

# The American “Deep State”, Wall Street, Big Oil and the Attack on US Democracy

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*How do Wall Street, oil companies and the shadow government agencies like the CIA and NSA really shape the global political order?*

*That's the question author Peter Dale Scott examines in his forthcoming book "[The American Deep State: Wall Street, Big Oil and the Attack on U.S. Democracy](#)," due out on Nov. 12. Scott, a professor emeritus of English at Berkeley and former Canadian diplomat, is considered the father of "deep politics"—the study of [hidden permanent institutions and interests](#) whose influence on the political realm transcends the elected.*

*In the "American Deep State," Scott takes a compelling look at the facts lurking behind the official histories of events to uncover the real dynamics in play. In this exclusive excerpt—the first of several we will feature on WhoWhatWhy—he looks at the revolving door between Wall Street and the CIA, and what that demonstrates about where power truly resides.*

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In the last decade it has become more and more obvious that we have in America today what the journalists have called... America's "deep state." [\(1\)](#)

This expansion of a two-level or dual state has been paralleled by two other dualities: the increasing resolution of American society into two classes—the "one percent" and the "ninety-nine percent"—and the bifurcation of the U.S. economy into two aspects: the domestic, still subject to some governmental regulation and taxation, and the international, relatively free from governmental controls. [\(2\)](#)

All three developments have affected and intensified each other—particularly since the Reagan Revolution of 1980, which saw American inequality of wealth cease to diminish and begin to increase.[\(3\)](#) Thus for example Wall Street—the incarnation of the "one percent"—played a significant role in creating the CIA after World War II, and three decades later the CIA and big oil played a significant role in realigning American politics for the Reagan Revolution.

There is an ambiguous symbiosis between two aspects of the American deep state:

1. The Beltway agencies of the shadow government, like the CIA and NSA, which have been instituted by the public state and now overshadow it, and

2. The much older power of Wall Street, referring to the powerful banks and law firms located there.

Top-level Treasury officials, CIA officers, and Wall Street bankers and lawyers think much alike because of the “revolving door” by which they pass easily from private to public service and back.

But a much larger role for the private sector has come with the increased outsourcing of the government’s intelligence budget. Tim Shorrock revealed in 2007 that “about 70 percent of the estimated \$60 billion the government spends every year on . . . intelligence” is now outsourced to private intelligence contractors like Booz, Allen & Hamilton (now Booz Allen Hamilton) and SAIC (Science Applications International Corporation). [\(4\)](#)

### The Overworld

I shall argue that in the 1950s, Wall Street was a dominating complex. It included not just banks and law firms but also the oil majors whose cartel arrangements were successfully defended against the U.S. government by the Wall Street law firm Sullivan and Cromwell, home to the Dulles brothers. This larger complex is what I mean by the Wall Street overworld.

There seems to be little difference in Allen Dulles’s influence whether he was a Wall Street lawyer or a CIA director. Although he did not formally join the CIA until November 1950, he was in Berlin before the start of the 1948 Berlin Blockade, “supervising the unleashing of anti-Soviet propaganda across Europe.” [\(5\)](#) In the early summer of 1948, he set up the American Committee for a United Europe (ACUE), in support of what became, by the early 1950s, “the largest CIA operation in Western Europe.” [\(6\)](#)

The CIA never abandoned its dependency on funds from outside its official budget to conduct its clandestine operations. In Southeast Asia in particular, its proprietary firm Sea Supply Inc. supplied an infrastructure for a drug traffic supporting a CIA-led paramilitary force, PARU. [Two CIA proprietaries, Sea Supply Inc. and Civil Air Transport (CAT) Inc. (later Air America), initially supplied the KMT 93rd Division in Burma that organized opium mule trains down to Thailand, where opium sales were still legal.

Later, when the USG officially distanced itself from the KMT drug army, the CIA organized an offensive and defensive paramilitary unit, PARU, inside the Thai Border Police (BPP). Like the BPP, PARU financed itself by seizing KMT opium and turning it in to the Thai Government, receiving a bounty payment of 12.5 percent of the retail value.] [\(7\)](#)

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The CIA appears also to have acted in coordination with slush funds from various U.S. government contracts, ranging from the Howard Hughes organization to the foreign arms sales of U.S. defense corporations like Lockheed and Northrop. [\(8\)](#)

The international lawyers of Wall Street did not hide from each other their shared belief that they understood better than Washington the requirements for running the world.

This mentality exhibited itself in 1952, when Truman’s Justice Department sought to break up the cartel agreements whereby Standard Oil of New Jersey (now Exxon) and four other oil

major controlled global oil distribution. (The other four were Standard Oil Company of New York or Socony [later Mobil], Standard Oil of California [now Chevron], Gulf Oil, and Texaco. Together with Royal Dutch Shell and Anglo-Iranian, they comprised the so-called “Seven Sisters” of the cartel.)

Faced with a government order to hand over relevant documents, Exxon’s lawyer Arthur Dean at Sullivan and Cromwell, where Foster Dulles was senior partner, refused: “If it were not for the question of national security, we would be perfectly willing to face either a criminal or a civil suit. But this is the kind of information the Kremlin would love to get its hands on.” [\(9\)](#)

### Overthrowing Iran

At this time the oil cartel was working closely with the British Anglo-Iranian Oil Company (AIOC, later BP) to prevent AIOC’s nationalization by Iran’s Premier Mossadeq [or Mosaddeq], by instituting, in May 1951, a successful boycott of Iranian oil exports. “In May 1951 the AIOC secured the backing of the other oil majors, who had every interest in discouraging nationalisation. . . . None of the large companies would touch Iranian oil; despite one or two picturesque episodes, the boycott held.” [\(10\)](#)



But Truman declined, despite a direct personal appeal from Churchill, to have the CIA participate in efforts to overthrow Mossadeq, and instead dispatched Averell Harriman to Tehran in a failed effort to negotiate a peaceful resolution of Mossadeq’s differences with London. [\(11\)](#)

All this changed with the election of Eisenhower in November 1952 (with considerable support from the oil industry), followed by the appointment of the Dulles brothers to be Secretary of State and head of CIA.

In November 1952 CIA officials began planning to involve the CIA in the efforts of MI6 and the oil companies in Iran [\(12\)](#)—although its notorious Operation TP/AJAX to overthrow Mossadeq was not finally approved by Eisenhower until July 22, 1953. [\(13\)](#)



Dr. Mossadeq entering court for his trial.

Nearly all recent accounts of Mossadeq's overthrow treat it as a covert intelligence operation, with the oil cartel (when mentioned at all) playing a subservient role. However the chronology, and above all the belated approval from Eisenhower, suggest that it was CIA that came belatedly in 1953 to assist an earlier oil cartel operation, rather than vice versa.

In terms of the deep state, in 1951 the oil cartel or deep state initiated a process that the American public state only authorized two years later. Yet the inevitable bias in academic or archival historiography, working only with those primary sources that are publicly available, is to think of the Mossadeq tragedy as simply a "CIA coup."

#### Notes

1. Mike Lofgren, "A Shadow Government Controls America," *Reader Supported News*, February 22, 2014, <http://readersupportednews.org/opinion2/277-75/22216-a-shadow-government-controls>.
2. To take a single telling example, six of Sam Walton's heirs are now reportedly wealthier than the bottom 30 percent of Americans, or 94.5 million people (Tim Worstall, "Six Waltons Have More Wealth Than the Bottom 30% of Americans," *Forbes*, December 14, 2011, [www.forbes.com/sites/timworstall/2011/12/14/six-waltons-have-more-wealth-than-the-bottom-30-of-americans/](http://www.forbes.com/sites/timworstall/2011/12/14/six-waltons-have-more-wealth-than-the-bottom-30-of-americans/)).
3. See Kevin Phillips, *The Politics of Rich and Poor: Wealth and the American Electorate in the Reagan Aftermath* (New York: HarperCollins, 1991).
4. Tim Shorrock, *Spies for Hire: The Secret World of Intelligence Outsourcing* (New York: Simon & Schuster, 2008), 6.
5. Gordon Thomas, *Secret Wars: One Hundred Years of British Intelligence Inside MI5 and MI6* (New York: Thomas Dunne Books/ St. Martin's Press, 2009), 98.
6. Richard Aldrich, *The Hidden Hand: Britain, America, and Cold War Secret Intelligence* (Woodstock, NY: Overlook Press, 2001), 343. Dulles also chaired the executive committee of the companion National Committee for a Free Europe (behind the Iron Curtain), whose legal affairs were handled by Sullivan and Cromwell (Wilson D. Miscamble, *George F. Kennan and the Making of American Foreign Policy, 1947-1950* [Princeton, NJ: Princeton University Press, 1992], 204).

7. Scott, *American War Machine*, 65-67, 87-96.
8. Norman Mailer, "A Harlot High and Low: Reconnoitering Through the Secret Government," *New York, August 16, 1976* (Hughes); Michael Schaller, *Altered States: The United States and Japan Since the Occupation* (New York: Oxford University Press, 1997), 294 (Lockheed).
9. Ovid Demaris, *Dirty Business: The Corporate-Political Money-Power Game* (New York: Avon, 1974), 213-14.
10. J. P. D. Dunbabin, *International Relations Since 1945: A History in Two Volumes*, vol. 2, (London: Longman, 1994), 344. The boycott is denied without argumentation in Exxon's corporate history (Bennett H. Wall et al., *Growth in a Changing Environment: A History of Standard Oil Company* (New Jersey), Exxon Corporation, 1950-1975, vol. 4 (New York: McGraw-Hill, 1988), 476:
11. Mostafa Elm, *Oil, Power, and Principle: Iran's Oil Nationalization and Its Aftermath* (Syracuse, NY: Syracuse University Press, 1992), 198-99 (Churchill); Robert Moskin, *American Statecraft: The Story of the U.S. Foreign Service* (New York: Thomas Dunne Books/St. Martin's Press, 2013), 627-28 (Harriman).
12. William Roger Louis, "Britain and the Overthrow of Mossadeq," in Mark J. Gasiorowski and Malcolm Byrne, eds., *Mohammad Mosaddeq and the 1953 Coup in Iran* (Syracuse, NY: Syracuse University Press, 2004), 168. Cf. William R. Clark, *Petrodollar Warfare: Oil, Iraq and the Future of the Dollar* (Gabriola Island, BC: New Society Publishers, 2005), 125: "The Dulles brothers had already conceived a plot when Eisenhower became president in January 1953;" Tim Weiner, *Legacy of Ashes: The History of the CIA* (New York: Doubleday, 2007), 83: "[In November 1952] 'The CIA was setting out to depose [Mossadeq] without the imprimatur of the White House.'"
13. Scot Macdonald, *Rolling the Iron Dice: Historical Analogies and Decisions to Use Military Force in Regional Contingencies* (Westport, CT: Greenwood Press, 2000), 98. Cf. Richard H. Immerman, *John Foster Dulles: Piety, Pragmatism, and Power in U.S. Foreign Policy* (Wilmington, DE: Scholarly Resources, 1999), 67. Allen Dulles played a personal role in TP/AJAX, by flying to Italy and persuading the frightened Shah to return to Tehran.

[IMAGE: Peter Dale Scott](#)

[IMAGE: Dr. Mossadeq Waves](#)

[IMAGE: Dr Mossadeq enters Court](#)

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