

# Politically directed dragnet snares New York Governor Spitzer

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New York's Democratic Governor Eliot Spitzer is faced with mounting demands for his resignation after being exposed as the client of a high-priced call-girl ring.

The revelation, first exposed by the *New York Times* web site Monday morning, has unleashed a predictable deluge of media coverage, a noxious blend of prurience and prudery.

Underlying it all has been a tone of barely concealed glee at the spectacle of a former state attorney general known as an unforgiving and sanctimonious "crusader" and once hailed as the new "Eliot Ness" being caught in a sex scandal.

Nowhere was this more pronounced than on Wall Street, where Spitzer had made his national reputation—and not a small number of powerful enemies—by pursuing some of the wealthiest men in America. When news of the scandal broke on cable TV, traders on the floor of the New York Stock Exchange erupted in cheers.

The *World Socialist Web Site* has no political sympathy for Spitzer, but we are not inclined to join in the celebration of his public humiliation, especially when it is apparent that Spitzer's downfall is the outcome of a politically motivated dragnet directed by the Bush administration.

There is no question but that Governor Spitzer engaged in personally reckless behavior. But as a political matter, that is far less important than the issues raised by the role played by the Bush administration in organizing the political destruction of a man who happens to be the elected chief executive of the state of New York.

The *Washington Post* on Wednesday provided an indication of the lengths to which the Bush administration went to snare the New York governor in a scandal that would likely end his political career. The *Post* reported: "Weeks before a hotel meeting with a prostitute that threatens to derail his career, the FBI staked out New York Gov. Eliot L. Spitzer at the same hotel in an unsuccessful effort to catch him with a high-priced call girl, according to a person with knowledge of the investigation."

"The FBI placed a surveillance team on Spitzer at the Mayflower Hotel for the first time on Jan. 26, after concluding from a wiretapped conversation that he might try to meet with a prostitute when he traveled to Washington to attend a black-tie dinner, the source said Tuesday."

Largely lost in the torrent of media moralizing and salaciousness is one rather significant and troubling fact: It appears that the governor of New York did not get caught up in a prostitution investigation, but rather, the prostitution ring got caught up in an investigation of Eliot Spitzer.

According to a report published Tuesday in the *Wall Street Journal*, the FBI began a probe of Spitzer in October 2007, after his bank "filed 'suspicious activity' reports on the New York governor with the Treasury Department's Financial Crimes Enforcement Network."

Citing a federal law enforcement official and a lawyer involved in the case, the *Journal* said that Spitzer's bank detected the transfer of large amounts of cash from his account, triggering suspicions that the governor could have been "engaged in 'structuring,' a money-laundering technique in which transactions are kept beneath \$10,000 to avoid federal reporting

rules."

The report noted that in the wake of the September 11, 2001 attacks, there has been a concerted federal crackdown on money laundering, and that banks have stepped up the filing of reports with the government that "often include details of transactions done by innocent people."

The *Journal* added that Spitzer's supposedly "suspicious transactions" were "a major part of the investigation," and that it is unclear whether "federal investigators were engaged in a crackdown on the prostitution ring when Mr. Spitzer entered their sights as an alleged client of the ring, or whether Mr. Spitzer's transactions helped trigger a probe of the prostitution operation."

An account given by the *New York Times* Tuesday clearly suggests that the latter is the case. According to the *Times*, the bank reports on Spitzer's transactions were first investigated by a Long Island, New York office of the Internal Revenue Service, which found that the New York governor had transferred thousands of dollars into what appeared to be dummy or shell corporations which conducted no real business.

This pattern, according to the *Times* version of events, "suggested possible financial crimes—maybe bribery, political corruption, or something inappropriate involving campaign finance."

As a result, the case was passed to the FBI and federal prosecutors in Manhattan, who obtained permission from the US attorney general to proceed with a political corruption investigation. Their inquiries quickly revealed that there was no bribery or misappropriation of funds.

At that point, there was no legitimate reason for the US attorney general to press ahead with an investigation of the governor of New York. One does not yet know whether the Bush administration had reason to believe—based on prior surveillance or inside information—that Spitzer was involved with call-girls. But once the investigation had the dirt it was looking for, the high-powered political corruption unit of the US attorney of the Southern District of New York, together with the FBI, made a federal case out of the kind of matter usually handled by the local vice squad. It recruited a former prostitute from the escort service patronized by Spitzer and obtained court-ordered wiretaps.

To make it a federal case, the government had to invoke a discredited 1910 statute known as the Mann (or White Slave) Act banning the interstate transport of females for "immoral purposes." It then deployed resources generally reserved for a major terror investigation.

The result was a federal complaint unsealed March 6 charging four individuals with conspiracy to violate prostitution statutes and to launder money gained through prostitution. Significantly, the FBI and the US attorney announced the charges together with an agent of the Internal Revenue Service's Criminal Investigative Division, the agency that launched the probe against Spitzer in the first place.

Nowhere in the complaint, however, is Spitzer named. Rather, federal law enforcement officials leaked to the press that an individual referred to as "client 9" in a summary of information gained through wiretaps of the call-girl ring's telephones was the governor of New York. The summary

included extensive and, in some cases, lurid details about “client 9’s” phone conversations that have no seeming relation to the case being made.

The media now gloatingly refers to Spitzer as “client 9.” But who are clients 1 through 8? The same transcripts make reference to a client 10, and presumably there were quite a few others engaged in precisely the same activity as the New York governor. Given the \$5,500-an-hour price tag, it is safe to bet that at least some of them are prominent figures in business, finance or political circles.

This case raises serious political issues.

It supposedly began as an investigation triggered by a bank report filed to comply with stiffer federal requirements imposed post-9/11 as part of the “war on terror.” But doesn’t it seem likely that someone at the bank would have recognized the name Eliot Spitzer and concluded that it was highly improbable that the multi-millionaire Jewish governor of New York was part of an Al Qaeda sleeper cell?

Then it was transformed into a political corruption probe, supposedly pursuing possible misuse of campaign funds. But why? The amount of money involved hardly justified a high-level federal investigation.

Clearly, this new angle ran into a dead end once the investigators traced the money to the call-girl ring. At this stage, a decision was made to go ahead anyway with a new case that had nothing to do with political corruption, but which severely compromised the New York governor, who quickly became the focus of a criminal case in which he was not even named.

Whether the entire matter began merely as a routine bank investigation is open to question. It is hard to believe that no one knew about Spitzer’s patronizing of prostitutes, given his high public profile and 24-hour-a-day security detail.

What would be the political motive for setting such a trap? On his way up the political ladder, Spitzer made some powerful and bitter enemies. As New York state attorney general, many of his targets were on Wall Street, including New York Stock Exchange President Richard Grasso, whom he publicly censured for his \$187.5 million salary, leading to Grasso’s resignation. He threatened such figures as Goldman Sachs’ former chairman John Whitehead and Hank Greenburg, former chairman of insurance giant AIG.

US Chamber of Commerce President Thomas Donohue called his legal tactics “the most egregious and unacceptable form of intimidation that we have seen in this country in a long time.” It is hardly unlikely that not a few people with substantial political influence in Washington had an interest in exacting retribution for these methods.

Within Washington itself, there are also clearly identifiable motives for pursuing this case. Under the Bush administration, the US Department of Justice has, as New York attorney Scott Heron pointed out on the *Harpers Magazine* web site, prosecuted 5.2 Democrats for every Republican, and many of these Republicans were pursued only because they were caught up in cases against Democrats. Moreover, these prosecutions have in many instances been timed to coincide with the electoral cycle. Such was the case with the corruption prosecution of Alabama’s Democratic governor, Don Siegelman, which Republican insiders have indicated was instigated by Bush’s former chief advisor, Karl Rove.

The controversy over the firing of nine US Attorneys that gripped Washington last year stemmed in large part from similar cases in which Rove and others sought to promote politically motivated prosecutions of Democrats. Considering the peculiar course taken by the Spitzer case, there is ample reason to suspect that it represents just such a political hit job by the Bush administration.

Two central political questions emerge from the entire sordid Spitzer affair. The first is a recurrent theme within American politics: the use of sex scandals as an instrument of political retribution and manipulation—from Bill Clinton and Monica Lewinsky through the arrest of last June of Republican Senator Larry Craig in a men’s restroom for

allegedly soliciting an undercover cop.

All of these affairs express the degeneration of both big business parties and the media, which substitute scandal-mongering and character assassination for any genuine and open debate of policy and issues. The hand-wringing and feigned outrage over the personal sexual conduct of this or that politician—combined with the media’s dissemination of lurid details—all have the effect of debasing the political environment.

These cases also serve to distract public attention from the real crimes being carried out in Washington, as well as Albany and other state capitals: The continuation of wars of aggression that have claimed millions of lives and are costing \$12 billion a month, the wholesale attacks on democratic rights and massive spying on the American people, and the subordination of the social interests of working people to the wealth accumulation of a narrow and increasingly criminal financial elite.

The other question that deserves careful consideration is the way in which the Spitzer affair reflects the immense growth of government surveillance over every aspect of life in America. The kind of information that flowed from the New York governor’s bank into the hands of federal investigators is regularly collected through the monitoring of financial transactions of millions upon millions of Americans, along with their emails, telephone calls and travel information under the domestic spying operation run by the secretive National Security Agency.

Under the pretext of waging a “global war on terror,” the Bush administration has demanded unrestricted access to this information, and the Democratic Party has acquiesced again and again. The Spitzer case shows to what effect such information can be used.

If a politically powerful and immensely wealthy individual like Spitzer cannot protect himself from this increasingly Orwellian state spying apparatus, what about the average citizen?



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