

Can Financial Markets Avoid Collapse?

The world's financial system continues to teeter near a very nasty brink, with the United States and Europe disagreeing about how to pull back from the edge. Danny Schechter sees crisis, crisis, everywhere.

By Danny Schechter

Earlier this week, comedian Stephen Colbert announced dramatically that there were important developments underway in Europe that we should know about. True to form, Colbert didn't talk about the big problem. His story, ha ha ha, was about a butter shortage in Norway.

We all know that European countries have been wrestling with what to do about saving the Euro. There have been warnings of an economic catastrophe if the Euro falls, and it's plain that the already shaky American economy will take a big hit if it happens.

The drama in Europe seems to be beyond the ability of both comedy and "serious" financial programs to explain. Perhaps it's more of a divine comedy in the Danteian sense, because we are all perched on the edge of a circle of hell that many of us don't want to wrap our minds around.

While many news outlets prefer to recycle endless sound-bites of Newt Gingrich bashing Mitt Romney and vice versa, and as American diplomats seem to be cranking up a war against Iran as if that can save the economy the way World War II pulled us out of the Great Depression, the world economy is tottering thanks to all the debt American firms sold Europeans who then managed it so stupidly and corruptly.

Now we have Times columnist Paul Krugman, for years an economist holding up the liberal middle, finally admitting that nothing is working:

"It's time to start calling the current situation what it is: a depression. True, it's not a full replay of the Great Depression, but that's cold comfort. Unemployment in both America and Europe remains disastrously high. Leaders and institutions are increasingly discredited. And democratic values are under siege."

The Obama Administration, with an election to try to win, is in full panic mode with Tim Geithner hop-scotching all over Europe to try to push German leader Angela Merkel to act, forthwith and with dispatch, to recognize the emergency and pump money at it.

Germany's conservative chancellor who was disgusted when given an unwanted back rub by President George W. Bush is resisting the unwanted snow job from Barack Obama who wants her to play the game of bailout.

The Germans may or may not be right about wanting a longer-term solution because they have historic fears of inflation and a return to the wheelbarrows of money it took to buy bread after the last Depression. They don't want a new Adolf Hitler to emerge either. They know their society better than Americans do.

The U.S. keeps saying, "wrong lesson, wrong lesson." Remember the 1930s, not the 1920s, and stop an economic collapse before it occurs. This very emphasis shows that their fears of a collapse are well advanced.

Berlin, aware of how ineffectual Obama's "recovery" effort has proven in the U.S., is not taking his unwanted advice. Many Europeans see the U.S. financial industry as the source of all evil, as, ironically, does Occupy Wall Street, and want to use the crisis to impose restraints on it.

They want strict new budget rules and more "centralization," (i.e. German influence.) Britain's Prime Minister David Cameron pulled out of negotiations because he opposes a tax on financial transactions, a step that most reformers think is a very good idea.

So, welcome to the Thunderdome of finance. The stalwarts of the status quo don't want to budge, and only the self-interested define what national interests should be.

Fortunately for them, the German economy is strong and can, in effect, dictate to a divided Europe, which lacks the wherewithal to challenge Germany. France has already buckled, as Nicolas Sarkozy faces a new electoral challenge to his rule and looks as if he has aged in a month.

So now, it's up to "The Markets," an elusive institution, driven, they say, by "animal spirits" or market psychology. Markets don't like change, especially when it constrains powerful companies, but Markets like instability even less. Germany is banking that they will ultimately see it's not in their interest to bring the house down.

Don't think of markets as beyond manipulation. Moe Saceriby, once a VP at Standard and Poors, told me for my film *Plunder*, "I think we had a transition from what truly was a free-market system to something now that is out of control and probably what I would define as a predatory system, where we are not so much dealing anymore about the notion of fair prices, and the notion of markets that that work transparently.

“In fact frequently markets are manipulated for the end of maybe a few out there, a few investors, mega-investors. Even that’s very difficult to tell.”

The Treasury Department operates a shadowy Exchange Stabilization Fund. Reports the libertarian Daily Bell, “Officially in charge of defending the dollar, the ESF is the government agency which controls the New York Fed, runs the CIA’s black budget, and is the architect of the world’s monetary system (IMF, World Bank, etc).”

Add this to another shadowy entity in Treasury, The Working Group on Financial Markets, better known as the Plunge Protection Unit, that directly intervenes in markets.

It is, as I discuss in my book the *Crime of Our Time*, a “secret branch of government [that] has a sophisticated war room, using every state of the art technology to monitor markets worldwide. It has emergency powers. It doesn’t keep minutes.”

There is no Freedom of Information access to its deliberations. There are 147,000 entries in Google on this powerful body, but I could only access ten. The reports on it are sketchy, including one from the Washington Post:

“These quiet meetings of the Working Group are the financial world’s equivalent of the war room. The officials gather regularly to discuss options and review crisis scenarios because they know that the government’s reaction to a crumbling stock market would have a critical impact on investor confidence around the world.”

New York Magazine hinted at a conspiracy, noting that many suspect “it’s just a backroom market-rigging cabal for the Establishment. Or, you could think of it as the Wall Street Superfriends, equipped with X-ray vision to see deep into our financial malaise, and magic.”

Is it magic or manipulation? Remember this administration claims to worship an unregulated “free market,” and yet, here they are, freely big-footing these very same markets.

No doubt there is some connection here to recent reports of Members of Congress tapping secret information to engage in Insider Trading. Talk about corruption. It’s pervasive.

The less our compromised media investigates all these wheelers and dealers, the more we will not get at the truth and will soon experience the consequences. And they won’t be pretty!

News Dissector Danny Schechter blogs daily at NewsDissector.com. His film *Plunder* exposes financial crimes. (Plunderthecrimeofourtime.com)

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The Danger from Politicizing ‘Terror’

By politicizing who is and who is not a “terrorist” pinning the label on American adversaries and sparing purported American friends the U.S. government created confusion at FBI headquarters that contributed to the failure to stop the 9/11 attacks, reports ex-FBI agent Coleen Rowley.

By Coleen Rowley

Glenn Greenwald’s critique regarding the recent U.S. indictment of 38-year-old Iraqi Faruq Khalil Muhammad Isa (currently in Canada) is spot on about “terrorism” coming to simply mean opposing United States’ interests or resisting U.S. military invasions.

U.S. authorities have now dropped any requirement that the “terrorists” target or kill civilians as part of a political objective, the classic definition of terrorism. Isa stands accused of “providing material support to a terrorist conspiracy” because he allegedly backed a 2008 attack in Mosul, Iraq, killing five U.S. soldiers.

As Greenwald wrote, “In other words, if the U.S. invades and occupies your country, and you respond by fighting back against the invading army, the ultimate definition of a ‘military, not civilian target’, then you are a . . . **Terrorist.**”

But the reverse of Greenwald’s example is also true, that those “terrorist” groups throughout the world who commit violent acts or kill civilians at U.S. instigation, encouragement or in line with U.S. interests are NOT considered “terrorists.”

For example, before 9/11, the Chechen “rebels” who had orchestrated mass civilian hostage takings, suicide bombings and hijackings and who were accused of having planted bombs in apartment buildings in Russia were not deemed to be “terrorists” for purposes of satisfying the “foreign power” element of the Foreign Intelligence Surveillance Act.

The Chechen fighters were apparently seen as on “our” (the U.S.) side in

opposing the Soviet Union in the final days of the Cold War and against Moscow's authority when the old Soviet Union was splintering into pieces in the 1990s.

That blind spot regarding the Chechens played out as a factor in the FBI's failure to act effectively to stop the 9/11 attacks in which a key early suspect, Zacarias Moussaoui, was identified as a follower of and recruiter for Ibn Omar al-Khattab, a Muslim extremist and Chechen guerrilla leader long allied with al-Qaeda leader Osama bin Laden.

The Department of Justice Inspector General "Review of the FBI's Handling of Intelligence Information Related to the September 11 Attacks (November 2004)" and other 9/11 inquiries eventually concluded that FBI supervisors erred, among other things, by not understanding that the Chechen group could have been deemed to be a "foreign power" even though it had not been previously "recognized" by the Foreign Intelligence Surveillance Court, nor had the U.S. State Department put Ibn Khattab's Chechen group on the official Foreign Terrorist Organizations list.

Footnote 123 on page 142 of the Inspector General Report contains this telling detail: "Martin [a pseudonym for an FBI headquarters supervisor] suggested to the OIG that the reason that groups engaged in a civil war were not pled as terrorist organizations under FISA was because they were not 'hostile' to the United States or working against U.S. interests.

"When asked whether it was a requirement under FISA for a terrorist organization to be hostile to U.S. interests to fulfill the foreign power requirement, Martin said that he did not know whether this was a legal requirement, but that he believed that it was assumed in the statute based on the terrorist organizations that had been pursued by the government."

This fact-of-life within the FBI that only "hostile" militants were put on the official U.S. terrorist list and that some Islamic extremists were viewed as generally aligned with U.S. interests (or at least not threats) created confusion among FBI supervisors in the weeks and months before the 9/11 attacks.

A Warning Ignored

An April 2001 memo clearly warned and spelled out that Khattab was "heavily intertwined" with Osama bin Laden's plans to launch terrorism attacks against the U.S.

However, the confusion over how to define "terrorism" when it fits with U.S. interests explains how and why the FBI failed to grasp that Khattab or his violent Chechen group were "terrorists" even when the April 2001 memo urgently warned that the two leaders (Khattab and bin Laden) were planning to attack the

U.S.

This blind spot proved devastating just weeks before the 9/11 attacks when FBI Agent Harry Samit from the Minneapolis Field Office interviewed Moussaoui on Aug. 16-17, 2001, and concluded that Moussaoui, who had paid cash for classes to learn how to fly a jetliner, was almost surely a dangerous terrorist.

But Samit could not get his FBI superiors in Washington to understand the danger and approve a warrant to search Moussaoui's possessions.

According to [an investigative article](#) at TheDailyBeast.com last September, former New York Times correspondent Philip Shenon wrote that "Samit and his colleagues [in Minneapolis] felt they had to be aggressive, especially after the FBI legal attaché in Paris reported back on Aug. 22 [2001] that French spy agencies had evidence showing Moussaoui was a recruiter for Ibn Omar al-Khattab (A companion of Moussaoui's, picked up at the time of his arrest, told the FBI that Moussaoui followed a 'prophet', Khattab.)"

However, back in Washington, Michael Maltbie, a cautious counterterrorism specialist, "said he saw no evidence that Moussaoui was connected to a foreign government or well-known terrorist group that would meet the definition of a 'foreign power' under U.S. intelligence laws, the standard required to trigger a warrant," Shenon wrote, adding:

"Desperate to prove the needed link, Samit reached a CIA counterterrorism expert who said he had no doubt that the Chechens and Al Qaeda worked together. 'Khattab was a close buddy with bin Laden from their earlier fighting days,' the CIA official wrote.

"And the FBI's top brass had seen the link, too. In an [April 2001 memo](#) prepared for [then-FBI Director Louis] Freeh, then assistant director Dale Watson warned about 'significant and urgent' intelligence to suggest 'serious operational planning' for terrorism attacks by 'Sunni extremists with links to Ibn al Khattab, an extremist leader in Chechnya, and to Usama Bin Laden.' The memo's headline: 'Bin Laden/Ibn Khattab Threat Reporting.'"

The failure of the State Department to include Khattab's Chechen militant organization on the official list of terrorist organizations and the FBI supervisors' misunderstanding of FISA's "foreign power" requirement created the bureaucratic gap that FBI headquarters wouldn't close in those crucial days before the 9/11 attacks.

It's even possible that, as with U.S. funding of the mujahedeen fighters in Afghanistan (whose ranks included Osama bin Laden), the CIA or other U.S. covert operators funded Al Khattab as he operated "on our side" against "our" Russian

adversary despite Chechen terrorists' repeated killings of Russian civilians. [That sort of double standard has certainly applied to anti-communist terrorists associated with attacks on Fidel Castro's Cuba.]

The confusion caused by this politicized approach toward "terrorism" ultimately prevented the U.S. government from acting effectively against a genuine terrorist threat like 9/11. And, the flip side of that politicization is now apparent in the U.S. government prosecuting Iraqis as "terrorists" for fighting American troops who were sent, partly as a U.S. reaction to 9/11, to invade Iraq.

Coleen Rowley, a FBI special agent for almost 24 years, was legal counsel to the FBI Field Office in Minneapolis from 1990 to 2003. She wrote a "whistleblower" memo in May 2002 and testified to the Senate Judiciary on some of the FBI's pre 9/11 failures. She retired at the end of 2004, and now writes and speaks on ethical decision-making and balancing civil liberties with the need for effective investigation.

Israeli Scholar Disputes Founding Myth

From the Archive: Republican presidential frontrunner Newt Gingrich seems to be laying the groundwork for ethnically cleansing Palestinians from Greater Israel, calling them "an invented people" who "had a chance to go many places." But an Israeli scholar offered a contrary view, as Morgan Strong reported.

By Morgan Strong (Originally published April 12, 2009)

The founding narrative of the modern State of Israel was born from the words in the Torah (or Old Testament), that God granted Abraham's descendants the land of Israel and that Moses led the Jewish people out of Egypt to conquer it.

A second part of the narrative was the story of the Diaspora that after Jewish uprisings against the Romans in the First and Second centuries A.D., the Jews were exiled from the land of Israel and dispersed throughout the Western world. They often were isolated from European populations, suffered persecution, and ultimately were marked for extermination in the Nazi Holocaust.

Finally after centuries of praying for a return to Israel, the Jews achieved this goal by defeating the Arab armies in Palestine and establishing Israel in 1948. This narrative spanning more than three millennia is the singular, elemental and sustaining claim of the State of Israel as a Jewish nation.

But a recent book by Israeli scholar Shlomo Sand challenges this narrative, claiming that beyond the religious question of whether God really spoke to Abraham and Moses the Roman-era Diaspora did not happen at all or at least not as commonly understood.

In *When and How Was the Jewish People Invented?* [published in English as *The Invention of the Jewish People*], Dr. Sand, an expert on European history at the University of Tel Aviv, says the Diaspora was largely a myth that the Jews were never exiled *en masse* from the Holy Land and that many European Jewish populations converted to the faith centuries later.

Thus, Sand argues, many of today's Israelis who emigrated from Europe after World War II have little or no genealogical connection to the land. According to Sand's historical analysis, they are descendents of European converts, principally from the Kingdom of the Khazars in eastern Russia, who embraced Judaism in the Eighth Century, A.D.

The descendants of the Khazars then were driven from their native lands by invasion and conquest and through migration created the Jewish populations of Eastern Europe, Sand writes. Similarly, he argues that the Jews of Spain came from the conversion of Berber tribes from northern Africa that later migrated into Europe.

The Zionist Narrative

Sand, himself a European Jew born in 1946 to Holocaust survivors in Austria, argues that until little more than a century ago, Jews thought of themselves as Jews because they shared a common religion, not because they possessed a direct lineage to the ancient tribes of Israel.

However, at the turn of the 20th Century, Sand asserts, Zionist Jews began assembling a national history to justify creation of a Jewish state by inventing the idea that Jews existed as a people separate from their religion and that they had primogeniture over the territory that had become known as Palestine.

The Zionists also invented the idea that Jews living in exile were obligated to return to the Promised Land, a concept that had been foreign to Judaism, Sand states.

Like almost everything in the Middle East, Sand's scholarship is fraught with powerful religious, historical and political implications. If Sand's thesis is correct, it would suggest that many of the Palestinian Arabs have a far more substantial claim to the lands of Israel than do many European Jews who arrived there asserting a God-given claim.

Indeed, Sand theorizes that many Jews, who remained in Judea after Roman legions crushed the last uprising in 136 A.D., eventually converted to Christianity or Islam, meaning that the Palestinians who have been crowded into Gaza or concentrated in the West Bank might be direct descendants of Jews from the Roman era.

Despite the political implications of Sand's book, it has not faced what might be expected: a withering assault from right-wing Israelis. The criticism has focused mostly on Sand's credentials as an expert on European history, not ancient Middle Eastern history, a point that Sand readily acknowledges.

One critic, Israel Bartal, dean of humanities at the Hebrew University, attacked Sand's credentials and called Sand's thesis "baseless," but disagreed mostly over Sand's assertion that the Diaspora story was created as an intentional myth by Zionists seeking to fabricate a direct genealogical connection between many of the world's Jews and Israel.

"Although the myth of an exile from the Jewish homeland (Palestine) does exist in popular Israeli culture, it is negligible in serious Jewish historical discussions," Bartal wrote in the newspaper Haaretz. "Important groups in the Jewish national movement expressed reservations regarding this myth or denied it completely.

"The kind of political intervention Sand is talking about, namely, a deliberate program designed to make Israelis forget the true biological origins of the Jews of Poland and Russia or a directive for the promotion of the story of the Jews' exile from their homeland is pure fantasy."

In other words, Bartal, like some other critics, is not so much disputing Sand's historical claims about the Diaspora or the origins of Eastern European Jews, as he is contesting Sand's notion that Zionists concocted a false history for a cynical political purpose.

But there can be no doubt that the story of the Diaspora has played a key role in the founding of Israel and that the appeal of this powerful narrative has helped the Jewish state generate sympathy around the world, especially in the United States.

"After being forcibly exiled from their land, the people remained faithful to it throughout their Dispersion and never ceased to pray and hope for their return to it and for the restoration in it of their political freedom," reads the preamble to the Israeli Declaration of Independence.

Reality from Mythology

In January 2009, as the Israeli army bombarded Palestinians in Gaza in retaliation for rockets fired into southern Israel, the world got an ugly glimpse of what can result when historical myths are allowed to drive wedges between people who otherwise might have a great deal in common.

After the conflict ended with some 1,400 Palestinians dead, including many children and other non-combatants the Israeli government investigated alleged war crimes by its army and heard testimony from Israeli troops that extremist Rabbis had proclaimed the invasion a holy war.

The troops said the Rabbis brought them booklets and articles declaring: "We are the Jewish people. We came to this land by a miracle. God brought us back to this land, and now we need to fight to expel the non-Jews who are interfering with our conquest of this holy land."

In his book and in an interview with Haaretz about his book Sand challenged this core myth. In the interview, he said:

"I started looking in research studies about the exile from the land – a constitutive event in Jewish history, almost like the Holocaust. But to my astonishment I discovered that it has no literature. The reason is that no one exiled the people of the country.

"The Romans did not exile peoples and they could not have done so even if they had wanted to. They did not have trains and trucks to deport entire populations. That kind of logistics did not exist until the 20th Century. From this, in effect, the whole book was born: in the realization that Judaic society was not dispersed and was not exiled."

The True Descendants

Asked if he was saying that the true descendants of the inhabitants of the Kingdom of Judah are the Palestinians, Sand responded:

"No population remains pure over a period of thousands of years. But the chances that the Palestinians are descendants of the ancient Judaic people are much greater than the chances that you or I are its descendants.

"The first Zionists, up until the Arab Revolt [1936-1939], knew that there had been no exiling, and that the Palestinians were descended from the inhabitants of the land. They knew that farmers don't leave until they are expelled.

"Even Yitzhak Ben-Zvi, the second president of the State of Israel, wrote in 1929 that, 'the vast majority of the peasant farmers do not have their origins in the Arab conquerors, but rather, before then, in the Jewish farmers who were

numerous and a majority in the building of the land.'”

Sand argues further that the Jewish people never existed as a “nation race” but were rather an ethnic mix of disparate peoples who adopted the Jewish religion over a great period of time. Sand dismisses the Zionist argument that the Jews were an isolated and seminal ethnic group that was targeted for dispersal by the Romans.

Although ruthless in putting down challenges to their rule, the Romans allowed subjects in their occupied territories a great many freedoms, including freedom to practice religion, freedom of speech, and freedom of assembly.

Thousands of Jews served in the Roman legions, and there was a sizable Jewish community in Rome itself. Three Jewish descendants of Herod the Great, the Jewish Emperor of Jerusalem, served in the Roman Senate.

Jewish dietary laws were respected under Roman law, as well as the right not to work on the Sabbath. Jewish slaves 1,000 carried to Italy by Emperor Titus after crushing the first Jewish rebellion in 70 A.D. were bought and set free by Jewish families already long settled into Roman society.

After the final Jewish rebellion, the Bar Kokhba revolt of 132-136 A.D., historians say the Romans placed restrictions on Jews entering Jerusalem, which caused other areas, such as Galilee in northern Palestine, to become centers of Jewish learning. But there is little or no evidence of a mass forced relocation.

Sand says the Diaspora was originally a Christian myth that depicted the event as divine punishment imposed on the Jews for having rejected the Christian gospel.

Genetic Evidence

There has been no serious rebuttal to Sand’s book, which has been a bestseller in Israel and Europe. But there were earlier genetic studies attempting to demonstrate an unbroken line of descent among Ashkenazi Jews in Europe from the Hebrew tribes of Israel.

In a genetic study published by the United States National Academy of Sciences, the Y chromosomes of Ashkenazi, Roman, North African, Kurdish, Near Eastern, Yemenite, and Ethiopian Jews were compared with 16 non-Jewish groups from similar geographic locations. It found that despite long-term residence in different countries and isolation from one another, most Jewish populations were not significantly different from one another at the genetic level.

Although the study also demonstrated that 20 percent of the Ashkenazim carry

Eastern European gene markers consistent with the Khazars, the results seemed to show that the Ashkenazim were descended from a common Mid-Eastern population and suggested that most Jewish communities have remained relatively isolated from neighboring non-Jewish communities during and after the supposed Diaspora.

However, a monumental genetic study entitled, "The Journey of Man," undertaken in 2002 by Dr. Spencer Wells, a geneticist from Stanford University, demonstrated that virtually all European males carry the same genetic markers found within the male population of the Middle East on the Y chromosomes.

That is simply because the migration of human beings began in Africa and coursed its way through the Middle East and onward, stretching over many thousands of years. In short, we are all pretty much the same.

Obsessive Delusion

Despite the lack of conclusive scientific or historical evidence, the Diaspora narrative proved to be a compelling story, much like the Biblical rendition of the Exodus from Egypt, which historians and archeologists also have questioned in recent years.

It is certainly true that all nations use myths and legend for sustenance; some tales are based on fact, others are convenient self-serving contrivances.

However, when myth and legend argue for excess, when they demand a racial, ethnic or religious purity to the exclusion of others so that some prophecy can be fulfilled or some national goal achieved reason and justice can give way to extremism and cruelty.

The motive for creating the state of Israel was to provide respite for the Jews of Europe after World War II, but that worthy cause has now been contorted into an obsessive delusion about an Israeli right to mistreat and persecute Palestinians.

When right-wing Israeli Rabbis speak of driving non-Jews out of the land that God supposedly gave to the Israelites and their descendants, these Rabbis may be speaking with full faith, but faith is by definition an unshakable belief in something that taken by itself cannot be proven.

This faith or delusion also is drawing in the rest of the world. The bloody war in Iraq was an appendage to the Israeli-Palestinian conflict, as is the dangerous rise of Islamic fundamentalism across the region. There is also now the irony that modern Israel was established by Jews of European origin, many of whom may be ethnically unconnected to Palestine.

Another cruel aspect of this irony is that the descendants of the ancient Israelites may include many Palestinians, who are genetically indistinct from the Sephardic Jews who were, like the Palestinians, original and indigenous inhabitants of this ancient land.

Yasir Arafat told me quite often that the Israelis are really cousins of the Palestinians. He may have been wrong; they are more likely brothers and sisters.

Morgan Strong is a former professor of Middle Eastern history, and was an advisor to CBS News "60 Minutes" on the Middle East.
