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counterpunch

edited by alexander cockburn and jeffrey st.clair

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To the Sulzberger family that controls the New York Times he has been the ultimate Good German. High-flying Thomas Middelhof took New York by storm, buying Random House for Bertelsmann, invited onto the NYT board, a member of its compensation committee. Read Eamonn Fingleton's exclusive on how Middelhof has crashed to earth and how the NYT has buried the story. Amid New York's savage fiscal crisis, guess what? The city ponies up \$50 million for a nice new park for rich people in Manhattan. Read Carl Ginsburg on the High Line. PLUS Elyssa Pachico on how rural revolution in Colombia has gone digital. PLUS co-editor Cockburn on how, in Obama Time, the Israel lobby is carrying all before it. What a surprise. Get your new edition today by [subscribing online](#) or calling 1-800-840-3683 Contributions to CounterPunch are tax-deductible. [Click here to make a donation](#). If you find our site useful please: [Subscribe Now!](#) [CounterPunch books](#) and [t-shirts](#) make great presents.

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How the Economy was Wrecked by the Politics of Deregulation in Florida

Seeds of Destruction

By ALAN FARAGO

In a series of reports, The Miami Herald discloses the astounding facts behind the \$7 billion fraud of Stanford Financial. An absence of regulators. Shredded documents. Bags of cash airlifted from Miami International. It all sounds so Miami Vice. But it is more. Back in the late 1990s, when the Stanford scheme gathered the support of Florida regulators, I toiled as a late career financial advisor at Smith Barney. What it means to be "late career" is that I knew enough by that time that honestly toiling within the lines and hash marks of regulatory authority could not possibly account for the wealth that defined the Miami skyline. Its provenance had far more to do with flight capital from Latin and South America, drugs, and the snatch-and-grab growth schemes that turned Florida's Everglades into Mercedes, private jets, and educational family vacations in Europe by an entire supply chain that prospered by turning a blind eye to the true costs of development. Their Grand Tour of Europe excluded every aspect of the strip mall culture that paid the freight.

Although the Stanford thievery by-passed 99 percent of Quik Mart consumers who bought a pack of cigarettes, a six-pack of beer and a quick box of cereal for the kids, its genesis shares certain common traits with the avoidance and sometimes criminal disregard of development regulations, laws and accounting that provided the

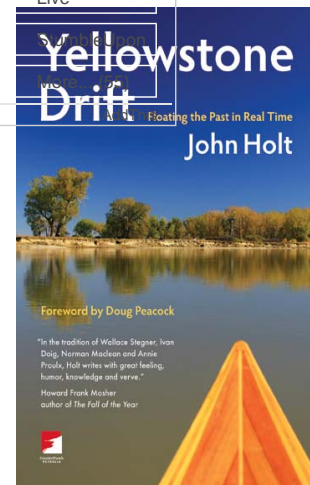
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Ben Sonnenberg

backdrop for so much Florida Chamber of Commerce cheerleading, love, and fun in the sun. Stanford created and sold CD's to anyone, but especially to investors who sought out a little more yield, a little better return, and who bought the promise that financial regulators in Florida had guaranteed these were real debt instruments and not a Ponzi Scheme through which Stanford funded his own lifestyle, trappings and accoutrements of a billionaire including virtual control of a sovereign nation, the island of Antigua in the Caribbean. That's where the \$7 billion went in satchels, exchanged as script of currencies, then disappeared in a blizzard of electronic transfers through undersea fiber optic cables to accounts and banks in places far, far removed from the scrutiny I endured as a financial advisor who believed in the bedrock values of buying and holding great American corporations as the dot.com bubble inflated, turning the US economy into a patient sucking on a tube filled with laughing gas.

That \$7 billion that Allen Stanford allegedly stole isn't funny today. Its fact is buried in a vast blizzard of real debt landing on the plates of real taxpayers: trillions and counting. The Miami Herald reports: "The key to understanding Stanford Financial Group's business at the Miami office could be found on the third page of every customer order. In clear language, the documents show the money paid by clients for the firm's prized investment: certificates of deposit. The next page contained the signature of the broker selling the security. Those records -- blueprints of Stanford's business venture -- were routinely shredded in what became a regular exercise at the downtown center." ("At Stanford's Miami office, documents were routinely shredded", Miami Herald, August 9, 2009)

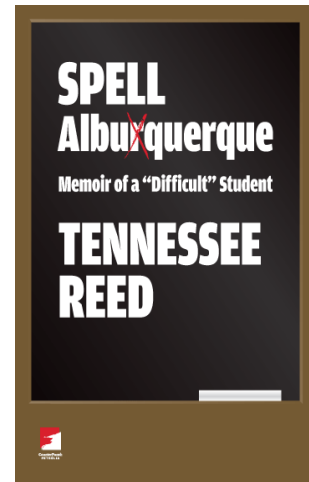
The Herald reporter is right, but the Herald publisher and editor-in-chief still hold the high cards in this particular hand. Here is what those cards represent. The shredding isn't "the key" to understanding the massive fraud. It is the fact that Stanford Financial, based in Miami, secured a unique privilege from Florida banking regulators in 1998. The year is important. The year is the face card.

It wasn't 9/11 and the historic cuts in interest rates that followed, triggering the housing boom, that spawned our national economic emergency. We did it all ourselves. We required no outside intervention of terrorists. We only had to follow the course of political ambitions that transformed American politics in the 1990's, and in particular the aspirations of grand Republican thinkers who still strut the national stage; plotting now to overturn Democratic advances as they did quite successfully after Bill Clinton was elected president in 1992. It all has to do with regulation; the enemy-- in their conception-- of property rights and free enterprise. And its focus was Florida.

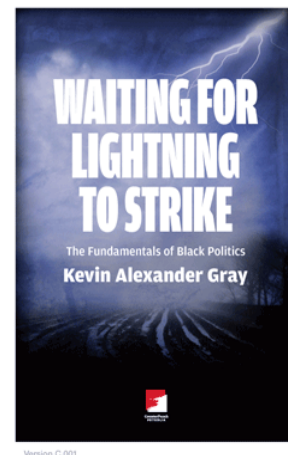
In 1998, Lt. Gov. Buddy McKay fought a losing battle to become governor of Florida against developer/campaign contributors-- Miami Republicans-- who organized to push forward their candidate: Jeb Bush. (The Herald news reports do not disclose the exact dates of the Stanford lobbying effort with Florida banking regulators in Tallahassee, the state capitol. Those dates are very important to this story, and investigative journalists should weave these threads closer.)

After losing the governor's race to former US Senator Lawton Chiles, a Democrat, in 1994, Jeb Bush went back to the drawing board to lay the framework for the next election. Jeb's platform was the Foundation for Florida's Future. It was his springboard, employing writers and thinkers who would later become senior staffers and appointees in his administration, to launch attacks on government regulation. It was critical, in their conception, to allow the creative energies of free enterprise to mobilize capital and build wealth. The way this would happen was simply to let the gears of commerce do what they do best: leverage human ingenuity in whatever form it should take. The key concept: leverage.

Besides tourism and agriculture, Florida produces little of anything. But it has been, until the worst economic crisis since the Depression, a magnet for new residents. Developers in Miami, Jeb Bush's adoptive hometown, had far earlier mastered the machinery of building roads and ring suburbs on the cheap. By 1998, Miami-Dade County had turned into a vast melting pot; one of the largest and also poorest



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counties in the nation with a well developed and wealthy class of developer entrepreneurs eager to do their forefathers one better. They controlled local legislatures through campaign contributions. They owned banks and law firms. What they really needed was more capital and more freedom from burdensome regulation impeding where their large-scale communities could grow.

Lorenzo Wolff
[When Music's the Character](#)

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The Democrat Lawton Chiles, who preceeded Jeb Bush, was highly sensitive to the national trend that President Clinton had captured in 1992 and then lost in 1994 mid-term elections. In Florida, the political context was also to "triangulate" toward conservatives and away from government regulations. Chiles, for instance, endorsed land speculators and big developers by pushing away from growth management policies-- the central regulatory authority that had been established by a Republican governor, Bob Martinez, in 1985.

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In an earlier report, the Herald noted the Stanford operation was created as a foreign trust operation, "the only one of its kind in Florida." ("Florida regulators never acted on troubling findings regarding banker Allen Stanford", July 18, 2009) "... when the state allowed the transfer of money (to a foreign nation, Antigua) -- an unprecedented freedom -- it created a completely new enterprise, say experts. To this day, Florida regulators claim they don't know why Stanford -- aided by powerful Miami law firm Greenberg Traurig-- (succeeded in escaping regulatory and law enforcement scrutiny)." The Greenberg Traurig connection is important.

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In Miami, Greenberg Traurig is well known as a black hat law firm that virtually operates out of the inner sanctums of Miami and Miami-Dade County zoning processes: the bread and butter work that laid a foundation for a diverse and successful lobbying and regulatory practice. But the Greenberg Traurig connection is another key. Finding ways around regulations for its clients, at the inside edge of the law, is a Greenberg Traurig business model. The law firm's image was badly tarnished by well-known employees like Jack Abramoff, but in 1998 it was on its game. In Miami, the law firm represented campaign contributors-- Republican developers-- who were well-known factors in national electoral politics and exerting substantial influence in the Florida governor's race.

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The game, in 1998, pitted a horse-trader in the White House, President Bill Clinton, whose legendary command of political demographics put the competition for Hispanic votes in full view. One of Greenberg Traurig's projects had started in the wake of the devastating 1992 hurricane in South Florida: to convert a massive Air Force Base in Homestead, Florida into a privatized commercial airport for the benefit of Cuban American developers. By 1994, they had already secured a 99 year, no-bid lease from local county commissioners. (The palpable friction between Cuban American Republicans and the White House over the Homestead Air Base issue was a factor in both the 1996 presidential election, that Clinton won, and the 2000 Gore campaign.) The State of Florida, when confronted with air base political support, had rolled over on growth management regulations like a docile pet, inviting lawsuits by environmental groups because the proposed \$10 billion dollar venture was on the edge of America's Everglades. Stanford's Miami venture, described by the Herald as a bold plan to "entice Latin Americans to pour millions to his ventures-- in secrecy" did something else: it gave those cracker Tallahassee Democrats a chance to show that the party also understood Spanish. ("Florida aided Allen Stanford, suspect in huge swindle", August 9, 2009)

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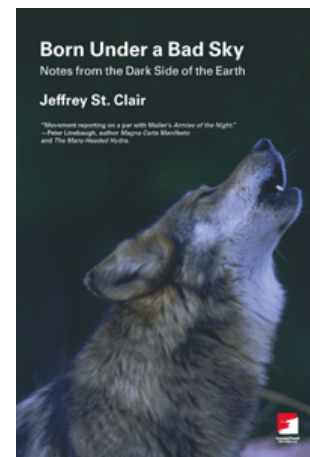
"It's absolutely insane," Bill Branscum, a former U.S. Treasury agent, told the Herald. "That money could have been coming from anyone and going to anyone -- like narco-traffickers or terrorists -- and you never would have known." And no one did know: bags of cash were stuffed on planes and sent to Antigua from Miami, where most of Stanford's fraud was generated. State records show, according to the Herald, that 2100 accounts were set up at the Stanford office, generating hundreds of millions in sales of fraudulent financial products, in the first six years.

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During this time, Jeb Bush was governor of Florida. In the six years from 1998 state banking officials visited the Miami office of the Stanford operation just two times. "When Florida regulator Keith Jasper

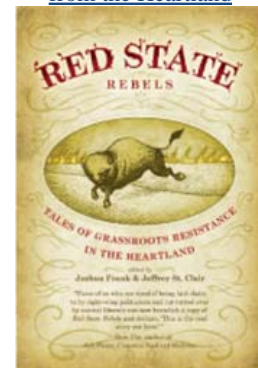
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arrived at the opulent Miami trust offices of billionaire banker Allen Stanford in 2001, he expected to see records showing that money turned over to the company was safely invested. But when the veteran bank examiner asked for the reports, he was told there were none. In fact, records of the millions of dollars that flowed through the office had been shredded." ("Florida regulators never acted on troubling findings regarding banker Allen Stanford", July 19, 2009)

By 2001, the dot.com boom had deflated. The laughing gas had sucked its own trillions from the economy. The Republican Reformation could now marry its mandate to opportunity, shrinking government, in Grover Norquist's fertile conception, so that it could be drowned in a bathtub. State regulators returned to the Stanford Miami office in 2005. The Herald reports, "After both visits, state agents sent their findings to supervisors, including David Burgess, a senior analyst who helped negotiate the deal with Stanford." At the time of the proposal in 1998, Burgess wrote a crucial memo that helped find a legal justification for Stanford to create his ambitious center. Burgess said a foreign trust office was not supported by Florida law, but said if "the definition of a trust company can be stretched," the office could open "pursuant to the laws of another country." He also wrote in his report that Stanford had been "active in cleaning up the Antiguan banking laws." But federal records show that six months after Burgess wrote his memo, the U.S. Treasury put Antigua on a money-laundering alert list, saying the new laws pushed by Stanford actually weakened enforcement efforts. Burgess, who still works for the state, did not return calls."

In January 2003, Governor Jeb Bush confidently marked the commencement of his second term: "There will be no greater tribute to our maturity as a society than if we can make these buildings around us empty of workers; as silent monuments to the time when government played a larger role than it deserved or could adequately fill." To the agency bureaucrats, elbow to elbow with economic stakeholders in the front rows, the point was clear. Those bureaucrats included the newly appointed head of the Bureau of Professional Licensing, Donald Saxton, whose office would permit more than 10,000 former felons in Florida to operate as mortgage originators and lenders during the housing boom. ("Borrowers Betrayed", Miami Herald, 2008) The central point was no longer about making government smaller: it was about removing those workers. And who exactly were they? Regulators who threatened developers and bankers.

The crushing irony is that this con game-- not Stanford himself, but the one that allowed him to drive airplanes full of cash to God knows what enterprises helping to undermine the US national security-- is still going on. Amidst a ravaged national economy that makes the dot.com bubble look positively innocent, arguments have been successfully levied by Florida Republicans to loosen regulations still more to allow free markets to breathe new energies and trickle down benefits to weary, angry citizens. The Florida legislature and Governor Charlie Crist, for instance, recently claimed that new laws dismantling regulatory authority for growth management were necessary to revive the struggling home building industry.

It only remains for the mainstream press to connect the dots up the political food chain. The Miami Herald has raised not a whiff of complaint against the jihad against regulation that marked the Jeb Bush terms as governor and continues to this day. It simply will not go there, even though its reporters have laid out the case and facts like rungs of a ladder lacking only vertical supports. Like Bernie Madoff, Allen Stanford was a smart guy who used greed and fear to exploit the politics of regulatory authority. When nothing means anything, anything can happen. Although I left the wealth management business in 1999, I learned: as goes Florida, so goes the nation.

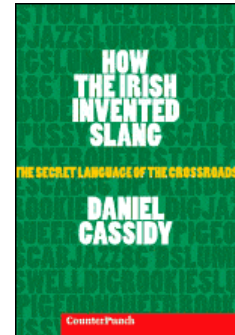
Alan Farago lives in south Florida. He can be reached at: afarago@bellsouth.net



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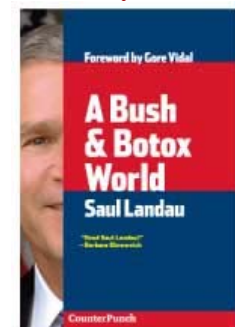
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