist" governments from Stalin's Russia to Hitler's Germany. Is the political pendulum about to swing back more toward a better public-private balance?

Washington's idealized picture of how free markets operate (as if such a thing ever existed) promised that countries outside the United States would get rich faster, approaching U.S.-style living standards if they let global investors buy their key industries and basic infrastructure. For half a century, this neoliberal model has been a hypocritical exercise in poor policy at best, and deception at worst, to convince other economies to impose self-destructive financial and tax policies, enabling U.S. investors to swoop in and buy their key assets at distress prices. (And for the U.S. economy to pay for these investment outflows in the form of more and more U.S. Treasury IOUs, yielding a low or even negative return when denominated in hard currencies.)

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The neoliberal global system never was open in practice. America never imposed on itself the kind of shock therapy that President Clinton's Treasury Secretary (and now Obama's advisor) Robert Rubin promoted in Russia and the rest of the former Soviet bloc, from the Baltic countries in the northwest to Central Asia in the southeast. Just the opposite! Despite the fact that America's own balance of trade and payments is soaring, consumer prices are rising and financial and property markets are plunging, there are no calls among its power elite to let the system self-correct. The Treasury is subsidizing America's financial markets so as to save its financial class (minus some sacrificial lambs) and support its asset prices. Interest rates are being lowered to re-inflate asset prices, not raised to stabilize the dollar or slow domestic price inflation.

The policy implications go far beyond the United States itself. If the United States can create so much credit so quickly and so freely – and if Europe can follow suit, as it has done in recent days – why can't all countries do this? Why can't they get rich by following that path that the United States actually has taken, rather than merely doing what its economic diplomats tell them to do with sweet self-serving rhetoric? U.S. experience itself provides the major reason why the free market, run by financial institutions allocating credit, is a myth, a false map of reality to substitute for actual gunboats in getting other countries to open their asset markets to U.S. investors and food markets to U.S. farmers.

By contrast, the financial and trade model that U.S. oligarchs and their allies are promoting is a double standard. Most notoriously, when the 1997 Asian financial crisis broke out, the IMF demanded that foreign governments sell out their banks and industry at fire-sale prices to foreigners. U.S. vulture capital firms were especially aggressive in grabbing Asian and other global assets. But the U.S. financial bailout stands in sharp contrast to what Washington Consensus institutions imposed on other countries. There is no intention of letting foreign investors buy into the commanding U.S. heights, except at exorbitant prices. And for industry, the United States has once more violated international trade rules by offering special bailout money and subsidies to its own Big Three U.S. automakers (General Motors, Ford and Chrysler) but not to foreign-owned automakers in the United States. In thus favoring its own national industry and taking punitive measures to injure foreign-owned investments, the United States is once again providing an object lesson in nationalistic economic policy.

Most important, the U.S. bailout provides a model that is far preferable to the Washington Consensus-for-export. It shows that countries do not need to borrow credit from foreign banks at all. The government could have created its own money and credit system rather than leaving foreign creditors to accrue interest charges that now represent a permanent and seemingly irreversible balance-of-payments drain. The United States has shown that any country can monetize its own credit, at least domestic credit. A large part of the problem for Third World and post-Soviet economies is that they never experienced the successful model of managerial capitalism that predated the neoliberal model, advocated since the

1980s by Washington.

The managerial model of capitalism, predominating during the post-World War II period until the 1980s (with antecedents in 18th-century British mercantilism and 19th-century American protectionism), delivered high growth. Postwar planners, such as John Maynard Keynes in England and Harry Dexter White in the United States, favored production over finance. As Winston Churchill quipped, "nations typically do the right thing [pause], after exhausting all other options." But it took two world wars, interspersed by an economic depression triggered by debts in excess of the ability to pay, to give the final nudge required to promote manufacturing over finance and finally do "the right thing."

Finance was made subordinate to industrial development and full employment. When this economic philosophy reached its peak in the early 1960s, the financial sector accounted for only 2 per cent of U.S. corporate profits. Today, it is 40 per cent! Carrying charges on America's exponentially growing debt are diverting income away from purchasing goods and services to pay creditors, who use the money mainly to lend out afresh to borrowers to bid up real estate prices and stock prices. Tangible capital investment is financed almost entirely out of retained corporate earnings – and these too are being diverted to pay interest on soaring industrial debt. The result is debt deflation – a shrinkage of spending power as the economic surplus is "financialized," a new word, only recently added to the world's economic vocabulary.

Since the 1980s, the U.S. tax system has promoted rent seeking and speculation on credit to ride the wave of asset-price inflation. This strategy increased balance sheets as long as asset prices rose faster than debts (that is, until last year). But it did not add to industrial capacity. And meanwhile, tax cuts caused the national debt to soar, prompting U.S. Vice President Dick Cheney to comment, "Reagan proved deficits don't matter."

U.S. experience itself provides the major reason why the free market is a myth, a false map of reality to substitute for actual gunboats in getting other countries to open their asset markets to U.S. investors and food markets to U.S. farmers.

On the international front, the larger the U.S. trade and payments deficit, the more dollars were pumped into foreign hands. Their central banks recycled them back to the U.S. economy in the form of purchases of Treasury bonds and, when the interest rates fell almost to zero, securitized mortgage packages. Current Treasury Secretary Henry Paulson assured Chinese and other foreign investors that the government would stand behind Fannie Mae and Freddie Mac as privatized mortgage-packaging agencies, guaranteeing a $5.2 trillion supply of mortgages. This matched in size the U.S. public debt in private hands.

Meanwhile, the Treasury cut special deals with the Saudis to recycle their oil revenues into investments in Citibank and other U.S. financial institutions – investments, on which they have lost many tens of billions of dollars. To cap matters, pricing world oil in dollars kept the U.S. currency stronger than underlying economic fundamentals justified. The U.S. economy paid for its imports with government debt never intended to be repaid, even if it could be (which it can't at today's $4 trillion level, cited earlier). The American economy, thus, has seen its trade deficit and asset prices rise in accordance with economic laws that no other nation can emulate, topped by the ability to run freely into international debt without limit.

Managerial capitalism mobilized rising corporate net worth and equity value to build up in the real economy. But since the 1980s, a new breed of financial managers has pledged assets as collateral for new loans to buy back corporate stock and even to pay out as dividends. This has pushed up corporate stock prices and, with them, the value of stock options that corporate managers give themselves. But it has not spurred tangible capital formation.

A real estate bubble in all countries has been fueled by rising mortgage debt. To buy a new home, buyers must take on a lifetime of debt. This has made many employees afraid to go on strike or even to press for better working conditions, because they are "one check away from homelessness," or mortgage foreclosure. Meanwhile, companies have been outsourcing and downsizing their labor force, eliminating benefits, imposing longer hours, and bringing more women and children into the workforce.

Today's "new economy" is based not on new technology and capital investment, as former Fed chairman Alan Greenspan trumpeted in the late 1990s, but on price inflation generating capital gains (mainly in land prices, as land is still the largest asset in the U.S. and other industrial economies). The economic surplus is absorbed by debt service payments (and higher priced health care), not investment in production or in sharing productivity gains with labor and professionals. Wages and living standards are stagnant for most people, as the economy tries to get rich by "the miracle of compound interest," while capital gains emanating from the financial sector provide a foundation for new credit to bid up asset prices, all the more in a seem-

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ingly perpetual motion credit-and-debt machine. But the effect has been for the richest 1 per cent of the population to increase its share of interest extraction, dividends and capital gains from 37 per cent ten years ago to 57 per cent five years ago, and nearly 70 per cent today. Savings remain high, but only the wealthiest 10 per cent are saving – and this money is being lent out to the bottom 90 per cent, so no net saving is occurring.

Internationally, too, the global economy has polarized rather than converged. Just as independence arrived for many Third World countries only after their former European colonial powers had put in place inequitable land tenure patterns (latifundia, owned by domestic oligarchies) and export-oriented production, so independence for the post-Soviet countries from Russia arrived after managerial capitalism had given way to a neoliberal model that viewed "wealth creation" simply as rising prices for real estate, stocks and bonds. Western advisors and former emigrants descended to convince these countries to play the same game that other countries were playing – except that real estate debt for many of these countries was denominated in foreign currency, as no domestic banking tradition had been developed. This became increasingly dangerous for economies that did not put in place sufficient export capacity to cover the price of imports and the mounting volume of foreign-currency debt attached to their real estate. And nearly all the post-Soviet countries ran structural trade deficit, as production patterns were disrupted with the breakup of the U.S.S.R.

Real estate and capital gains from asset-price inflation (not industrial capital formation) were promoted as the way to future prosperity in countries whose profits from manufacturing were low and wages were stagnant. The problem is this alchemy is not sustainable. An illusion of success could be maintained as long as Washington was flooding the globe with cheap money. This led Swedes and other Europeans to find capital gains by extending loans to feed neighboring countries from Iceland to Latvia, above all via their real estate markets. For some exporters (especially Russia), rising oil and metal export prices became the basis for capital outflows into Third World and post-Soviet financial markets. Some of the backwash, for example, flowed into the world's burgeoning offshore banking and real estate sectors – only to stop abruptly when the real estate bubble burst.

In these circumstances, what is to be done? First, countries outside the United States need to recognize how dysfunctional the neoliberalized world economy has been made, and to decide which assumptions underlying the neoliberal model must be discarded. Its preferred tax and financial policies favor finance over industry and, hence, financial maneuvering and asset-price inflation over tangible capital formation. Its anti-labor austerity policies and un-taxing of real estate, stocks and bonds divert resources away from growth and rising living standards.

Countries outside the United States need to recognize how dysfunctional the neoliberalized world economy has been made, and to decide which assumptions underlying the neoliberal model must be discarded.

Likewise destructive are compound interest and capital gains over the long term. The real economy can grow only a few per cent a year at best. Therefore, it is mathematically impossible for compound interest to continue unabated and for capital gains to grow well in excess of the underlying rate of economic growth. Historically, economic crises wipe out these gains when they outpace real economic growth by too far a margin. The moral is that compound interest and hopes for capital gains cannot guarantee income for its retirees or continue attracting foreign capital. Over a period of a lifetime, financial investments may not deliver significant gains. For the United States, it took markets about twenty-five years, from 1929 to the mid-1950s, to recover their previous value.

Today's desperate U.S. attempt to reinflate post-crash prices cannot cure the bad-debt problem. Foreign attempts to do this will merely aid foreign bankers and financial investors, not the domestic economy. Countries need to invest in their real economy, to raise productivity and wages. Governments must punish speculation and capital gains that merely reflect asset-price inflation, not real value. Otherwise, the real economy's productive powers and living standards will be impaired and, in the neoliberal model, loaded down with debt. Policies should encourage enterprise, not speculation. Investment seeks growing markets, which tend to be thwarted by macroeconomic targets such as low inflation and balanced budgets. We are not arguing that inflation and deficits can be ignored, but rather that inflation and deficits are not all created equally. Some variants hurt the economy, while others reflect healthy investment in real production. Distinguishing between the two effects is vital, if economies are to move forward to achieve self-dependency.

In sum, a much better economy can be created by rejecting Washington's financial model of austerity programs, privatization selloffs and trade dependency, financed by foreign-currency credit. Prosperity cannot be achieved by creating a favorable climate for extractive foreign capital, or by tightening credit and balancing budgets, decade after decade. The United States itself has always rejected these policies, and foreign countries also must do this if they wish to follow the policies, by which America actually grew rich, not by what U.S. neoliberal advisors tell other countries to do to please U.S. banks and foreign investors.

Also to be rejected is the anti-labor neoliberal tax policy (heavy taxes on employees and employers, low or zero taxes on real estate, finance and capital gains) and anti-labor workplace policies, ranging from safety protection and health care to working conditions. The U.S. economy rose to dominance as a result of Progressive Era regulatory reforms prior to World War I, reinforced by popular New Deal reforms put in place in the Great Depression. Neoliberal economics was promoted as a means of undoing these reforms. By undoing them, the Washington Consensus would deny to foreign countries the development strategy that has best succeeded in creating thriving domestic markets, rising productivity, capital formation

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Remembering George Demmerle

Portrait of a Police Informer

By David Bonner

When Frank Zappa died in 1993, I wrote his obituary in the *Dallas Morning News*. The next day, I got a phone call from a total stranger named George DeMerle, who claimed that my article touched his psychedelic heart. It turned out that this George fellow happened to live only a couple of miles from where I did, so I invited him over. He was about 65 then – some 30 years my senior: a kindly , haggard old hippie, who projected a vibe of peace and love at all times.

Having begun our acquaintance with an obit, it seemed only fitting that I end it with one following his death last October. But I never got around to it until now, one year later, as George comes back to mind, thanks to the McCain campaign suddenly discovering Barack Obama's ex-Weatherman "pal," Bill Ayers. Upon meeting, the first thing George told me was that he "used to run with Abbie and Jerry." Being something of a Sixties buff, I of course knew who Hoffman and Rubin were, even though I (like Obama) was only a child during their heyday. George continued by saying that he had founded an offshoot of the Yippies, called "The Crazies." Then he topped it off by revealing that he had been an FBI informer all the while.

Naturally, I thought he was full of shit. However, after he went home, I went to my shelves and consulted Jerry Rubin's 1971 book *We Are Everywhere* – and there was George, pictured in full glory on page 217. His name was spelled "Demmerle" back then, and he was "the craziest yippie of them all," according to Rubin. "George was the craziest cat around. If you wanted anything flippy done, call George. He lived on the streets and worked with the people. He never took off his yippie button. When the Crazies were born, in an attempt to get an identity distinct from yippie, George nicknamed himself 'Prince Crazy, Son of Yippie.'"

Further research lent support to Rubin's account. Bill Etra, a photographer for the Manhattan-based underground newspaper *Rat*, said that George "always went around as if he were on one big, big trip." The *Rat*'s art director Paul Simon called him "the craziest person I ever met." According to the newspaper's editor Jeff Shero, "Whenever there was a meeting, he'd get up and say to people, 'Anyone who wants to get arrested, come with me.' A lot of people thought he was very cool and very radical." He would "sit at Yippie planning meetings playing with his own toy bombs," reported the *East Village Other*. Dave Dellinger remembered him bringing a "bloody pig's head" to an anti-war meeting, and then accusing everybody there of being capitalist dupes. Apparently, George was also the inspiration for the "Quick Kill Merle" character in Ed Sanders' hilariously profane Yippie novel, *Shards of God*.

The Rat described George as a "familiar sight on 8th Street and 6th Avenue, strutting in his lavender jeweled Nehru shirt and Day-Glo pink helmet with two feather dusters on top like a Roman guard."

During our first meeting, George presented me with a fairly rare pressing of *Mothermania*, an ironic "greatest hits" LP by Frank Zappa and the Mothers of Invention. But it was quickly apparent that he really didn't have much understanding of what Zappa was all about. He was visibly disappointed, for example, when I mentioned that Frank was anti-drug and didn't get high. George did get high, and over the next few months he would come over regularly, as I would try to extract details of his former life, in return for me providing him with a safe haven for smoking pot, which was prohibited in his own home.

As with his take on Zappa, George seemed to have only the slenderest understanding of the scene which gave him his fifteen minutes of fame. He talked more like a hippie from *Hair* than a hippie from real life. Shortly after we met, he told a Dallas newspaper: "I loved Jerry and Abbie. I don't want the ideals they stood for – love and freedom – to die with them. The ideals of the Yippies are the last hope for America." I do think he really believed his rhetoric, but I also believe that his politics ultimately were more about himself than anything else. For George, politics were something to dress up to.

And that he did. The *Rat* described George as a "familiar sight on 8th Street and 6th Avenue, strutting in his lavender jeweled Nehru shirt and Day-glo pink helmet with two feather dusters on top like a Roman guard." He would "show up at demonstrations in a purple cape and plumed helmet," noted Jane Alpert in her memoir *Growing Up Underground*. The *East Village Other* recalled the time he appeared at a demonstration "dressed as a dead Green Beret."

Shortly after Jerry Rubin died in 1994, Paul Krassner devoted an issue of his satirical magazine *The Realist* to the theme "Who Killed Jerry Rubin?" One of the imaginary conspiracy theories that Krassner concocted was "The George Demmerle Connection." This was unreal, of course, but he did preface it with a truthful and useful summary of George's background: "Demmerle had started out with the reactionary John Birch Society, switched to an ultra-right-wing militia, the Minutemen, then tried to join the FBI, which took him on as a volunteer – and later paid – informant ... When the Yippies held a pre-Chicago event on a pier at the Hudson River, nominating a pig for president, Demmerle played the role of a stereotypical anarchist, using for his prop a black bowling ball complete with fuse. Before he could carry out his mission to assassinate Pigasus, he was thrown into the water. After a while, the role began to play him."

His double role as informant and Crazie couldn't last. Here, in a nutshell, is what happened. In the summer and fall of 1969, a collective of Weathermen-type radicals – Jane Alpert, Sam Melville, Dave Hughey, and Patricia Swinton – perpetrated several politically motivated bombings of prominent targets in New York City. (They targeted property only, but one attack did cause minor personal injuries.) At the Woodstock Festival in

August of that year, Melville struck up a friendship with Demmerle, who was manning the Crazies booth; soon thereafter, Melville revealed to Demmerle incriminating secrets about the bombings. In due course, Melville enlisted him in one of the collective's bombing plots, and Demmerle, in turn, snitched to his FBI handlers. The two men were busted as they attempted to place bombs under Army trucks at the 69th Regimental Armory in Manhattan.

"Then a day later," wrote Jerry Rubin, "I read that George was released without bail on the prosecution's motion and he was going to testify for the government. My heart stopped. I felt so shitty. George's emergence as an FBI informer ... dealt a temporary blow to the freaky movement in New York."

GEORGE DEMMERLE: THE PIG WORE A DAY-GLO HELMET. That's how the headline in the *East Village Other* summed it up. Among movement people, the reaction of Bill Etra was typical: "I just can't believe that he was an agent all along. It's really hard for me to conceive of a police agent being tripped out constantly." Nor could Paul Krassner, who flatly admitted, "I was fooled by Demmerle." As Jane Alpert noted, "Very few actually suspected him of being an agent," though her co-conspirator Dave Hughey "actually believed he was an undercover agent" and was furious with Melville for having entrusted him. In a 1998 email to me, Stew Albert professed the same: "I suspected him, so we didn't hang out ... I actually suspected he was a cop (and this was the only time I wasn't fooled by infiltrators)."

Once his cover was blown, Demmerle's reputation as a superspy commenced – a reputation that has been preserved in memoirs, counterculture histories, and academic sociological studies. Jane Alpert believed that "Sam fell completely for the trap George had been laying for three years." Jerry Rubin worried that "the goal of undercover pigs like George is to demoralize us and make us so paranoid that we suspect each other and become totally ineffective." Stew Albert, many years later, was still contemplating the extent of George's reach. He told me to "ask Demmerle about Leslie Bacon and if he had any role in her troubles. Also Judy Gumbo and me."

Was George really a devoted spook, whose goal all along was for things to turn out as they did? That seems highly implausible. On the contrary, I see him as typical of the dubious characters, who regularly appear as informants "of known reliability" (meaning reliably unreliable) in the average FBI file. Jane Alpert, despite her comment about George cleverly laying a trap, knew that Sam "couldn't have made it easier" for him. By the time George stumbled into Sam's life, I think he had evolved to the point where Prince Crazy was, indeed, his primary passion, but his self-perceived James Bond role as an informer remained too irresistible to give up. Stew Albert: "George was the ego maniac Prince Crazy. Even Jerry and Abbie didn't pose that much (they let other people name them). Narcissists like George don't have loyalties – they only follow their ego." Even though his heart was almost certainly with his counterculture associates, once he perceived that it was for his own good to betray them, that's what he did. And, in the immediate aftermath, he even managed to publicly berate Abbie and Jerry and the rest, while basking in right-wing adulation of what he'd done.

The arc of his life had much in common with his contemporary, Charles Manson. Both were born to broken families during the early Great Depression, condemned to foster homes, then ending up immersed in a counterculture, and finally making headlines in 1969.

Not surprisingly, George had a rotten childhood. At some point it occurred to me that the arc of his life had much in common with his contemporary, Charles Manson. Both were born to broken families during the early Great Depression, condemned to foster homes and orphanages, decades of rambling, then ending up immersed in a counterculture with people much younger than themselves, and finally making headlines in 1969. Change a few variables and Demmerle might've become Manson, or vice versa.

Once exposed, being useless to the FBI and hated by his former radical associates, George began drifting again, eventually ending up in the Dallas-Fort Worth suburb of Arlington. By the time I met him, he was living the life of a small-time artist, creating weblike installations out of some sort of synthetic material, upon which he would project multicolored lights. (He had constant health problems, perhaps due to the chemicals involved in creating his web works.) Occasionally, he would have an art exhibit, showing up dressed as Prince Crazy, complete with Hendrixian coat and other psychedelic attire. He was a regular at anti-war and other protest rallies, and generally wherever Dallas-Fort Worth weirdos were – such as the rites held by something called the Eulessyian Hot Tub Mystery Religion. His odd behavior and unusual past was a big hit among the young people who shared his company.

What did this George – the George I knew – think of his earlier self? He readily admitted that "I am not innocent of being a slimeball" for betraying people he professed to admire. However, he attempted to justify the betrayal by claiming that he was "trapped" in his role as an informer – an excuse that never rang true. And I never perceived much remorse from him regarding the fate of Sam Melville, who ended up in Attica Prison and was shot to death during the 1971 uprising there. Jane Alpert bitterly observed, "Sam Melville never killed anyone, intentionally or otherwise, while George bears some ultimate responsibility for Sam's death." To which George would respond, sensibly: Who's more to blame – the bomber or the one who snitches on the bomber?"

Given his history, I'll never be certain that the George I knew was 100 per cent "son of Yippie," as he liked to claim. Maybe he fooled me, as he fooled so many others.

In a Krassnerian myth, he might have infiltrated the Dallas chapter of the Committee in Solidarity with the People of El Salvador (CISPES), whose rights were being infringed by G-Men about the time George moved to town. And I can't prove that he didn't.

But I do know that the George I knew was well liked – something that was apparently not true back in the day. As

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he surrender power even before he gained it. The next day, he told reporters in Clearwater, Florida, that "issues like bankruptcy reform, which are very important to Democrats, are probably something that we shouldn't try to do in this piece of legislation." In addition, he said that his proposed economic stimulus program "is not necessarily something that we should have in this package." Then he worked the phone, hectoring recalcitrants in the Congressional Black Caucus to vote for the bailout, whose paramount importance was as a show of force, as dramatic as nineteenth-century cavalry cutting down demonstrators at Peterloo. As an instigator of beneficial change, the Clinton administration was over six months after election day 1992, when Clinton turned to Al Gore and said, "You mean my re-election hinges on the Federal Reserve and some f---ing bond traders?" Gore nodded, and Clinton promptly abandoned his economic plan to follow the dictates of Wall Street tycoons like Robert Rubin, now a top advisor to Obama. Assuming he wins, Obama beat the speed of Bill Clinton's 1993 collapse by almost seven months. **CP**

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and living standards. The effect has been to decouple saving from tangible capital formation. They need to be recoupled, and this can be achieved only by restoring the kind of mixed economy by which North America and Europe achieved their economic growth.**CP**

Michael Hudson is professor of Economics at the University of Missouri (Kansas City) and chief economic advisor to Rep. Dennis Kucinich. He has advised the U.S., Canadian, Mexican and Latvian governments, as well as the United Nations Institute for Training and Research (UNITAR). He is the author of many books, including *Super Imperialism: The Economic Strategy of American Empire* (new ed., Pluto Press, 2002). He can be reached via his website, mh@michael-hudson.com.

Jeffrey Sommers is a professor at Raritan Valley College, NJ, visiting professor at the Stockholm School of Economics in Riga, former Fulbrighter to Latvia, and fellow at Boris Kagarlitsky's Institute for Global Studies in Moscow. He can be reached at jsommers@sseriga.edu.lv.

Jane Alpert explained, other than Sam Melville, "none of us liked or respected Demmerle, and "no one else thought very highly" of him. By the end of his life, however, George had an adoring wife, Carol, and a large circle of friends who palled around with him. I don't regret being one of them. **CP**

David Bonner is the author of *Revolutionizing Children's Records: The Young People's Records and Children's Record Guild Series, 1946-1977*. He can be reached at david@graphicgranola.com.

CounterPunch
PO Box 228
Petrolia, CA 95558

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