

'I'm Congressman ValuJet: Fly me!'

by Mark Sonnenblick and Anton Chaitkin

On July 9, 1995, the *Los Angeles Times* described a project of first-term Congressman John Shadegg and his political faction: dismantling America's Social Security System, and turning it over to private financiers to loot. The *Times* noted, "Rep. John Shadegg (R-Ariz.) says when asked about . . . the nation's pensions system: 'I think there is a fairly good chance we'll have a form of privatized Social Security.' "

Shadegg's faction has already introduced several bills aiming at privatization of the federal pension system. They say the Social Security Trust Fund is going bankrupt; their solution is to steal it now, rather than expand its inflow of contributions through policies to create decent-paying jobs. Meanwhile, Shadegg opposes increasing the minimum wage, and would crush labor unions' ability to defend wage levels.

One of the Social Security privatization bills, H. R. 3758 (introduced in July 1996), would cut the benefits paid to the elderly, raise the age of retirement, and force workers to pay into private accounts controlled by Wall Street bankers, instead of into the federal fund.

Shadegg is one of the most radical participants in this and related looting schemes, and is a key American partner of the British clique that devised them. His role can be better understood by observing how the Social Security theft is to be financed, and by looking at Shadegg's overall work for the international policymaking apparatus he serves.

Stealing water and power

How could American workers be compensated for their stake in Social Security—some \$10 trillion—in order for private financiers to grab the system? Privatization advocates contend that the government could afford this by selling off the nation's public power and water systems, and perhaps the federal highways, to private financiers. Cash from selling these national assets could then fund bonds which are turned over to the people who leave the old Social Security system.

Irresponsible? Insane? Let's hear from John Shadegg.

He is the co-author of the June 1996 report, "Lights Out on Federal Power; Privatization for the 21st Century." Shadegg's co-author, Dr. Michael Block, was then president of the Goldwater Institute for Public Policy, founded in 1988 by John Shadegg as part of a group of British radical think-tanks in America (see box, p. 30).

The Shadegg-Block proposal seeks to eliminate all "gov-

ernment interference" from the U.S. hydro-electric system. Shadegg and Block claim that the scheme for privatization of the Tennessee Valley Authority and the other five Power Management Authorities (PMAs), which the Republicans failed to pass through Congress, does not go far enough. Shadegg and Block recommend, "The PMA sale might also include powerhouses, dams, locks, land around the reservoirs—or even water itself."

Shadegg and Block propose that each consumer be given warrants to purchase shares in the privatized assets, in proportion to his or her electric bills. They presume that most residential consumers would sell their warrants on the market. This is to enable the private financial interests that control the power companies to seize the national facilities at far below their value, as happened in comparable, gigantic looting schemes in Britain, the Czech Republic (with Block's assistance), and Russia. Shadegg also demands the elimination of the 1935 anti-trust law regulating private electric power companies.

In this context, it is not surprising that the largest number of political action committees to contribute to Shadegg since his election, represent those private power interests that could create a monopoly by grabbing the great dams and electrical systems, efficiently built by "big government" since the time of Franklin Roosevelt. The Edison Electric Institute estimates that under such a scheme, electric rates would rise by about 70% for western consumers who now use public power.

In a November 1995 article, Shadegg and Block warned that consumers would face a "price-rise shock." Certainly, the British experience proves that. Air Products Company reported that the rates paid in England jumped 40% following Margaret Thatcher's privatization of the industry. However, in their August 1996 tract "Lights Out," the inventive Shadegg and Block use a formula which claims that all classes of consumers would see lower prices.

As for water, a Feb. 23, 1981 *Fortune* magazine study held that prices of water for farming should be 50 times higher, if water were auctioned on the free market. This is cited by Texas Sen. Phil Gramm's free market co-thinkers, to show how current cheap water policies violate the law of the market.

In reality, if U.S. power and water systems came under unregulated, private monopoly control, the destructive consequences of looting would likely far exceed the disaster that befell the nation's transportation systems.

Shadegg and ValuJet

"Congressman ValuJet," the indelible label given to Shadegg by his Democratic opponent, Maria Elena Milton, is exactly on target.

The *Wall Street Journal* reported on May 17, 1996, that the largest holder of shares in ValuJet Airlines was the investment house of Richard Gilder. Gilder is a prime sponsor and political partner of Shadegg.

The ValuJet airline, founded in 1993, recorded big profits on paper, because many of the government regulations which once made U.S. airlines the world's safest, have been dismantled. ValuJet exploited deregulation to the hilt, slashing costs by cutting many essential payments. The May 11, 1996 crash of ValuJet Flight 592 into the Florida Everglades, which killed all 110 people aboard, was the lawful outcome of this policy.

Gilder chaired the Manhattan Institute for Policy Research, founded by him in 1977 as a U.S. extension of Britain's Institute of Economic Affairs and its parent, the fascist Mont Pelerin Society. The IEA, a gang of feudalist "free market," anti-labor, anti-government fanatics, was to be the key advisory group to British Prime Minister Thatcher (1979-91). Over that period, the British IEA planted dozens of Mont Pelerin front groups inside the United States and other countries, each one deceptively designed to appear as a local, grass-roots organization, each one co-financed by various vested business interests and radical partisans.

London's man in Phoenix

In 1988, John Shadegg would found the Goldwater Institute in Phoenix, as part of the same British underground project pioneered by Gilder.

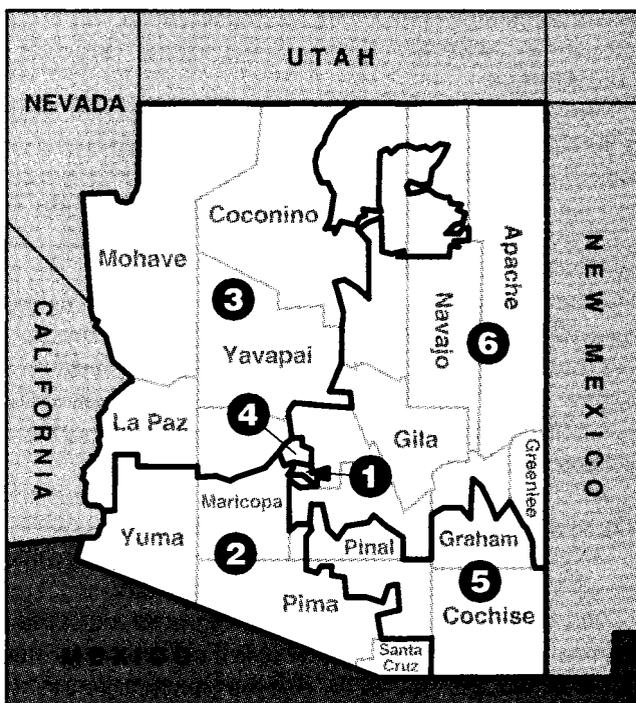
A mid-1980s brochure put out by the Atlas Economic Research Foundation, one of the IEA fronts, explains delicately why the British mother organization wanted to be publicly represented by so many supposedly separate organizations:

"Small institutes [are needed] . . . scrupulously avoiding any taint of vested business interest or party politics. It is much more effective to have numerous smaller institutes than one large one because: . . . Their corroborating evidence substantiates their arguments, making them more convincing. Their numbers involve more participants in more localities, attract more media coverage, popularizing their concepts."

The *Wall Street Journal's* article of May 17 reported, "About once a month, about 50 or so Wall Street investors meet for a brown-bag dinner in Mr. Gilder's office." This is Gilder's Political Club for Growth, whose members have channelled millions of dollars to Newt Gingrich's GOPAC slush fund, and to candidates willing to favor the greed of financial speculators over the national interest. Following his election to Congress, Shadegg was appointed national chairman of GOPAC.

Richard Gilder gave \$750, and his partner Travis K. Anderson \$1,000, directly to Shadegg's re-election campaign this spring.

Arizona's counties and election districts



John Shadegg is running against Maria Elena Milton in the 4th Congressional District.

In May 1994, Baroness Margaret Thatcher came to speak at Shadegg's institute, to boost his campaign efforts. But Shadegg has played a special role in giving his Goldwater Institute a false home-spun image. While the Phoenix and national media provide precious little information about Shadegg's past or the British origins of the institute, they invariably play up the fact that his father, Stephen Shadegg, was Goldwater's speech-writer and campaign manager. The respect for Goldwater in Arizona has thus been reflected onto the younger Shadegg, helping to shield him from scrutiny.

A source very close to the Shadegg family told *EIR* that "the institute is much closer to Shadegg, father and son, than to Senator Goldwater," and that its agenda is much more radical than Goldwater's politics.

The source confided that Stephen Shadegg, a former Hollywood script-writer, political consultant, and scenario-hustler who died in 1990 at the age of 80, "crafted a conservative persona which was not the real Barry Goldwater. The persona was Steve Shadegg's public relations creation." The source reported that Goldwater agreed to make no public statement not pre-approved by the senior Shadegg. Goldwater's return to "moderate political views" in recent years tends to substantiate this.

The Goldwater Institute's chairman, John R. Norton, is the chief Arizona funder of a November 1996 referendum to legalize medical uses of marijuana in the state, according to the *New York Times* of Sept. 11, 1996. The National Organiza-

tion for the Reform of Marijuana Laws is supporting the Arizona referendum, and a twin effort in California, as a first-step breakthrough to total drug decriminalization; this is the goal of mega-speculator George Soros, and of the Cali cocaine cartel.

The Mont Pelerin Cato Institute in Washington, D.C. is the chief U.S.-based group sponsoring Shadegg's scheme for the privatization (theft) of Social Security. The Cato Institute has moved American congressmen back and forth to Chile to study how financiers succeeded in looting that country's pension system under a military dictatorship. Cato is also the most prestigious U.S. organization promoting the legalization of South American cocaine and other narcotics, an effort that is being fronted by the Goldwater Institute's Norton. The Mont Pelerin network aims for global hegemony of the "underground economy," and the devastating cultural and political changes which that would accomplish.

Managing crime: the Mecham and Bolles cases

John Shadegg received his law degree in 1975 and joined the law firm of Treon, Warnicke, Dann and Roush.

In 1982, he ran the re-election campaign of Robert Corbin, Arizona's Attorney General. Corbin had earlier been an employee of Kemper Marley, the Arizona representative of the British Empire's liquor and crime moguls, the Bronfmans. As Attorney General, Corbin squelched the prosecution of the murder of investigative reporter Don Bolles, who had fought to expose organized crime's hold over Arizona affairs. Corbin's former boss, Kemper Marley, was widely believed to be behind the Bolles murder.

Victorious in his 1982 re-election bid, Corbin made Shadegg his Special Assistant Attorney General. Shadegg served in that post from 1983 to 1990, and became Corbin's chief lobbyist with the state legislature.

Shadegg thus was positioned to be the point man in the 1988 impeachment of Gov. Evan Mecham, according to a source who was part of Corbin's crew.

The problems Shadegg and the Anglo-American oligarchy had with Evan Mecham apparently started in 1962, when the very conservative Mecham defeated Stephen Shadegg in the Republican primary election for governor (Mecham failed to win the final election). In that primary election defeat, the elder Shadegg reportedly felt "betrayed" by his own client, Barry Goldwater, who stayed neutral between Shadegg and Mecham.

Elected governor in 1986, Mecham launched a vigorous campaign to stop the importation and use of narcotics in Arizona. Mecham deployed National Guard troops and sophisticated radar equipment to defeat smuggling by aircraft over the Mexican-Arizona border; and the governor earnestly sought the help of every Arizona local community for a war on drugs. This was running dangerously counter to the established order.

In the same 1986 balloting that elected Mecham, Assistant Attorney General John Shadegg organized the passage of a campaign finance reform referendum, which would later be

used to purge Mecham.

Mecham described in his book, *Impeachment: the Arizona Conspiracy*, his campaign finance committee's plan for the conduct of the inaugural ball and for a fundraiser reception: "To make sure it was legal [after the passage of Proposition 200, limiting certain campaign contributions] the Committee members met in counsel with John Shadegg from the Attorney General's Office and followed his instructions. . . . However, the Attorney General questioned his own office's legal advice on this plan, thus creating a controversy that should never have existed." On the pretext of this setup by Shadegg, and various minor technicalities, Mecham was indicted, and soon after impeached.

The local media fed an anti-Mecham frenzy, with 5,000 articles portraying him as a racist, after he complied with an ultimatum from Attorney General Corbin that he must rescind the executive order which his predecessor as governor, now Interior Secretary Bruce Babbitt, had signed, proclaiming

The Goldwater Institute

Arizona citizens considering a vote for John Shadegg may well consider where his legislative policy proposals come from. Shadegg's appointments to head GOPAC and as sole freshman representative to Newt Gingrich's Republican Policy Committee inner circle, are intimately related to his involvement with introducing a host of economic "reforms" as director of the Phoenix-based Goldwater Institute for Public Policy Research.

Founded in 1988, the Goldwater Institute has been a member of an integrated international network of British "classical liberal" think-tanks, following the policies of the Mont Pelerin Society. Since 1989, GOPAC's training operations have represented Goldwater Institute ideas.

The Mont Pelerin Society was founded in 1947 as an assault upon the dirigist economic policies of the Franklin Roosevelt administrations, which rescued the United States from the Depression. Founder Milton Friedman has since been its most outspoken proponent, complementing the anti-nation-state "free trade" views of Mont Pelerin initiator Friedrich von Hayek. In the mid-1950s, the Mont Pelerin Society created the London-based Institute of Economic Affairs (IEA), which later conceived and implemented the disastrous economic policies of Margaret Thatcher in Great Britain.

The 'new' conservatism

In the United States, this line of thinking was draped in the guise of "conservatism," in an insidious new form.

Martin Luther King Day as a state-paid holiday. Two weeks after the impeachment was forced through the legislature, a jury found Mecham and associates innocent on all counts.

In August 1988, Shadegg ruled that one Ted Corbet could run in a primary election against Mecham's former press secretary, despite Corbet's having failed to file any financial report for a 1982 campaign. Corbin and Shadegg refused to prosecute 50 politicians favored by them, who had violated campaign finance rules.

During Corbin's 1978-90 rule as Attorney General, he quadrupled the funding and doubled the number of lawyers in his office, thanks in part to Shadegg's lobbying for big budget increases. With 225 lawyers, Corbin and Shadegg had more funds at their disposal per capita than any other state in the country. As the Attorney General's budget exploded, so did the amount of cocaine entering Phoenix. A local reporter claims that in the late 1980s, the U.S. Drug Enforcement Administration office there, then run by special agent Joe

Arpaio, reported that drug trafficking into Arizona had quadrupled, making Phoenix's Maricopa County into the nation's second-largest drug-trafficking center (after Florida's Broward County). Prosecutors stuffed the jails with street-level pushers and petty thieves for Arpaio, now the county sheriff, to use on chain gangs to clean Phoenix's streets. Meanwhile, the drugs kept on coming in by the planeload. Corbin and Shadegg continued to squelch any investigation of the Bolles murder, and Arizona was safe—for the drug lords and their "respectable" associates.

Shadegg says, Gingrich is too soft!

Having never previously held elective office, the well-connected Shadegg won a seat in the U.S. Congress in the 1994 election. Meanwhile, Newt Gingrich's GOPAC financed the successful campaigns of a gang of freshman Congressional radicals, and Gingrich was made Speaker of the House. John Shadegg, "an expert in campaign finance re-

Following the lead of Vienna School-trained Rep. Philip Crane (an adviser, with Milton Friedman, to Barry Goldwater's 1964 Presidential campaign), Congressional staffers Edwin J. Feulner and Paul Weyrich laid plans for a takeover of the House of Representatives, founding the Republican Study Committee in the early 1970s. As Feulner described it, their purposes could not be adequately served by the existing formal structure within the House, so they worked toward "giving new members *conservative instead of Republican views*, in hopes of convincing them to join in conservative activities outside the formal party structure."

At the same time, the Heritage Foundation at the national level, and the American Legislative Exchange Council at the state and local levels, were set up to promote these "new" conservative policies. IEA founder Antony Fisher initiated similar public policy institutes internationally, founding in 1977, with Wall Street lawyer (later CIA director) William Casey, what would become New York's International Center for Economic Policy Studies (later renamed the Manhattan Institute for Public Policy Research). The Manhattan Institute was ignored until 1984, when it came to light that it had funded and published racist Heritage Foundation fellow Charles Murray's fraudulent anti-welfare opus, *Losing Ground: American Social Policy 1950-1980*. Institute chairman and Wall Street speculator Richard Gilder has since backed the "free market" deregulation and privatization campaign so revered by GOPAC and its Mont Pelerin ideologues. Gilder, whose firm is ValuJet's major stockholder, is a funder of Shadegg's 1996 campaign.

Fisher (who received a knighthood for his efforts in 1988 from Queen Elizabeth II) and others then brought

over a branch of the London-based Atlas Economic Research Foundation to act as a clearinghouse for founding regional organizations, each presented to the voter as "grass-roots, independent, non-partisan, and educational (thus tax-exempt)" public policy organizations, designing "innovative, market-based" solutions. Cloaked in populist terms, their purpose is to incite hatred for the U.S. federal government.

In this way, the Mont Pelerin Society has introduced a return to the philosophy behind the Constitution of the Confederate States of America, with the cry for "states' rights" promoted as "reform."

Among the projects of Goldwater Institute promoters: In 1991, Gordon Tullock offered proposals for lowering health care costs by providing new insurance health appraisers (as with auto appraisers) to pay a lump sum amount of medical coverage to patients as an incentive to "shop around" for the "best" treatment at lowest cost—the basis for the privatized medical savings account model. Marvin Alisky is oil baroness Arianna Huffington's guru for tearing down our government's social safety net, promoted as "charity" and "compassion," in association with Gingrich's Progress and Freedom Foundation. Goldwater Institute Chairman John Norton is backing an Arizona ballot referendum for legalizing marijuana for medical use, known by free trade policy analysts as a foot-in-the-door toward generalized drug legalization.

The Mont Pelerinite institutes that John Shadegg associates with, have been set up to push "Contract on America" policy throughout the 50 states. As if one British liberal think-tank were not enough for hoodwinking Arizonans, the Arizona Institute has been more recently set up, also located in Phoenix.

form” who knew how to deal with opponents, was appointed chairman of GOPAC when that entity’s ethics were challenged.

Congressman Shadegg voted for all ten of the “Contract with America” bills. Overall, he followed Speaker Gingrich on 92.45% of the recorded votes (through Sept. 25). Gingrich recognized Shadegg’s loyalty by, first, appointing him as the only freshman on the Republican Policy Committee, and as a member of the Budget Committee.

Shadegg made his mark as a spokesman for the most extreme freshmen, known as the “Red Guards.” He likes to compare himself with the radicals of the left, titling one of his reports, “Power to the People” (the 1995 article warning of electric consumer price shock). In the spring of 1995, Shadegg’s Red Guards threatened Gingrich and Majority Leader Dick Armey (Tex.) that they would oppose the Balanced Budget Amendment, if it did not mandate that a three-fifths vote of Congress would be required to raise taxes. That did not stop Gingrich from giving his GOPAC slush fund to Shadegg. Shadegg then acted like a kamikaze during the fall 1995 debt limit imbroglio, and demanded that the government be kept shut down.

Shortly before Christmas 1995, Gingrich was ready to make a compromise with President Clinton on a “balanced budget plan.” Shadegg told neo-conservative columnist Morton Kondracke: “The leadership has one mantra: ‘Pass something.’ It’s deemed a failure not to pass something. We want to pass something close to what we came here to pass. We are necessarily adverse to one another.”

Asked whether the freshmen acted as mad dogs to help Gingrich in negotiations with the Senate and the White House, Shadegg replied, “I can make a case that we run Newt on a lot of issues.”

Shadegg frequently talks about tax cuts. He declared in 1994 that he wanted to eliminate value-added taxes on U.S. businesses, and greatly reduce capital gains taxes, while slightly decreasing or maintaining other taxes.

His health care looting policy is even more explicit. In his response to the 1994 National Political Awareness Test, a non-partisan questionnaire formulated by Project Vote Smart, NPAT asked, “If elected to Congress, which . . . general principles or specific proposals will you support concerning the American health care system?”

Shadegg’s responses included: “Privatize Medicare and Medicaid”; “Allow Americans to set up a tax-free medical savings account”; and “Deregulate the private health care industry.”

Steal the Medicare trust funds and Medicaid funds, slash health care, and don’t worry about who dies as a result: These are looting schemes favored by the Golden Rule Insurance Company, backers of GOPAC and of the Goldwater Institute, and by the other big insurance companies and medical chop-shops, which are among the heaviest contributors to Shadegg’s electoral campaigns.

The GOPAC role in Gingrich’s revolution

by Suzanne Rose

In September 1995, the reins of GOPAC, the political action committee allied with Speaker of the House Newt Gingrich and his fascist Conservative Revolution, were turned over to freshman Congressman John Shadegg. Since 1986, when Gingrich took control of the group from its founder and first chairman, former Delaware governor and Republican Party activist Pete du Pont, GOPAC has served as the vehicle for the takeover of the House of Representatives by Conservative Revolutionary ideologues.

Using secret and illegal means, strategists and moneybags of the fascist right met together under the auspices of GOPAC, and plotted the course which was to lead to the victory of 72 of their number in the 1994 House elections. Led by Gingrich, they conducted “focus” groups, engaged in research and development efforts, and put together campaign messages and materials to launch a political attack on the powers of the federal government and its constitutional mission to protect and promote the general welfare. As early as 1989, Gingrich and his co-thinkers adopted an agenda for a Congressional takeover, called “An Agenda Worth Fighting For,” which incorporated the tenets of what became the Contract with America, as well as plans to put the agenda into effect through a 100-day legislative blitz in Congress.

Shadegg, like Gingrich and du Pont, is faithful to the dictates of the British “free trade” economics known as Thatcherism. Both Shadegg and du Pont have hosted Margaret Thatcher on her periodic trips to the United States. Shadegg’s political pedigree from the Goldwater Institute derives from the network of radical free trade think-tanks spawned by the Mont Pelerin Society of fascist economist Friedrich von Hayek. Du Pont, who also comes from this network, is now the policy chairman of the National Center for Policy Analysis, which promulgates papers on privatization and “free market” economic doctrines of the Conservative Revolution. Important early contributors to GOPAC, such as Richard Gilder of the Wall Street brokerage firm Gilder, Gagnon, and Howe, have also given money to Shadegg’s Goldwater Institute.

Ethics, campaign law violations charged

Shadegg was chosen to chair GOPAC after newly elected House Speaker Gingrich came under public attack by both the House Committee on Standards of Official Conduct (Ethics