The sharks are circling around America's private pension funds

by John Hoefle

Underneath all the propaganda about the need to "reform" Social Security, lies a nasty hidden agenda, the intent to use public funds to prop up the international financial bubble long enough for the so-called "smart money" to cash out. As *EIR* has repeatedly warned, the Club of the Isles international financial oligarchy has, over the past several years, been quietly pulling out of financial paper of all sorts, and putting that money into physical goods such as metals, minerals, food, and energy. To keep their pullout from itself triggering a collapse, the oligarchs have moved carefully, luring new funds into the bubble to replace what they withdraw. Among the pools of funds they have targetted, are public and private pension funds.

Asked why he robbed banks, the famous bank robber Willie Sutton replied, "Because that's where the money is." The Willie Suttons of today, typified by Speaker of the House Newt Gingrich, are eyeing pension funds for exactly the same reason.

It is a classic sucker play. The smart money pulls out, the suckers are lured in, and before they know what has happened, the suckers are wiped out.

The consequences of the attempt by the Gingrich Congress to reform the pension system were enunciated by Labor Secretary Robert Reich in September 1995. "With the change in the law, we are going to see raids on pension assets that will make the train robberies during the days of Jesse James pale in comparison," Reich said. ". . . Companies are being given license to reach into retirement funds. This is a pension grab, and we will not stand for it." Secretary Reich heads the Pension Benefit Guaranty Corp. (PBGC), a federal agency which insures private pensions plans in a manner similar to the way the Federal Deposit Insurance Corp. insures bank deposits.

The argument used by the oligarchs and their flunkies to sell this monstrous rip-off, is that the government is mismanaging the Social Security and other trust funds, and that the "experts" of the private sector must be called in to save it.

Such arguments bring to mind claims by foxes, that someone must protect the chickens. The "experts" the Gingrichites would call upon to protect the public's funds, are the same "experts" who have brought the world to the edge of financial cataclysm.

The Social Security system is not broke—if it were, the raiders would not be after it. The Social Security trust fund currently contains some $562 billion in assets, and is expected to collect some $10 trillion between 1997 and 2010, according to projections based upon figures from the Social Security Administration. What *is* broke, is the global financial system; that's why they want the money.

Throwing Social Security to the sharks will not save it, but destroy it, and destroy the lives of people who depend upon Social Security for food, shelter, and other essentials. By way of showing what the sharks have in mind for the public pensions, we shall take a look at what they have done to the private pension system. It is the method the oligarchs employ which determines the outcome, not the sugar-coating of lies which accompanies it. That method, is the method of the hungry shark.

Private pension underfunding

Late each year, PBGC issues a list of the 50 largest underfunded corporate pension plans. The most recent list, issued in December 1995, is for 1994 (**Table 1**). Some of the companies are household names, like Chiquita, Westinghouse, Woolworth, Del Monte, Sears, United Parcel Service, and Scott Paper, while many others are not. What they all have in common, is the underfunding of their employee pension plans. Ravenswood Aluminum, for example, has set aside only 29% of the money it should have, to cover pension benefits promised to its workers, the worst such percentage on the list. In absolute dollar terms, the worst performer on the list is Westinghouse Electric, whose pension plan is underfunded by nearly $2 billion, closely followed by Bethlehem Steel and LTV Corp., both with $1.6 billion in underfunding.

Overall, the 50 companies on the PBGC's 1994 list accounted for $13.5 billion of underfunding, or about 45% of the underfunding among the 58,000 PBGC-guaranteed private sector pension plans. To make the 1994 list, a company needed at least $59 million in unfunded vested benefits.

According to the PBGC, "Much of the funding on the 1994 list remains in the steel industry, which represents about one-third of the underfunding, compared to about 20% on the 1993 list. The instruments industry accounts for about 15% of the underfunding, up from about 6% in 1993. The transportation equipment industry accounts for 12.6% of the underfunding in 1994, compared to about 6% in 1993, and airlines

TABLE 1

Top 50 companies with the largest unfunded pension liability in 1994

(millions $)

Company	Pension plan assets	Vested benefit liability	Unfunded vested benefit	Vested funding ratio
1. Ravenswood Aluminum Corp.	42	144	102	29%
2. Bridgestone-Firestone Inc.	314	575	260	55%
3. LTV Corp.	1,993	3,550	1,558	56%
4. Keystone Consolidated Inds.	112	196	84	57%
5. Starfire Holding Corp.	727	1,253	527	58%
6. Laclede Steel Co.	108	182	74	59%
7. Chiquita Brands International	123	203	80	61%
8. Uniroyal Goodrich Tire	599	960	361	62%
9. Westinghouse Electric Co.	3,557	5,525	1,968	64%
10. Mack Trucks	306	474	168	65%
11. Borg-Warner Automotive	118	180	61	66%
12. Bethlehem Steel Corp.	3,477	5,050	1,573	69%
13. Anchor Glass Container Corp.	260	387	126	67%
14. Northwest Airlines	523	775	252	67%
15. Kaiser Aluminum Corp.	530	754	224	70%
16. Clark Equipment	179	253	74	71%
17. Ampex Corp.	145	204	59	71%
18. First Financial Mgmt. Corp.	445	625	179	71%
19. Navistar International	2,095	2,893	798	72%
20. Libbey Owens Ford	225	302	77	74%
21. Woolworth Corp.	500	669	169	75%
22. Pacificorp	562	751	189	75%
23. National Steel Corp.	976	1,292	316	76%
24. Budd Co.	382	505	123	76%
25. Loral Corp.	211	275	64	77%
26. Allegheny Ludlum Corp.	420	546	126	77%
27. Crown Cork & Seal	1,020	1,323	302	77%
28. White Consolidated	271	350	79	77%
29. Textron Inc.	451	581	130	78%
30. American Standard Co. Inc.	252	324	72	78%
31. American National Can Co.	1,270	1,631	361	78%
32. Del Monte Foods	241	308	68	78%
33. Ensearch Corp.	232	297	65	78%
34. Rohr Inc.	406	527	121	77%
35. Boise Cascade Corp.	268	341	73	79%
36. Sears Roebuck & Co.	1,491	1,884	393	79%
37. CSX Corp.	848	1,064	216	80%
38. USAir Group	793	982	188	81%
39. Boston Edison Co.	301	368	67	82%
40. Foxmeyer Health Corp.	468	568	100	82%
41. Southern Pacific Rail Corp.	328	395	67	83%
42. Goodrich (B.F.)	487	586	99	83%
43. United Parcel Service	603	994	391	61%
44. Armco Inc.	1,741	2,058	317	85%
45. Dana Corp.	700	824	124	85%
46. Reynolds Metals Co.	457	538	82	85%
47. Greyhound Lines	692	812	120	85%
48. Scott Paper Co.	1,062	1,226	164	87%
49. United Technologies	1,385	1,560	175	89%
50. American Home Products	1,894	2,051	157	92%
Total	**36,590**	**50,115**	**13,522**	**73%**

Source: PBGC.

increased from 4% in 1993 to about 7% in 1994."

The presence of industrial companies on the list reflects the continuing decay of industrial production over the last three decades. Steel production in the United States has declined by one-third over that period, and a good portion of today's steel industry consists of recycling, rather than new production. The result has been the rapid decline of this vital industry, and the presence of most of the major steel companies on the PBGC's recent lists. Over the last several years, LTV, Laclede, Bethlehem, National, Allegheny Ludlum, Armco, Sharon, AK, Atlantic, CF&I, and Inland have all made the list.

Coincident with the decline of production, has been the deregulation which allowed the sharks to move in and loot corporate America.

The airline industry is a prime example of this process. Nearly all the major carriers have made the list in recent years, including Continental, TWA, United, Pan Am, Northwest, USAir, and American. The ruination of the airlines can be laid directly at the door of deregulation, which allowed notorious takeover artist Frank Lorenzo, to crash and burn a large chunk of the industry.

Looking at the PBGC lists from 1988 through 1994, a clear pattern of looting emerges. Corporate raiders would take over companies through leveraged buyouts and similar measures; the raiders would then loot the pension funds and other assets of the victimized company to pay off monies borrowed to fund the raids. Often, the cannibalized companies would go bankrupt, or be sold to other raiders to repeat the process. The raiders and their financial backers made out like bandits, while thousands of employees were thrown to the wolves, losing their jobs and, were it not for the PBGC, often their pensions as well.

'Rothschild's Monsters'

The PBGC's lists are littered with companies which have been looted by corporate raiders. Pension fund assets were used in two-thirds of the largest buyouts of the 1980s, and some $9.5 billion—70%—of the underfunding on the PBGC's 1994 list comes from companies with junk-bond credit ratings. The junk bond market was run through the now bankrupt Drexel Burnham Lambert, and convicted felon Michael Milken. Drexel arranged the financing for takeovers of numerous companies on the PBGC's lists, through a group of raiders including Victor Posner, Carl Lindner, Carl Icahn, Frank Lorenzo, Charles Hurwitz, Saul Steinberg, Meshulam Riklis, Lawrence Tisch, Henry Kravis, and George Roberts. This network has been dubbed "Milken's Monsters," but that name covers up more than it reveals. A more appropriate name would be *Rothschild's Monsters,* after the banking family which runs worldwide dirty money operations for the Club of the Isles, and which controlled the Milken operation. (For a profile of the secretive Club of the Isles, see *EIR,* Oct. 28, 1994, "The Coming Fall of the House of Windsor.")

The Milken operation was set up by the Morgan interests and the Rothschilds to launder billions of dollars of dirty money, to loot industries and companies, and to shift the focus of corporate America away from producing goods, toward managing money. The Drexel side of Drexel Burnham Lambert was controlled by the J.P. Morgan crowd, while the Lamberts are Belgian cousins of the Rothschilds. Control of the operation ran through Rothschild employee Alfred Hartmann, a director of the Zug, Switzerland-based company Rothschild Continuation, and a top executive at the Rothschild's bank in Zurich. Hartmann also played a major role in the Bank of Credit and Commerce International (BCCI), another British Intelligence front run through the Rothschild apparatus. Milken was just another in a long line of front men, including Bernie Cornfeld of Investors Overseas Services; Robert Vesco, the cocaine lord who replaced Cornfeld; Marc Rich; and George Soros. They have their names on the doors, but the power they appear to wield belongs to the Club of the Isles.

Marc Rich

As an introduction to how this network operates, we begin with Ravenswood Aluminum, the company at the top of the PBGC's list. In 1986, British raider Alan Clore took over Kaiser Aluminum and Chemical Company, but lost it when he defaulted on bank loans in the wake of the October 1987 stock market crash; another raider, Charles Hurwitz, then took control of Kaiser. To pay down the debts incurred in the takeover, Hurwitz then sold Ravenswood, a Kaiser subsidiary, to a company controlled by international commodities speculator and fugitive Marc Rich.

Rich, who plays a key role in handling the oligarchs' shift out of financial paper into speculation in tangible goods, had come to prominence as a commodities trader for Philipp Brothers, one of the Club's top commodities firms, then left to form his own company. In 1983, Rich, his lieutenant Pincus Green, and one of his companies, Clarendon Ltd. of Stamford, Connecticut, were indicted by the federal government on charges of tax evasion and making false statements to the authorities, in connection with a crude oil scam. Prior to their 1984 trial, Rich and Green fled the country, eventually settling in Zug, Switzerland, where they set up Marc Rich and Co. Clarendon pleaded guilty, paid $170 million in fines, and continued to do business in the United States; Rich, *in absentia,* was found guilty on 38 counts and sentenced to 325 years in prison.

Rich, who is reliably reported to be one of the major funders of pro-dope speculator George Soros—another Rothschild creation—has played a major role in looting Russia's raw materials, and also played a role in George Bush's Iran-Contra drug-running operation. Despite his fugitive status, in 1992, it was revealed that the Bush administration was doing business with Rich's Clarendon, through Treasury purchases of coinage metals from the firm.

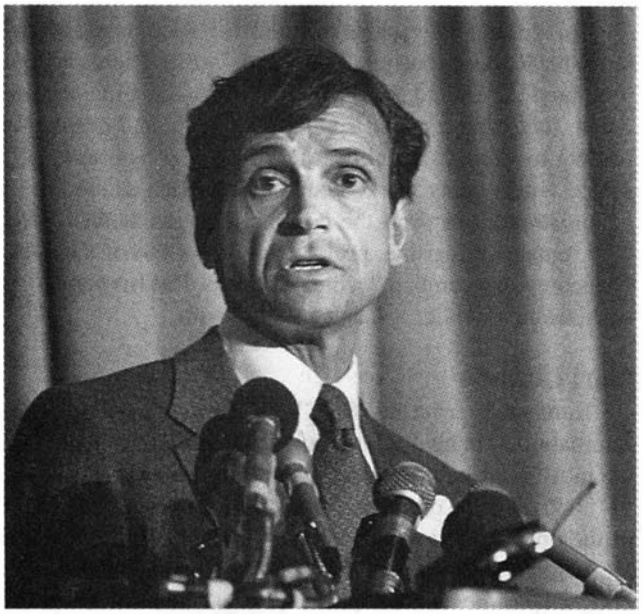
This collaboration came to light when Rich staged a lockout at his Ravenswood plant in West Virginia. Rich's actions prompted the United Steel Workers to launch a major campaign, focussing a public spotlight on Rich, and eventually leading to Congressional hearings. The hearings reportedly soured a deal being worked out between Rich and the Bush administration, to drop the criminal charges against Rich, who remains a fugitive, protected by the Club of the Isles. Glencore, the company which controls Ravenswood, has since taken it public, as Century Aluminum.

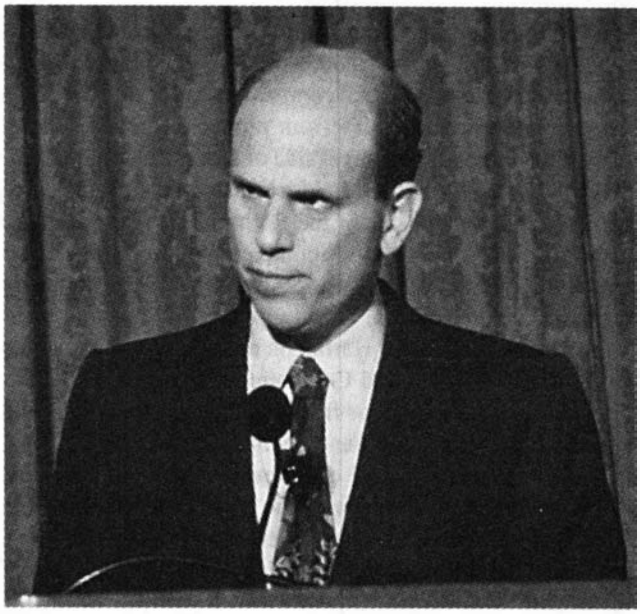
Carl Lindner

Number seven on the PBGC's 1994 list is Chiquita Brands International, behind whose cute banana name lies perhaps the most notorious company in American corporate history, the United Fruit Company. United Fruit, created by a merger of the opium-running interests of the Boston Brahmins and the Sicilian mafia of New Orleans, was identified in *EIR*'s book *Dope, Inc.* as "the center of organized crime" in the United States. According to U.S. law enforcement officials, United Fruit's ships and planes have carried a substantial portion of the cocaine reaching the United States. United Fruit has also been used to carry out covert operations in Central America for the Wall Street side of the intelligence community—the "bankers' CIA"—including the destabilization and overthrow of governments. The company changed its name to United Brands in the mid-1960s, and to Chiquita in 1990, in an attempt to improve its image.

The chairman of Chiquita is Carl Lindner, whose American Financial Corp. controls the company. AFC, which itself appeared on the PBGC's top 50 list in 1989, is a closely held conglomerate involved in insurance, banking, savings and loans, portfolio investment, television, radio, and petroleum marketing; it is also, in the judgment of a former financial consultant to the company, one of the most airtight money-laundering capabilities he has ever seen.

Lindner took over Chiquita in 1975, when then-chairman Eli Black allegedly committed suicide by jumping out of the 44th floor of the Pan Am Building in New York City. Lindner installed former Detroit Purple Gang mobster Max Fisher as Chiquita's chairman; both Fisher and Lindner would also become top fundraisers and contributors to the Republican Party. In 1992, Lindner's AFC contributed $715,000 in "soft money" to the Republican Party; he has also donated $55,000 to Newt Gingrich's GOPAC; and has contributed heavily to Bob Dole, including $20,000 to Dole's political action committee, Campaign America, in 1995. Lindner was described by the *Washington Post* as one of the three members of "Dole, Inc.," along with Archer Daniels Midland Chairman Dwayne Andreas and the Gallo wine family. ADM, which contributed $907,000 in soft money to the Republican Party in 1992, recently pleaded guilty to federal price-fixing charges; Andreas's son, ADM President Michael Andreas, who was caught red-handed breaking the law, has taken a leave of





Corporate raiders, typified by Frank Lorenzo (left) and Michael Milken (right), sucked their victims dry, including looting companies' pension funds to pay for the raids. Now they are training their sights on the Social Security trust fund, not because it is bankrupt, but because they *are.*

absence in connection with the settlement.

While Lindner and Fisher ran Chiquita, the cocaine trade exploded, generating hundreds of billions of dollars of profits to be laundered and reinvested in "legitimate" enterprises. Much of that money went into Drexel Burnham Lambert's junk-bond-fuelled corporate takeover binge of the 1980s, in which Lindner was perhaps the major player. Drexel's Michael Milken went to jail for his role in the scheme, as did Lindner protégé Charles Keating of Lincoln Savings, while Lindner and his fellow monsters remained free.

A fourth Lindner-connected company, John Morrell and Company, the meat-packing firm owned by Chiquita, appeared on the PBGC's list in 1991. Chiquita sold Morrell in 1996, after savaging its workers and helping to loot beef producers.

Lindner plays a key role in this network, having provided large amounts of money to the other raiders through Drexel. Lindner's AFC wound up with substantial stakes in companies controlled by other raiders, many of which also turned up on the PBGC's lists, including Victor Posner's Sharon Steel, and Lawrence Tisch's Loews Corp.

Lindner, like George Soros, is an advocate of drug legalization. In 1989, the Lindner-owned *Financial World* magazine ran a cover story entitled "Drugs: The Case for Legalization." "Legalization is a respectable issue these days," said Lindner spokesman Jeff Smith at the time.

Victor Posner

Posner, who once boasted that he was "doing what Michael Milken was doing before Milken was even born," is considered by many law enforcement officials to be the successor to Meyer Lansky, the financial godfather of organized crime. In 1992, U.S. District Judge Thomas Lambros removed Posner from control over DWG Corp., stating that Posner's "usurpation of corporate assets . . . can truly be classified as a corporate holocaust." Posner, whose Sharon Steel Corp. was number three on the PBCG's list in 1989 and number eight in 1991, is notorious for looting corporate assets, including pension funds. In 1985, Posner was the highest-paid corporate executive in the United States, with an annual salary of $12.7 million; and was tenth on the *Financial World* list of highest-paid Wall Streeters in 1994, with $60 million. He pleaded no contest to tax evasion in 1987, and was removed from control of Sharon Steel by a bankruptcy judge in 1988. Posner was so notorious that he became a financial pariah, shunned by most "respectable" lenders. One man who did not abandon Posner was Carl Lindner, whose American Financial Corp. loaned Posner's companies in excess of $100 million.

In 1977, cited by the Securities and Exchange Commission for diverting assets of the Sharon Steel pension plans for his personal use, Posner signed a consent decree promising not to break the law in the future, then proceeded to systematically underfund Sharon's pension plans; by 1988, the plans were only 31% funded, a shortfall of $170 million, according to the PBGC.

In the 1980s, Posner took some $65 million from the pension funds of a string of companies, including Graniteville Co., Pennsylvania Engineering, Royal Crown Cola, National Propane, Birdsboro Corp., Salem Corp., Enro Shirt, and

Fischbach Corp.

In 1988, Posner and his son Steven went on trial for their dealings with Michael Milken. The government's main witness in the trial was Ivan Boesky, another notorious corporate raider who had pled guilty to insider trading, and testified against his former associates. The Posners were accused of illegally taking over the Fischbach Corp., a New York electrical contractor, with the help of Drexel and Boesky. "Posner's stewardship of these companies has been marked by self-dealing, lavish perquisites for himself and his family, and the use of corporate funds to pay personal expenses," the Securities and Exchange Commission said in a court filing.

Posner's attempted takeover of National Can in 1979 failed, but ultimately led to the Drexel- and Lindner-financed takeover of the company by Nelson Peltz's and Peter May's Triangle Industries in 1985. The next year, National Can bought the packaging business of American Can; the result, American National Can, now owned by Pechiney of France, is also on the PBGC's list.

Charles Hurwitz

Charles Hurwitz is the chairman of Maxxam, Inc., formerly known as Simplicity Pattern Co. Maxxam made the PBGC's list in 1989 and 1991, and Kaiser Aluminum Corp., of which he is also chairman, made the list in 1994. Hurwitz bought control of Simplicity in 1982, with funding from Drexel, after the company had passed through the hands of Posner, Carl Icahn, and others of the junk-bond milieu. Hurwitz pulled $3 million out of Simplicity's pension funds, imposed austerity on the company's employees, then sold the remains to Fuqua Industries' Triton Group, which took another $8 million out of Simplicity's pension funds, then sold it to Wesray Capital Corp., founded by takeover artist and former Treasury Secretary William E. Simon, who helped launch the leveraged buyout craze when he bought Gibson Greetings from RCA in 1982, and took it public in 1983.

In a 1995 report, the PBGC noted that Maxxam had taken over the Pacific Lumber Company "in part because it had a well-funded pension plan. After the takeover, Maxxam terminated the plan and took a reversion of over $50 million to pay off the debt associated with the leveraged buyout. Maxxam purchased annuities for its participants in its terminated plan from the Executive Life Insurance Company. Executive Life later failed, leaving Pacific Lumber workers facing reduced annuities." Executive Life was one of the major buyers of Drexel's junk bonds.

Maxxam also controlled, in the 1980s, the United Savings Association of Houston, which failed in 1988. Carl Lindner owned a portion of United Savings, whose chief executive, Jenard Gross, hosted members of the British royal family when they visited Houston. In 1992, Hurwitz made an unsuccessful bid for Continental Airlines, which had been bankrupted by asset-stripper Frank Lorenzo, and had made the 1989 PBGC list. In 1994, Hurwitz hosted former President George Bush and William Stamps Farish at his horse racing track in Houston. Farish, the Humble Oil heir and friend of the British royal family, is a noted horse breeder and managed Bush's assets while Bush was elected vice president in 1980.

Carl Icahn

Carl Icahn's Starfire Holding, which appears on the PBGC's 1994 list, is responsible for pension plans of TWA, which Icahn took over in 1986, taking on $2.6 billion in debt in the process. The TWA pension plans have been on the PBGC list since 1988, under TWA's name, under ACF Industries, an Icahn-controlled company, and now Starfire. In 1993, facing some $1 billion in personal liabilities for TWA's pension fund shortfalls, Icahn struck a deal with the PBGC in which he relinquished his stake in TWA, provided $200 million in financing for the airline, and assumed responsibility for its pension funds. TWA, which had turned to Icahn to fend off a takeover bid by Frank Lorenzo, still has not recovered from its bout with the raiders. In June 1995, TWA filed a prepackaged bankruptcy, in a plan to reduce its debt by some $500 million and significantly reduce its interest expense.

In April 1995, Icahn made a bid for the outstanding shares of Uniroyal, which led the management to take it private, financed by Clayton and Dubilier and Drexel, and organized by Salomon Brothers. The debt load was so great that the company had to be liquidated, so the core chemical business was sold to a company controlled by minor monsters Nelson Peltz and Peter May. The Uniroyal tire business, now known as Uniroyal Goodrich Tire and owned by France's Michelin, has been on the PBGC's lists since 1988.

Meanwhile, Icahn and fellow raider Bennett LeBow (whose New Valley Corp.—formerly Western Union—made the lists from 1988 through 1993) made an unsuccessful attempt to take over RJR Nabisco, the company taken over by Kohlberg Kravis Roberts and Co. in 1988.

Frank Lorenzo

Frank Lorenzo brought the airline industry to its knees in the wake of the 1979 deregulation. He turned the regional Texas International Airlines into the largest airline in the United States, through a series of leveraged buyout takeovers funded by Drexel Burnham Lambert and longtime associate Carl Pohlad, the heir to Kid Cann's Minneapolis mob. To pay the debt, he slashed the workforce, especially maintenance, sold off planes, and looted assets. Into the 1980s, he founded the non-union New York Air, and gobbled up Continental, People's Express, and Frontier Airlines; in 1986, he took over Eastern Airlines, one of the crown jewels of the industry, placing them all under Texas Air. When the dust settled, the renamed Texas Air had become America's largest airline, and number two in the world, after Aeroflot, handling one-sixth of U.S. passenger traffic, employing 50,000 workers, flying 451 planes, and earning $7 billion in annual revenues.

Texas Air also had, by 1988, more than $5.5 billion in debt, some of it at interest rates as high as 17.25%. It was falling apart under the debt load. Lorenzo was asset-stripping Eastern, selling off its Kansas City hub, various planes, and looting its cash. According to Touche Ross accountant Farrell Kupersmith, between 1986 and 1990, Lorenzo made off with $750 million of Eastern's assets.

By March 1989, Eastern was placed into bankruptcy. In 1990, a bankruptcy judge deposed Lorenzo as Eastern's owner. On Jan. 18, 1991, a hemorrhaging Eastern, having lost more than $1 billion and having shrunk by 80%, was liquidated and permanently closed. Three days later, another bankruptcy court liquidated Pan American World Airways. By 1992, deregulation had resulted in 117 U.S. airlines filing for bankruptcy. Lorenzo, deregulation, and the sharks had destroyed the world's premier airline industry.

Over the 1990-94 period, the airline industry lost $13.1 billion, an amount equivalent to the profits the industry as a whole had earned from 1920 to 1978.

As part of Continental's April 1993 bankruptcy reorganization, the airline and the PBGC finalized an agreement that settled Continental's joint-and-several liability for $58 million in unpaid contributions to the terminated Eastern Airlines pension plans, and approximately $700 million in unfunded pension liabilities. The agreement also provided additional protection for Continental's ongoing pension plans.

Casino Mondiale

The raids by this dirty-money network had—and was intended to have—an effect far beyond the damage done to the companies they took over. The fear of attracting these sharks led to a proliferation of destructive anti-takeover measures among American corporations, including "poison pills," "golden parachutes," and other measures designed to make companies less attractive. Many of these companies destroyed themselves, to protect themselves from takeover, and other companies looted their own pension funds, beating the raiders to the punch. According to the 1995 PBGC report, Union Carbide took $500 million from its pension trust to avoid a hostile takeover; United Airlines pulled $378 million from its pension funds in 1985, putting the company on the lists for 1988 through 1990; and Enron, the firm that put former Bush cabinet member and White House chief of staff James Baker III on its board after Bush lost his re-election bid, pulled $232 million out of its underfunded pension plan.

The result of these and similar moves, was to greatly accelerate the shift in corporate America away from the old-fashioned industrial view, toward the Casino Mondiale, and the insanity of the derivatives markets, where no pension funds are safe. Now, these agents of the Club of the Isles want to get their hands on our Social Security funds.