

EXECUTIVE INTELLIGENCE REVIEW

Corruption at the
Federal Reserve

August 14-20, 1979

“Supergate:” Carter’s Plumbers Unit



- The New York Times
- It didn't stop with Watergate

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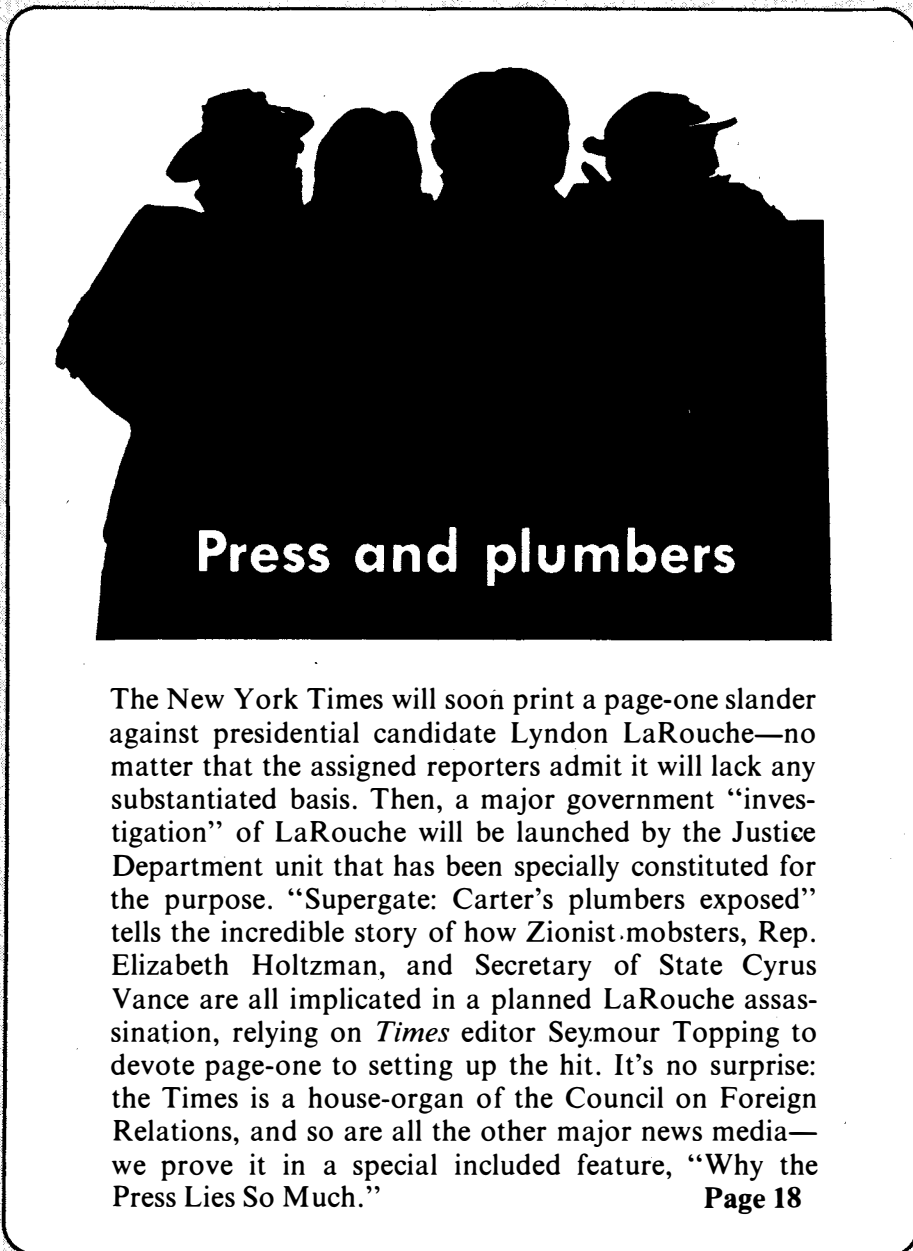
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EXECUTIVE INTELLIGENCE REVIEW



Press and plumbers

The New York Times will soon print a page-one slander against presidential candidate Lyndon LaRouche—no matter that the assigned reporters admit it will lack any substantiated basis. Then, a major government “investigation” of LaRouche will be launched by the Justice Department unit that has been specially constituted for the purpose. “Supergate: Carter’s plumbers exposed” tells the incredible story of how Zionist mobsters, Rep. Elizabeth Holtzman, and Secretary of State Cyrus Vance are all implicated in a planned LaRouche assassination, relying on *Times* editor Seymour Topping to devote page-one to setting up the hit. It’s no surprise: the Times is a house-organ of the Council on Foreign Relations, and so are all the other major news media—we prove it in a special included feature, “Why the Press Lies So Much.”

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Fed and Dope

Drug runners at the Federal Reserve? "Corruption at the Fed" leads our ECONOMICS Report: The Cleveland branch of the Fed is involved in some very funny operations in connection with Max Fisher and the Jacobs family mobsters. Meanwhile, National City Bank of Cleveland—using insider-information from Fisher and Jacobs airlines engaged in some highly profitable, highly corrupt arbitraging on the Fed funds market. Also: "How Chrysler was driven to the brink"; plus how the Europeans set a bear-trap on the gold markets. **Page 7**

Metzenbaum caught in 'Fedgate'?

The scandal tying the Federal Reserve to drug-running may ensnare Senator Howard Metzenbaum of Ohio, who is being flagged by rumors concerning his connection to Marathon Oil, a company also linked to Zionist "Purple Gang" chieftan Max Fisher, and other Fisher-linked business circles. And why has Metzenbaum asked for the expansion of the "anti-Nazi" Justice Department unit called the Office of Special Investigations, which has more lawyers than the Watergate prosecutor ever had, to include powers to investigate everyone? A full profile of the Ohio Senator in this week's U.S. REPORT. **Page 33**

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Can Israel prevent peace?

The Europeans and the Arabs are coming closer and closer together on an oil-for-technology basis for developing the Middle East and preventing war. The only way Israel can stop the convergence is by starting war. In this week's expanded MIDDLE EAST section: the great opportunity for peace, and the great danger in "Israel's ten-week war scenario."

Also: French-led European initiatives are not only economic. Former premier Bakhtiar is in France, and gaining steam daily in his drive to topple the London-sponsored Ayatollah Khomeini from power before Iran ceases to exist as a nation. Plus, a report on the situation in Afghanistan, a look at what that nation's anti-British rulers are saying, and, a special report on the shambles of the Iranian development program

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How much oil?

Not only is there no oil shortage. There are 1 trillion more barrels of oil waiting to be tapped—that's right: 1,000,000,000. A report by Cities Service, Inc., now circulating in industry circles shows that the amount of unproven oil still in the earth and accessible with available technology equals the total present proven reserves plus the total amount of oil consumed by the entire world in the past entire century! Our ENERGY Report also tells you how this oil wealth can be tapped, why it hasn't been, and who's responsible.

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<p>EXECUTIVE INTELLIGENCE REVIEW November 22, 1978</p> <p>Why the World Bank Pushes Drugs</p> <p>72-Page Special investigative and economic analysis of the Third World - on an anti-drug campaign</p> <p>New Solidarity International Press Service \$10</p>	<p>EXECUTIVE INTELLIGENCE REVIEW November 22, 1978</p> <p>Saving the dollar -</p>  <p>-without a recession</p> <p>London Times & Financial post The new monetary system - analysis Group</p> <p>New Solidarity International Press Service \$10</p>	<p>EXECUTIVE INTELLIGENCE REVIEW November 22, 1978</p> <p>Japan exports the A...</p>  <p>Will it... any... in the...</p> <p>New Solidarity International Press Service \$10</p>
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New York—next banana republic?

The announcement by New York Governor Hugh Carey that he will convene a special session of the state legislature on Sept. 7 to vote up a constitutional amendment permitting gambling in New York signals a new phase in the operation to take over U.S. cities by the entity this review first labeled "Dope, Inc." nearly ten months ago.

New York is now slated to be the showcase for a national urban policy made-in-Britain, a policy that carries "free enterprise" to its ultimate conclusion. Mayor Edward Koch and Gov. Carey have already overseen New York's escalating loss of industrial jobs and the dismantling of such necessary services as schools, hospitals and transport. The transformation of the city into a Sodom and Gomorrah capital for drugs, prostitution and other "entertainments," will under the Koch-Carey plan, be supervised directly by the merchants of death themselves—organized crime.

The plans are already very far advanced. The legislative session is expected to be followed by a gambling referendum in next November's elections. Similar referenda are either already rammed through (as in New Jersey) or proposed in several other states.

Ladbroke's, the largest British gambling house and a key cog in the international drug trafficking, real estate speculation machine, has bought a large tract of land in Westchester County north of Manhattan in anticipation of soaring land values there. Four nursing home for the elderly, situated in the choice seaside areas of Long Beach, Far Rockaway and Coney Island, have been targeted to become the proposed casinos.

A typically British cover of gentility has been devised for this squalid deal. Richard Armao, until a few

days ago the public relations representative for a casino gambling coalition, confided: "It's going to be gambling London-style, in private houses. Ladbroke's is key—we're working with the state legislature to keep organized crime out. We don't want a 42nd Street operation."

Nonetheless, according to indications from Mr. Vincent Reede, director of research for the Casino Gambling Panel, one of the three corporations that will dominate the New York casino scene is the Meyer Lansky-linked Resorts International. Resorts was documented in the popular book *Dope, Inc.: Britain's Opium War Against the United States* as an offshoot of the notorious Perminindex organization that killed JFK and was implicated in the attempted murder of Charles de Gaulle. Under such direction, Mr. Reede predicted, "New York will become a free port" and gambling cruise ships "will be pouring into New York—just like the West Indies."

Perhaps the most dismal note is sounded by the fact that the large commercial banks are rushing to cash in on the expected "action." A consortium of three banks led by

Morgan Guaranty admits having loaned tens of millions of dollars to Dell Webb Construction Co. for building casinos in Las Vegas.

But "Dope, Inc." should not think that British economic policies will wash so easily with other segments of the U.S. population. On Aug. 8, a legalized-gambling bid was set back in the nation's capital when the Washington Board of Elections invalidated over 50 percent of the signatures on petitions being circulated by backers of a referendum to legalize gambling. According to reports, petitions were being collected by children under voting age and a larger percentage of the signatures was fraudulent. Key to the defeat was the work of a group of black Baptist ministers who have been working with other forces toward the formation of a National Anti-Drug Coalition.

As the New York case shows, what is at stake in the fight to destroy the international drug mafia is not merely the drug issue in itself. The very future of American cities as centers of industrial progress and advanced education is on the line.

—Nora Hamerman

The Week in Brief

Italy has a government—but it doesn't bode well for the country's antiterrorism battle. The surprise appointment of former Interior Minister Francesco Cossiga as Premier last week, after incumbent Giulio Andreotti and two other candidates failed, is viewed as a victory for the U.S. Ambassador to Italy Richard Gardner, who had openly opposed Andreotti's collaboration with the Communist Party in

locking up the masterminds of Italian terrorism.

Cossiga, a Christian Democrat, headed the Interior Ministry during the 1977 terrorist buildup that culminated last year in the 54-day kidnap of statesman Aldo Moro. He resigned one day after Moro's body was found, amid widespread rumors that the Red Brigades had spies and collaborators in his ministry.

A special antiterrorism unit headed by Gen. Carlo Dalla Chiesa subsequently scored a series of dramatic arrests, including university professors, and had recently closed in on such Socialist Party barons as parliamentarian Giacomo Mancini for their ties to the Red Brigades.

The Cossiga government has the Socialist Party's support but is of decided "right-wing" cast and can be expected to preside over a dangerous social polarization this fall. Along with the Christian Democrats, portfolios went to representatives of the tiny Liberal Party (an affiliate of Britain's Tories) and the NATO-backed Social Democrats (PSDI). Excluded are the Communists, who had backed the Andreotti antiterror program and whose base is Italy's trade unions.

* * *

Nicaragua's Government of National Reconstruction may be forced "to take extreme and radical measures," unless immediate and massive aid is forthcoming, according to the Foreign Minister of Mexico, Jorge Castaneda. Returning from a tour of Nicaragua, Castaneda said that food and medical supply shortages are "severe, worse than is suspected outside."

The United States has been shipping 100 tons of food into the country a day, and has announced plans to increase that amount by 40 tons. But estimates are that several thousand tons daily are the minimum required to stave off hundreds of deaths by starvation a day.

Nicaraguans suspect that the withholding of aid by the United States and Western Europe is economic warfare—a plan to force the newly liberated nation to accept International Monetary Fund austerity conditions. The Reconstruction junta has declared a moratorium on debts to the IMF and World Bank contracted during the last months of the Somoza dictatorship, funds which they have documented went to buy armaments against the population and drugs.

They also fear that the U.S. government may be deliberately trying

to force Nicaragua to seek aid exclusively from Cuba and the Soviets, in order to provide a pretext for an invasion by U.S. marines. U.S. Secretary of State Cyrus Vance had tried to mount such an intervention during Somoza's recent war on the Nicaraguan population, but backed down when the Organization of American States overwhelmingly rejected the plan.

* * *

"Mexico's state-owned oil company Pemex should be congratulated for the work they are doing in controlling the Ixtoc-1 oil spill in the Gulf of Mexico," Paul Adair, the well known expert in shutting down oil spills, told the Mexican press this week.

Not only is Pemex capable of controlling the Ixtoc-1 oil, but the company is contributing greatly to the technological development of the oil industry by applying the most advanced equipment to control the oil spill, Adair concluded.

The oil expert added that despite the U.S. press scare—echoed this week by the West German news magazine *Der Spiegel*—the Ixtoc-1 spill is not the worst in history, only the largest. Adair has fought oil spills in Libya, Iran, Sumatra, Kuwait, Oklahoma, and Texas.

* * *

"Planned shrinkage" is the policy of the individuals who have taken over New York City, charged outgoing New York Deputy Mayor Herman Badillo. This city is now "firmly in the control" of individuals who are committed to "shrinking the city," said Badillo, who was removed from his post in an administration shake-up by Mayor Edward Koch.

He said that the city administration plans to reduce the population of poor ghetto areas to shift power to the well-to-do sections of the city. The "planned shrinkage" policy will involve the closing of hospitals, schools, fire and police stations, and subway and bus services in low-income areas to force people out.

Badillo attacked Robert F. Wagner, Jr., head of the City Planning

Commission, who is reported to be first in line for Badillo's deputy mayor post, for wanting to turn midtown Manhattan into a "fantasy land" while turning other parts of the city into "slums." "I think we should rebuild the city, not shrink it," Badillo, a former Congressman, said in a television interview.

* * *

A preliminary agenda has been set for the founding convention of the National Anti-Drug Coalition in Detroit on Sept. 29, the leaders of the Michigan Anti-Drug Coalition announced. The convention will be held at Cobo Hall and is expected to draw 2-3,000 representatives from organizations across the United States.

Michigan Coalition chairman Juan Torres and Vice-chairman Salahuddin Muhammad, who launched the call for a national coalition to be formed in June, reported that some 200 leaders and groups had endorsed the call.

Among the speakers already slated are: Dr. Gabriel Nahas, special advisor to the United Nations on drug abuse; Major Al Fiumano, military specialist on air/marine drug traffic detection; Costas Kalimtgis, co-author of the book *Dope, Inc.*; Colombian agrarian leader Fausto Charris; Richard Headlee, a leader of the tax limitation referendum recently passed in Michigan, and of the state's Republican Party; and U.S. Labor Party chairman Lyndon H. LaRouche, Jr.

* * *

From Bogota, antidrug fighter Fausto Charris issued an appeal Aug. 3 to defend his battle against the Colombian dope networks. Charris said that his recent tour of the United States and Mexico, undertaken at the invitation of the New York-New Jersey Anti-Drug Coalition, "was the most important event of my life."

"I urge you to help free Colombia now from the clutches of the drug-running coup forces," he said, in a statement addressed to North Americans.

Corruption at the Federal Reserve

Fed's planes are part of a major drug shipment operation

Information that the Ohio-based Midwest Air Charter cargo line has been running illegal narcotics through the Federal Reserve System's transportation network on behalf of its financial controllers Max Fisher and Max Jacobs raises a number of intriguing questions pointing to a major scandal at the venerable Fed.

- Did then Federal Reserve Board of Governors Chairman Arthur F. Burns know of the drug-carrying activities of Midwest Air Charter when he approved its first contract for nationwide transport of the Fed Sys-

BANKING

tem's "time sensitive" financial statements, principally checks, in early 1973?

- Did then Fed Chairman G. William Miller, upon approving renewal of the Midwest contract with the Fed in July 1978, order a reinvestigation of Midwest's activities at a time when any competent such investigation would have revealed the illegal narcotics shipments?

- Is Miller's knowledge of and/or complicity in Midwest's drug activities the reason for his otherwise inexplicable rubber-stamping last March of the drug-pushing Hongkong & Shanghai Bank's bid to take over New York's Marine Midland, in the face of strong, nationwide opposition?

- What are the exact circumstances which have continued to allow Midwest, as of this writing, despite a national scandal in the money markets and a congressional investigation earlier this year, to create some \$14 billion per diem average in excess "float" in the U.S. money supply through its failure to clear Fed System checks on time?

Based on this new information, the recent congressional hearings confirming Fed Chairman Miller as the new U.S. Treasury Secretary and Miller's immediate subordinate, New York Fed President Paul Volcker, as the new Fed Chairman, "must be immediately reopened," U.S. Labor Party Chairman Lyndon H. LaRouche announced yesterday in Chicago. Miller and Co.'s mishandling of monetary policy, albeit a disaster, is a "fifth-rate question at best," said LaRouche, "rel-

ative to the top-down corruption of Federal Reserve officials by the international drug trade."

Something rotten in Cleveland

Midwest Air Charter, Inc., is a small "air taxi" or charter cargo airline company headquartered in Elyria, Ohio, outside of Cleveland, which according to outraged Ohio business sources ships illegal drugs nationally for one of its investors, Airborne Freight Corp. of Seattle. On these same flights, Midwest has been contracted by the U.S. Federal Reserve to carry the Fed System's "time sensitive documents," mostly checks and other non-negotiable certificates of value, between Federal Reserve banks and check processing centers around the country.

The better-known \$100 million-plus a year Airborne Freight is owned and controlled, these sources say, by Detroit drug king Max Fisher and his Buffalo business associate Max Jacobs, through their business partners Charles Allen, Jr. and F. William Harder. Harder, who is the president of Allen's New York investment bank, Allen & Co.—with which Fisher does a heavy investment business—maintains a seat on Airborne Freight's board of directors. Airborne Freight itself owns 9½ percent of Midwest, with an option to buy another 10 percent, sources say.

The drugs move, they assert, from the British Hongkong & Shanghai Bank's operations in Asia through the bank's Canadian business operations such as the Canadian Pacific transport conglomerate across remote border points in Alaska. Once inside and successfully past U.S. Customs, Airborne Freight ships the drugs in containers to Seattle, where Midwest picks them up in smaller package formats for national distribution.

The Fed-sponsored status of these flights provides immunity from police surveillance, the sources add.

How such a company got the pivotal Fed contract brings investigators directly to the National City Bank of Cleveland, the city's second largest, which introduced Midwest into the Cleveland Fed and thence to the national Fed.

"We set up Midwest Air," bragged retired National City Bank SVP Fred Hogg recently to investigators. "Joe [Joseph] Garrihy, the founder and now President

of Midwest, came to me in the early 1960s with no money, no customers, and one plane. I have him National City's business of moving our checks around the state, and I called up every other Cleveland bank and got him their business. Then I introduced him to the Fed."

Hogg, whose son and daughter went to work for Midwest, introduced Garrihy to his friend Clifford G. Miller, then SVP at the Cleveland Federal Reserve. Miller, whose number two man in charge of Cleveland Fed transportation happened to be Hogg's son-in-law Norman Hagen, had by 1967 gotten Midwest the contract to carry all checks and other "time sensitive" financial documents for the entire Cleveland Fed district.

By late 1972, Hogg and Miller arranged with Harry Schultze, SVP at the Chicago Fed, to set up a unified national Interdistrict Transport System (ITS) headquartered in Chicago to transport all "time sensitives"; they advised Schultze to give Midwest the national contract. "They submitted the lowest bid by far," said Schultze, and besides, "they were given clearance from the national headquarters of the Air Force Military Airlift Command. We didn't bother to check them out any further."

Air Force Intelligence

Why would National City Bank and the U.S. Air Force go to the trouble of setting the dubious Midwest up with this strategic contract? The answer is that the drugs being run into the U.S. by the London-run Hongkong & Shanghai Bank are part of Britain's drug subversion of the United States. Not only is British Intelligence highly influential in U.S. Air Force Intelligence, but U.S. Air Force Intelligence is terribly influential at National City Bank, in the person of Claude Maclary Blair, of the Air Force Signal Corps, who became the bank's chairman in 1967.

Mr. Blair has no expertise in banking. After coming up through the British-oriented ATT communications giant in the 1930s, Blair was made a major general in the elite Air Force Intelligence Signal Corps in 1942, the section of the Air Force organized by British Prime Minister Winston Churchill's personal representative in the U.S., Sir William Stephenson, head of British Intelligence's Special Operations Executive in 1939. The Signal Corps was created to ensure British intelligence control of U.S. telecommunications, and, true to form, when Blair returned to ATT in 1945 he rose to the position of Director of the ATT Space Communications Program, was made a life director of the Armed Forces Communications Association, and became President of ATT's Ohio Bell Telephone, from which post he leapfrogged to his post at National City Bank in 1967.

Other British intelligence notables at National City are Gilbert W. Humphrey, Jr., who recently took over

his deceased father's directorship of the bank, as well as of the British Sun Life Assurance Co., and the presidency of the family company, Humphrey-Hanna. Both father and son were well known as associates of Canadian business interests in Cleveland. Also a National City director is Carl S. Ablon, the Ralph E. Ablon, chairman of New York's Ogden Corp., of which Carl Ablon is also a director. Ogden is Allen & Co.'s privately financed metals firm, whose directors also include not only Charles Allen himself but also F. William Harder, a director of Airborne Freight. One of Max Fisher's closest business partners, James C. Donnell II, chairman of Marathon Oil Co. (Findlay, Ohio), of which Fisher is a founder and part owner, is also on the bank's board.

Midwest's owner Airborne Freight is also an Air Force Intelligence "cut-out," as the trade politely terms a front. Airborne's founder and president from 1946-1969, John Dallas McPherson, is a member of the Air Force Association who did pilot training for the Veterans Administration. Top Airborne director James H. Carey is a former executive of London Hambros's U.S. subsidiary—Hambros merchant bank being the prime advisor to Britain's Churchill family, which has provided several heads of British Intelligence—and is also a director of London's Midland Bank.

More concerned about their other business

Under Arthur Burns's tenure at the Fed, Midwest was given its first five-year (1973-78) national contract. "When they bid for renewal in July 1978 they incredibly underbid," Norm Hagen at the Cleveland Fed admitted, "by almost \$2 million. Of course they got the new contract. But since then their service to the Fed System has collapsed. They just stopped shipping our checks, which would pile up at airports. They seemed more interested in shipping the growing freight contracts of their other customer, Airborne Freight. They claimed to be shipping at least 40 percent Fed cargo, 60 percent Airborne cargo on the average flight. I don't believe it; I think Airborne, which would like to own Midwest 100 percent, is dumping their cargo instead on our flights.

"By early 1979 this lag in service was causing a major problem with float, the balance of unsettled checks outstanding in the Fed System," Hagen continued. "Remember when Congress investigated the float scandal? All Midwest has to do is delay shipments by four or five hours a day and at one point some \$14 billion in unsettled checks a day were ballooning up the money supply. They insisted we had to give them more money—of course they had only submitted the original low bid because Airborne is subsidizing their flights—so they could buy more planes. But the problem is still there."

"If the Airborne cargo was drugs, that is the first reason I have heard that would make any sense as to

why Airborne was insisting Midwest bump the very Federal Reserve," commented the prestigious money market analysis house Aubry G. Langston.

The scandal extends back to National City Bank in Cleveland, which has for the last year at least been making a mint off the nation's resultant monetary troubles. Bank stock analysts at Britain's Lazard Freres explained that National City makes most of its steady profits off arbitraging in the float-distorted federal funds markets. When float is large—\$14 billion—checks don't clear, and banks must go to the interbank market in federal funds to borrow short-term cash. This raises the demand for short-term funds, and the short-term rates rise. National City Bank, anticipating this as no one else in the market can, knows that rates will rise at some time in the future and arranges to sell on that day long-term bonds for cash to place in the short-term

market at the higher rates. No other bank, says Lazard, has been able so consistently to make an arbitrage profit like this.

Most bank analysts and commercial banks, however, are well aware of what National City is up to, and intend to keep the situation covered up. "That's our favorite bank!" cried the prestigious Keefe, Bruyette bank stock analysis house. "We would never give you any information which could lead to their incrimination." A top officer of a New York clearing bank added that if the big New York banks knew about the National City scandal, they would probably "be smug about it. ... They wouldn't jump up and run around. Perhaps National City Bank should not have an edge on the arbitrage game, but everybody's in on the game and no one wants to wreck it."

— Kathy Burdman

BRITAIN

Are the Tories going to pot?

No wonder Britain's economy has so much trouble developing efficient executive and middle-management personnel. According to latest reports, "Turn on to Maggie" has become the slogan of the day among Britain's Young Conservatives, who have discovered the joys of cannabis and are hoping to enjoy "high times" in Parliament if their campaign to legalize the weed succeeds.

At least 40 percent of the members of London's Young Conservative organization have sampled marijuana, and they like it, says Charles Smedley, the group's vice-chairman. But being respectful subjects, they want the stuff legalized before they will start smoking it in public as they go to their jobs in the banks, financial houses and law firms in the City of London. "I work in the City and I'm active in politics, explained the 28-year old Mr. Smedley, who is a stockbroker himself. "To break even such a stupid law would be to set a bad example."

Instead, the young Tories will try to change the laws so that by the time they run for office and take seats in Parliament, MPs will be able to smoke pot as openly as they now smoke pipes. Smedley says that there are now younger MPs in Parliament and with luck the law may be changed within the next ten to fifteen years. To speed up the process, his group is organizing a "pot caucus" to be held at the Tory Party's annual conference in October.

"Compared with tobacco or alcohol, cannabis is relatively harmless," Smedley adds. "But the profits should go to the tax man, not to the drug pusher." In the meantime, a work slowdown by British customs officials at Heathrow has demonstrated the fact that every day large hauls of drugs pass through the airport undetected because of deliberate understaffing.

In the first day of their job action to protest staff shortages, customs officials doubled the amount of contraband seized, merely by working at a deliberately slower speed and meticulously searching each "tourist" and "holidaygoer" instead of using

the usual quick, sloppy search procedures which make London a drug smuggler's haven. Three kilograms of heroin worth over \$600,000 were discovered the first day of the job action, in the briefcase of a man who had nonchalantly walked through the green "Nothing to Declare" gate. The following day, marijuana, hidden in a banana, was seized by customs officials. Inspecting a bunch of fruit from a Nigerian woman's baggage, officials found that the fruit had been removed, the skin filled with cannabis and the peel carefully stitched back on!

Although adequate staffing at customs might put a stop to the drug trafficking, the government plans to do just the opposite. It wants to cut the number of customs inspectors by 1,800 from the present level of 28,000 with the prospect of a further 6,000 jobs being lost in 1980. According to the Society of Civil Servants, the customs workers' union, which is protesting the cutbacks, "Smugglers are walking straight through with no one to stop them. We need more staff and not less as the Government plans."

—Marla Minnicino

Taxpayer revolt needed vs. mortgage bubble

As the U.S. economy turned the corner into recession several weeks ago, the nation's secondary mortgage markets were erupting in a flurry of activity. The secondary mortgage markets are where residential mortgages are sold in bulk to investors by large mortgage lenders, and by the government and private mortgage companies which act as the conduit between mortgage lenders and investors.

DOMESTIC CREDIT

On Aug. 3 and 4 alone, three tombstones appeared in the pages of the financial press announcing the placement of close to \$100 million in mortgage pass-through certificates with institutional investors by three different private conduits. According to Bill Ross of MGIC Mortgage Marketing Corp., one of the conduits, all three plan to keep on marketing these mortgage-backed securities as often and in as great amounts as possible.

As to why there has been a spurt of activity at this moment in this abstruse corner of the financial markets, Ross says that in view of the dropoff in capital investment and corporate bond issues, the time is right for the marketing of real estate related securities. "After a summer of sitting on their money, the institutions are eager to commit their funds to our market," says Ross. MGIC's \$50 million issue was placed with a single major life insurance company which wishes to remain anonymous.

Ross personally put together MGIC's first issue of mortgage-backed securities in 1973. Only that time, the market shifted before MGIC had lined up investors, and MGIC got stuck holding the mortgages. One reason Ross may be so confident now is that Jay Janis, the incoming head of the Federal Home Loan Bank Board, is an old friend and former employee of MGIC through a subsidiary, MGIC-Janis.

Real estate takeoff

The current flurry of secondary mortgage market activity is symptomatic of a special sort of real estate bubble now in the works. While overall mortgage lending is running around 10 percent below last year and new housing starts are sinking towards the 1.5 million unit per annum level, real estate investment in selected urban areas of the country is taking off like never before. Typically, these urban areas were only recently rundown neighborhoods or hard-core slums, and the speculative

profits have been ensured by the liberal granting of federal subsidies for "urban rehabilitation," special abatements on local taxes, and other such incentives to the real estate operator. The insiders in the operation—some of New York's most prestigious investment banks, a small circle of obscure mortgage companies, and foreign financial interests—are making a killing from the runup in real estate values in areas where they got in on the ground floor.

Conflicts of interest?

It is a wonder that the continuous flow of personnel between the federal and local housing and mortgage agencies, and the private mortgage investment companies, building materials companies, and insurance companies, has escaped investigation on conflict of interest charges.

One place to start an investigation would be with the Federal Home Loan Bank Board, which is charged with regulating the nation's savings and loan institutions.

At the instigation of former chairman Robert McKinney, who left the board earlier this summer, the FHLBB has done its part to abet the urban rehabilitation operation by encouraging S&Ls to make mortgage loans to the inner cities, as per the specifications of its Community Reinvestment Program.

"Arm-twisting" would be a more precise term. According to a spokesman for one of New York City's largest S&Ls, the FHLBB has been putting enormous pressure on the S&Ls to extend mortgages for inner city rehabilitation. "If you want any concession—if you want to expand into a new neighborhood, merge with another S&L, or do anything—you have to be a good boy," he complained. "They have the switch in their hand." In addition to making life very difficult for S&Ls which are not "community minded," the FHLBB offers reduced interest rates on its advances to well-behaved S&Ls for making inner city loans. Given the duress that S&Ls are under to attract deposits and survive in the present high interest rate atmosphere, this sort of pressure works.

The urban racket

Just recently, under Acting Chairman Anita Miller, the FHLBB adopted a series of regulation changes designed to pump even more liquidity into principally urban real estate. The board gave the federally chartered S&Ls expanded authority to invest in state and local government bonds used for rehabilitation, financing, or con-

struction of residential real estate; it liberalized the amount that S&Ls can lend to areas receiving rent subsidies from the Department of Housing and Urban Development—inner city areas; it allowed S&Ls to make mortgage loans to co-op units on up to 95 percent of the value of the unit; and it removed the \$15,000 ceiling on loans for home improvement and repair and extended the term to 20 years.

Undersecretary of HUD Jay Janis, who was recently appointed by President Carter to assume the FHLBB chairmanship, is widely expected to continue these "socially minded" policies. Janis, originally a South Florida developer and co-owner of Janis Properties, was Director of the Office of Equal Opportunity in the mid-1960s. From 1966 to 1969 he was the executive assistant to the first Secretary of HUD, Robert Weaver. During a respite from HUD after 1969, Janis went back to his private company, which was now called MGIC-Janis, having been bought up by the MGIC Investment Corp. of current interest.

It should be emphasized that the type of urban "rehab" the FHLBB has been promoting has nothing to do with creating new housing for middle and low-income families or making the nation's cities more habitable. Take, for example, a pionbought up by the MGIC Investment Corp of current interest.

"Rehabilitation" for whom?

It should be emphasized that the type of urban "rehab" the FHLBB has been promoting has nothing to do with creating new housing for middle and low-income families or making the nation's inner cities more habitable. Take, for example, a pioneer site for urban rehabilitation like New York City's Columbus Avenue, whose "renaissance" began about two decades ago with the construction of Lincoln Center and some publicly sponsored housing.

Rehabilitation has consisted of the limited construction of new, high-priced, sleazily built "luxury" apartment buildings; a much greater amount of "renovation" of run-down buildings, hotels, and tenements—"brownstones"; and the proliferation of antique shops, natural food stores, and expensive bars and restaurants where the swinging singles and gay crowd congregate. As real estate values and rents are bid up astronomically in "chic" areas of New York like Columbus Avenue, other recently middle-income neighborhoods and black and hispanic areas are becoming uninhabitable because of the cutbacks in municipal services.

The blue collar and ghetto populations are being driven from the city to be replaced by advertising executives, insurance brokers, and other members of what someone has dubbed the "new gentry." Their ranks are now being joined by suburbanites who are fleeing back to the city because of the "energy crisis" and the collapse of public transportation.

The present phase of rehabilitation in New York,

run under the aegis of Greenwich Village's Edward Koch and his newly appointed Deputy Mayor Nathan Leventhal—a Kennedy machine man who was Mayor Lindsay's rent commissioner—features drug-oriented "discos," houses of prostitution, pederasty, and plans for legal gambling casinos.

The mortgage pass-through certificates recently placed by MGIC and other private conduits were backed by mortgages on single-family dwellings. But one investment banker in the thick of things predicts that the trend is toward urban, multi-family dwelling mortgages. The model that investment banks like Lazard Freres and the big institutional investors are looking to is the rehabilitation program on the edge of Boston's ghetto, financed by Connecticut General and the Rouse Corp.

Diversion of credit

Mortgage pass-through certificates issued by private companies are patterned after "Ginnie Mae" and "Freddie Mac" securities, both of which are issued by government-sponsored agencies and are backed by government-guaranteed mortgages. Ginnie Maes carry the full faith and credit of the government and Freddie Macs carry a lesser guarantee from the Federal Home Loan Mortgage Corp. The certificates issued by MGIC and other private mortgage companies are backed by conventional mortgages which are insured only by private underwriters, such as MGIC's mortgage insurance division.

Ginnie Maes, Freddie Macs, Maggie Maes, and the other creations of the secondary mortgage market are the product of landmark legislation of the 1960s, which was explicitly designed to channel investment into real estate in economic downswings like that now underway.

A more accurate description of what has happened is that Ginnie Mae and her friends have been sucking long-term capital out of productive investment into ground rent speculation, with the lure of quick and large profits. The composition of investors in mortgage-backed securities has shifted dramatically over the last decade toward the large institutional investor—traditionally the backbone of the long-term equity and corporate bond market.

In the early part of this year insurance companies, bank trust departments, and public and private insurance companies picked up 87 percent of the bigger-than-ever new issues of Freddie Macs, while deposit-starved S&Ls and similar institutions picked up only 13 percent. In contrast, between 1971 and 1976, S&Ls, credit unions, and other institutions directly involved in home building had purchased 95 percent of Freddie Mac issues.

The large investment banks—which determine capital flows through their function as underwriters and investment counselors to the major industrial corporations—are aggressively getting into the secondary mort-

gage market and real estate generally. This trend was highlighted by the recent announcement by Lehman Brothers Kuhn Loeb of its agreement in principle to acquire Sonnenblick-Goldman Corp., one of the country's largest mortgage-brokerage companies, with \$1.5 billion in financing and sales a year. Rumors that American Express Co. is seeking to take over MGIC triggered heavy trading in the company's stock recently.

Private mortgage insurance

The Milwaukee-based MGIC Investment Corp., the holding company for a variety of real estate operations, principally mortgage insurance, has more than \$38.5 billion in mortgage insurance contracts in force. "Magic," as the company is known in the trade, is the creation of one Max H. Karl, who founded a predecessor in 1956 and kicked off a revival of the private mortgage insurance enterprises.

Private mortgage insurance was a booming business in the 1920s (usually the mortgage insurance company was merely a different office of the mortgage lender) cut short only by the Great Depression and collapse of real estate values. Private mortgage insurers began to reappear on the scene in the 1950s, after the Federal Housing Administration, born in the 1930s, had stabilized the real estate market and values through putting government guarantees and taxpayers' dollars behind them. Today, a mortgage lender will take out a contract with a private insurer when the size of the mortgage and a small down payment prohibit the FHA or Veterans Administration from insuring the loan. It is the overall government underwriting of mortgages, however, that makes the operation possible.

Now, private mortgage insurance is experiencing a "resurgence" because of the wild inflation of homebuilding and land costs, and the relative dwindling of personal income.

Given that writing insurance on conventional mortgages is MGIC's principal line of business, Maggie Mae—its mortgage marketing division—has the inside bear on volume and source of new mortgage loans and is nicely positioned to operate in the mortgage resale market. According to one analyst in the field, the spreads that Maggie Mae garners between the mortgage rate and the certificate rate on its multi-billion portfolio of mortgage-backed certificates is phenomenal.

Next installment: Foreign investment in U.S. real estate.

— Lydia Schulman

How Chrysler was driven

On Aug. 8, the \$100 billion U.S. commercial paper market, on which corporations trade their IOU's to raise cash, fell into turmoil. Rumors were flying that the Carter administration would reject the request by the Chrysler Corporation, which has accumulated a \$207 million second quarter loss, for \$1 billion in cash in the form of a accelerated tax writeoffs over the next 18 months. Chrysler chairman John Riccardo proposes that that much cash is needed to keep Chrysler afloat. Immediately, the market began boycotting Chrysler

CORPORATE STRATEGY

commercial paper, whose interest rates rose by a phenomenal $\frac{1}{2}$ to $\frac{3}{4}$ of a percent in one day. By late afternoon, the Chrysler mood had spread throughout the market, and the average piece of commercial paper had its interest rate rise by 30 to 40 basis points.

By Aug. 9, the markets calmed down. While the immediate danger of significant worsening of the market eased, the scare of the previous day was simply a warning shot fired by anti-industrial financiers to demonstrate that they possess the capability to artificially trigger, at moment's notice, Chrysler's financial crisis—the ailing corporation will now have to finance its \$1.3 billion in borrowing requirements through short-term bank debt—into a raging U.S. panic and depression. The key aspect of this threat is to blackmail U.S. business leaders into support for London's antigrowth energy austerity policies.

Slated for eventual collapse, Chrysler currently exists as a transform Chrysler's financial crisis—the ailing corporation will now have to finance its \$1.3 billion in borrowing requirements through short-term bank debt—into a raging financial panic and potential depression at moment's notice. The key purpose of this threat is to blackmail U.S. business leaders into support for London's antigrowth energy austerity policies.

Slated for eventual dismantling, Chrysler currently exists as a functioning industrial corporation solely through the good graces of General Motors, its giant competitor, and the Mellon and Morgan banks which dominate GM's board. According to one auto insider: "GM calls the shots for Chrysler. GM decides how much market share Chrysler will get. How does it do this? By regulating how it prices its own cars. In the early 1960s, after Chrysler had shrunk to 12 percent of the market in 1959, GM did not aggressively price its medium-sized cars and let Chrysler back into a 17

to the brink

percent share of the market. Then in 1970, GM decided to pull the plug on Chrysler and shot them down in market share. GM could drive Chrysler out of business any time it wants to, but it keeps them around for appearance's sake."

Indeed, while Chrysler is being eaten alive by the cost of meeting environmental regulations, GM is benefiting from the same pressures. According to H.C. Wainwright, a consulting firm, the cost of environmental regulations—downsizing, fuel emissions control devices, fuel efficiency, and safety devices—amounts to 68.5 percent of GM's aftertax profits. The corresponding figure for Ford Motor Co. is 112.7 percent, and it is an incredible 496.9 percent for Chrysler. States Wainwright, "Look, GM doesn't mind the safety and fuel standards. If they had chosen to really fight the standards they could have defeated them. But they didn't, they just made well-sounding public statements. Now, GM has Chrysler at its mercy, depending on how much market share it gives them. And you know, these regulations not only can potentially wipe out Chrysler, but Ford is making almost no profits this year. They will lose profits next year on their North American operations. They are only making money from their foreign operations. They used to be more cash rich than Chrysler, but they are vulnerable to GM, too."

Indeed, if General Motors continues its current direction, following monetarist and not production-oriented "American System" management policies, GM will totally replicate the role of the United States Steel Corporation as an unabashed saboteur of basic U.S. industrial production. And General Motors is assisted by the activities of the United Auto Workers-supported Ralph Nader environmentalists.

Under such a GM-Nader assault, the future for Chrysler is bleak indeed. Former Secretary of State Henry Kissinger, now a chief consultant for Goldman, Sachs—Chrysler's investment bank—told a Senate hearing on SALT II that the U.S. must gear up for military production, broadly hinting that Chrysler, 7 percent of whose production is tank and military-related, would end up as an armaments company.

Another possible fate for Chrysler now being projected by some Wall Street circles is that spelled out by Arvid Jouppi, senior vice president of the John Muir & Co. investment firm. "They'll survive," Jouppi stated Aug. 5, "but not in their present form. During the next two to three years they'll become more of an assembly and marketer than a producer. But they have the option of becoming the standard setter for their suppliers and they could still maintain a dominant role in the world

scene as a salesman of other people's products." Under this scenario, a shrunken, ulcerating Chrysler would be modeled on the grossly indebted, technologically backward British Leyland.

Yet under neither of these scenarios will Chrysler be able to survive in a form in which it could make a useful contribution to the nation's economy. Chrysler is saddled with the U.S. auto industry's oldest and most decrepit plant and equipment, mostly inside the city of Detroit, with a labor force crippled by the influence of drugs. To these problems are added not only the burden of environmental regulations, but the Schlesinger energy policy—which by pricing oil at \$1 and more per gallon, is meant to end the typical use of the automobile as the means of leisure for a typical U.S. middle-income family. Under the influence of the Schlesinger policy of energy starvation, Chrysler's auto sales plummeted by 20 percent this year. In the recreational vehicle field, where Chrysler sold 28,500 units in the second quarter of last year, the troubled automaker sold a mere 2,345 such vehicles in the same quarter of 1979—due to the Schlesinger gas hoax. Moreover, GM has announced intentions to drive Chrysler out of the RV market with tough marketing techniques.

What is most shocking is that Chrysler should find itself in such awful straits. Chrysler was built on American System industrial principles and once was a proud, pioneering company. Precisely for this reason, Chrysler was targeted by a conspiracy of British-centered banks and political forces. The history of Chrysler typifies, in microcosm, the past and future of the U.S. auto and perhaps U.S. industry as a whole. In that light, we present the first of a two-part series on the history and prospects of the Chrysler Corporation.

Chrysler Corporation: an American System legacy

Walter P. Chrysler founded his company on the same American System principles that Henry Ford used to make the Ford Model A the standard in the auto field: hire the best engineers, make ample capital expenditures and improvements; produce sound car bodies; don't worry about the frills; and, above all, gear up to produce in volume.

Through the mass production of such automobiles, urbanization was fostered throughout areas of the United States where before there had only been dirt, country roads.

Chrysler, a self-taught engineer, started this process in the early 1910s while working for General Motors and rising to the presidency of the Buick division. But he was waiting for his chance to build a better car. In 1923, Walter Chrysler took over the bankrupt Maxwell Motors and began producing a Chrysler six-cylinder engine. In 1927, after having renamed the now flourishing company Chrysler Corp., Walter Chrysler bought up the Dodge Brothers auto firm through an investment bank. With the Dodge Brothers plant, he also acquired

a huge parts-fabrication plant, just what he needed to have an integrated automaking operation.

In 1928, Chrysler brought out the first model Plymouth, an all-purpose, tough, durable, go-anywhere car. To make it marketable against General Motors' competition, Chrysler started to lower its prices to boost sales volume. During the 1930s, the widely recognized soundness of Chrysler cars permitted the company to get through the depression. U.S. car sales plummeted with the 1929 crash: in 1929 total U.S. passenger car production was 4.8 million; in 1930 it was 3.0 million; in 1931 it fell to 2.0 million. To counter this downward slide, Chrysler slashed prices by \$100, or one-seventh the value of the car, and increased its Plymouth sales alone to almost 100,000 in 1931.

It was this hard-nosed strategy of producing quality cars in volume that propelled Chrysler through the depression. With the partial recovery of 1934-37, Chrysler, using the same strategy, started building new assembly plants, new parts plants, etc., employing the most modern technology.

By 1940, when Walter Chrysler died, Chrysler Corp. was a giant, nudging out Ford as the number two automaker. In summing up Chrysler's life, one historian, E.D. Kennedy, wrote: "Chrysler is a demonstration of the fact that events cannot be interpreted entirely in terms of economics; that the personal equation is sometimes not merely an important, but a determining factor. Generally speaking, the times make the man; there are many big shots of the 1920s who are not even echoes today. But in Chrysler's case, the times were against the man and the man was superior to them. Chrysler was the last great constructive force in the automobile industry; offhand one cannot think of a contemporary in any industry who compared with him. He never spent much time, or got much publicity, baiting the New Deal or battling the CIO, but he really was an American wayfarer who got along very nicely in the American way."

The "Aldermaston Company": General Motors

While Chrysler was making its great progress in the 1925-40 period, it still had to compete with the company that was dominant and set the geometry for the auto field, General Motors.

GM started as an amalgamation of a number of failed companies. In 1922, it began to make a pronounced shift toward a method of management that was exemplified by GM's chairman beginning in 1922, Alfred P. Sloan. His method of management, the "Sloan method," is now practically enshrined at the anglophile network of U.S. business schools. Sloan's approach was characterized by the view that it is not quality, but image that counts for the consumer. The two tenets of this approach as embodied in GM's success formula were (1) don't over-emphasize engineering, but rather body styling and annual model changes; and (2) decen-

tralize the auto company into divisions which are then set in competition with each other. This business formula was specifically developed as a British counter to the typical, Yankee-owned American company held by a centralized, usually family group, whose members were production oriented.

By means of financial manipulations, including skillful use of the way the American consumer market is structured, General Motors had risen to the top of the auto industry heap as early as the 1920s. It now used that dominant position, along with City of London help, to call the shots on market shares, and, even more important, to work toward the end of shaping the internal structure and philosophy of competing auto companies. GM relies on its interlocked working relationship with funds-heavy insurance companies, as well as on the huge General Motors Acceptance Corporation (the largest finance agency in the U.S.), and on key banks to control via arbitraging and manipulating both the volume and marginal rates of the key money markets that determine the geometry of consumer lending. How GM continues to do this successfully is indicated by its British-dominated board of directors, which includes chief executive officers or former CEO's of five leading American and Canadian banks.

Having obtained such a dominant market share, GM could sit over and regulate—like the H.G. Wells-styled British nuclear facility at Aldermaston—the amount of technology that would be allowed to be disseminated into the auto field.

Ford and Chrysler, as well as the other automakers, were targeted by GM for such operations. The small auto companies were mostly driven out of business. In 1946, with the death of Henry Ford and following a series of scandals, Ford finally caved in to the pressure, and adopted the Sloan method. To administer the reshaped corporation, top New York financier and intelligence specialist John J. McCloy was brought in to run part of the Ford family fortune through the newly created Ford Foundation, while a group of Air Force Intelligence "whiz kids" led by Robert McNamara was installed in the production side of the company.

GM then began to cut into Chrysler's markets, and reward Ford Motor Co. for its "good work." From 1946 to 1949, Chrysler share of the U.S. market had already fallen from 25.7 to 21.4 percent. Then in the 1950s, Chrysler's market share began eroding further.

Upon Walter Chrysler's death in 1940, his trusted lieutenant, Kaufman Thuma Keller took over, and ran the company on a strictly centralized, production-oriented basis through 1950. In 1950, Lester Colbert took over as CEO.

To expand its declining market share, numerous voices urged Chrysler to adopt the Sloan management technique. A *Fortune* magazine writer in 1960 described the ensuing debacle: "By 1953, Chrysler's auditors had

convinced Colbert that in order to develop adequate cost controls, Chrysler must decentralize, as Ford and GM had done, and that divisions should be put on a competing basis with each one responsible for its profit performance.

"Ever since then Chrysler has been in the throes of almost uninterrupted reorganization. A program of 'divisionalization' that Colbert undertook in 1954 gave new authority to the divisions. But his executive cadre, brought up under the old system, did not adapt readily to the new. Worse, with central management thinned out to provide staff for the rapidly expanding divisions, there was a lack of strong guidance from the top. Under these circumstances, the reorganization failed and costs rose sharply. According to one of the men later assigned to pick up the pieces, 'It was sheer chaos. There were none of the elements for control, none of the mechanics for decision making or review, none of the accounting tools to support divisionalization.' By this time Chrysler had a large, heavily budgeted organization planning staff and it was hiring consultants to help cope with the confusion."

The company swung back and forth between decentralization and centralization through the remainder of the 1950s. Costs mounted and production schedules were sometimes late. When the 1957-58 recession hit, Chrysler was devastated.

In 1959, Chrysler's share of the U.S. market fell to 11.3, less than half the total of 1949. With Chrysler on its knees, GM was preparing to do away with the last vestiges of the old Chrysler machine.

The 1960 scandal

The 1960 scandal that shook up Chrysler, which led to the firing of its chairman and president and rocked the entire corporate world, was a set-up sham. The presence in the scandal of several firms to which Dope, Inc. king-pin Max Fisher (see Banking) is connected indicates that even British-dominated mobsters had a hand in discrediting and reorganizing what was then the eighth largest company in the United States.

The outlines of the 1960 Chrysler scandal are as follows: Many of the top officials in the Chrysler organization had directorship on parts-supplying companies that sold their goods to Chrysler Corp. This practice was public and widespread, and, of course, still exists today, e.g. with investment banks serving on the boards of companies they service.

However, a group of muckrakers, led by a civil libertarian, Ralph Nader-type lawyer, decided to make Chrysler's outside directorships in auto parts and related companies a major issue. The lawyer, Sol A. Dann, had begun his association with the auto industry in the early 1950s. Dann met up with a gentleman by the name of Jim Robbins, who was involved in so many side businesses that he decided to have himself incorporated as Jim Robbins Co. Among others, Robbins

had coffee plantations in Latin America, an aviation company and substantial real estate holdings. Robbins was also a former Chrysler employee with inside "dirt" about the corporation's management—information which he gladly, for unknown reasons, passed on to lawyer Dann.

Robbins happened to be friends with William C. Newberg, a Chrysler executive vice president, who in 1960 became the company's president. Robbins passed on to Dann information that Newberg, with his wife, held half-ownership of a firm that manufactured door-trim panels for Chrysler, the Bonan company. In 1958, two years before Newberg became president, he sold assets in the company to Allen Industries. Allen, which is still around today, is a subsidiary of Dayco, on whose board sits Dope, Inc.'s Max Fisher.

In the ensuing scandal, both Newberg and Chrysler chairman Lester Lumm Colbert, both production men, were thoroughly scrutinized. Thomas Dewey's law firm, Dewey Ballantine, was brought in to do a top-down inspection of Chrysler for possible wrong-doing. Dewey, who had built up a reputation for "gang-busting," in fact had used his position to help build the influence of drug-pushing interests in the mob. Finally, the anglophile Prudential Life Insurance, which held \$250 million in long-term Chrysler debt and a directorship in the firm, moved in and initiated formation of an investigative committee of outside Chrysler directors "to get to the bottom of the matter." The committee members included Juan Trippe, then president of Pan American World Airways, Joseph Dodge, chairman of the Detroit Bank and Trust Co., Walton Jones, chairman of Cities Service, and R.E. McNeil, Jr., president of the Hanover (now Manufacturers Hanover) Bank.

With national scrutiny, including two congressional investigations and an SEC probe, focused on the Chrysler situation, first Newberg and then Colbert resigned. From the ranks of the Touche, Ross accounting firm, Lynn Townsend, one of Chrysler's chief accountants, was promoted into the ranks of the company to become Chrysler's CEO.

The scandal marked a turning point for Chrysler. While the company would gain back some of its market share, the dreadful reorganization of the 1950s had already left the company with a sizeable debt, and a large deficit in capital spending—instead of pouring its retained earnings into new plant and equipment, Chrysler had been spending a large portion in reorganization. In the early 1960s, Chrysler did undertake some new greenfield plant expansion, but part of this was on the military side, picking up on the Warren Tank plant which had been built during the 1940s.

Chrysler would either have to expand in a major way in the late 1960s or suffer for it in the 1970s—the crisis we are currently seeing.

— Richard Freeman

GOLD

Bear trap!

At deadline Aug. 9, the bullion price had recovered to \$300 an ounce after plunging from a record high of \$307 to \$282 within only two weeks. Gold's rebound was fueled by reports that the OPEC finance ministers will reconsider the role of the U.S. dollar in oil pricing at their scheduled meeting next month. According to the Aug. 9 *Journal of Commerce*, "rumors have been circulating that the OPEC countries might even link the price of oil to gold."

Indeed, as I reported two weeks ago, continental European and Arab leaders are negotiating the establishment of a new official gold price as

part of an emerging Euro-Arab zone of economic and military cooperation. Dresdner Bank managing director Hans-Joachim Schreiber hinted at the move towards a new gold standard in a *Wirtschaftswoche* article written two weeks ago, predicting that the gold price will rise to a 15-fold multiple of the oil price, or \$330 to \$350 an ounce.

The gold price setback was engineered by City of London financial interests in a rearguard attempt to sabotage the emerging Euro-Arab consensus around remonetizing gold. The British attempted to panic the gold market by circulating two categories of rumors: (1) That U.S. recession would drag down the gold price 1975-style, by dampening in-

dustrial demand for the metal and reducing the attractiveness of gold investment as a hedge against inflation. (This was the line of argument taken by Christopher Glynn, a top official at the London-based mining finance house Consolidated Goldfields.) And (2) that the U.S. Treasury, and possibly the International Monetary Fund as well, would increase the volume of their gold sales in this recessionary environment, again threatening a repeat of the 1975 gold market fiasco. To provide some semblance of psychological truth to the rumors, the London interests initiated heavy selling of silver, whose price movements have at times, but by no means always, been closely associated with those of gold.

However, a repeat of 1975 was never a real possibility, because European governments, who earlier this year pooled their gold reserves in the European Monetary System, have placed a floor under the gold

INTERNATIONAL CREDIT

Locomotive demands on B.R.D. to throw credit off EMS track

West German banks are using long-term foreign IOU's to help finance what is emerging as an unofficial Phase Two of the European Monetary System. Phase One stabilized internal currency parities and established a floor under the dollar; Phase Two—the core of the plan—is a redirection of world credit flows into industrialization and high-technology energy development. The much-touted "aggressive" Euromarket lending by West German banks, combined with their moves toward remonetizing gold in conjunction

with France, has been the answer to U.S. and International Monetary Fund demands at the Tokyo summit of Western leaders last month that Europe "deflate"—i.e. halt its volume and low-interest terms on loans to the Third World and less-developed OECD borrowers. And it is this aggressive lending that is the target of the otherwise mysterious demands this month by the IMF and Anglo-American financial press that West Germany adopt the IMF's 1978 "locomotive strategy" and "reflate"—i.e., keep its credit to itself.

One resource fueling this year's expanded lending to West German banks, and West Germany's export growth in turn, has been a spurt of foreign borrowing by those banks. The Bundesbank, the Frankfurt-

based central bank, records in its July report that institutions' total liabilities of longer than one year have leaped from 38.6 billion deutsche-marks as of last December to 45.6 billion at the end of May. Since the beginning of 1978, the increase has been 22 billion marks—almost the total volume of longer-term capital raised abroad in the previous three decades combined. This reflects two important principles: attracting foreign funds for productive recycling, and specifically using OPEC deposits for increased Third World lending.

Much of the borrowing over the past 17 months by West German banks, according to the Aug. 6 London *Financial Times*, has taken the form of *Schuldscheine*, or promissory notes. This instrument, traditionally used by government entities, is relatively attractive to lenders abroad because it is exempt from the 25 percent coupon tax imposed on foreign buyers of domestic bonds. For the banking borrower it has the advan-

price. According to Thomas Wolfe, a well-known Washington consultant who advised the Ford Administration's Treasury Department, European, Arab and other governments have in recent months been buying at least 20 percent of new gold supplies as they come into the market, dwarfing private speculators. British bullion interests, who control only about 3 million ounces of speculative (non-industrial) gold demand out of a total world market of approximately 50 million ounces, have been overshadowed by the Dresdner Bank and other large West German, French, and Swiss banks who buy for these governments.

Since the beginning of this year, Wolfe reports, the Bundesbank has enlarged its gold holdings by 10 percent. The increase does not show up in the official IMF statistics, because these new reserves are held up by the Dresdner Bank in a special Bundesbank account. Under a three-year

international agreement which expired March 1978, the Group of Ten central banks were prevented from adding to their gold holdings. Although it is now "legal" for them to buy gold, the Bundesbank and other European central banks are, in so doing, openly flouting the U.S. Treasury and IMF, whose policy is completely to eliminate gold's role from the monetary system. Moreover, the U.S. Treasury does not dare increase its gold sales now because to do so would only further feed Europe's holdings.

Given European governments' commitment to gold, any weakness in the gold price should be strictly limited and of short duration. Although gold may continue to fluctuate widely in the coming months as the battle between British and continental European gold market forces deepens, it seems unlikely that the price will slip below \$275; the upper price limit is probably around \$350,

Schreiber's target.

Recent Soviet gold market activity would appear to substantiate this projected price range. The South African *Financial Mail* reported in mid-July that the Soviets, who are among the world's shrewdest gold traders, had reappeared in the market after a long absence but were selling only above \$280. Furthermore, the Soviets, acting as if they were coordinating with the Europeans, were careful to increase their sales by exactly the amount of the U.S. reduction and no more.

No doubt, Britain's latest attempted "bear raid" succeeded merely in shaking some gold out of the hands of gullible small-time speculators and into firmer, continental European and Arab hands.

—Alice Roth

tage, if the *Schuldschein* term exceeds four years, of exemption from minimum reserve requirements maintained for shorter-term foreign liabilities.

Those borrowers, according to the *Financial Times*, have prominently included the *Landesbanken*, the large regional banks owned by the federal states.

The *Financial Times* reports that large amounts of *Schuldscheine* have been bought by OPEC central banks, a development that paper's correspondent plays as a move to diversify reserves away from the dollar. Put more positively, the financing reflects favorable economic relations. And Third World central banks, also said to be purchasing *Schuldscheine*, are probably to some extent doing so as a form of compensatory balance—deposits representing a portion of a loan from that bank to the depositor.

Meanwhile, the Bundesbank has declined to impose reserve requirements on the banks' *Schuldschein* borrowing, despite persistent rumors

that it would move to cut off this source of funds, and the *Financial Times* sees no prospect that it will do so in the future. Further, *Business Week* recently called attention to the Bundesbank's "quiet" decision last month to raise the money supply growth target from 6 to 9 percent, and not to introduce limits on banks' discount-facility borrowing. Nor are further interest-rate hikes expected.

Domestic borrowing demand is up 75 percent this year; as we reported last week, the sturdiness of export orders is enabling, or compelling, the kind of capacity expansion that has boosted the economy as a whole. Reflecting healthy import demand as well as increased oil prices, West Germany is now in current account deficit.

Thus financial analysts were startled by a report Aug. 3 in the *New York Times* that the International Monetary Fund is "investigating" West German authorities for their excessively tight interest rates—a report accompanied by a lead editorial,

"Defending the Dollar Too Much," which warns West Germany to hold down interest rates and cut its payments surplus to help prevent "an overvalued dollar," and a worsened U.S. trade deficit.

This switch from the "deflationary" "unlocomotive" formulas preceding Tokyo to the 1978 slogan that Europe and Japan must loosen up and become "locomotives" of import demand has nothing to do with payments equilibrium or domestic stimulation per se. It is a defensive, contorted demand that West Germany and France follow Japan's new example: take their liquidity and stick it anywhere but in the international markets, where it is undercutting the IMF's ability to impose "conditional," murderous financing terms as lender of last resort.

—Susan Johnson

'Supergate': Carter's plumbers unit It didn't stop with Watergate

On Monday, July 23, 1979, a pair of U.S. Labor Party investigators operating under cover met with *New York Times* reporters Howard Blum and Paul Montgomery in a mid-Manhattan restaurant. What was revealed in the course of the hour and fifteen minute interview could trigger a "super-Watergate" process against the Carter Administration and the political machine of Senator Edward Kennedy.

Blum and Montgomery admitted that they were involved in a plot to disrupt the presidential campaign of independent candidate Lyndon H. LaRouche Jr. The plot would unfold into public view with the publication of a front-page slander against LaRouche and the U.S. Labor Party in the *New York Times*.

Blum and Montgomery also revealed that the overall effort was being run in conjunction with the U.S. Department of Justice and the department's Office of Special Investigations. The *Times* slander, they said,

would generate the appropriate climate to convene a federal grand jury investigation into the Labor Party—an investigation which the reporters admitted would have no evidentiary grounding.

The first sign of the *New York Times* operation appeared during a corollary investigation into a New York City-based terrorist cell with a "left-radical" profile and directed against the U.S. Labor Party. One former Labor Party member who had been bribed into joining the cell, let it be known that he was acting under the protection of the *New York Times*. The cited July 23 meeting was part of the effort to corroborate that claim.

But the *Times's* role in this potential "super-Watergate" does not end with their role in maintaining that cell. Through a special investigative team which includes Blum, Montgomery and an estimated dozen other "investigative journalists," the *New York Times*

Attacks on LaRouche's party: a long-term pattern

Early on the morning of Aug. 5, Martin Deutch, Jr., a reputed cocaine dealer in the Detroit area, repeatedly attempted to provoke a violent incident with security personnel on tour with presidential candidate Lyndon LaRouche in the Detroit hotel housing the LaRouche party. Deutch was identified as a second generation member of a Detroit "Purple Gang" mob-family. The "Purple Gang" leader is Max Fisher, Michigan Republican Party power-broker, and former chairman of United Brands (United Fruit Co.).

The Deutch incident came only hours after a series of vehicular homicide attempts against members of

LaRouche's U.S. Labor Party in both Detroit and New York City. These incidents, too, were traced back to Zionist-mobster networks, with a close connection to leaders of the Anti-Defamation League of B'nai B'rith.

The recent incidents are part of a pattern dating back to 1978 and before:

- During 1978, the Michigan Max Fisher-machine pushed a patently unconstitutional "Third Party Primary" law through the Michigan State House. Sponsoring members admitted that its design was to keep LaRouche's Labor Party off the bal-

lot in the general election. During a court suit after the "Third Party primary" had been held, a judge beholding to politicians in Fisher's control acknowledged that USLP votes had been stolen, perhaps tens of thousands, but rejected the party's bid to be placed on the ballot.

- In July 1978, an assassination attempt against LaRouche was conducted in Detroit by members of the Communist Labor Party. The implicated persons were working closely with an "Anti-Nazi Coalition" run by the Jewish Community Council, a Zionist organization close to Fisher. A member of the coalition said that he had learned in an "educational" that the Labor Party was the "most dangerous Nazi organization in the United States." The Jewish Community Council's director,

is fully implicated in the creation and day-by-day operation of a "super plumbers unit" using the coloration of official Justice Department authority to attempt disruption of LaRouche's presidential campaign. The *New York Times* targets any other political, labor, religious, and ethnic organizations about to catch on to the Gen. Alexander Haig versus Edward Kennedy electoral contest being staged by the New York Council on Foreign Relations—for which the *New York Times* prints its news, its fabrications, and its slanders. More and more, worries the CFR, these organizations are turning to the presidential campaign of LaRouche for the American System alternative that would commit the United States to resuming a domestic and foreign policy of industrialization and expanding economic growth.

What is now in operation against the LaRouche campaign pales what Henry Kissinger and the Kennedy alter ego, the former Office of Naval Intelligence. All

machine put together to force the resignation of President Richard Nixon. The following report presents the preliminary findings on this conspiracy to rig the 1980 presidential elections—a conspiracy, as documented here, that involves, beyond the *Times*, the New York Council on Foreign Relations, the U.S. State Department and its Secretary Cyrus Vance, the Justice Department, the Anti-Defamation League of B'nai B'rith, officials of the Israeli diplomatic corps, leading members of the American Bar Association and its special advisory council on terrorism and Nazi-hunting, and congressmen, including Elizabeth Holtzman, Jacob Javits, Howard Metzenbaum and John Heinz.

The heart of the conspiracy within the Carter administration itself is the special "strike force," an entity long associated with the efforts of the Kennedy machine to break the International Brotherhood of Teamsters. In the present case, the Office of Special Investigations is an "anti-Nazi strike force." The strike force was created and guided under directives from leading representatives of the British Secret Intelligence Service (SIS) and its British-Canadian offshoot, the Special Operations Executive (SOE) of World War II fame. The strike force was laundered first through Senator Estes Kefauver (D-Tenn.) and then through Senator John J. McClellan (D-Ark.).

Under Attorney General Ramsey Clark, the same network was integrated thoroughly into the U.S. Department of Justice, where it has functioned in conjunction with the SOE-coordinated "Counterintelligence" unit of the Federal Bureau of Investigation—the former Division 5 of the FBI—and with Division 5's harassment against the U.S. Labor Party to date,

John Shepherd, an attorney with the law firm Summers, Schwartz, Silver and Schwartz, is now Detroit area liaison to the Department of Justice's Office of Special Investigations.

• In January 1979, Lyndon LaRouche formally declared his candidacy for president, calling a special Washington, D.C. press conference to make the announcement. Invited business, labor and political leaders as well as newsmen began to come under pressure from the U.S. State Department not to attend. U.S. Labor Party members contacting State Department personnel under cover discovered them to be circulating slanders against LaRouche in connection with the press conference. The slanders were originating in the office of Assistant Secretary of State Warren Christopher, and being

channelled through the Soviet Desk, with the personal sanction of Secretary Cyrus Vance.

• In March 1979, LaRouche visited Detroit for five days of private meetings as part of a nationwide tour. During his stay, Stanley Rollins, an ex-convict, was apprehended by hotel security personnel in the act of sabotaging the rented car used to chauffeur the candidate. Despite active arrest warrants out against him in two Michigan cities and one Ohio city, police in Southfield, Michigan, home-base of the Deutch family, set Rollins free after one hour of questioning.

• Only two days before Martin Deutch, Jr. became involved in the harassment operations, U.S. Labor Party Michigan State Chairman Ken Dalto was driving home from a

meeting at LaRouche's hotel suite, when a 1974 Fiat driven by Richard John Pink of Houston, Texas swerved across two lanes, ramming Dalto's car and causing him leg and neck injuries. This time Ferndale, Michigan police refused to press charges. Pink was immediately joined by two colleagues in other cars, one of whom drove him from the scene. By the following morning, all three men had left the Detroit area.

• On the same day, a Labor Party leader in New York was involved in a suspicious auto accident. Preliminary investigations of the vehicular assault have connected this and the Detroit incident to individuals associated with the Anti-Defamation League and related entities with "mob" connections.

through the Justice Department and the FBI, has been coordinated by arms of British intelligence through these elements.

The most conspicuous adjunct to these dirty operations, run through the "Kennedy machine" elements within the federal government, is the Anti-Defamation League of B'nai B'rith, especially the so-called Fact Finding Division of the ADL. This is the channel through which B'nai B'rith leadership conduits manufactured libels and slanders against opponents of the New York Council on Foreign Relations. The highest levels of command of the ADL and associated organizations have been documented as wittingly complicit in orchestrating libels, slanders and dirty tricks against the U.S. Labor Party, up to and including assassination threats against presidential candidate LaRouche.

The "Kennedy" strike force elements now situated within the U.S. Department of Justice have a close connection to the ADL's dirty tricks division. Under Kefauver, McClellan, the Kennedy and Johnson administrations, and also under the Nixon administration, strike forces worked to the effect of strengthening the position of dope-running elements of organized crime historically associated with the names of Meyer Lansky, Max Fisher, Max Jacobs, and the Bronfmans.

This should not surprise any informed law enforcement official. A key figure in setting up the FBI's Division 5 was the same William Stephenson aide, Major Louis Mortimer Bloomfield, who heads up the dirtiest side of Bronfman operations. Bloomfield headed Permindex, the organization Attorney Jim Garrison has implicated in the assassination of President John F. Kennedy. It was also involved in over 30 attempted assassinations of France's President Charles de Gaulle. It is now based in the Republic of South Africa.

These anti-Labor Party deployments in the United States can be traced a step higher to circles associated with the Episcopalian Cathedral of St. John the Divine in New York City, to such figures as British intelligence's Fitzroy MacLean, Robert Moss and the Mountbatten apparatus generally.

The so-called Zionist political intelligence agencies, like the government of Israel itself, are and always have been subordinate creatures of the British oligarchy's SIS.

The *New York Times*, the *Washington Post*, the *New York Post*, *New York Magazine*, the *Los Angeles Times*, the *Chicago Sun-Times* are shamelessly mere extensions of the same British intelligence coordinated nest of treasonous heirs of Aaron Burr, Andrew Jackson, August Belmont and the so-called Bilderberg cabal of today.

Some background

The operations tying Carter and Kennedy to a "super-Watergate" is traced back, with aid of Freedom of

The meeting

On July 23, two investigators from the U.S. Labor Party met with *New York Times* reporters Paul Montgomery and Howard Blum to determine the nature of a planned slander article on the U.S. Labor Party to be published on the front page of that daily. What transpired at that meeting and immediately afterwards is the subject of two sworn depositions which we excerpt below.

First affidavit

On July 23, 1979, [we] met with *New York Times* reporters Howard Blum and Paul Montgomery at Charley O's restaurant at 33 West 48th Street in New York City.

This meeting was set up upon receipt of information by me that the *New York Times*, through reporters Blum and Montgomery, was collaborating with former members of the U.S. Labor Party for the purpose of defaming the U.S. Labor Party. Both reporters have been significantly involved in the past in spreading both defamatory and black propaganda falsehoods against the U.S. Labor Party....

With this background in mind, [we] decided to pose as U.S. Labor Party "dissidents" ... to determine which of many fabrications ... the two reporters were seeking to embellish, what facts, if any, they would be using to this end and the purpose ... in publishing another defamation of the U.S. Labor Party at this time, including the sponsors of the project inside and outside the United States government....

Blum and Montgomery confirmed that they were working on a story for the *New York Times* intended to injure the U.S. Labor Party and its members and that they had spoken to former U.S. Labor Party members....

I told him that to tell him what I knew would not only require complete anonymity, but a promise of protection from the United States government, either through the executive or congressional branches.

Blum said that he wanted to ask some questions concerning the proposed article before going any further. He stated that the article was intended to start a government investigation of the organization and what he needed in order to do that was an "eye-

with the Times

catcher." He states, "look, if I could write this article with one substantiated fact, for instance the CIA connection, then the rest of the article does not have to be true ... this is front page material. ... If we can establish these and other connections and at the same time point out how crazy and dangerous this group really is, then the government will take notice ... a government investigation is what you and I want, isn't it?" ...

I then insisted again that I would have to have some sort of direct governmental protection to tell my story....

Blum stressed that Congresswoman Elizabeth Holtzman was the person he could contact for protection of me. They also said that protection could be arranged through Sidney Schamberg, the Metropolitan editor of the *Times* who, they said, had numerous government contacts. ...

Second affidavit

On July 18, 1979 ... I contacted Paul Montgomery of the *New York Times*...

I told him that I wanted to provide information on the U.S. Labor Party at this time....

Montgomery then gave me a telephone number for Howard Blum who I called on July 20th. I proposed a meeting to Blum and Blum set it up for July 23rd....

During the evening of July 23rd I was contacted by telephone at my home by Paul Montgomery in an effort to resolve the question of "protection". ... He again reiterated that the best way to get an investigation going was to help the *New York Times* with a story. Following publication of the story Montgomery implied that "Congress" would be very interested in the U.S. Labor Party. "If I were a Congressman, I would be interested," Montgomery said....

Montgomery insisted throughout the conversation that he would contact prosecutors and other law enforcement personnel in the course of writing the story but that the best source of protection ... and the purpose of the story itself was to get an investigation going through the publication of the *New York Times* article.

Information Act and other legally deposed discoveries, to the FBI's deployment in support of the future Weathermen terrorist organization. The kernel which initiated the U.S. Labor Party came close to upsetting the 1968 Columbia University gameplan of the Institute for Policy Studies and McGeorge Bundy. This group did succeed a few months later in frustrating the Bundy-IPS scheme for turning the New York City teachers' strike into an anti-Semitic race riot.

The next phase of FBI-related dirty tricks occurred during 1973 with the deployment of the Communist Party U.S.A. and the "radical left." At the same time, British intelligence was caught in the drugging of two leading Labor Party members—an operation run in conjunction with IPS and networks featuring British intelligence agent Margaret Mead. One option of this chaos and confusion operation was the projected assassination of Lyndon H. LaRouche, Jr.

It is during this period that *New York Times* reporters Blum and Montgomery first showed their skills, fabricating two successive slander articles against LaRouche and his party.

Since spring-summer of 1975, the operations against the U.S. Labor Party have featured several personal deployments by Henry Kissinger and an escalation of harassment from the highest levels of political and financial circles inside the U.S. and abroad: the U.S. State Department, Naval intelligence, Air Force intelligence, and the Department of Justice.

The evidence centered around the admissions of the *Times*'s Howard Blum and Paul Montgomery has provided the final piece of the evidentiary jigsaw puzzle needed to demand a Watergate of both the Carter administration and the Kennedy machine.

One final note: backers of a Haig presidency should not sit back and gloat that a "super-Watergate" will eliminate his Democratic opposition. According to intelligence sources, it was Haig's own NATO office in Brussels which was used by U.S. ADL representatives as a conduit for deploying covert operations against LaRouche—through European NATO intelligence channels. Top Western European intelligence agencies are looking askance at the staged public relations terrorist stunt on the Brussels bridge.

Haig, an associate of the inner circles of British intelligence, falls more or less exactly into the same category of U.S. military officer as Benedict Arnold, and as a political candidate in the same category as traitor Aaron Burr. It wouldn't take much to bring him down along with Carter and Kennedy—once a significant number of voters come to realize what these various scoundrels are in fact: the controlled choices of the British-born New York Council on Foreign Relations.

—J. Steinberg and K. Stevens

LaRouche: 'dope lobby seeks my assassination'

Presidential candidate Lyndon LaRouche issued the following statement from Detroit on August 7.

Information which has recently reached me indicates that the drug lobby in the United States is in active collusion with international drug trafficking networks to carry out assassinations. A pattern of assassination threats against me and a series of vehicular accidents' against leaders of the U.S. Labor Party are an important part of this pattern.

The May 29 assassination of U.S. Federal District Court Justice John Wood is also a case in point.

Until his murder, Judge Wood was working in parallel to Mexican and Italian officials in the investigation of high-level international drug runners. The organized crime networks which were under Judge Wood's court extended into the Zionist mafia operations of the Detroit Purple Gang member Moe Dalitz in Las Vegas, and the New England organized crime activities of Kennedy family-connected crime boss, Raymond Patriarcha.

Judge Wood's murder occurred shortly after a slander against him had been prepared for publication in the drug magazine *High Times*. The article claimed that Wood was part of a conspiracy that resulted in the drug-related murder of Texas attorney, Lee Chagras, who was closely associated with drug running networks and the Maoist Revolutionary Communist Party.

The murder of Wood coincided with escalating patterns of assassinations against Italian officials. Many of the Italian officials had been in contact with the U.S. Labor Party and the European Labor Party around the investigation of the links between international terrorism and drug-running networks. My campaign's activity in making drugs a foremost issue before the American public and my direct role in initiating the research project that resulted in *Dope, Inc.*, the book that exposes British-Zionist control of international drug trafficking, are two of the major reasons for the present activation against my person.

In addition, there are many slanders coming from elements of the Zionist Lobby who are pushing decri-

minalization of drugs as well as from some sections of the church, including Baptist ministers, who regularly oppose antidrug activity. The latter includes David Wallace of the Chicago Human Service Administration, who in discussions with reporters bragged of his role in destabilizing the World Community of al-Islam in relation to its work in an antidrug coalition, and LaRouche's speaking engagement there. The same operation involves broader destabilization of the World Community of al-Islam.

... The key to this campaign for drugs, assassinations and terrorism in the United States is uncovered by tracing the history of the Kennedy machine's penetration of the U.S. Department of Justice, the Organized Crime Task Force run through Estes Kefauver and Sen. McClellan. McClellan acted to brainwash much of the U.S. population into believing the myth of the Italian mafia myth which the McClellan committee, Kefauver committee, and Kennedy are prominent in promoting. It is notable that not once have these committees scratched the dope networks, and its is evidently considered anti-Semitic to mention Meyer Lansky's drug running operations. The problem is that under the cover of Kennedy and the Zionist lobby, organized crime in this country was penetrated into state houses, governors' mansions, and the Congress, as well as highly respected institutions in the country.

These gangsters and terrorists are protected by such leading agencies as Cyrus Vance's State Department.

I am now traveling under a death threat issued by these circles. If anything untoward occurs toward my person and my associates, Cyrus Vance, among others, must be obliged to resign. Without his witting complicity, this intended assassination operation against me could not have developed.

The timing of the assassination operation, the harassment of my supporters, and attempts to contain my campaign with a press blackout of the most significant presidential bid in this country, all show that the enemy is determined to, in the words of Hollywood, head me off at the pass," prior to the crucial period of the 60 days following Labor Day.

It is difficult to determine if the enemy now considers me a potential winner of the election or a spoiler of the magnitude of George Wallace or Sen. Barry Goldwater. Whichever they estimate, they are clearly determined to prevent that visualized potential from being realized....

What is the Office of Special Investigations

"I played a major role in designing that unit. Anti-Semitism is on the rise in this country and we have to have the law on our side to go after it. This unit is going to go after the subversives," Major General Julius Klein of Jewish War Veterans admits.

"I know Klein. He didn't have anything to do with this. I am delighted that the unit was set up and I had quite a bit to do with its set-up. We applied a little pressure in the right places and it went through. We will start with the low level Nazis in the U.S. and then go worldwide to get prosecutions all over the world of Nazis," countered Alan Dershowitz, a member of the American Civil Liberties Union and an advisor to Senator Edward Kennedy.

There is a great deal of competition between left- and right-wing Zionist circles over who takes credit for the formation of the Office of Special Investigations, ostensibly formed to prosecute and deport Nazi war criminals residing in the United States. But investigations by the staff of *Executive Intelligence Review* have revealed a capability to prosecute which has implications reaching far beyond the claims of either side. In fact, the OSI, which has an authorized staff of at least 65 attorneys (to prosecute at most 280 cases), is a practically autonomous unit, working in collaboration with the press, Congress and the State Department and designed to run dirty tricks against the intelligence community, the U.S. Labor Party, and any other challengers of the multimillion dollar business in international terrorism and drug trafficking known as Dope, Incorporated.

The disproportionate size of the unit, compared to the task it was "designed" to perform, is perhaps best illustrated by a June 1974 letter written by Congressman Elizabeth Holtzman (one of the prime movers behind creating OSI) to General Leonard F. Chapman, at that time head of the Immigration and Naturalization Service. Congressman Holtzman was complaining about the service's failure to prosecute vigorously the cases of "known" Nazi war criminals. "This is not a job for three part-time bureaucrats," Holtzman wrote. "Obviously, experienced personnel, including a lawyer expert in the field, must be assigned full time to this investigation if we are ever to realize concrete results." The "a lawyer" Holtzman thought necessary to prosecute the cases to conclusion in 1974 has blossomed into 65 or more today.

The size of the unit was also such a disproportionate allocation of scarce resources that Justice Department officials themselves strongly opposed its creation. It was only through the intervention of Criminal Division

chief Philip Heymann, reportedly "most sensitive to Senator Kennedy's goals for the department," that the unit was finally accepted.

As we will show, the truth is that the OSI is actually designed to carry out the goals of both the right- and the left-wing Zionists. As General Klein hoped, the unit will target domestic political threats to the Zionist lobby, like the U.S. Labor Party. It will as well attack the intelligence community and serve as a focal point for dissident operations within Eastern Europe, just as Mr. Dershowitz and his friends hope.

The anti-Nazi cover

Several months ago, the U.S. Labor Party became aware that the Anti-Defamation League was attempting to instigate a Justice Department/FBI investigation of the party. ADL General Counsel Justin Finger bragged to an investigator that he had met with FBI Director William Webster and discussed initiating an FBI investigation. Former ADL National Chairman Burton Josephs told an investigator that the ADL and the FBI were engaged in a full exchange of files on a local level concerning the U.S. Labor Party. Efforts to confirm this with local FBI offices tended to confirm the report, despite official denials from the FBI in Washington. However, the locus of the investigation became clear when New York Times reporter Howard Blum informed an investigator that he could provide "immunity" and protection through the congressional office of Elizabeth Holtzman and through Justice Department officials.

The campaign to create OSI first made its public debut with the January 1977 publication of Howard Blum's book *Wanted: The Search for Nazis in America*. This highly publicized soap opera was published by the New York Times/Quadrangle Books and was hyped as containing material about "newly discovered" Nazi war criminals. This "new" material was cooked up by Blum in collaboration with Congressman Ed Koch (who wrote numerous letters demanding investigations of various of Blum's charges), Congressman Elizabeth Holtzman (whose office staff helped Blum plan the entire book and provided him with privileged government information), and General Julius Klein of the Jewish War Veterans (who placed certain local organizations at Blum's disposal). While Blum was gathering his "material," CBS-TV began creating the climate for the book's publication by leaking some of the material on the evening news. The Jewish Defense League then came on board to create some additional garish publicity by holding demonstrations in front of the homes of

the alleged Nazi criminals and making bomb threats.

Blum and Holtzman's intentions are indicated by the initial written proposal for the book made by Blum to Quadrangle. In that letter, Blum proposed to document the cases of five or six individuals—of which more than half were employees either of NASA or the CIA. In the final version of the book, only one member of the intelligence community was made a target. (That man is now suing Blum and the *New York Times* for \$50 million for libel and the U.S. Attorney has acknowledged that no Nazi war crimes case can be made against him). Blum and Holtzman had not abandoned their plan to undermine the intelligence community. Rather, as the knowledgeable Mr. Dershowitz put it, targeting these individuals is currently "a somewhat explosive political issue" since some of the individuals in question are functioning as spies for the U.S. within the East bloc. Before these people can be targeted for prosecution, Dershowitz insisted, "documentation" has to be arranged and "priorities" weighed.

The lawyers

Despite Justice Department refusal to make public any of the names of the attorneys employed within the unit, an investigation by this journal has discovered the identities of a few of the individuals who will be "weighing" the priorities in the unit's witchhunt.

The unit, located in a highly secured facility separated from the rest of the Justice Department, is headed by Arnold and Porter partner Walter Rockler. Rockler, like many other attorneys in the unit, has been "loaned" by a major law firm for the job. The personnel of Arnold and Porter since the 1930s have been in the center of British intelligence penetration of the Justice Department. Founding partner Thurman Arnold was the official Justice Department liaison to Sir William Stephenson, chief of British Special Operations Executive in the U.S. during World War II. The SOE graduates since that time have continued to run British intelligence operations against the United States—many from within the Justice Department. In 1963, Arnold was an incorporating trustee of the Institute for Policy Studies, the Washington-based foundation created from the Kennedy administration National Security Council to run the New Left in the U.S. (including, of course, the terrorist Weathermen, Black Liberation Army, Symbionese Liberation Army, etc.).

Elizabeth Holtzman's New York law firm of Paul, Weiss, Rifkind, Wharton and Garrison also figures heavily in OSI activities. This firm, in addition to Holtzman, includes former Attorney General Ramsey Clark, himself deeply implicated in the terrorist activities of the FALN, Red Brigades and Baader Meinhof through his "civil libertarian" activities in the International Association of Democratic Lawyers. Clark's re-

cent "civil libertarian" activities include challenging any regulation of the Dope, Inc. networks laundering dirty money through gambling casinos. Morris Abram, a senior partner of the firm is a national commission member of the ADL. The ADL boasts that it is working directly with the OSI and has assigned a special Israeli liaison to the unit.

The Chicago law firm of Sidley and Austin, closely allied to Paul, Weiss is also implicated. Sidley and Austin partner Morris Leibman, a close friend of General Klein, has been using his post on the American Bar Association Committee on National Security and the Law to influence the creation of OSI-type units. Leibman has also drawn in the collaboration of the British Tory-run Heritage Foundation, British International Institute of Strategic Studies operative Brian Crozier, and former Attorney General Edward Levi (recently resigned from the Chicago Police Commission when his own activities in overseeing the arming of ghetto gangs were exposed) to ensure that OSI activities coincide with the re-creation of the old Division Five of the FBI. Division Five was created and run by Sir William Stephenson's SOE networks.

At least certain informal assistance is also being provided by the politically powerful New York law firm of Shea, Gould, Climenko and Casey. Arnold Forster, former ADL General Counsel, newly installed at Shea, Gould, confirmed in a recent interview that he was fully aware of OSI activities and closely watching ADL collaboration with the unit.

Merely adding up the individuals and law firms named above fully confirms our hypothesis. Holtzman, Clark and Kennedy Justice Department networks control the left Zionist option to attack the intelligence community and establish beachheads for dissident operations in the East bloc. Leibman, Levi, and the ADL-Heritage Foundation networks control the right-wing Zionist option to go after the "subversives" and get LaRouche and the USLP.

The witchhunt is on

Millions of dollars and extensive planning have been committed to the project. The *New York Times*, for instance, sued for libel after the publication of Howard Blum's sleazy book, proceeded with publication of the paperback version by agreeing to *fully indemnify* the paperback publisher for any legal costs or damages resulting from lawsuits. The *Times* then prevailed upon U.S. Attorney for the Southern District of New York Robert Fiske to initiate a grand jury investigation of the plaintiff in the libel suit specifically, according to sworn testimony, "to influence the outcome of the *New York Times*'s libel suit." Mr. Fiske was not content merely to misuse the power of his office to aid a private participant in the Holtzman-Kennedy conspiracy. He

then hired two of the individuals named in the libel suit as investigators for the grand jury investigation, and leaked the results to the *New York Times's* attorneys to "help them out" in the libel case.

Such illegality, which includes the commission of indictable felonies, requires powerful protection to cover up. That protection appears to be available. It is provided by the coordination of the activities of the OSI, Congressmen such as Holtzman, Kennedy, Rodino, Fish and Javits, and the British national press outlets (the *New York Times*, *Washington Post* and *Los Angeles Times*). Catching the *New York Times*, the ADL, the Justice Department, and Holtzman in a "supergate"—the result of their most recent efforts to disrupt the presidential campaign of Lyndon H. LaRouche and to contain the influence of the U.S. Labor Party—merely illustrates that the planning and orchestration of the OSI dating back to 1974 have now passed over into an operational phase. For these people, the witchhunt is on.

—Felice Merritt

Staffing the OSI

With the move of the Office of Special Investigations into the Justice Department came a new budget and a staffing requirement of 65 attorneys. Since OSI director Walter Rockler has refused to release the names of these attorneys to inquiring journalists, we present a profile of the partners of four of the more notable contributing law firms.

Arnold, Porter and Fortas. Senior partner Thurmond Arnold was the head of the Justice Department's Anti-Trust Division and was the department's official liaison to Sir William Stephenson, chief of British Special Operations Executive in the United States.

In 1963, Arnold was an incorporating trustee of the Institute for Policy Studies (IPS) in Washington D.C. which was created out of the Kennedy administration's National Security Council to run the "New Left."

Partner Mitchell Rogovin is today the general counsel to IPS and was the CIA's general counsel under James Schlesinger.

Paul, Weiss, Rifkind, Wharton and Garrison. Rep. Elizabeth Holtzman was a partner in the firm until she joined Congress. Former Attorney General Ramsey Clark is another.

Clark authored "Operation Garden Plot" for a long, hot summer of race riots and police state measures, the

Organized Crime Strike Force, and the Law Enforcement Assistance Administration. Through his civil libertarian activities with the International Association of Democratic Lawyers, Clark is implicated in the FALN, Baader-Meinhof, and Red Brigades terrorist and support organizations.

Senior partner Morris Abram is a national commission member of the Anti-Defamation League of B'nai B'rith. Abram has been a trustee of the Weizmann Institute in Tel Aviv, a semi-official branch of Israeli intelligence that was created by Chaim Weizman, a protégé of Sir William Stephenson.

Other members of the firm include Kennedy family associate Ted Sorenson and former Supreme Court Justice Arthur Goldberg.

Sidley and Austin. This Chicago firm has input into the OSI through partner Morris Liebman. According to Washington sources, Liebman is using his position as chairman of the American Bar Association's Committee on Internal Security and the Law as a post to lobby for more agencies modeled on OSI. These same sources say that Liebman is working with the Heritage Foundation, International Institute of Strategic Studies operative Brian Crozier, Roy Godson of Georgetown University's Law Center and the AFL-CIO, and former Attorney General Edward Levi to upgrade the Justice Department and the FBI's Division Five, a unit created and run by the SOE networks of Sir William Stephenson.

Liebman is a protégé of General Julius Klein, who has collaborated with the SOE and was a seminal figure in the Sonneborn Institute, the seed from which Israeli intelligence sprang following statehood in 1949.

Charles Lomax is another Sidley and Austin partner. He has been implicated recently in slander efforts directed at disrupting a July 22 Chicago event featuring presidential candidate Lyndon H. LaRouche, Jr. Lomax is involved in litigation of a financial warfare character against the World Community of al-Islam in the West and is a leading operative in the Institute for Policy Studies dominated National Association of Black Lawyers.

Shea, Gould, Climenko and Casey. A partner in this New York firm is Arnold Forster, the general counsel to the Anti-Defamation League of B'nai B'rith and the director of the Jerusalem Foundation which succeeded the Sonneborn Institute. In a recent interview, Forster gave the names of two attorneys at ADL headquarters who are their official liaisons to the OSI. One is Elliot Welles, believed to be an Israeli national connected to Israeli intelligence services. The Israeli Consulate at the United Nations has confirmed its own collaboration with the OSI and has described the ADL as one of its liaisons to the OSI.

Another partner, Milton Gould served for years in the Justice Department as the chief "Nazi hunter."

“Over 60 million people a night watch news shows on the CFR’s three networks.”

Why the press lies so much

It is not possible to establish any distinction between the *New York Times* and the New York Council on Foreign Relations and associated institutions of British influence in the U.S.A. The choice of the *Times*, the “newspaper of record,” to launch a campaign of slander against Lyndon H. LaRouche’s presidential campaign, touches upon the fact that 24 top-name editors, board members and correspondents for the *Times* are also members and directors of the New York Council on Foreign Relations. The *New York Times* as a publication of the Council, by itself would give the CFR and its royal British parent institution, Chatham House, extensive managing influence over the flow of news and information in the United States.

But not only the *New York Times*. Eight directors of CBS are members, as are three top CBS correspondents. Four directors of NBC as well as its current news “anchorman” receive news policy from the CFR. Two directors, the senior correspondent and the diplomatic correspondent of ABC are Council on Foreign Relations members. Three directors, a senior reporter and the former publisher of *Time* magazine are CFR members. The same goes for the *Washington Post*, which has six members; for *Newsweek*, which has four; for the *Wall Street Journal*, the Associated Press, United Press International, and for a dozen of the best known syndicated columnists, publishers and editorial writers in the country.

It is estimated that 75 percent of all the news reported in the United States is reported by the Chatham House network, to which the CFR is central, through these 10 major news media.

The Council on Foreign Relations was created in 1922 to replace the old “Civic Federation” as a U.S. branch of the Royal Institute of International Affairs (Chatham House) in London. Spreading out like spokes from the CFR is a network of “British intelligence” institutions which intersect the ubiquitous Knights of St. John of Jerusalem (British: Most Venerable Order) and which includes the Aspen Institute, the Twentieth Century Fund, the Heritage Foundation, the Ditchley Foundation, the British monarchy’s New York-based Zionist investment houses, Lazard Freres, Lehman Brothers-Kuhn Loeb, and the Harriman family interests centered in Brown Brothers, Harriman bank.

Those policy-makers at the 10 major news media who are not official members of the CFR are invariably members or directors of one or more of these associated and parallel institutions.

The policy begins at Chatham House—for example, to elect Gen. Alexander Haig President of the United States. It is channeled through CFR’s “seminars” into the thinktank, foundation, and financial boardrooms. It “automatically” enters the editorial offices of the 10 major news outlets. Their assignment—as in the “supergate” disruption of the LaRouche campaign—is to make Alexander Haig President.

It is exemplary of the press role in the 1980 election-rigging project that Jimmy Carter’s election in 1976 was a decision made at the Council in 1975 by a special task force under Cyrus Vance. Vance was a *New York Times* director. The Carter mythology was created by the press. Haig’s planned accession to the White House as a “forceful president” amid “crises” carefully planned, will find no obstacle in Carter, because the news media can destroy the mythology at the foundation of his presidency as easily as they created the mythology. Apart from media and myths, Carter never had any more substantial political following than does Haig.

It is also exemplary that the Haig option first took serious shape when the former NATO commander was invited to speak at a 1978 conference of the British Ditchley Foundation. Haig delivered a “Thatcher”-like foreign policy speech about extending NATO everywhere and atuning it to International Monetary Fund needs.

British Ditchley was established, according to its own constitutional statement, to train influential Americans in British “geopolitical” doctrines. The U.S. Ditchley Foundation, according to a constitutional statement, was established to further the strategic policy-goals of the British monarchy and oligarchy. U.S. Ditchley’s membership roster includes Cyrus Vance and Rita Hauser, another CFR member who is a special advisor to presidential candidate John Connally. Hauser willingly describes “her” candidate, Connally, as a stalking horse for Al Haig. The Ditchley board also includes Peter Flanigan, a former economic advisor to President Nixon, and currently an important campaign

strategist and financial supporter of another Haig stalking horse, George Bush.

At the time of the Ditchley conference, the *New York Times* initiated a series of front-page "news stories" focusing on the split between Haig and the Carter administration over NATO policy.

In December 1978, Haig toured the country. His address at Tufts University's Fletcher School of Diplomacy was followed by a *Boston Globe* report of the "news" that there was a groundswell of discussion in Republican circles of a Haig presidential campaign.

Informed sources say that funds for Haig's campaign are channeled through British intelligence agent Arthur Ross—of the Bank of Nova Scotia, among others. Ross is an important figure at the New York Council on Foreign Relations.

Operational control of the Haig campaign, however, is exercised by the Ditchley Foundation council and the Knights of St. John, through Knight Arthur Amory Houghton. Houghton's son is a director of CBS.

Vote-theft, machine tampering, and other street-level methods are the smallest part of "rigging" an election. Rigging the "choice" of candidates, as in dubbing someone a "winner," a "serious candidate,"—in short, *newsworthy*—is much more important. The CFR's control of the White House depends upon its control of the media, its power to distort popular perception of events and figures. Jerry Brown is full of interesting and new ideas. Senator Adlai Stevenson's program for high-technology exports is unimportant. A group of unwashed antinuclear demonstrators is news. Ten thousand pronuclear construction workers are selfishly interested in jobs.

How word gets around

Over 60 million people at night watch news shows on the CFR's three networks; 8 million copies of *Time* and *Newsweek* are sold each week; there is not a significant policymaker on the East Coast of the United States not reading the *Times* or the *Post* every morning.

The 10 outlets at the core of the CFR's media operation have established various branches which are the major sources of news for almost every other news operation in the United States.

The Associated Press, for example, is a cooperative of over 5,000 domestic subscribers (it has another 5,000 foreign outlets), each of which has, in principle, equal rights with every other. In fact, the operation works quite differently. The *Washington Post's* own Katherine Graham, the *New York Times's* Arthur O. Sulzberger and CBS News President William Leonard control the AP board on the basis of the authority that their respective publications carry among newspaper publishers. It helps that AP President Keith Fuller is also a CFR member.

With over 10,000 subscribers in 107 countries, AP

reaches, in the words of its own promotional literature, "over 1 billion people a day" who "make their value judgments on international developments on the basis of AP news."

The *New York Times* news service, with over 400 subscribers, and the jointly run *Los Angeles Times-Washington Post* wire service, with over 350 subscribers, serve much the same purpose as AP. Now, 400 newspapers can publish what James Reston or Richard Burt of the International Institute of Strategic Studies in London have to say. How can an editor in Galveston, Texas or Grand Forks, South Dakota know that Richard Burt is lying? He just read the same report on the AP wire, and *Time* magazine and John Chancellor confirm it!

The New York Times

To describe the *New York Times* as controlled by the Council on Foreign Relations is an understatement. The *Times* is, rather, its direct extension.

Every significant editorial position on the paper, with the exception of the metropolitan editor, is filled by a CFR member. Included in this bunch are such names as James Reston, Max Frankel, A.M. Rosenfeld, Leonard Silk, Richard Burt, Drew Middleton, Flora Lewis, C.L. Sulzberger (recently retired) and Harrison Salisbury.

The research for the CFR's 1980s Project, the proposed program for a Haig presidency and a "controlled disintegration" of the world's economy, was coordinated by Richard Ullman who has since become the foreign affairs editorial writer for the *Times*. Two "Chairman of the Working Groups" of the 1980's Project were Leslie Gelb and Cyrus Vance, respectively, *Times* diplomatic correspondent turned assistant secretary of state, and *Times* director, turned secretary of state.

The *Times* is a corporate member of Britain's International Institute of Strategic Studies. Six of the paper's CFR writers and editorial writers Frankel, Ullman and Robert Kleiman, and correspondents Flora Lewis, Middleton and Burt—are also members of the IISS. In fact, when *Times* diplomatic correspondent Leslie Gelb joined the State Department in 1977, the *Times* hired the IISS's staff director, Richard Burt, to replace him.

Until he became secretary of state, Vance was on the board of directors of the *Times*. When he resigned, he was replaced by his old Yale roommate, William Scranton, who also naturally replaced Vance on the boards of the United Nations Association, IBM and the Trilateral Commission.

The most significant Vance mouthpiece at the *Times* is James Reston. Reston, whose son Tom is one of Vance's press spokesmen at the State Department, is a columnist, vice-president and director for the *Times*. Walter Lippmann was the most profound influence on Reston's journalism. Lippmann, who edited the British

Roundtable's semi-official U.S. publication, *New Republic*, is the father of British journalism in the United States. Reston is a member of the CFR and a regular, privileged guest at meetings of the Trilateral Commission and Bilderberg Society. During World War II, Reston worked with OSS head Bill Donovan in reorganizing the Office of War Information. As his managing editor Turner Catledge wrote: "One day, he (Reston) invited me to join him and his wife, Sally, on a weekend visit with Lord and Lady Astor at Cliveden ... Cliveden ... had been a famous mingling place for politicians and journalists for a decade—it was sometimes called the 'second foreign office.' "

The "Cliveden Set" was rather the notoriously pro-Nazi faction of the British oligarchy.

The Washington Post

If the *Times* is the house organ for the CFR, the *Washington Post* serves the same function for the same policies of Britain's "Our Crowd" investment banks, particularly Lazard Freres which runs the company.

There is no element of metaphor in describing Lazard Freres as a British institution. The Lazard bank is established in three locations, New York, London and Paris. The London operation, Lazard Brothers Ltd., which officially owns a large portion of its New York affiliate, controls both the London *Financial Times* and *The Economist* in Britain and the bank's

directors have headed the official British Roundtable Society since World War II.

The vehicle for Lazard control over the *Post* has been the family of Eugene Meyer, Jr. (no relation to Lazard's Director Andre Meyer). Eugene Meyer, who became first president of the World Bank in 1946, bought the *Washington Post* at a public auction in 1933. The paper served as an influential, though financially weak, British mouthpiece until Meyer and his son-in-law Philip Graham, who was the company's president at the time, bought out the paper's major competitor in 1954. The *Post* is now controlled by Meyer's daughter, Katherine Meyer Graham, the company's president and chairman of the board.

It was Meyer's son-in-law Philip Graham who made the *Post* the second most influential paper in the country with a circulation of over a half a million. Phil Graham was a protégé of Felix Frankfurter (serving as his law clerk at the Supreme Court), and established himself as a major power-broker first in the Democratic Party and subsequently in the Kennedy administration. He killed himself in 1963.

Katherine Graham, who then took over, was a student of Robert Hutchins, probably the single biggest factor in ensuring British hegemony in American higher education. Hutchins left his mark at the University of Chicago, the *Encyclopedia Britannica*, the Ford Foundation, the Center for the Study of Democratic Institutions and the Aspen Institute. One of Graham's fellow

The CFR's 'Newsmen'

It is apparently not possible to gain any important position of employment with major news media in the United States unless one is a member of the Council on Foreign Relations. The following "newsmen" are CFR members:

New York Times

Cyrus Vance, former director
William Scranton, director
James Reston, director, columnist
A.M. Rosenthal, executive director
Seymour Topping, managing editor
James Greenfield, assistant managing editor

David Jones, national editor
Robert Semple, foreign editor
Hedrick Smith, Washington bureau chief
Max Frankel, editor, editorial page.
Richard Ullman, editorial writer
Robert Kleinman, editorial writer
George W. Goodman, editorial writer
Leonard Silk, financial columnist
Flora Lewis, chief European correspondent
Richard Burt, diplomatic correspondent
Graham Hovey, diplomatic correspondent
Drew Middleton, military correspondent
Roger Wilkens, international correspondent
Judith Miller, economics correspondent

Steven Rattner, economics correspondent
John Oakes, Senior, editor—retired
C. L. Sulzberger, foreign affairs columnist—retired
Harrison Salisbury, Senior, editor—retired.

Washington Post

Philip Geyelin, ex-editor
Robert O. Anderson, advisor
Nicholas de B. Katzenbach, director
Murray Marder, diplomatic correspondent
Peter Osnos, Moscow correspondent
Walter Pincus, national correspondent

CBS

William Paley, chairman
William Burden, director
Roswell Gilpatric, director

students was Robert O. Anderson, now of ARCO and the Aspen Institute, and an influential voice in editorial policy at the *Post*.

Graham is a member of the boards of the Associated Press and the American Newspaper Publishers Association. She is a trustee of the University of Chicago and George Washington University, and a member of the Brandt Commission (with, among others, RCA-NBC Director Peter Peterson) which is designed to keep the Third World under control of her father's World Bank with a policy of "appropriate technologies." The Brandt Commission coordinates its Third World policy thrust with the CFR's 1980's Project.

The Meyer family holds three board positions (Katherin Graham, her brother and her son, the paper's new publisher Donald Graham) and a majority of the voting stock of the *Post*. Felix Rohatyn of Lazard is the company's investment banker.

Ben Bradlee, the *Post*'s editor, was already well-connected when Katherine Graham took over. He was one of John Kennedy's closest friends while serving as *Newsweek*'s Washington bureau chief in the early 1960's, a connection that did more than a little for his career. His maternal grandfather was a founding partner of the Cravath, Swain and Moore law firm, the firm of the chairman of the board of the *Post*. Bradlee's parents were close friends with both the Walter Lippmanns and the Vincent Astors.

It was Bradlee who was the real "deep throat,"

directing the work of Woodward and Bernstein during Watergate.

Phil Geyelin, the editorial page editor, is a director of the CFR and a member of the Twentieth Century Fund task force on presidential debates. He is a former CIA agent. He was a protégé of Walter Lippmann. Editorial writer Stephen Rosenfeld is Henry Kissinger's mouthpiece at the paper. Three correspondents, Murray Marder, Walter Pincus, and Peter Osnos, are members of the CFR.

Three days after Alexander Haig's appearance at last April's annual Associated Press meeting, the *Washington Post* featured an interview with the "retiring NATO general" as the lead item in the newspaper.

Newsweek

The *Post* is Lazar Frere's daily; *Newsweek* is Lazard's weekly. One of Philip Graham's last acts before committing suicide was to buy *Newsweek* magazine in 1962 from the Astor Foundation, which inherited it from Vincent Astor at his death. *Newsweek*'s history as a British organ, however, extends back even further.

In January 1979, Malcolm Muir, retired editor of *Newsweek*, died. Both *Newsweek* and the *New York Times* described him in glowing terms as one of the leading "Anglophiles" in the United States. The *Times* went on to recount Muir's history with *Newsweek*. In 1936, Vincent Astor and Averell Harriman asked Muir

James Houghton, director
Frank Stanton, director
Franklin Thomas, director
Marietta Tree, director
Charles Collingwood,
correspondent
Marvin Kalb, diplomatic
correspondent
Harry Reasoner, correspondent
Robert O. Anderson, ex-board
member

NBC

Peter Peterson, director
Jane Cahill Pfeiffer, director
John Petty, director
Thornton Bradshaw, director
Henry Kissinger, advisor
Herbert Schlosser, executive
John Chancellor, news anchorman

ABC

John P. Connor, director

Thomas Macioce, director
Barbara Walters, senior
correspondent
John Scali, diplomatic
correspondent

Time

Hedley Donovan, editor, director
Louis Banks, director
Alexander Heard, director
Thomas Griffith, senior reporter
Joe Albritton, ex-publisher

Newsweek

Arnaud de Borchgrave, senior
editor
Osborne Elliott, editor-retired
Robert Campbell, president
Maynard Parker, managing editor

Miscellaneous

William Attwood, chairman
Newsday

Marilyn Berger, correspondent,
Public Broadcasting System
Robert McNeil, correspondent,
Public Broadcasting System
Marquis Childs, syndicated
columnist
Elizabeth Drew, *The New Yorker*
Richard Rovere, *The New Yorker*
Joseph Harsch, editorial writer,
Christian Science Monitor
Stanley Karnow, syndicated
columnist
Joseph Kraft, syndicated columnist
Lewis Lapham, publisher, *Harper's*
Keith Fuller, president, Associated
Press
Irving Kristol, *Commentary*
Norman Podhoretz, *Commentary*
Daniel Schorr, columnist (formerly,
CBS)
Sanford Ungar, editor, *Foreign*
Policy (formerly, *Atlantic*)

to take over and reshape their young magazine, *Newsweek*. Muir, who had founded *Business Week* magazine seven years earlier, accepted and headed *Newsweek* for 25 years, when he retired to pursue, as the *Times* put it, his lifelong interest in strengthening U.S.-British relations. Muir was a leading member of the Ditchley Foundation, founded by Astor in-laws. He was also a member of the Council on Foreign Relations, the Atlantic Council, an Honorable Knight Commander in the Order of the British Empire, Lebanese Order of the Cedar and much, much more.

The *Post's* takeover of *Newsweek* has had two effects. The first was tripling its circulation. Secondly, it established the *Washington Post* as a major press empire.

Newsweek maintains a corporate membership in the IISS, one of the four U.S. media to have such a distinction (the *New York Times*, *Time, Ltd.*, and *Readers Digest, Ltd.*)

Two of *Newsweek's* foreign correspondents are among the few American journalists in the IISS—Milan Kubic in Bonn and Peter Webb in London. Four top *Newsweek* officials are members of the CFR.

Time, Inc.

There is a general agreement in Washington, D.C. that *Time* magazine did more to elect Jimmy Carter President in 1976 than any other publication. *Time's* bidding on behalf of Carter, beginning with a 1971 cover story and extending through the magazine's favorable coverage of Carter's 1976 campaign, in no way represents a commitment to Carter. In fact, *Time* editor Hedley Donovan, who is now "special advisor" to the president on everything, is clearly behind the choice of Ted Kennedy as Democratic loser-to-Haig in 1980.

Time's editorial policy is a product of New York-based, Anglo-American Episcopalian financial circles, the CFR "Old Boys" network, that in fact has controlled the company since Henry Luce established *Time* with considerable infusions of funds from J.P. Morgan's banking empire in 1923.

There is a widely held view that Henry Luce was the final word at *Time* until he died in the late 1960s. Luce ran *Time* in much the same way that William Paley has run CBS. Luce was largely dependent on the CFR Anglo-American elite for financial backing and policy. Luce's conservative ideological idiosyncracies were featured prominently in the magazine. For example, Luce disliked Walter Lippmann intensely and had *Time* attack him regularly, but, at the same time, Luce's *Time* became the biggest cheerleader for the "American Century" doctrine which Lippmann authored.

The publishing empire Luce built is today the largest in the United States. It includes, in addition to *Time* (with a circulation of 4.6 million), *Fortune*, *Life*, *Sports Illustrated*, and *People*, and an extensive book publishing operation.

CFR control of *Time* revolves around Hedley Donovan, a member of the board of directors of the CFR, and was editor-in-chief of all *Time* publications. It was Donovan who engineered *Time's* push for Carter and, in a move as predictable as it is ironic, Donovan gave the praise-filled introduction for Ted Kennedy when he addressed a recent CFR meeting. Donovan is also a member of the Trilateral Commission, a trustee of the Ford Foundation and the Carnegie Institute, and, in the best British tradition, a Rhodes Scholar.

Time Directors Alexander Heard (also chairman of the trustees of the Ford Foundation) and Louis Banks (of MIT) are CFR members.

Time, Ltd., the company's British subsidiary, is a corporate member of the IISS. Three of its correspondents, William McWirtter, Bruce vanVoorst and Herman Nichol, are IISS members. *Time* director Gaylord Freeman is an Aspen Institute director, while Matina Horner, *Time* director and Radcliffe College president, is on the board of trustees of the Twentieth Century Fund.

The remaining composition of the board gives a flavor of the Wall Street "Old Boy" network which actually controlled Luce from the beginning. Chairman Andrew Heiskell, the brother-in-law of *Times* publisher Arthur Sulzberger; Thomas J. Watson, chairman of IBM; Raleigh Warner, chairman of the board of Mobil; and Sol-Linowitz, United Brands' negotiator of the Panama Canal treaty, director of Xerox and, until recently, director of Marine Midland.

In addition to its enormous magazine empire, *Time* owns the *Washington Star*, which it bought in February 1978, the only "alternative" to the *Washington Post* in the city. *Time* bought the *Star* from Texan Joe Albritton, who is a CFR member, named former *Time* editor Murray Gart (also a CFR member) to be the paper's editor, and left Edwin Yoder, a CFR member and an advisor to William Buckley's *National Review* magazine, as editor of the editorial page.

Television and radio

In the 1920s Winston Churchill argued, ultimately with success, that the British government should set up the first national radio outlet in the country because the British oligarchy could not afford to have such a powerful instrument of social control out of its own hands. The British also set out to obtain control over the broadcast media in this country. Without exaggeration, the National Broadcasting Company is entirely British, CBS has so little actually American in it that it requires an enormous effort and a comparable amount of "benefit of the doubt" to find it, and ABC is doing its utmost to make up for lost time in establishing its British pedigree. As for the Public Broadcasting System, the British Broadcasting Corporation would own it outright, if it didn't prefer to have the American taxpayer support the operation.

The three private networks, CBS, NBC and ABC, maintain overwhelming dominance over television and radio in the United States. Each of these networks has 200 or more affiliated television stations throughout the country. Through these affiliates, the three networks have about 90 percent of the television audience in the United States. Although many of the affiliates may be owned by individuals who are American in orientation, all national news and virtually all prime-time programming for those affiliates comes from the networks. Owners of individual stations are frozen out of any significant role in determining what news and entertainment the station airs. Although these stations do have their own local news shows, they have no capability to cover any but local stories.

The three networks maintain similar control over radio. CBS and NBC each have over 200 affiliates, again with the network providing hourly newscasts (or more) to the affiliates. ABC supplies national news to 1,500 stations around the country, many of whom have no other affiliation with ABC. Control over radio is only slightly less total than with television: there are more radio stations than television stations.

Columbia Broadcasting System

CBS is largely the child of William S. Paley, who has run the company since 1928. Who runs William Paley?

Paley, despite his Russian Jewish roots, has served in British intelligence connections, which qualify him for CFR membership. As the composition of the CBS board of directors shows clearly, policy control over CBS is exercised by the CFR "club" to which Paley belongs.

In addition to Paley, Brown Brothers, Harriman, has enormous ownership control in the company. At least eight directors are members of the Council on Foreign Relations, two are Knights of St. John of Jerusalem, and a third is the son of a Knight. Tracing overlapping directorates, CBS is connected to the RAND Corporation, the Rockefeller Foundation, the Carnegie Institute, the Atlantic Council, the American Assembly, the Ford Foundation, the Ditchley Council, and the Aspen Institute. That is significant because policy-control of each of these institutions is British.

Alexander Haig has recently boasted of his relationship to the Astor family, the American real estate swindlers turned British nobility. Haig himself is related to the lowland Scottish nobility which runs the Haig and Haig whiskey company. Both Bill Paley, who is a brother-in-law of the late Vincent Astor, and CBS board member Marietta Tree, the wife of the founder of the Ditchley Foundation, are in-laws of the Astor family.

Three senior news correspondents—Edward Murrow protégé Charles Collingwood; Marvin Kalb, the sycophant biographer of Henry Kissinger; and Harry

Reasoner of the 60 Minutes show—are members of the CFR. Richard Salant, for 15 years the president of CBS News and who is now at NBC, is a member of the "National News Council," a joint project of the Aspen Institute, the Twentieth Century Fund and the Columbia University School of Journalism and a self-appointed media "watchdog" group founded as part of the effort to watergate President Richard Nixon. Salant's top assistant, News vice president William Small, served on the Twentieth Century Fund campaign-debate task force.

CBS News was for all practical purposes invented in London. CBS News formed around CBS London correspondent Edward R. Murrow during World War II. Murrow worked closely with William Paley, who was deputy chief of the Psychological Warfare Division, SHAEF in London, in setting up a "news" operation to cover World War II. Churchill was already on record in favor of controlling U.S. news tightly. As David Halberstam describes it in his recent book, *The Powers That Be*, "The British loved him (Murrow—ed.).... And so he was taken up by the very elite of British society; in a country where doors opened reluctantly if at all, suddenly all doors were open." Murrow recruited Rhodes Scholars Howard K. Smith and Charles Collingwood, William Shirer and Eric Sevareid to CBS, creating what was to be for over 20 years the core of CBS's news operation.

The National Broadcasting Company

NBC is owned by Radio Corporation of America (RCA). RCA is controlled, and its board of directors dominated, by the British-allied "Our Crowd" investment banks, with Lazard Freres, and Lehman Brothers-Kuhn Loeb featured most prominently. Lazard Freres' Chairman Andre Meyer has the bulk of his personal fortune invested in RCA and for years he sat on the RCA board before turning his board seat over to Stephen DuBrul, also of Lazard, in the early 1970s. (DuBrul left the board in 1975 to head the U.S. Export-Import Bank.) Lazard has been a prominent force at RCA and NBC since the 1920s when David Sarnoff, the company's president, developed close ties to Lazard partner Frank Altschul and to Joseph P. Kennedy, whose family investment banker has long been Andre Meyer.

Peter Peterson, the chairman of the board of Lehman Brothers-Kuhn Loeb and a close associate of Henry Kissinger, holds his bank's official seat on the RCA board. In addition, the RCA board includes John Petty, a former senior partner at Lehman Brothers, now of Marine Midland bank. Petty's most prominent activity since taking over Marine Midland has been to try to sell the bank to the British drug-running bank, the Hongkong and Shanghai.

These investment banks represent a division of the

CFR's capabilities. Both Peterson and Petty are CFR members, as are RCA/NBC directors Thornton Bradshaw and Jane Cahill Pfeiffer.

Bradshaw, the president of ARCO (Atlantic Richfield) is a director of the Aspen Institute, as well as a member of two prominent "Harrimanite" spinoffs of the CFR, the Foreign Policy Association and the United Nations Association. RCA/NBC director Donald M. Smiley, president of the "Our Crowd" Macy's department store, is also on the Foreign Policy Association.

The most interesting figure in the NBC news operation is Henry Kissinger. In 1977, NBC hired Kissinger for an undisclosed sum of money to serve as a consultant to their news operation, to do several documentaries on foreign affairs and to appear on NBC news shows, like the Today Show. NBC has been made Henry Kissinger's propaganda outlet.

Kissinger, like Peterson, is a director of the CFR and, like Peterson and Pfeiffer, a member of the Trilateral Commission. He is a fellow at the Aspen Institute, sharing that institutional affiliation with Thornton Bradshaw.

A few months ago, Richard Salant, the former president of CBS News, became vice-chairman of the board of NBC to oversee the news operation. Salant is a prominent member of the National News Council, set up by the Aspen Institute and the Twentieth Century Fund.

Both Richard Wald, NBC News president until 1977 (he is now effectively in charge of ABC News) and Irwin Margolis, general manager for NBC News Worldwide in London, are members of the International Institute for Strategic Studies, the elite British think tank under Chatham House. John Chancellor, anchorman for the NBC Nightly News, is a member of the CFR, prominent in the Foreign Policy Association, and a protégé of the late Walter Lippmann. Edwin Newman, who will host a series of prime time NBC News specials starting this fall, is also a member of the Foreign Policy Association's editorial board.

The controlling influences at NBC intersect British control of the Democratic and Republican parties in the United States. Lehman interests have run the Democratic Party in New York (and hence largely nationally) for over 40 years. Lazard Freres has dominated the Kennedy fortune and provided this country with the likes of New York's Mayor Ed Koch. Thornton Bradshaw's immediate superior at both ARCO and Aspen, Robert O. Anderson, is controlling the campaign of zen-buddhist Jerry Brown.

In much the same way, Henry Kissinger and Peter Peterson, both former Nixon cabinet members, lead the Republican National Committee around on a leash, while various CFR figures run the party's various pathetic presidential candidates.

American Broadcasting Company

Under the pressure of a U.S. government antitrust ruling in the 1940s, RCA sold the smaller of its two radio networks to Edward Noble. That network became ABC. In 1953, Joseph Kennedy, Sr. arranged a merger of ABC with Paramount Theatres which established the company in its present form. ABC is a Kennedy company, but only at the sufferance of the Most Venerable Order of the Knights of St. John of Jerusalem.

Three ABC board members who worked closely with Kennedy on the merger remain on ABC's board—Leonard Goldenson, Simon Siegel, and Donald Cook. Goldenson has reenforced his Kennedy connections with memberships on the boards of the J.F. Kennedy Center for the Performing Arts and the J.F. Kennedy Library.

Donald Cook, another of Joe Kennedy's old cronies, is a senior partner at Lazard Freres, the Kennedy family's banker. Lazard holds a second de facto board membership in the person of John T. Connor, who is chairman of Allied Chemical. Allied Chemical was the creation of Lazard's Eugene Meyer, owner of the *Washington Post*. Meyer's daughter, *Washington Post* president Katherine Graham, remains on the Allied board.

Britain's Knights of St. John round out the controlling apparatus of ABC. Thomas Macioco of Allied Stores and John A. Coleman, a board member for over 20 years until he died in 1977, were both members of the Knights of St. John. Macioco is also a director of Columbia University, a distinction he shares both with *Times* Publisher Sulzberger and several CBS directors.

Throughout the 1960s and 1970s, conservatives in the U.S., realizing that television was biased in its news coverage and programming, tried to infiltrate or take over ABC, thinking that this network could be grabbed out of British hands. The Hunt family in Dallas, big both in oil and conservative politics, tried at one time to buy the network. While he was President, Richard Nixon deliberately granted ABC exclusive interviews and other favored treatment in order to strengthen the network against its competitors. Other conservatives have "sent our people" into middle levels of ABC. These efforts have failed completely to establish any even remotely anti-British tendency either on the board of directors or in the news operation.

The ABC news department underwent a reorganization two years ago making a none-too-good operation much worse. Richard Wald, senior vice-president for news, is a member of London's International Institute for Strategic Studies. The network's leading celebrity, Barbara Walters and its diplomatic correspondent John Scali, are both members of the CFR.

—Patrick Cotter

'Fedgate' may ensnare Ohio solon

Corruption rumors fly as Metzenbaum asks expanded powers for OSI

Associates of Ohio Senator Howard Metzenbaum (D) are reported anxious that the growing "Fedgate" scandal centered on the Federal Reserve Bank of Cleveland, National City Bank of Cleveland, and apparently mob-controlled Ohio businesses (see Banking, page 7) may taint the career of the Ohio Democrat as well.

Though Metzenbaum's name has not yet appeared in connection with the "Fedgate," his own circle of business associates intersects closely some of those who are implicated in the scandal, and, Ohio observers note, the association is certain to throw attention on long-standing rumors of illicit activities which have arisen around Metzenbaum-connected business ventures, including Detroit-based Max Fisher, cited as a drug kingpin in the book *Dope, Inc.* Moreover, Metzenbaum is directly involved in the growing "Supergate" shakeup involving the *New York Times*, Ted Kennedy and the Justice Department (see COUNTERINTELLIGENCE). While the Kennedy forces and the *Times* allegedly joined hands to run a slander and dirty tricks campaign against 1980 presidential candidate Lyndon LaRouche, Metzenbaum reportedly approached the Justice Department's bogus anti-Nazi unit to undertake additional witchhunting activity. Metzenbaum, with Pennsylvania Senator John Heinz, requested that the unit investigate "potentially subversive domestic elements including the third parties."

It is the Labor Party, the third party of which LaRouche is chairman, which has waged a national campaign to wipe out the billion dollar drug traffic protected by an international network of financiers, organized crime and politicians dubbed "Dope Inc."

The "Purple Gang" connection

Metzenbaum's family, originally owners of the Phillips 66 gasoline stations in Ohio, long ago established ties with the Max Fisher dynasty. The Metzenbaum family business was sold to Fisher, who integrated it into his international gas and oil interests through his Ohio based firm, Marathon Oil. Through this business relationship, the Metzenbaums, including young Howard, were introduced into the inner circle of the "Ohio Mafia." Metzenbaum became the protégé and later the political lieu-

tenant of Fisher associate Stephen M. Young, a major shareholder in Fisher's United Brands (United Fruit). As district attorney of Cuyahoga County during Prohibition, Young is remembered for his spectacular lack of success in dealing with Fisher-connected mobster Moe Dalitz's "Jewish Navy of Lake Erie," the bootlegging operation that almost never got caught. During World War II Young was a high American occupation official in Italy, at the same time that former New York governor Thomas Dewey and others were making "deals" with the notorious heroin kingpin Lucky Luciano resulting in Luciano's release from prison and transport to Italy to regenerate the business of narcotics shipments to the postwar U.S.A.

It is Young who gave Metzenbaum his start in public life, by securing his appointment to the war labor board when Metzenbaum was 25 years old; after his graduation from Ohio State as a "labor law" specialist. This training gave young Howard the opportunity to learn how to hornswoggle the American labor movement from such experienced British-trained Fabians as Sidney Hillman and Walter Reuther. Afterwards, until 1950, Metzenbaum was awarded a seat in the Ohio state legislature. He then "retired" from public life, but functioned as a behind-the-scenes political advisor to Young, who was himself elected to the U.S. Senate in 1958.

How to buy a senate seat

By that time, Metzenbaum had "built himself a personal fortune" through franchises from the Cleveland Airport Authority, Avis Rent-a-Car, and United Brands. He was chairman of a nationwide chain of parking lots, Airport Parking Co. Bolstered by Young's political connections and his financial interest in United Brands, Metzenbaum conducted a series of "business dealings" with the heirs to Moe Dalitz—people like Lou Goldin, and shopping center magnate Edward DiBartolo of Youngstown. Metzenbaum's parking lots, especially those near the airport, became known to Cleveland area residents as a drop-off point for narcotics shipments. Metzenbaum's law partner Harold Stern and his associate Alva T. Bonda became very rich, so rich that Bonda bought the Cleveland Indians with assistance from none other than Felix Rohaytn of Lazard Freres, now chief of New

York's Big MAC; Stern and Young represented his legal interests. Bonda's business has connections to Buffalo's Jacobs brothers, of SportSystems-Emprise, with documented organized crime connections.

In 1966 Metzenbaum sold his parking lot empire—to International Telephone and Telegraph (ITT), an international conglomerate well known for its role, documented in Senate hearings, in promoting the Pinochet coup in Chile, and otherwise pursuing parallel policies to Fisher's United Brands in keeping Latin America ruled by an antiprogress oligarchy. While Max Fisher's United Brands maintained countries like Guatemala and Nicaragua as "banana republics" and centers of the drug trade, Metzenbaum served as chairman of ITT's Consumer Corporation.

By 1968, Metzenbaum was through with ITT and heavily into the banking business: he, Bonda, and Stern had acquired a major interest in Society National Bank, the fourth largest bank in Cleveland. Metzenbaum was getting known as a key figure in the state's Democratic party, and after one unsuccessful Senate race, in 1974 he was appointed by Gov. John Gilligan, the man who brought legalized gambling in the form of the state lottery to Ohio, to the U.S. Senate to replace retiring William Saxbe. With financial support from Bonda and DiBartolo, Metzenbaum hung onto his Senate seat in the 1976 campaign.

Metzenbaum's senate career

While a staunch member of the Senate's Zionist lobby, loudly advocating the "defense of Israel" and for "hunting Nazis" in the U.S.A., Metzenbaum has devoted his years in the Senate to the promotion of fabian anti-growth policies. Here is his record.

Nazi Law: As a member of the Senate Judiciary committee run by Ted Kennedy, Metzenbaum has been a consistent advocate of S. 1437 ("grandson" of S. 1), the so-called reform of the federal criminal code. By legislating mandatory sentences without parole, regardless of the character of the person convicted and his potential for rehabilitation, S. 1437 violates the natural-law foundations of the U.S. Constitution. It is intended to provide a context for wholesale frameups through such provisions as mandatory sentences "for operating or managing a racketeering business." While low-level crooks and grafters may be prosecuted under this statute, the Fishers and Metzenbaums will go free.

Legalized Drugs: S. 1437 is another step toward legalizing marijuana, by reducing penalties for possession and use. Metzenbaum also supports former HEW Sec-

retary Joe Califano's demand that the U.S. stop supplying the marijuana killing chemical paraquat to Mexico and other nations interested in eradicating drug crops. Finally, Metzenbaum, as a member of Judiciary's anti-trust subcommittee, has helped to create the legal basis for "insurance-free zones" in Cleveland, Detroit and New York—freeing insurance companies from state regulation, so that Dope, Inc. insurance firms can invest in gambling stocks and drugs.

Zero-Growth Energy: As a member of the Energy and Natural Resources committee, Metzenbaum has been one of the principal spokesmen in Congress for wiping out all development of nuclear energy. He helped lead the fight against the Clinch River breeder reactor. He has sponsored numerous legislative initiatives to terminate nuclear plant construction. A campaigner for mandatory conservation programs, Metzenbaum is an advocate of Henry Jackson's "bust OPEC" strategy to create a national oil purchasing agency, a policy that would put U.S. industry in a government oil rationing stranglehold. Among Ohio utilities, Metzenbaum is credited with having driven business away from the Cleveland area.

Labor Links: With a near-perfect AFL-CIO voting record, Metzenbaum is closely associated with the anti-growth policies of the AFL-CIO's Lane Kirkland. He backs mandatory wage and price controls. He is also a noisy supporter of Kennedy's trucking deregulation, which, as this news service has documented, would throw U.S. over-the-road freight into chaos, and provoke labor turmoil by attempting to break the International Brotherhood of Teamsters.

A final solution for Cleveland

Metzenbaum's office is fond of parroting the London *Economist's* line that Cleveland, like other big U.S. cities in trouble, should be turned into a "services economy" and forget industrial growth. Metzenbaum backs the reelection of Dennis Kucinich, Cleveland's "crusading, populist" mayor, who has brought the city to the point that it can't afford garbage pickups.

Is it any coincidence that while Metzenbaum and his cronies have built their business and political careers, Cleveland has become the international capital of pornography? Reuben Sturman—the owner of the Sovereign News Co. and numerous other porno outlets operating in all 50 states, Canada, and the Netherlands, the distributor of *Screw* magazine and similar filth—maintains his base in Cleveland, and has often been investigated and indicted, but never convicted?

—Karen Steinherz

Chicago gangs—who benefits?

Part 2 of reporter Roy Harvey's award-winning series

This week Executive Intelligence Review continues its publication of excerpts from Chicago Defender reporter Roy Harvey's award-winning series on Chicago gangs. Full copies of the series may be obtained directly from the Chicago Defender, 2400 S. Michigan Ave., Chicago, Ill. 60616.

June 19: 'Disorganizer' creates gang climate

The University of Chicago had successfully "gobbled up" Hyde Park-Kenwood in the late 50s, but needed more land by 1960.

The tactics of the 50s could not be used again: a new strategy was necessary.

July 18, 1960, the University had presented their expansion plans to the Chicago Land Clearance Commission.

The mood against the University, however, was intense. Leaflets appeared: "Levi wants to make Woodlawn a slum." Community organizer Nicholas Von Hoffmann protested the University's new plans to "gobble up Woodlawn."

The University had quickly realized that their plans for expansion Northward would run into opposition unless there was a community organization that articulated their views. So they set about creating one.

The U. of C.'s objective was more complex than a simple land grab. But first things first.

As Joseph Check noted in an article entitled "Urban-Counterinsurgency & the University of Chicago," the U. of C. saw the future of Woodlawn to be "one in which a relatively high occupational and middle income level will prevail, because the housing and other physical facilities are such as to exclude the lowest income groups. ..." Urban renewal meant the same old thing: black removal.

In preparation for the "impending war of urban

renewal," the University had assessed its strength. Check revealed the self-assessment:

1. The University had "the power and influence on its Board of Trustees and its alumni (which) could lean the city and corporate finances in the University's favor."

2. "The University could bring in investment and seed money, if it had commanding control (of Woodlawn)."

3. "The University could steer education and research to meet its need for exact information on the community, training local and municipal leaders, providing information through mass media, and establishing an Urban Institute."

4. "The University supports the South East Chicago Commission (SECC) to coordinate and strengthen (e.g., 'control,' observes Check) the other neighborhood organizations."

The SECC domain was 39th to 67th Street, Cottage Grove to the Lake. It was Julian Levi who headed up the SECC, an agency which University of Illinois urbanologist Pierre de Vise twelve years ago had dubbed "the University's own version of the CIA."

It was Julian Levi who was head of the U. of C.'s Urban Institute.

Julian was about his brother's business; his brother, Edward Hirsch Levi, was Chancellor of the University.

If the heat on First Presbyterian Church for housing the Blackstone Rangers was deserved, the Church deserves even more heat for setting up the University's "community organization."

In collusion with the University of Chicago, First Presbyterian (with a Lutheran and a Catholic church) created the Woodlawn organization (TWO).

The TWO founders had early decided they would need some "indigenous leadership" to lead them, so the four white ministers selected Rev. Arthur M. Brazier.

Comments writer Charles E. Silberman in the book, "Crisis in Black & White" that put TWO on the map:

TWO floundered for a while, until the Revs. Charles T. Leber, Jr. and Ulysses B. Blakely (First Presbyterian's

co-pastors) called on Saul David Alinsky to join TWO.

The decision produced some of TWO's most heady conflicts: Rev. C. K. Proefrock of the Immanuel Lutheran Church (one of the original founders of TWO) and four other ministers, forbidden to tape record meetings of the Greater Woodlawn Pastors' Association, pulled out of the Association, out of TWO, and left the community. Proefrock remained in Woodlawn and was one of Alinsky's most articulate critics.

Enter Saul David Alinsky, counter-insurgency expert.

"The first function of the community organization is community disorganization," Alinsky is quoted as saying in a book friendly to the disorganizer-organizer, "Black Power, White Control."

Alinsky's was a "Maoist" dictum: destroy before rebuilding; it was the tabula rasa notion of British philosopher John Locke.

Woodlawn was one of Saul Alinsky's success stories.

Until Alinsky joined TWO, the University of Chicago viewed TWO as an "uncontrolled gang."

And with Alinsky's arrival, the University was not about to praise TWO or Alinsky—not yet. They heaped abuse on their man.

Recalled Alinsky: "The University of Chicago could have ruined TWO by simply issuing a statement endorsing me as one of their 'illustrious' alumni. In that case, nobody in Woodlawn would have had anything to do with me...."

Alinsky was in fact an illustrious U. of C. alumnus—he had graduated cum laude in the 30s and like Edward Hirsch Levi, was a protégé of Robert Maynard Hutchins. Alinsky had been awarded a fellowship in criminology—he was to become a gang profiler; his first gang was Capone's—by U. of C. President Robert M. Hutchins.

But Alinsky was not meant to be an academic sociologist; he was a practitioner, a countergang organizer. Saul Alinsky was given the freedom to characterize the U. of C. sociology department as "an institution which spends \$100,000 on research programs to find the location of houses of prostitution which any taxi driver could tell them for nothing."

Alinsky's remark misses—or rather evades—the point. The School of Social Service Administration is not a collection of stupid people. If the sociology department got a \$100,000 grant for a year-long research program to find whorehouses on Chicago's South Side, they would take that amount of time (and apply for a year's extension of the grant) precisely because they did *not* want the whorehouses found.

Saul Alinsky always maintained his distance from

his Alma Mater. "Whenever I feel they are trying to seduce me, then I let them have it—and bang! I'm back in the gutter, where I belong."

Comments a *Defender* source, a Southside observer of Alinsky's role in shaping TWO, "For Alinsky to get in the gutter, he'd have to do some social climbing."

"Black Power, White Control," a book documenting the creation of TWO, suggests the first phase of the University of Chicago's strategy was to herd the community organizations into TWO, while continuing to hold itself out as the villain.

Charles Silberman comments (in "Crisis in Black and White"): And so the University of Chicago obligingly supplied the whipping boy—*itself*—that was needed to unite the tenants, homeowners, and businessmen in a common cause...."

Julian Levi played the tough: "Either accept the plan (U. of C. South Campus annexation into Woodlawn) or sit back and watch it go through," Levi had told a worried Woodlawn businessmen's group. They rushed to join TWO.

In its early days, TWO announced: "We're tired of being pawns in sociological experiments" of the University of Chicago. But TWO was headed for the most outrageous sociological experiment Chicago has seen.

In his organizing, Saul Alinsky focused his attacks only obliquely on the University—his focus was City Hall, and the police, both of which were made to be seen as an alien occupational force within a besieged community.

The notion that not only police but teachers were "hostile authority figures" to the Woodlawn youth was expressed by TWO's organizers.

Alinsky had set up the climate of paranoia that would allow the gangs to be invited in.

With Alinsky in control of TWO came the foundation money: a quarter of a million dollars from the Rockefeller Foundation (had the University of Chicago, Rockefeller University, given the nod?). The Presbyterian Church coffers supplied \$50,000; the Field Foundation (like the Rockefellers, backers and trustees of the U. of C.) kicked in thousands; the Schwarzhaupt Foundation put up \$69,000.

As he observed in his book, "The Professional Radical," Alinsky called organizing on an altruistic basis "a lot of crap." So Alinsky "looked for the wrong reasons to get right things done."

By 1963, Alinsky had created within TWO the illusion of power. The illusion was sufficient for the University of Chicago to "capitulate" to the community organization they had created.

The previously hostile University had "turned into

the staunch friend and ally of the Woodlawn Organization," noted Marion K. Saunders (co-author of "The Professional Radical").

John Fish's book title, "Black Power, White Control," tells the story.

June 20: The university, TWO, and the gangs

By mid-1963 community organizer Saul Alinsky had created within TWO the illusion of power sufficient for the University of Chicago to appear to bend to the demands of the community organization the U. of C. had helped create.

Alinsky's method of organizing had ruthlessly "rubbed raw the sores of discontent." And there were plenty of festering sores in Woodlawn: slum landlords, exorbitant interest rates and carrying charges for inferior merchandise, an overcrowded and segregated school system, inferior city services.

But the focus on such injustices wasn't to last long. In spite of the naivete of the indigenous leadership of TWO, the real creators of the community organization had other objectives. Besides, within months there wasn't going to be any Woodlawn Community.

Rev. Arthur Brazier, in his book "Black Self-Determination: The Story of the Woodlawn Organization," writes: "The University of Chicago began to take seriously its responsibility to the Woodlawn neighborhood lying just to the south of the campus. Previously the university had been active in research and development in projects scattered far and wide over the earth but had ignored the massive problems at its doorstep." Woe to the people at its southern doorstep, they had caught the attention of the U. of C. researchers, the anthropologists, sociologists and urban planners.

U. of C. Provost Edward Levi announced a new "major commitment to improving ghetto schools" in a 1965 winter quarter commencement address: "We must rethink the University's participation in the training of scholars for public service (especially) ... in the area of education for the underprivileged ... greater involvement is required both for training and research."

The upshot of this was, notes Brazier, that "a stream of experimental schools" was established in the Woodlawn school district, funded by Title III grants.

TWO had proclaimed: "We are tired of being pawns in the University of Chicago's sociological experi-

ments!" And the first great victory over the University was to win the U. of C. over to performing a sociological experiment (in education) in Woodlawn.

But this is jumping ahead of our story. In early 1963, TWO was still at odds with the University.

In mid-1963, the University "capitulated." Julian Levi consented to talk to TWO; Mayor Daley set up the meeting. "The previously hostile University had turned into the staunch friend of TWO," Marion Saunders notes in the book he coauthored with Saul Alinsky, "The Professional Radical." Alinsky had done his work well.

But TWO had to be built up even more. Enter Charles Silberman and his book "Crisis in Black & White," published in 1964.

Silberman dished out rave reviews: "Alinsky is that rarity in American life; a superlative organizer, strategist, and tactician who is also a philosopher." Silberman continued to maintain the illusion that TWO was defiantly challenging the University; Julian Levi went along with this in an interview with Silberman: "The University of Chicago is one of the few really first-rate things in the City of Chicago," Levi told Silberman, "and it needs more land if it's going to continue to be first rate..."

But in fact, a truce more lasting than that between the East Side Disciples and the Blackstone Rangers was already intact. Silberman got the national money flowing.

The University of Chicago scheme was acknowledged by none other than McGeorge Bundy, president of the Ford Foundation, who praised Julian Levi's skills in a letter to Levi: "I can see that someone has done a neat job of reconciling both parties concerned."

Now, on to business.

The first order of business was to bring in the gangs.

TWO, with sociologists from the University of Chicago and representatives from the Ford Foundation, the National Institute of Mental Health (NIMH) and other federal agencies set out to do a study on "alienated youth"—the gangs.

The agencies decided to put together a "job training program" for "alienated youth" which involved the gang leadership "in planning, design, and operation of the program."

Rev. Brazier by this time had also turned into a sociologist. He declared: "The present scientific literature on youth subculture is inadequate to describe a group like the Rangers."

"Before TWO was organized, Rev. Brazier had been an obscure minister of a Pentecostal church concerned almost exclusively with the next life..."

June 21: The gang controller is brought in

With their "community organization" firmly established, the Ford Foundation, the University of Chicago, the National Institute of Mental Health (NIMH) and other federal agencies were ready with their gang experiment in mid-1966.

A gang controller was needed—otherwise, the gang might go off on its own. First Presbyterian Church sent for the Rev. John R. Fry, a white veteran gang worker who had had experience working with black gangs in East Harlem, New York.

First Presbyterian's co-pastors, the Rev. Blakely and Leber—who had created the Woodlawn Organization (TWO) and had invited in Saul Alinsky to build TWO up—were kicked upstairs in the Church's hierarchy.

By the time the Ford Foundation-University of Chicago "alienated youth" program was ready, Fry had already brought the gangs into his sanctuary: the Blackstone Rangers were headquartered at First Presbyterian Church (6400 S. Kimbark).

TWO—which was fronting the program—asked Fry to arrange a meeting between their agency and the Ranger leadership (the "Main 21").

TWO had more difficulty in bringing in the East Side Disciples. Without backing (a university and a church), the Disciples, though ruthless, were less organizationally successful. Their gang membership numbered only about 150; in 1966, the Rangers claimed to have 1,000 members.

Eventually, the details were worked out. Jerome Bernstein, deputy director of OEO's Community Action Program explained the program to the leadership of the two gangs.

The OEO was to supply nearly a million dollars over a one year period: gang leadership was to serve as recruiters, basic education instructors, instructor-aides, vocational instructor aides, assistants to the basic education supervisors.

Mayor Richard Daley was opposed to the program, but was convinced of its workability by Julian Levi; the mayor's staff remained consistently opposed to handing over \$1 million to the gangs.

The program was to become a colossal hustle: youths were intimidated into quitting school to join the program; a total of 35 jobs were secured at a cost of \$1 million. Gang related crimes doubled.

What could young gangsters teach but gangsterism? Nothing.

"The whole program was a subtle form of blackmail," Winston Moore charged before the June, 1968 McClellan Hearings. Moore, warden of Cook County Jail, had been a psychologist with the Illinois Youth Commission.

Who would be selected to determine whether the gang program was working and whether it should be funded for another year?

Silly question. The University of Chicago, of course.

Asked to comment on this set-up by Sen. John McClellan, Moore stated: "The University of Chicago practically wrote the program, so for them to evaluate it would be like me evaluating my own jail."

June 25: Seminary operated gang hostels

Gang controller Rev. John Fry, the man who on numerous occasions expressed—and published—doubts about his own sanity, where did he come from? Who were his controllers?

Was it a fluke that Fry was handed First Presbyterian Church during the most explosive period in the Woodlawn community's history?

Not likely.

Fry comes from the same "religious" tradition that created People's Temple founder Rev. Jim Jones. And like Jim Jones, Fry's constituency—his experimental subjects—were predominantly black. But that is a later chapter in our story.

During the height of the gang violence, Charles P. Livermore, executive director of the Chicago Commission on Youth Welfare, had appealed: "We must quit making the black community a laboratory for experiments in bizarre social theories."

The experiments, supposedly launched by the churches to combat delinquency, "would not be tolerated five minutes in the white communities," Livermore stated.

Nov. 19, 1968, Livermore observed: "Some black leaders have learned that the more hatred they can show toward the police, city hall, and the establishment, the more they receive the plaudits, the attention, and the handouts from the various sections of the religious establishment."

We have seen how and why the First Presbyterian Church first set up the Woodlawn Organization (TWO) as a countergang to the University of Chicago.

We've seen how First Presbyterian Church invited in U. of C. alumnus Saul Alinsky to change the focus away from the University, focusing the hatred, "rubbing raw the sores of discontent," against city hall, the police, the board of education, and business.

We have noted also how the U. of C. joined forces with TWO to bring in "experimental education programs," and then the federally financed gang experiment.

Rev. John R. Fry, pastor of First Presbyterian Church, was, however, not the only low-level gang controller.

Who were the others? Silly question. The University of Chicago, of course.

"Rev. Fry and the Chicago Theological Seminary was like one big family, in the surveillance that we made, the information that we had," remembers Lovejoy Foster, a member of the Gang Intelligence Unit (GIU) since it was formed in 1967.

With its centrally located University of Chicago headquarters at 5757 S. University Ave., the Chicago Theological Seminary was in a prime spot to oversee the gang experiment.

Founded in 1855, the Seminary was integrated into the University in 1915.

The Seminary, funded directly by the Rockefeller Sealantic Fund (among others), had played a key role in getting TWO going, in 1960.

Next, the Seminary was to emerge as an operator of "safe houses" for the gangs.

The Chicago Theological Seminary ran at least three gang hostels, providing free and unsupervised housing for gang members. Locations of three of the houses: 4500 Greenwood Ave., 4612 Greenwood Ave., and 4454 Woodlawn Ave.

The Chicago Theological Seminary had decided that the gang leaders were "the leadership" of Woodlawn.

The official rationale for the sociological gang experiment being run by the Chicago Theological Seminary was, claimed Paul Bartholomew (vice president of the Seminary): "To provide housing for members of the Blackstone Rangers in an effort to expose seminary students to leadership in the ghetto areas."

The buildings were turned over to the Rangers in early 1967 for use as free living quarters; under the agreement, several seminary students also lived in the building, "but would not exert control over gang activities."

Earlier yet, somebody had toyed with the idea that the Disciples gang could be used in the University's experiment.

The Chicago Theological Seminary had in 1966

turned the building over to the Disciples. But the Disciples, more uncontrollable, kicked the seminary-sociologist students out of the 4500 Greenwood Ave. two-story building.

In this gang fight, foreshadowing the conclusion of our story, the Chicago Theological Seminary came out the winners: they kicked out the Disciples, and invited in the Blackstone Rangers.

This Seminary move, playing one gang off against the other, added to the hostility (and shooting) between the Disciples and the Rangers, Bartholomew admitted in a June 29 newspaper interview.

"Everybody who was a head of one of the (OEO) gang centers was from one of those (Chicago Theological Seminary) houses," police inspector Foster told the *Defender*. "You could always find them when you went there."

A week after Jessie Smith, 42, a Grand Crossing policeman had been shot to death in a gang-related killing, the Rev. Archie Hargraves, head of the Chicago Theological Seminary urban mission, held a press conference in which he denounced the police, and stated: "We will conduct our own discipline when our young people are wrong." Three hours after that press conference, two individuals, Walter Jackson, 16, and Ulysses Green, 69 were gunned down by three Blackstone Rangers. Just two of the some 700 gang shootings per year.

Asked what he thought Rev. Fry's motivation was, Foster stated: "He was doing his job. Whatever his job was, he was doing it!" Foster laughed. "He had a boss. Most likely it was the University. You just don't come out and do things for yourself. That's not the way the world works."

"They (Fry and the other gang controllers at First Presbyterian Church) had to have a boss, some coordination. That's the way the world works—there's not a lot of totally uncoordinated stuff going on..."

June 25: What spawned the gang experiments?

When he was not active in his gang work, Rev. John R. Fry could be found haranguing his parishioners with his existentialism.

Fry was an enthusiast of British Tavistock psychiatrist R.D. Laing, and especially Laing's book "Politics of Experience," which expressed the notion that insanity

might be a more legitimate response to an "absurd" world than "so-called sanity."

To explain Rev. Fry and the theologian-experimenters, one must go back at least to 1908.

That was the year of the founding of the Federal Council of Churches (FCOC).

In 1907, theologian Walter Rauschenbush spent a year with Sidney and Beatrice Webb. Rauschenbush returned to the U.S. as the key organizer of the FCOC.

Notes a former president of the FCOC, Dr. A.W. Beaven, "It is clear that the greatest single personal influence on the life and thought of the American Church in the last 50 years was exerted by Walter Rauschenbusch."

Numerous leading members of the FCOC cite the significant role played by the Webbs' British Fabian Society, in setting up the FCOC.

Predominant leadership in the early federation was provided by its second president, University of Chicago Divinity School head, Shailer Mathews.

In a 1960 book, "Collectivism in the Churches," author Edgar C. Bundy writes: "Men have been elevated to the highest position in the Council not because of their defense of the Gospel, but (rather) for their denials of the historic doctrines of the faith."

Commented a Chicago daily on Mathews' preaching: "We are struck with the hypocrisy and treachery of these attacks on Christianity. Is there no place in which to assail Christianity but a divinity school? Is there no one to write infidel books except the professors of Christian theology? Is the theological seminary an appropriate place for a massacre of Christian doctrine?"

The Fabian church movement ushered in a period of "gate receipts" organizing: the individual principles of the church became subsidiary to the call for unity, which produced a bland moral pap much like the content of television.

Further, the focus of "church work" no longer

comes from the parishioners: the parish could shrink to nothing and the church work could go on.

Who supplied the money for this protestant coalition? In the case of the FCOC, the top funders were: the Julius Rosenwald Fund; the Lewis Horowitz Foundation; the Henry Luce Foundation; the Rockefeller Brothers. Fund, and the Russell Sage Foundation (an organization of which Edward H. Levi of the University of Chicago was made a trustee).

In 1950, the name of the organization was changed to the National Council of Churches (NCC). By 1955, the move was made to squeeze the laity out of the decision making altogether. Dr. Eugene Carson Blake, Presbyterian head of the NCC, ruled to abolish the Lay Committee of the NCC.

As Bundy points out, the NCC "wanted the financial support of the laymen but wanted no restraining hand on the excursion into the fields of economics, sociology and politics."

The NCC was a political organization, with a religious and left-wing cover.

The right-wing and fundamentalist church movement makes the mistake of believing the NCC and the related World Council of Churches (WCC) are socialist.

As we will see later in our story about the creation of the Blackstone Rangers, the NCC interlocks with the federal government at crucial points.

U.S. News and World Report noted that interlock as long ago as April 1954.

The Union Theological Seminary in New York City, out of which Rev. Fry was spawned, was "one of the 'darlings' of the Federal, World, and National Council of Churches," notes Bundy.

The NCC was to rely less and less on the dues of the member churches, and more on foundations.

In next week's issue: An offer Daley couldn't refuse.

Drift toward 'October War'?

Israel maps military action against European cooperation with Arabs, Iran

The Israeli military command, the U.S. State Department, and the London-NATO apparatus behind the 1980 Presidential campaign of General Alexander Haig have set into motion a scenario for another "October war" in the Middle East, according to information from highly placed Arab and European sources.

Camp David is dead, say these analysts. Instead, what the Israelis are planning is a lightning war against Syria and Iraq, possibly extending into the Arab oil-producing countries of the Persian Gulf, on a timetable of approximately ten to fourteen weeks.

The target of the U.S.-British-Israeli war preparations is the growing possibility of a firm alliance between the states of the European Community, led by aggressive French diplomacy and commercial and military policy, with the Arab League nations, especially Iraq and Saudi Arabia. President Giscard d'Estaing of France is planning yet another visit to the Persian Gulf sometime later this fall to consolidate the pact. Its elements are as follows:

- Sweeping French military arrangements with Iraq, Saudi Arabia, and other Arab oil-producing countries, including as much as \$5 billion in weapons, the deployment of French naval forces in the area, and a reported French nuclear umbrella over Saudi Arabia.

- Stepped-up state-to-state oil sales from the Arabs to France, bypassing the multinational oil companies, broadening into comprehensive oil-for-technology arrangements in which, among other things, France would ship nuclear technology into the Middle East.

- Close collaboration between French intelligence and key Arab counterintelligence agencies to root out Israeli, British, and American subversive networks in the Arab world, particularly in Iraq and Syria, in order to facilitate the planned union of those two countries.

- Finally, the French strategy includes official government support for the overthrow of the fascist regime of the Ayatollah Khomeini in Iran and the installation of the republican forces there led by Prime Minister Shahpur Bakhtiar, who surfaced in exile last week in

Paris. Iraq, sources say, will cooperate with France to install the Bakhtiar forces in power in Iran.

Fundamental shift

The French efforts—which, Paris sources report, have had the discreet backing of the Soviet Union ever since the Moscow visit earlier this year of President Giscard—are part of a strategy by the Paris leadership to challenge across the board the Middle East policy of the Carter Administration. France has decided to officially oppose the Camp David war pact between Egypt and the Israelis; and in addition, as it advocated at the recent Tokyo economic summit, to construct a new North-South Dialogue on energy and Third World development policy over the objections of Cyrus Vance's State Department and Zbigniew Brzezinski's National Security Council.

If successful, the French-led efforts will represent a fundamental shift in the balance of power in the Middle East. In effect, France will displace the United States as the basic guarantor of security for Saudi Arabia and the other small Arabian peninsula countries. The new Syria-Iraq union will, in French eyes, be a pillar of support for the security of the Gulf. And a republican regime in Iran, led by Bakhtiar, will put France in the position of premier power throughout the entire Persian Gulf.

This is unacceptable to London.

The initial London-Zionist design for the Middle East, the so-called Middle East Treaty Organization (METO) first proposed by Canadian Zionist Edgar Bronfman in 1978, has virtually broken down. It is no longer viable as a counterstrategy to the Arab and French position, and even Egypt's President Anwar Sadat must be seen as a liability, since he no longer has the credibility in the Arab world to make the METO design work.

So the Israelis, as the following report details, have launched their October War II scenario.

—Robert Dreyfuss

Israel's ten-week war scenario

From information pieced together from Arab, Iranian, European and other sources, the *Executive Intelligence Review* has uncovered the existence of Israel's "ten-weeks war scenario," ending up with a joint U.S.-Israeli intervention into the Persian Gulf. The first hint of such a strategy emerged in a conversation with a leading Arab military attache of a European embassy, who gave the following assessment:

I think that it is fairly certain that Israel is getting ready for a war, probably fairly soon. My information indicates that the Israelis are planning for war sometime around late October, or possibly early November. Such a conflict would begin with a rapid escalation of the conflict in Lebanon; indeed, that is already taking place. What I know is that the Israelis expect that, by the fall, a new oil shortage will have broken out, and the West will again be seeing the phenomenon of gas lines and rising OPEC prices. The Israelis think they can take advantage of that to win Western, especially American, backing for military action.

What the Israelis would like is to combine their offensive against Syria, Iraq, and the Gulf with a simultaneous Egyptian action against Libya. But I am not sure that the Egyptian military will play along. There is a great debate in Cairo, I have heard, on that one. I doubt that Sadat could make it work.

Several days later, at the beginning of August, a prominent Middle East source in Paris confirmed the existence of the war strategy from the Israeli side, and said the actual impetus for the war is coming from London. He outlined the scenario as follows:

Watch Sadat. I know that Sadat is not considered as a viable partner of the Israelis much longer. The new developments in Syria and Iraq make that all the more true. The Arab world is united against the Camp David agreement, despite Sadat. So I think that Sadat has become expendable. I have heard about the existence of a British-Israeli plan to assassinate Sadat, and the hit team is already in place. Sadat's assassination—which could come as early as September—is to be blamed on Syria or Iraq or the PLO, perhaps as

retaliation for the murder of (PLO Saiqa Chairman) Zuhair Mohsin. Sadat's death, of course, would lead to pandemonium, and Israel would have the pretext it needs to go to war.

Immediately afterward, Cyrus Vance and the Carter regime began to give Israel the motivation and cover it needs to launch a war. Beginning in late July, the administration set into motion rumors that it had begun a "reassessment" of its policy toward the Palestine Liberation Organization. On July 30, the U.S. delegation to the United Nations asked abruptly for a postponement of the scheduled U.N. debate on Palestine until Aug. 23. Ostensibly, the reason given was so Washington could consider a revised U.N. resolution from the Arab delegations. But Arab sources at the U.N. denied quite emphatically that there was any resolution in preparation; the only such resolution calls for "self-determination" for the Palestinians, and the draft resolution is certain to be vetoed by the United States. So why the delay? The answer soon became apparent. Gradually, and then in a rush, Israel and the U.S. Zionist lobby began accusing the United States of shifting in a pro-PLO direction under "blackmail from Saudi Arabia." No such shift, of course, was even contemplated—but the rumors of such a shift launched the Israeli war drive. The scenario is based on the "breakaway ally" strategy of the RAND Corporation, in which—in secret accord with the State Department and the NSC—a military ally of the U.S. can launch a war while allowing Washington to issue disclaimers of any involvement or responsibility for the conflict. Israel is the archetypal case in that regard.

Immediately, the ominous refrain of "ten to fourteen weeks" began to emerge. In a *New York Times* dispatch from Washington datelined Aug. 1, it was reported that administration sources believed that "if current diplomatic initiatives do not bear fruit by late fall, the result could be increased Palestinian terrorism and Arab pressure on oil supplies to the West, especially the United States." The *Times* went on to say that the stalemate in the Palestinian talks must be broken *by late October* or "the Saudis could decide to cut production in the fall if they were dissatisfied by a lack of negotiating progress on the Palestinian issue."

That was the signal for the Zionist offensive.

An editorial in the *New York Times* on Sunday, Aug. 5, quoted that dispatch, and then went on to accuse President Carter of capitulating to oil blackmail from Saudi Arabia—justifying, obviously, Israeli threats to go to war.

Not content, the next day the *Times* carried a letter from Rabbi Alexander Schindler, a leading Zionist lobby spokesman. Schindler also quoted the same *Times* dispatch, repeating the refrain "... by late October." He said in part:

To find members of the Carter Administration parroting this line portends an ever-mounting campaign against Israel to place its very survival at risk by accepting, as a participant in the Middle East peace talks, the PLO—which is sworn to Israel's destruction—and by making major political and territorial concessions under American pressure.

Emerging from weeks of unusual silence Aug. 7, bellicose Israeli Foreign Minister Moshe Dayan threatened to pull Israel out of the peace talks with Egypt and move toward war in retaliation for Washington's "pro-PLO" shift. In commenting on U.S. efforts to change United Nations Security Council Resolution 242 so that it includes recognition of the rights of the Palestinians—changes that are *not* being backed by the Arabs, who view the U.S. efforts, according to one responsible diplomatic source, as a "deception operation to introduce the language of Camp David into the

U.N. Security Council"—Dayan ranted: "It is not just a question of an erosion of the American position, but a real change. It comes from the fact that the U.S. is concerned about the problems of its economy, energy, and the price of oil. So it is looking for an understanding with Saudi Arabia.... The Saudis are afraid that the PLO will incite a revolution there. As a result the U.S. is ready to help formulate a new resolution."

Similarly, Interior Minister Yosef Burg, who is heading up Israel's negotiating team with Egypt, has declared that any amendment to Resolution 242 is grounds for Israel's declaring the Camp David treaty null and void. Burg accused the U.S. of forcing Egypt, which is now demanding that Resolution 242 be reworded to include a reference to Palestinian rights, into taking a tougher stand.

Litani II

The London press has done its part to fan the Israeli war scenario. In a dispatch from the Manchester Guardian on Aug. 1, correspondent David Hirst said the following, predicting a new Israeli invasion of Lebanon:

"Syria and Israel are approaching the crossroads that can bring a collision between them, not necessarily war, but most likely an aerial collision over Lebanon." Not long after Zeev Schiff, the military correspondent of the Israeli daily Haaretz, wrote those words, Israeli and

Another oil crisis in October?

An Aug. 1 report in the *Wall Street Journal* that a massive buildup of world crude stockpiles is presently occurring suggests that the major oil companies may be preparing for some militant action by the producers in the fourth quarter. Stocks are currently at 4.5 billion barrels, a mere 200,000 barrels a day under the peak of stocks during the glut of crude on world markets during 1978. Added to this, the latest figures indicate that OPEC is now producing nearly 3 million barrels a day over the level of production at this time in 1978. While consumption of crude is reportedly down in the major consuming nations, particularly the U.S. The question is whether or not the additional crude is being stockpiled in the event of another war in the Mideast.

Since the president of the oil cartel, OPEC, Mana Saeed Oteiba issued a warning earlier this year of a possible selective embargo against states who do not recognize the Palestinians' right to statehood, var-

ious insiders in the oil industry have been predicting some militant OPEC action in the autumn of 1979. Most New York sources agree that without a "serious provocation" from Israel the likelihood of either major production cutbacks or yet another large price rise is unlikely. "If Israel launches a major preemptive attack on Lebanon and hits the Syrian forces there then I think we're in for big trouble from the oil producers," said one Wall Street investment analyst.

Reports of production cutbacks by the North African producers, Algeria, Libya, and Nigeria amounting to somewhere around 500,000 barrels a day are also being read by industry sources as a quiet warning to the U.S. with respect to what the Arab oil producers perceive to be "mishandling" of the Mideast crisis by Washington. In fact these countries have only cut back sales to the multinational oil companies that market crude to the U.S. and are reportedly rerouting their crude into state-to-state deals with Europe.

Syrian aircraft did come to blows ... The whole thrust of his article should be viewed as perhaps the clearest public exposition of Israel's "Eastern Front" strategy. UNIFIL officials take it seriously.

Schiff wrote, "Israel began a new kind of warfare against the Palestinians, forsaking the old policy of reprisals for one of relentless attacks, anytime, anyplace. It is certain the Israelis will continue these methods, although it may resort to others, such as sending in land forces as in the Litani operation (the March 1978 invasion) but on a bigger scale.

"Even if Syria does not swallow such an operation, Israel should not be afraid of a collision with Syria..."

What Israel will do is keeping everyone guessing, but that it will be something on a big scale—what the Russians and others call "Litani II"—is a belief which has taken deep root...

The Syrian press warns regularly that it will stand by its patriotic obligation to protect Lebanese and Palestinians. Even more alarming would be a Litani II that brought Israeli forces up to the territorial Red Line. This would jeopardize Syria's whole military presence. It would also, Beirut observers believe, carry the following Israeli message: "Fight us if you dare. But you are on your own. Your Army would be completely destroyed. We advise you to negotiate. ... But this one would be entirely on our terms—Pax Israelica, not Pax Americana.

French initiatives in

Reaching advanced stages, French plans to build a "Euro-Arab coprosperity zone" broke into the front pages of the country's press this week, provoking an immediate reaction from Washington.

President Carter's National Security Council under Zbigniew Brzezinski has reacted by launching a secret investigation focusing on French diplomacy in the Persian Gulf, according to the daily Kuwaiti newspaper *Al Qabas*. For the first time since 1945, the investigation—which is said to place particular emphasis on oil-for-technology exchanges and French military cooperation with the states in the region—identifies a Western European nation as a potential "security threat" to the United States.

The "Euro-Arab coprosperity zone" is only the tip of the iceberg of an overall plan that includes major technology transfers, including nuclear plants, industrial development reaching into the entire Third World sector and the institution of "Phase II" of the European Monetary System, which calls for setting up a fund based on the gold-backed European Currency Unit (ECU). This plan comes under the general heading of French President Giscard d'Estaing's call for a "Euro-Arab-African dialogue."

The first major break in this story occurred on Aug. 1 with the publication of a front page article in *Le Matin de Paris*. The information in the article was, according to its authors Henri Laurent and Jean Leclerc, confirmed by "Arab diplomatic circles as well as by French political and industrial circles." *Le Matin* reported that

... For several months we have witnessed a deployment of efforts for the constitution of a Paris-Baghdad-Riyadh axis, the beginnings of a possible Euro-Arab "coprosperity zone." Coprosperity based on an objective convergence of interests....

Giscard is seeking to institute a Euro-Arab consultation mechanism which would form the first pole of the Euro-Arab-African rapprochement whose concept he launched in the beginning of the year ... The European countries which, led by France, maintained a chilly reserve towards the Israeli-Egypt peace treaty would, in this "Giscard plan," take a favorable position toward the search

Mideast viewed as threat by Washington

for a global settlement of the Middle East crisis ... The Nine [members of the European Community] are playing their ace cards to sell their nuclear plants and other equipment goods. And why not one day pay their oil bill in ECUs, that currency born out of the constitution of the European Monetary System?

Following this article, the dam broke, with a series of articles in the French and other European press appearing each day, describing the steps taken towards realizing these proposals. Concretely, a proposal was made by Kuwait and transmitted by letter to Giscard proposing the convening of a conference this fall between the oil ministers of six Arab countries (Saudi Arabia, the United Arab Emirates, Kuwait, Bahrein, Iraq and Qatar) and the ministers of industry of the EC member nations.

By Aug. 7 *Le Matin* was able to report:

Mana Al-Oteiba, Oil and Mine Resources Minister of the United Arab Emirates and current president of OPEC, confirmed yesterday that "the energy ministers of the member states of the EEC and those of the Gulf will be meeting soon." He did not give a date or place for this meeting which, according to him "must not be limited to energy problems alone, but must be extended to the political and economic areas of joint interest."...

Further details were provided by *Les Echos* Aug. 7, which points out how the Irish are moving in favor of the French proposal:

The Irish presidency of the European Economic Community will do everything possible to facilitate France's task in its contacts with Kuwait for the preparation of [the] conference this fall.... The French government is tirelessly pursuing its efforts in view of concretizing the "Euro-Afro-Arab" rapprochement called for by the President of the Republic. After the success of Paris's diplomatic offensive vis-à-vis Baghdad, the different contacts with Saudi Arabia; and Giscard d'Estaing's stop-over in Abu Dabi, the center of

gravity now seems to be in Kuwait. The Oil Minister of this country was recently in Paris, and last week the Emirate press gave great publicity to a joint Franco-Kuwaiti initiative for Euro-Arab cooperation....

Chancellor Schmidt's West Germany has also been active in this drive. Over the past two months, Foreign Affairs Minister Hans Dietrich Genscher made official trips to half a dozen Middle East and Gulf states, following the footsteps of earlier French diplomacy in the region. More recently, however, concern has been expressed in the French press that West Germany may be unwilling to get involved in the front lines of a battle with Washington.

According to Arab sources in Paris who spoke with this news service, President Giscard has received the go-ahead from the Arab countries to work out the remaining details for a Euro-Arab Monetary Fund. According to the same source, who reported that this plan would be made public soon, the new system will incorporate Islamic humanist principles which prohibit usurious interest rates on credit. The system, he said, would have some amount of gold backing. All available evidence points to the institution of a new monetary system, which would directly undercut the monetary and financial hegemony of the International Monetary Fund and World Bank controlled by the City of London and Wall Street, and has been left on the back burner for months following threats from Washington to European officials that any attempt to buck the IMF would be interpreted as a "security threat" to NATO. This is exactly what the National Security Council's new "investigation" implies, but this time, Europe appears not to be deterred.

President Giscard himself is planning an official trip to the Arab Gulf, notably the United Arab Emirates and Kuwait by the end of the year. This would lock up a region which until now was tightly secured by the British. But London's deployment of the Muslim Brotherhood in Iran and neighboring states has made these traditional British bastions think twice about who are their allies and enemies.

—D. Sloan

Iraq-Syria unity plans are proceeding

Iraq and Syria remained on course for establishing a united state in the near future following a recent visit to Baghdad, the Iraqi capital, by Syria's Foreign Minister Khaddam and Chief of Staff General Chehabi. The alliance between the two countries has become the cornerstone of Arab opposition to President Carter's Camp David war pact.

The Syrian delegation visited Baghdad to clear up a renewal of tension between the two neighbors, long bitter enemies. The tension stemmed from reports that among the people arrested in Baghdad for plotting against the Iraqi regime of President Saddam Hussein was a small clique of Iraqis allegedly backed by Syrian intelligence.

Over the past four weeks, several hundred Iraqis have been arrested, and dozens sentenced to death for treason, in a sweeping purge of political saboteurs, assassins, and agents for British, U.S., and Israeli secret services, including a prominent British businessman accused of spying. Among those purged by President Saddam Hussein were followers of the Shiite Ayatollah Khomeini and the illegal Muslim Brotherhood, radicals and Iraqi Communists under British intelligence control, and circles in Iraq opposed to the union with Syria. The latter included some close relatives of the Iraqi president and associates of Michel Aflaq, the so-called founder-leader of the ruling Baath Party.

The proposed union between Syria and Iraq, which would create a powerful new center of gravity that would soon come to dominate Arab politics, was the subject of unprecedented attempts at sabotage by London, Washington and Tel Aviv. An extremely thick press and propaganda smokescreen—including misinformation planted in a dozen world newspapers—sought to obscure the importance of the purge in Iraq.

Old skeletons revived

The most damaging report concerning the upheaval in Iraq was the report, circulated by the *Washington Post*, *Le Monde* of Paris, and other daily newspapers, that the Syrian government of President Hafez Assad had a hand in stirring up a potential coup d'etat in Baghdad.

The false reports—which, however, were taken at face value by many Arab officials, diplomats, and citizens of both Syria and Iraq—poisoned the atmosphere between the two Arab countries. In London, Patrick Seale, a British intelligence Syria expert who writes for the Atlantic Richfield-owned *London Observer*, went so far as to report gleefully that the Iraqi-Syrian union was “dead.”

What happened, in fact, as pieced together from reports from reliable Arab diplomatic sources, is as follows: Over the course of the past five years, when Iraq and Syria were often at odds, both Syria and Iraq on a number of occasions sponsored dissident movements in each other's countries. When the Iraq-Syria union was proclaimed last October, both Syria and Iraq called off all such operations.

As progress toward the union became more advanced, elements of Iraqi intelligence who are, in the words of one Arab source, “probably compromised by their collaboration with the CIA or even the Mossad,” chose that moment to “expose” the existence of one of the cells or networks that, as long ago as 1975, had been responsible for Syrian-backed illegal activities in Iraq.

These Iraqi intelligence circles, operating under effective London control, forced Saddam Hussein to act to purge the accused Syrian agents—thus leading to the hullabaloo. Despite reports that the Iraqi Baath party considered Assad to be a “traitor” to the Arab cause—based on misinformed and deliberately distorted reporting—the Syrian delegation that visited Baghdad and a telephone call from Assad to Hussein have reportedly cleared up the initial difficulties, which were primarily based on lingering suspicions between the two Arab leaders.

Iraq role in Gulf

The strengthening of the Syrian-Iraqi unity will have enormous effects on the entire Persian Gulf and Iran.

According to European and Iranian sources, Iraq and Syria will work together with French intelligence to topple the fascist Khomeini regime in Iran and restore Shahpur Bakhtiar to power. The Iranian prime minister had fled the country when the ayatollah returned to make his coup in February. It is now a matter of time—perhaps three months—until Khomeini is ousted.

In addition, in close cooperation with the French, Iraq and Saudi Arabia are working to shore up weaknesses in the Arab states of the Gulf. Iraq, in particular, is taking a leadership role in calming regional disputes and providing security guarantees to Gulf states threatened with either U.S.-Israeli military intervention or destabilization based on religious and tribal minorities.

—Robert Dreyfuss

Bakhtiar challenges Khomeini's Islamic rule

Shahpur Bakhtiar, the former prime minister of Iran, emerged after almost six months in hiding to announce he is leading a campaign to remove the Ayatollah Ruhollah Khomeini from power in Iran. He made his announcement in a July 31 press conference.

The emergence of Bakhtiar is backed officially by the French government and is a critical part of France's stepped-up efforts to quell the volatile Middle East and create an axis of peace and prosperity between Western Europe and the Arab world. In backing the Bakhtiar option for Iran, France is throwing its support behind those responsible leaders in the Middle East, including Bakhtiar, Iraqi President Saddam Hussein, and Syrian President Hafez Assad, who are all committed to eradicating the influence of the Muslim Brotherhood—represented in Iran by Khomeini—and similar products of Anglo-American intelligence which have helped keep the region underdeveloped and divided. The Soviet Union, which looked favorably on Saddam Hussein's recent purge of the Muslim Brotherhood and related networks in Iraq, is also favorable toward Bakhtiar.

No to Islamic Republic

Bakhtiar's reappearance as a strong republican leader and rallying point for anti-Khomeini patriots has electrified Iranian nationalists both in and outside Iran who are distraught over Khomeini's policies of deindustrializing Iran and dismantling the very foundations of the economy. To prepare for his return to Iran, Bakhtiar is sending in taped cassettes denouncing Khomeini's "new dictatorship" and his adherence to medieval economic policies.

"Khomeini's 'revolution' is turning back the clock," charged Bakhtiar in his press conference. "What I want is progress, progress in all domains: political, cultural, economic, social. I want to obtain what I ceaselessly demanded from the Shah. If he had listened to me, we would not be where we are today."

Bakhtiar compared his mission to that undertaken by Charles de Gaulle during World War II, hitting at Khomeini and Iran's Islamic "revolution" as part of an intelligence operation being run from outside Iran. "In 1940," the former premier stated, "de Gaulle found himself in a foreign country while his country was

occupied. Today, Iran is occupied by forces inspired from abroad."

"The mullahs should go back to their mosques," Bakhtiar continued. "There is not a single religious figure who can put Iran on the march again."

Bakhtiar noted the dramatic difference between the Khomeinians and Iranian nationalists like himself. "We fought for independence and freedom," he declared. "Today we have neither."

Bakhtiar's son Guy, who is employed by French intelligence, described his father's press conference as a "trial balloon" and announced that "a more organized campaign will be under way as soon as we measure the reaction to his speech at home."

In his press conference, Bakhtiar repeatedly stated that "many people in Iran are wishing for my return." Informed sources predict that Bakhtiar and his French allies are working on a three-to four-month perspective for his return to Iran and the overthrow of Ayatollah Khomeini.

Ayatollah calls for murder

Not surprisingly, Bakhtiar's opponents have responded with a savagery mirrored in their administration of Islamic justice. Last week, Ayatollah Khomeini, known as the most fanatic of the religious leaders in Iran, called for the assassination of Bakhtiar. Khomeini himself has denounced Bakhtiar as an "antirevolutionary" criminal and imposed the death sentence on him.

The Shah option

There are also numerous signs that individuals loyal to the deposed Shah and linked to Anglo-American, Israeli and Egyptian intelligence are willing to support Bakhtiar's efforts to use him and his movement as a vehicle for restoring the Shah to power.

According to Swiss sources, the Shah and backers, in cooperation with supportive generals from the Iranian military, are preparing a coup against Khomeini. The Shah is reportedly coordinating this operation closely with Henry Kissinger and former President Nixon, both of whom have visited the Shah in Mexico.

According to one source, Gen. Oveissi and Ambassador Zahedi, the Shah's former envoy to Washington, are currently coordinating a pro-Shah takeover from the hinterlands of eastern Turkey.

According to one Iranian source, the U.S. government—in particular Secretary of State Cyrus Vance—is committed to preventing Bakhtiar from coming to power and is backing the Shah option.

While Vance and the State Department hope to use Bakhtiar's movement to relaunch the easily manipulable Shah into power in Iran, the success of their efforts will in large part depend on the actions of the French in supporting this nationalist movement.

—Nancy Parsons

Iran pays cost of capitulation to Britain

The eight months that have passed since the Ayatollah Khomeini came to power in Iran have seen the end of that country's once ambitious industrialization program. Acceptance of the British-trained Khomeini's Islamic state has brought a disorder to the country which former prime minister Shahpur Bakhtiar recently characterized as having cost more than the "economic losses from plunder and theft in the last 25 years."

Since Khomeini's takeover of Iran, its large and aggressive development program has ground to a virtual halt, leaving the country's 35 million people to undergo an inflation rate between 40 to 50 percent while unemployment has reached over 30 percent. As a result Iran's urban population is becoming increasingly restive and disillusioned with Khomeini and is looking for an alternative political leadership. The current economic collapse has become a critical factor in the growing political opposition to Khomeini's xenophobic fundamentalist regime for which Bakhtiar has become the rallying point.

"Small is beautiful" economic model

As the accompanying chart details, the value of stalled or cancelled projects valued at more than \$500 million each currently totals over \$50 billion. If smaller development projects and canceled military contracts are included, the total cost of Iran's economic inertia is nearly double. This is a serious setback to Organization for Economic Cooperation and Development nations which had major investments in Iranian development. This sudden halt in Iran's development is an added cost to the troubled world economy, as it Iran's current policy of accruing massive oil revenues and not putting them to productive use for development which requires technology transfer from the advanced countries.

U.S. business sources with prior dealings in Iran characterize the country as an industrial wasteland in which carcasses of partially finished construction projects dot the skylines of Iran's major cities. Said one New York based Iranian source, "I wouldn't give Khomeini's regime more than until the end of this year. He and his mullahs don't know how to run an economy as complex as Iran's. The euphoria is wearing off, people who want work and their former standard of living under the former regime are restless. The economy is the most powerful weapon Khomeini's opponents can use."

While part of the blame for Iran's economic shut-down is a dysfunctional bureaucracy and mass exodus of vital foreign advisors and workers, there is a conscious policy behind the current economic madness. A coterie of Khomeini's closest advisors strongly advocates a Maoist economic model for Iran of self-sufficiency, which a pro-Khomeini professor from Georgetown University likened to the policies of the genocidal Pol Pot Cambodian regime.

The most high-profile promoter of this policy is the newly named Deputy Finance Minister Abulhassan Banisadr. In an interview with the French weekly *Nouvel Observateur* last month Banisadr lauded this plan to transform Iran into a ruralized plantation harmonious with the policies superimposed on the developing nations by the International Monetary Fund and the World Bank. This is no coincidence. Banisadr is a protégé of the radical "small is beautiful" economist René Dumont, who has been for years an advisor to the World Bank.

Banisadr's drive to halt Iran's industrial development and in turn reduce its population is coherent with London and Washington's current drive to impose a new dark ages economic policy on the world for which the developing nations are the first victims. He has personally been trained for this job. An alumnus of the Sorbonne in Paris, Banisadr associated with radical groupings close to radical existentialist Jean-Paul Sartre, the Emma Rothschild Institute, and the British intelligence linked National Center for Scientific Research in Paris. Moreover Banisadr, the radical "Marxist-Leninist theorist," is known to have close ties to the London-created and controlled fundamentalist Muslim Brotherhood.

Banisadr's plan includes balkanizing the economy into small, worker-run shops, with a strong emphasis on reversing urbanization to create small farming communities. To date this policy has not only failed but has left Iran in economic and social chaos.

Rolling in petrodollars

Iran is presently earning an oil income equivalent to that earned under the Shah—thanks to the massive OPEC oil price boost this year—despite a decline in oil production by 2 million barrels a day. But there is no

Iranian development: \$52 billion down the drain

Major development projects worth some \$52 billion have already been canceled or are threatened with cancellation by Iran's "Islamic fundamentalist" Khomeini regime—and this figure does not include the smaller, collateral projects that have gone down the tube as well. Following is a list of major development projects lost or in peril.

Project	Status	Country	(\$ billions) Value	Contractor
2 X 1,200 MWe nuclear power stations, Bushire	77% complete. Canceled July 30.	B.R.D.	6.9	Kraftwerkunion
Gas secondary recovery/reinjection program, Khuzestan	1st phase completed. Low priority now. Unlikely to resume.	U.S./U.K.	6.0	Ralph Parsons, Foster-Wheeler, Fluor
2 X 900 MWe nuclear power plants, Karun River	Site work completed. Canceled.	France	5.9	Framatome-led consortium
Iran-Japan petrochemical complex, Bandar Shahpur	85% completed. Likely completion.	Japan	3.3	Mitsui-led consortium
Igat-2 gas trunk line to Soviet Union	1/3 completed. Canceled July 29.	France/U.K./U.S.S.R./Poland	3.0	Wilmeg, Spie Batignolles, others
Teheran-Khorramshahr, Bandar Shahpur rail electrification	Low priority. Unlikely go-ahead in near future.	France/Denmark	3.0	Spie Batignolles, Kampsax
1.5 million tons/yr. steel mill, Bandar Abbas	Cancellation in balance, contradictory reports.	Italy	2.9	Finsider/IRI
Teheran city center development, Shahestan Pahlevi	Canceled as whole project.	U.K.	2.6	Llewellyn-Weeks-Davies
1,150 mile highway, Qom-Bandar Shahpur	Preliminary work halted. No decision to resume.	U.S./France	2.4	Morrison-Knudsen/Jean Lefevre
Sar Cheshmeh copper mines and plant, Kerman	Mine and initial process plant 90% complete. Canceled mid-July.	U.S./B.R.D./Belgium	1.6	Anaconda/Parsons-Jurden/Krupp-Mechim
Kerman Bandar Abbas railway line	Priority. Construction bids may be reopened.	Denmark	1.5	Kampsax
Electrification and doubling 400 mile railway, Teheran-Tabriz	Suspended. Go-ahead highly unlikely.	U.K.	1.4	Transmark
Teheran Metro	Construction first-stage halted. Almost certain cancellation.	France	1.3	Ratp/Sofretu
1.2 million tons/yr. steel mill, Isfahan	Canceled after award few construction contracts.	U.K./B.R.D.	1.1	British Steel Corporation
New port of Bandar Abbas	Awaiting backpayment of \$177 million and work permits. Hope.	Italy	1.1	Condotte d'Acqua
New Teheran airport	Work stopped last fall after site clearing. Canceled.	U.S.	1.1	TAMS
Kalingas LNG project	Canceled.	France	1.0	Kalingas consortium
Expansion of overall telecommunications network	Canceled. ABI unlikely to return.	U.S.	1.0	American Bell International
200,000 bbl./day oil refinery, Isfahan	95% complete. Last-minute problems. Iran uninterested.	U.S./B.R.D.	0.9	Fluor/Thyssen
Aromatics plant, Abadan	Construction contracts unlikely to be awarded	U.K.	0.8	Foster-Wheeler
Installation telephone exchanges and lines	1/3 completed. Canceled after extensive renegotiations.	U.S.	0.8	GTE
1,760 MWe thermal power station, Neka	Priority. First unit on stream, summer 1979.	U.S.S.R.	0.7	Soviet Ministry of Energetics and Electrification
2.5 million tons/yr. sponge iron plant, Ahwaz	Germans asked to speed up work.	B.R.D.	0.7	Brown Boveri/Deutsche Babcock
1,260 MWe thermal power station, Ahwaz	75% completed. Work stopped but likely to resume.	U.S./U.K.	0.5	Easier/Swindell-Dressler/Foster-Wheeler
Shipbuilding/dry docks complex, Bandar Abbas	Drydocks: pessimism; shipbuilding: some hope.	South Korea/B.R.D./Spain	0.5	Hyundai/Blohm and Voss/Dragados

prospect for reconstruction and resumed economic growth under genuine democratic conditions, as long as the rigid and paranoid anti-Western Khomeini remains in power.

A recent report from Iran's planning ministry reveals a 17 percent cutback in the first annual budget drawn up since the revolution. The *Financial Times* of London reports that the main areas to be cut are defense and the development sectors.

Since the beginning of the year the regime has cancelled over 50 large development projects. The shutdown of all construction, the fastest growing sector under the previous government, has created a massive pool of unemployed who are surviving on costly government welfare-style programs and food subsidies. The *New York Times* reports Aug. 6 that even the welfare program is breaking down due to the failures of the bureaucracy under Prime Minister Bazargan. U.S. government sources project that this year Iran will import \$9 billion in food, the highest food import bill ever in Iran and three times that of the 1978 bill.

But the biggest question many bankers and government officials are asking themselves is where is Iran's massive oil income going? Iran is currently earning \$75 million a day in oil revenues or nearly \$22 billion a year, the equivalent of what Iran earned last year producing 5 million barrels a day of crude at a selling price of \$8.00 a barrel less than current pricing. New

York banking sources estimate Iran's current reserves to be over \$12 billion, rebounding from an earlier 1979 low of between \$5 and 7 billion. Most of the money is going into the Eurodollar market in short-term deposits. Iranian sources, however, say that millions are being personally deployed by the rabidly anti-Soviet Khomeini to fund fanatical Moslem Brotherhood efforts to overthrow Afghanistan's president Taraki, a close ally of Moscow.

A State Department official who specializes in Iran's economic affairs commented succinctly that Iran "is rolling in money and at the present time there is no investment in economic growth ... they just do not know what to do with the cash. ..."

Other informed sources say that deep divisions within the government have contributed to the current situation.

Accompanying the collapse of the economy, there has been a sharp upturn in illegal drug and gunrunning in Iran. The *Financial Times* recently reported that Iranian smuggling had even had an impact on London's own black market. As this publication has repeatedly documented, Khomeini is a pawn of the same British and Israeli intelligence networks which created and sustain international drug trafficking today.

It is this smuggling network in Iran which interfaces with the ancient tradition of bazaar merchants involved in black marketeering. Recently, the Teheran govern-

Khomeini aid endorses Cambodia model for Iran

The French weekly Nouvel Observateur, ran an interview July 9 with Deputy Finance Minister Abdulhasan Banisadr, the chief economic advisor to Ayatollah Khomeini, entitled "A Utopian in Power." Here Banisadr, an Islamic-Marxist economist and theoretician, speaks on Iran's economy under Khomeini's Islamic regime.

What does the West propose for us? The race to consumerism, exploitation of raw materials, and suicide through energy. What does the Soviet Union hold out? A penurious economy, an all-powerful bureaucracy, a planner-dictator. Why choose between these two failures? We must—and the Third World

with us—find another schema, another way. This won't be easy, but we are lucky, in Iran, to have been carried by a popular revolution which renders these changes possible." Khomeini's economic counselor and theoretician of the Islamic revolution is considered to be a utopian. He is accused of trying to construct a magic carpet economy.

What does Banisadr foresee for the Iran of tomorrow? A project with three points:

1) A market economy must no longer be pursued. Neither must raw materials be exploited, sought after, bought or sold ("It is unbridled consumption which causes scarcity of raw materials, and nothing else!") It is necessary to start from needs to be satisfied, by implementing a draconian choice between

dispensable and indispensable needs.

2) This uniformity of production must not be accompanied, as in the Eastern European countries, by state-sector planning, thus dictatorial. The error of Communism is to have believed that power was linked to the proprietorship of the means of production. In reality, power is linked to decision, and it is that which must be decentralized, dissociated from capital and dissociated from management. It is the consumer-producer, reunited in villages or regions who will decide themselves their needs and the type of products they want.

3) Above all, it is necessary to reconstitute agriculture, (which, some years ago, was self-sufficient

ment clamped down severe restrictions on the amount of Iranian riyals that could be converted to dollars to halt the massive capital flight out of the country. Black market moneychangers on the notorious Firdowsi Street are known to be changing riyals for dollars at a rate of 110 to the dollar nearly twice the rate prior to the Islamic revolution. This has also exacerbated the inflation rate.

The economic situation in Iran has not only hurt the advanced nations; it has also had an impact on certain developing nations which were major trading partners with Iran, and on the Soviet Union. In the last week of July, Massan Morshed, the head of the National Iranian Gas Company, announced that Iran would cancel a major natural gas swap deal with the U.S.S.R. known as IGAT-2. The Soviets were to supply gas to West Germany, France, Czechoslovakia and Austria in exchange for Iranian gas shipments to southern U.S.S.R. According to the *Financial Times*, July 30, the IGAT-2 pipeline had already been laid at a total cost of \$2.44 billion. The deal was part of a far-reaching agreement established in the mid-1960s between Iran and the U.S.S.R. in which the Isfahan steel mill was the first phase of a new era of cooperation. The *New York Times* reports that the Isfahan mill, which previously employed 30,000, has wound down to a snail's pace. If the mill closes Iranian sources say it will take up to 18 months to restart it. Linked to this development are

reports that the Khomeini regime is considering canceling joint Iranian-Indian development of the southern Indian Kudremukh iron-ore mines which were initially to be developed to supply ore to the Isfahan mill. Indian sources indicate the collapse of the Kudremukh project is a major setback for southern Indian development.

The mass exodus

Conservative estimates indicate that 6,000 Iranian nationals are leaving the country on a daily basis because of intolerable economic conditions, especially within the cities. This mass exodus signals the loss of Iran's single most important resource, its scientifically trained intelligentsia.

Prior to the Islamic revolution, Iran already had a shortage of physicians and scientists, but the present emigration pattern spells serious crisis for the country. This current brain drain has become a bitter issue inside Iran in which Khomeini has been repeatedly attacked for alienating Iran's scientific cadre with his mystical fundamentalism. Iran's universities, too, are being depleted of professors, who instead are seeking employment outside Iran. It is precisely this layer of the Iranian people which is the political foundation for the secular democratic-republic which Bakhtiar and his supporters are presently organizing.

—Judith Wyer

and which today has an enormous deficit) and bring back to the countryside the "bureaucrats"—approximately 1.6 million—secreted by the Shah's regime, in order that they can reconstitute the former structure of the villages. Is this "Operation Cambodia" then? Yes, says Bani-sadr, but without the rifles. By faith and by persuasion.

But before putting this project to work, there are priority actions to make. First, to get rid of the "57 varieties" of Iran—all, or mostly all, linked to the West. Why, for example, is it necessary to terminate these modern buildings under construction in Iran? It is anti-economical: they will only accentuate still more the urbanization of a city which, already, is falling apart everywhere. But to destroy them costs too much. It is necessary to abandon them to

let them fall apart by themselves.... That's all.

Iran's brain drain

Le Figaro, Aug. 6, reported on growing discontent with Khomeini's economic policies, which is leading to a major brain drain in Iran.

Iran's "purification" committees are too efficacious in their zeal to rid Iran of foreign experts and to chase out all the Shah's former supporters. They are ridding Iran of all its brains. In reality, this purification has turned into a veritable "hair-splitting inquisition" which the Iranian press has now begun to denounce.

The Iranian daily *Etelaat* of July 30 is certain that of 14,000 doctors,

5,000, among them professors, have already left the country. The pro-Khomeini Kayhan charges as well: "Do the purification committees know that during the course of the last months, 200 or one-tenth of Iran's dentists have emigrated?"

"Are they aware that the University is being emptied little by little of its science staff, to such a degree that professors whose knowledge has attained an international level are leaving Iran to go and teach in imperialist countries?" In the Iranian scientific community, to be purged has almost become a distinction, a label guaranteeing the competence of the concerned party.

The 'Great Game' in Afghanistan

In the past months the small, backward and landlocked Central Asian nation of Afghanistan has become the subject of a great deal of attention in the Western press and in the highest councils of the British oligarchy and its allies in the U.S. The attention is focused on the fate of the government of President Noor Mohammed Taraki, a revolutionary regime which came to power in an army-backed revolution in April of last year and has been facing a revolt against its rule from tribal rebels who claim to carry the banner of "Islamic revolution" in the style of Iran's Ayatollah Khomeini.

However, the events in Afghanistan have been given a significance which goes far beyond that nation itself—it has become a battleground between the Soviet Union, which strongly supports the Taraki government, and the Anglo-American powers and China who have been backing the anti-Taraki efforts. Afghanistan is thus a battleground between those who proclaim that the Khomeini Dark Ages "revolution" is the "wave of the future" for the entire region and those who remain committed to a strategy of scientific and technological modernization for the developing sector nations.

It is in this context that Zbigniew Brzezinski, President Carter's national security advisor, proclaimed in a speech last week that the "prudent" restraint of the U.S. during the Iran revolution should be matched by the Soviet Union in its role in aiding the Taraki government in Afghanistan. Sanctimoniously this backer of Khomeini's wave of destruction declared: "We expect others similarly to abstain from intervention and from efforts to impose alien doctrines on deeply religious and nationally conscious people."

To uncover the truth about Afghanistan, the situation must be looked at on its two levels—the strategic dimension which is sometimes referred to as the Great Game, the British label for their century and half effort to battle with Russia for control of Afghanistan and the entire Central Asian region; and the dimension of the Afghan revolution itself, its origins and the present difficulties of the new government.

The Great Game today

The Anglo-American establishment has designated Afghanistan—through a constant barrage of propaganda in the press—as the Soviet Union's "Vietnam." According to this formulation the Soviet Union is backing

an increasingly unpopular regime in Kabul which is dependent on Soviet military aid and advisors to maintain its rule against an armed revolt. As this revolt gains in intensity—which the British Broadcasting Company and others have so happily reported is the case right now—the Soviets, they say, are faced with a choice of abandoning their clients, either outright or through a coup of some kind, or pouring in more support up to and including Soviet military forces—hence a "Vietnam quagmire" as the logic goes.

Leaving aside for now the important fact that the Anglo-Americans themselves have fueled this "revolt," the aim is to deliver a strategic defeat whose importance is most immediately linked to the events in Iran and the surrounding region. Soviet escalation in support of Taraki has been set up by Brzezinski and others as a trigger for a response by the U.S. in the form of U.S. intervention into the Persian Gulf region—a linkage made in the same speech referred to above. A more important stake is the fate of the Khomeini operation itself, as the Taraki government is the most open anti-Khomeini force in the world today and the religious fanatics of Iran have proclaimed the overthrow of Taraki as a major objective of their "Islamic revolution."

The success or failure then of the Afghan revolution is key to the reversal of the Khomeini destruction of Iran, and the Afghan situation has become even more vital at this time with the emergence last week in Paris of Iranian leader and former Prime Minister Bakhtiar as an opponent of Khomeini. This also intersects developments in Iraq, and in Pakistan where the Khomeini-allied military junta has been the main support for the anti-Taraki rebels who operate out of base camps in Pakistan. The supporters of murdered Pakistani Prime Minister Bhutto, whose challenge to the military regime is becoming increasingly powerful, have openly attacked the efforts to involve Pakistan as a surrogate in a war against Afghanistan and expressed support for the Taraki government.

It is this strategic dynamic that propels outcries, like the one in a recent *New York Times* op-ed, that the importance of Afghanistan is to stop a "Soviet drive to the sea"—i.e., a supposed Soviet effort to dismember Pakistan, take over Iran, all to gain access to a much vaunted "warm-water port." Such rhetoric comes

straight out of the British geopolitics which caused three "Anglo-Afghan Wars" in the 19th and 20th centuries as Britain, protecting its Indian Empire from the "Russian hordes" (this is all before the Soviet revolution), used Afghanistan as a "buffer." Now we are told, with almost no change in wording, that London-run Islamic reaction is the "buffer" needed in the region.

The present situation in Afghanistan is a virtually precise replay of the British engineered overthrow of the Afghan King Amanullah in 1929, an Afghan leader who attempted to introduce modern reforms to his backward land and to free it from British control, with the support in part of the young Soviet republic. At that time too an "Islamic revolt" was paid for by the British Secret Intelligence Services, run out of British India (from the same locations now used in Pakistan).

What really happened in Afghanistan

The British authorship of the events in the 1920s is well known to Afghans—equally well-known is the continued British role in the creation of the Islamic revolt today. The Taraki government has sharply identified the British as Afghanistan's enemy (see below).

The present Afghan leadership—at the head of which stand Taraki and Prime Minister Hafizollah Amin—came to power in a military revolution in April 1978. This was not, however, a military coup but a political revolution led by the Democratic Peoples Party (known as the Khalq), a left-wing socialist party organized among Afghan intellectuals in the early 1960s. The Khalq's main commitment has been to eliminate the feudal monarchy that has ruled Afghanistan for two centuries, the monarchy of the Durrani family.

The backwardness perpetuated in Afghanistan under the monarchy and its tribal supporters was extreme even for Third World countries: Almost 95 percent of the population is illiterate, and the country is dominated by tribal chiefs and religious leaders (mullahs) who are themselves big landowners and have opposed all previous efforts to bring modern education and reform to Afghanistan.

The April revolution followed a series of political upheavals. In 1973 the King, Zahir Shah, was overthrown in a military coup, and a "republic" headed by President Daud, a former Prime Minister under the King from 1953-63 and a brother-in-law of the King was declared. Daud came to power with the backing of Khalq and allied elements in the military and initially declared a series of democratic reforms. But within a few years, these proved to be illusory, with a late 1975 purge of the progressive supporters culminating in moves in 1977-78 to wipe out the Khalq and its allies. This included moves in early 1978 to align Afghanistan with President Anwar Sadat in Egypt and with Iran, and to place the country firmly behind overall Anglo-American policy in the region.

The April murder of a trade union leader, followed by large scale arrests of Khalq and other intellectual leaders, was the immediate spark for the April 28 revolt. The revolt was over in less than a day—after some sharp fighting, victory was proclaimed over the monarchy.

The immediate policies of the Taraki government were the rapid implementation of land reform measures, including distribution of the monarchy's land holdings, the creation of a mass literacy program which now involves some 7 million Afghans (out of a population of some 18 million), the elimination of peasant debt and usury, and the establishment of equal rights for women, including ending feudal practices of selling women. These measures brought about immediate and strong resistance from the feudal landowners and from mullahs who declared that these acts were against Islam.

The resistance from these layers, including from tribal elders who have traditionally resisted the actual rule of a central government in Afghanistan over their territories, was the raw material which was gathered by Anglo-American intelligence services to try to reverse the revolution. The base of the armed operations against the government is some 100,000 Afghan refugees encamped in Pakistan in the areas of the Northwest Frontier province (around the famous Khyber Pass). The population of this region of Pakistan is made up of the same tribes, all Pathans, who live across the border in Afghanistan. These tribes, who are heavily engaged in the growing of opium poppies and the drug trade into Iran, are now part of the armed strength of the anti-Taraki forces.

Through well circulated stories in the Western press, these feudal elements have been draped with the banner of an "Islamic revolt" against "godless communism." Several self-appointed would-be Khomeinis have emerged, squabbling among themselves as to who is the real Ayatollah. It is known that arms have gone into the rebels, that training is provided by Pakistani officers (mainly of the Khyber Rifles, a British-created force of tribal militia with regular Pakistani army officers), and that support has come from the Chinese as well, with direction mainly in the hands of agents of the British Secret Intelligence Service and the U.S. CIA. The British connection is so well known to the Afghans because of the direct role of the Muslim Brotherhood in these operations, with the main Brotherhood-connected Afghan exile leader, Mujadidi, having the distinction of being the son of the mullah who was paid by the British in the 1920s to lead the then "Islamic revolt" against that anti-feudal government.

These elements have managed so far to disrupt law and order inside Afghanistan, with armed revolts by tribal elements scattered around the country and managing in several incidents to cause significant damage in provincial cities. While the ultimate control of the Taraki government has not been threatened up to this

point, it is clear that the operations have been able to disrupt implementation of an effective land reform program and other measures and have set back the efforts of the new government. The stability needed to gradually shift the social structure of a backward nation like Afghanistan has not been given to the Taraki government. As Taraki pointed out in a recent speech: "Feudal relations do persist. ... For example, instead of beasts of burden and traditional plows, we should press into service tractors and modern machinery."

These are the terms of the Great Game in Afghanistan at this moment. This issue of Afghanistan's relations with the Soviet Union is a fraud; it is useful to point out that even under the previous governments of the monarchy more than half of the economy was financed and developed by the Soviet Union, which shares a long border with Afghanistan—the two nations' economies are naturally integrated.

—Daniel Snider

Prime Minister Amin lashes out at U.K., Iran

The following is from a speech delivered by Hafizollah Amin, secretary and member of the Politburo of the Central Committee of the People's Democratic Party of Afghanistan and Afghanistan's Prime Minister, to the ulemas, elders and representatives of the various tribes of Bajawor. It appeared in English in the Kabul Times on July 2, 1979.

My most dear friends: Now your brothers and your sons have the honor to follow the lead of your fathers and forefathers. Your fathers and forefathers protected the country against the British and forced the British to flee. They wiped out the agents and laborers of the British from the country and transferred the power to the toilers. When the British brought their agent to Afghanistan they established him here and said that so far infidelity was here but now Islam came because here came the British agent. Now you see that then British knew Islam, and that is why their agent came into power in Afghanistan. If the agents of the British have power and discretion in Afghanistan, then they say that Islam is very well in Afghanistan. But if liberators, lovers of land, and the servants of the people hold power for their people and for their toilers, they say that Islam is in danger because the British disappeared. They tell us we are against Shiites. Therefore, the spongers and parasites of Iran, fanatic elders or lords of Iran raise their voice that for God's sake they killed

Shiites in Afghanistan and have beaten up Shiites in Afghanistan. We say that as all the people of Afghanistan stood up against the British and shattered the British Empire and eliminated the representatives of British and drove away the British agents who had come here from one direction and raised false voices here now the valorous people of Afghanistan also stand against these British agents who now come from Iran. Here in Afghanistan whoever may be whether Shiite or Sunni, whether Hanably, Maliki, Shafiee or Hanafi, whoever live in Afghanistan, whether Hindu or Moslem, give hand together patriotically and stand against foreigners and safeguard the workers' regime, protect their country and preserve the honors and zeal of their fathers and forefathers.

The British kill Moslems every day through Israelis in the holy land which is from the historical point of view the first Qebla (altar) and from the sanctity point of view the second Qebla of Moslems. They shed the blood of the sons and women of Moslems, eliminate the aged and force them to escape from their homes and replace them by infidel Israelis. Now they shout for the Moslems of Afghanistan. Is there any greater lie, hypocrisy and greater disgrace than this? They do this in order to bring back their representatives to Afghanistan, bring again their laborers and servants, to bring back Khanism and kingdom again in Afghanistan, and bring back those who would dance at the tune of their drum and greet them. Now the toiling Moslems have the power in their hands and the toiling people have the regime in their hand. Now the toiling people rule and this has broken the heart of the English. The agents of the British come and the agents of the British have no sleep.

Now again we see that our enemies who have fled from Afghanistan have also gathered in London and meet in London and talk openly to their friends in London and are in contact with them and say that they should topple down the Khalqi regime of Afghanistan and that what should be done about the Khalqi regime of Afghanistan. We do not accept, made-in-London Moslems. We accept those Moslems who have been born in our country, grown in our country and are living in our country and consider themselves our brothers and make efforts together with us to build the country and have the political power of the country in their hands along with us.

We take pride in our country where there is a war between the toilers and spongers. There is no war of infidelity and Islam here. Here, nobody can get rich on the labour of others. From now on there is no concept of richness and property in Afghanistan. There will not be such mentality.

Soviets: London and Washington are toying with war

In the view of the leaders of the Soviet Union, the current crisis in the Carter Administration, including the U.S. energy program, signifies a drastic increase in the danger of World War III. Moscow is blaming not only Washington, but London.

Numerous articles in the Soviet press since the last week of July stress the surprising degree of coordination between London and Washington, on foreign policy and military matters in particular. A whole range of commentaries warn that the Anglo-American "war camp" is gaining factional ground.

Behind Soviet assessments is the ongoing Global Shield maneuvers of the U.S. Strategic Air Command (SAC), the largest in SAC's history. Global Shield, which includes simulated bombing runs up to the borders of the USSR, began without notification to Moscow. The maneuvers are blacked out of the U.S. press, but receive daily coverage in the Soviet military paper Red Star, which labels them a "provocation by opponents of détente."

On July 22, Red Star emphasized that "the Atlantic strategists are already planning the latest series of military maneuvers code-named Autumn-Forge '79, for September-November of this year ... the preparation and the course of both conventional and nuclear war on the European continent are gradually being worked out..."

London's role in all this has been emphasized. The government daily Izvestia has reported that "full agreement" on issues concerning NATO was reached in Washington meetings between U.S. defense secretary Brown and Britain's Francis Pym; the British are also attempting to revive the idea of a "European multilateral nuclear force," in which England's role as "first violin" would rest on its submarine fleet equipped with Polaris missiles.

The Soviet press has reacted with the same sharpness to U.S. threats of intervention in the Persian Gulf and Mideast "to protect oil supplies." Radio Moscow broadcast hourly bulletins at the end of July on the activities of the American military proximate to the

Middle East, reporting July 25 that parts of the U.S. Navy Seventh Fleet have been ordered to protect tanker routes, and have been placed on "full combat readiness" on the pretext of looking for Vietnamese "boat people."

Novosti press agency's Economics Commentator, Gennadi Pissarevski, had the following to say on the relation between oil and the threat of general war in a recent article which we reprint in excerpted form here.

'Oil and playing with world war'

The latest increase in the world market price for oil by the OPEC countries (July 1) has increased the price for oil more than ten times compared to the 1970 price. If the price for fuel continues to increase at the same rate, then at the beginning of the 21st century, gasoline will be sold in little bottles like perfume. ... Inflation, unemployment, and production decreases are the consequences of the increase in the price of oil....

Everyone knows that the U.S.S.R. has nothing to do (and previously had nothing to do) with the bad energy situation in the West. But without being able to contradict the irrefutable facts, the "Sovietologists" have fallen for futurology, and are bringing out various prognoses: for the short term, for the long term, and even for the very long term future. However, these prognoses all have the same purpose: to prove that the U.S.S.R. is always, a priori, and above all to blame. It is a kind of Pandora's box from which everything evil flies to the West—in the past, in the present, and, what is particularly interesting, in the future, too.

One of these prognoses has already brought about a new variety of anti-Sovietism: anti-Sovietism around petroleum. When the CIA published its report on the U.S.S.R.'s energy resources a couple years ago, it predicted a quite wretched future for the Soviets. According to the CIA, the U.S.S.R. will change from an oil exporter to an oil importer in the 1980s. The "Sovietologists" thought about this and came to the conclusion: Since the Russians allegedly have little money, but a lot of tanks, they will storm into the Near

East in order to conquer the Arab oil fields. But because the survival of the West depends on the East, and to be more precise, on the oil fields in the countries in this region, NATO will immediately intervene with its arms. The Third World War will break out, everything will go up in ashes, but the Russians will conquer because they are better armed and prepared. Because of its thoughtlessness, the West will go to pieces.

"What is to be done, in order to avoid this catastrophe?" the authors of the New Apocalypse ask themselves. But they are apparently not so gifted as John the Evangelist, for they come up with an answer that is more than primitive: The West must re-arm and continually re-arm, to conceivable and inconceivable levels.

No matter how sad this all may be, these insinuations have been spread around the world through the press, radio and TV. And at the same time, a new 110,000 man powerful combat corps has been set up. This "Quick Strike Force," as it has been baptized by the Pentagon, consists of two airborne divisions and two Marine divisions, along with 600 to 1,000 combat planes, aircraft carriers with nuclear weapons on board, as well as destroyers....

I believe, dear reader, that it is now clear why the Western mass media has patented the idea of "anti-Sovietism around petroleum." Its inventors are convinced that only the Marines can set up stable prices for Arabian crude oil. One day they will do that for sure, and there will be a lot of noise and complications around this. Therefore, one must first give the Russians a kick in the shins before anything else is done.

By the way, I would like to mention that the leaders of the Arab OPEC countries have repeatedly warned that they will blow up the oil derricks and set fire to the oil fields, in the event that the airborne divisions concern themselves with the problems of establishing the price for oil. And these leaders are by no means pro-communist.

While the propaganda makers labored with the formulation of "anti-Sovietism around petroleum," the USSR conceptualized the production of all forms of fuel in terms of growth, and not decreases, despite the CIA prognosis. They have made not a little progress in this: in the course of the first four years of the 10th Five Year Plan (1976-1980), the production of crude oil and gas condensate increased by more than 100 million tons. In the same period of time, Soviet geologists have discovered more than 100 new crude oil, natural gas, and gas condensate fields.

It is well known that the USSR is first in the

production of liquid and solid fuels in the world, and has considerably overtaken the U.S.A. ... I maintain it is necessary to bring these facts to those people's attention who have worked out very real plans to conquer the Mideast oil fields on the basis of vague allegations about coming Soviet energy difficulties.

The enemies of détente have set up the "Soviet threat" as a kind of axiom underlying all suspicions, even the most senseless. It is only through this that one can explain the tragic situation in which playing with world war has become the fashion. Some particularly reactionary politicians of the West are intimidating everyone with the "Soviet threat," but at the same time they are occupied with by no means harmless plans for the occupation of oil-producing countries.

The European Monetary System saved the dollar

This unusual commentary on the fall of the dollar by the Soviets' Novosti press agency drew the scrutiny of the Executive Intelligence Review's Soviet Desk as a departure from the usual Soviet press view of the European Monetary System (EMS) and its relation to the dollar. Whereas the Soviets have tended to write off the EMS as merely a new instance of "intra-imperialist rivalries" setting the countries of Western Europe at loggerheads with the United States, Novosti's Valeri Begishchev correctly points out that the EMS in fact helped to support the dollar, and that it was politically intended to do so by the EMS's leaders.

'The situation of the dollar: Western skies still clouded'

Amidst the stormy debates over the energy crisis, somehow the topic got submerged that was recently one of the most important in the West: the topic of instability of currencies and above all of the dollar. The fuse on this timebomb inside the capitalist economy is nevertheless still live, and economic experts on both sides of the Atlantic monitor its tick-tock with concern. The problem is that the U.S. dollar remains the most

important reserve currency of the nonsocialist world, at the same time that it is, however, one of the softest, least reliable monetary units.

The relative quiet on the currency exchanges since the end of last year, after the U.S. government announced dollar-rescue measures, has already been destroyed several times. In January, as it emerged that these measures would be roughly twice as expensive as planned, the monetary powers in Western financial centers went into a sort of shock. The reaction took the form of a new wave of speculation, with the dollar falling and gold appreciating markedly. Then, to all appearances, the situation stabilized, and even to a certain extent improved from the point of view of holders of the American currency. As several observers commented, the dollar in fact was supported by the creation of the European Monetary System, since the central banks of the "Common Market" countries actively bought dollars in the first months of this year, in the effort to preserve from collapse the mechanisms constructed with painful effort. In addition, the volume of dollar payments rose in the international oil markets, especially in light of the June OPEC meeting.

The most experienced financial minds, however, have not hastened to announce their satisfaction, because the record price of gold (around \$280 an ounce throughout June, while it first reached \$250 in February and was \$220 at the beginning of January) attests that confidence in the American currency has not at all been restored.

And actually at the end of June came a turning point as soon as it was clear that the Tokyo meeting of the leaders of the strongest Western countries did not produce a radical solution to the oil problem and that the OPEC conference displayed the resolve of the oil producing countries to defend their interests despite increasing pressure from the imperialist powers. The dollar began to fall again (e.g., within a few hours it dropped about 4 percent against the D-mark) and an ounce of gold at the beginning of July already cost \$289.

Could it be that these forceful jolts are forewarnings of a real earthquake? Many facts point to this conclusion.

The Camp David energy conference, prolonged as it was, in all probability shows that the White House has to seek a "quick fix" solution to this question and thus it will hardly be the best one. In this case, American oil imports will stay at least at the prevailing level, and consequently there will be no diminution in the trade

deficit which is strongly undermining the dollar's position. ... The effort to bring U.S. inflation under control has come to naught, and its tempo already exceeds an annual 13 percent and in all likelihood will climb further because of raw materials price increases. Since the recycling of dollars into the reserves of other countries continues (according to the American magazine *Foreign Affairs* the official and private assets in dollars and Eurodollars is over \$700 billion), the export of inflation also continues, which convulses the entire capitalist monetary system. Under these conditions the efforts of foreign investors to convert their dollars into another more stable currency or into gold seem thoroughly natural. If the Western central banks are not able to prevent this development at a critical moment, it can turn into a real catastrophe.

At the same time, the persistent inflation in the West will undercut the oil exporting countries' profits (up to now Kuwait alone has lost \$400 million a year this way). Already, in the middle of last year, the OPEC countries, seriously concerned about such a situation, deliberated whether it would not be more appropriate to calculate oil prices not in American but in some other, stable, currency unit. At the time, this news disturbed the White House to the degree that the U.S. Treasury Secretary and his undersecretary for monetary questions sought an urgent meeting with the Saudi Arabian minister for finance and economics, who was recuperating in California. Finally, he tried to reassure Saudi Arabia, which with 50 billion dollars worth of assets, did not wish to risk a continuation of the present, tense situation in OPEC. But for how long? Not all OPEC members are so moderately inclined. Iran, for example, recently made it known that it would actively conduct oil transactions in yen, deutschemarks, and Swiss francs as well as dollars.

This did not go unnoticed in the currency markets and was a further impulse for the dollar's fall. Naturally Iran per se is not decisive; if, however, others follow its example, there will be hard times for the greenback.

The Western economy resembles more and more a purse stuffed to the top with knives. Soon one knife or another will rip the flimsy material, and it will take a great deal of exertion to get the clanging knives back into the bag. Today the energy problem poses the biggest puncture point, but the exchange-rate problem threatens capitalism with an equally dangerous wound.

—Valeri Begischev,
Political Commentator,
Novosti Press Agency

One trillion more barrels of oil!

Oil company report says world supply potentially double that now available

In the months since the onset of the current world oil "crisis," leading officials of every major multinational oil company, echoing the projections of former U.S. Energy Secretary James Schlesinger and the Central Intelligence Agency, have been warning in dire terms that the limits of world oil resources have finally been reached.

Not so, according to Cities Service geological projections published in the June 1979 *World Oil* and the April 1979 *Ocean Industry*. According to Cities Service Executive Vice President and international operations head P.W.J. Wood, the earth holds a potential one trillion plus barrels of economically recoverable petroleum reserves yet to be discovered. To give an idea of the scope of this oil, it is as much as the total of proven reserves and oil already pumped over the entire last century of oil exploration. Far from a shortage, the world's oil supplies have been systematically *underexplored* as a result of deliberate policy decisions by the London-New York oil multinationals and related corporations such as the giant oil testing monopoly, Schlumberger NV. The oil multinationals have used artificial restrictions of supply to maintain artificially high prices.

The recent announcement by the Saudi Arabian government, and continuing announcements by the government of Mexico, of confirmed finds of new giant oil fields equal to or greater in size than Saudi Arabia's huge Ghawar field, underscore the relevant point. Both the announcements, on the order of 200 billion barrels-plus estimated reserves, completely confute the Schlesinger-CIA projections. Both announcements were made by governments which have achieved sufficient independence from the Seven Sisters to defy the oil multinationals' blackout of accurate information on world oil reserves.

Where is the oil?

According to the detailed projection developed by Tulsa-based Cities Service, the world's petroleum base is more than sufficient to allow for full-scale exploitation of oil well into the next century.

Outside of North America, exploratory drilling for oil is far more limited than is possible: the United States is currently doing as much to find new domestic petroleum reserves as the rest of the noncommunist world

combined. Drilling and exploration activity outside the United States is woefully inadequate, a situation illustrated by comparing the mix of oil extracted from "giant" accumulations and non-giant accumulations within the United States to that in the rest of the world. Recovery from the so-called "giant" fields is cheaper than recovery from smaller accumulations, requiring less capital investment to recover more oil, but, in the U.S., only 36 percent of known oil comes from giant fields; 64 percent is recovered from non-giant fields, using advanced equipment that makes economic recovery possible. In the rest of the world, the proportion is reversed: 75 percent is recovered from giant fields, and only 25 percent from non-giant fields. The solution is the application of more advanced technology, which would not only produce more oil, but through the combination of increased supplies and more efficient production methods, lower the cost of oil. Says Cities Service's Wood: "If technology and economic incentives advance sufficiently, the world as a whole should attain a drilling maturity approaching that of the U.S. The world should then have a similar proportion of giant to non-giant accumulations." And this, based on the present 1.038 trillion barrels of oil known assuming the 75/25 giant/non-giant ratio, assumes economically recoverable world reserves of 2.163 trillion barrels—double the present supply.

Moreover, Wood states, "conservative assumptions were used in making this estimate. The U.S. is far from being completely explored and as drilling continues it appears certain that an even greater proportion of reserves will be found in non-giant accumulations. Also ... the world model excludes giants that will be found in the future."

Even in the U.S., oil finds have been artificially, and sometimes corruptly, held back. Through a sequence of environmentalist and other legal maneuvers over the last years, major offshore continental drilling in such oil-rich potential basins as the Santa Barbara Channel in California has been halted. California Governor Brown, who is financially linked to Indonesian oil interests through his father's Perta Marketing, Inc., has been instrumental in maintaining a freeze on development of these vast offshore reserves.

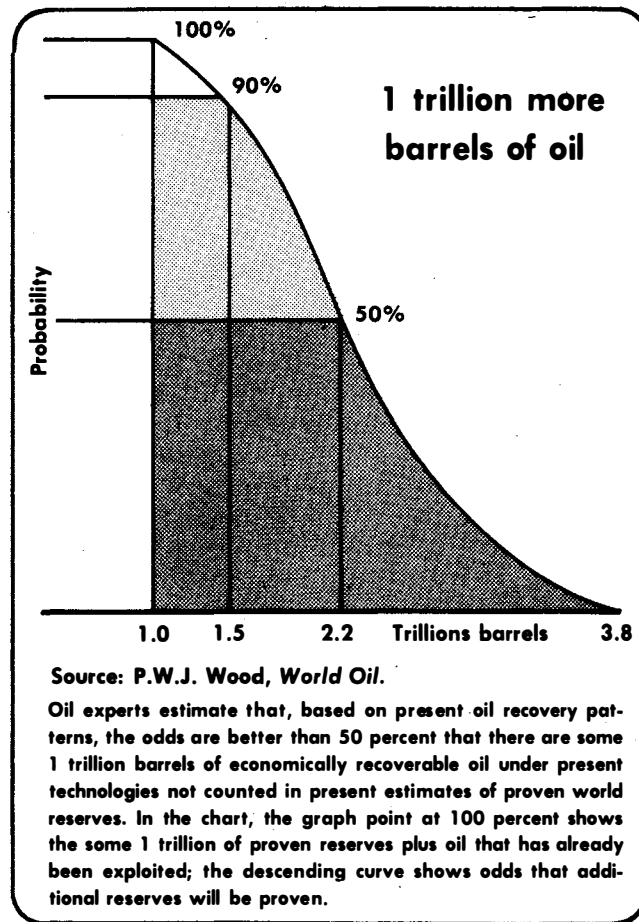
Geological analysis

The estimates of additional oil derived from analysis of the potential for recovery from non-giant accumulations correspond to the results of probability analysis conducted by Cities Service of where oil can be found based on patterns of geological formations known to produce oil (see chart).

Oil and gas are historically formed and trapped in what are called sedimentary basins. These basins are generally classified into three broader types: convergent, divergent and plate interior. Convergent basins are formed by geological plate strata moving toward one another. Divergent basins, as are found in the North Sea and the Nigerian coast and Western Atlantic coasts, are formed by continental margins moving away from one another. Plate interiors, which currently are known to contain 1.2 trillion barrels of crude oil, or 68 percent of the world's known economically recoverable petroleum, include most of the world's giant fields, such as the Arabian Gulf. The Lake Michigan Overthrust Belt in the U.S. is an example of this type. Because of recent advances in drilling technology, this Michigan area is highly attractive and is estimated on the basis of only preliminary exploration to contain a 600 million barrel oil reserve.

The eventual development of these vast oil reserves is foremost a political and not an economic question. Politically, as in the case of the Seven Sisters domination to date of most of the world's exploration results, the true scope of world oil resources is being carefully suppressed. As documented in a previous issue of this journal, for example, 70 percent of total world oil well testing equipment is controlled by one giant, the Schlumberger Corp., a Rothschild-linked multinational tied directly to Royal Dutch Shell, the London-based Seven Sister multinational which is coordinating the current Iranian world oil hoax and the astronomical price speculation on the Rotterdam spot markets. Fully 50 percent of all domestic and a whopping 85 percent of foreign testing is done by highly sensitive Schlumberger-patented equipment. Oil companies or countries are forbidden to operate this equipment, and are only given the results of what Schlumberger says they have. Other oil equipment innovators such as the Dresser Corp. which have tried to break this monopoly have been kept out of the market by unnecessarily stringent patent rulings, according to one informed industry source.

The Soviet Union, on the basis of such known geological evidence, and strictly contrary to published CIA estimates, has vast oil reserve potential, of primarily the plate interior type, including several known giant fields and vast areas in the Novosibirsk region of Siberia. This is the area from which the Carter administration chose to withhold advanced U.S. drilling technology in order to hamper rates of exploitation of the vast Soviet reserves and make the CIA-Schlesinger



scenario of dwindling Soviet reserves politically credible for a confrontation over the Persian Gulf resources.

Other regions with known giant fields in such plate interior regions include Texas, Venezuela, and Libya. Libya announced last week that it now estimates its reserves might even surpass Saudi Arabia's, and has embarked on an ambitious development program.

In short, there is so much more oil to be found in the world that, as Wood puts it, "if there is going to be a petroleum shortage, it will not be caused by the world running out of oil, but rather by our own unwillingness to go and look for it." Advances in exploratory geological mapping technology, such as the development of Landsat satellite high altitude photography, have permitted global geological mapping of areas over 1,000 times previous low-altitude aerial mapping. In addition, new innovations in seismic signal technology allow for the first time to identify the presence of subsurface gas formations before a well is drilled. These and other technologies, if wrested from the control of the handful of Seven Sister-linked conglomerates, will allow the world to develop the petroleum sufficient for orderly transition to hydrogen- and nuclear-based economies.

—William Engdahl

Congressional Calendar

Congress to speed Synfuels program through?

Despite much hullabaloo about the inefficiency and great expense of synthetic fuels, a number of congressmen are set to speed through a synthetic fuels program after the August recess. Although it is widely agreed that synthetic fuels are enormously expensive and produce little energy, the program has been pushed by such investment bankers as Lazard-Freres's Felix Rohatyn as a means of taking liquidity out of productive investment for bail-out purposes.

Before recessing last week, the Senate Energy Committee made a tentative decision to endorse a federal corporation for synthetic fuels production. The Committee endorsed Carter's goal for producing 1.5 million barrels a day of synthetic fuels, although they moved the target date to 1995. In turn, the Committee has endorsed the \$88 million that Carter has asked for the program, but will only release \$20 million of money borrowed against the Treasury for 1980-1981. The money would be allocated for loans and price guarantees for corporations involved in synthetic fuels development.

In order to speed this through Congress, according to one staffer, the Senate Energy Committee, under Scoop Jackson's leadership (D-Wash) is carefully coordinating their bill with the Moorehead bill that recently passed the House. The Moorehead bill authorizes a syn-

thetic fuels program on national security grounds, redefining national defense as also meaning energy production. According to a memorandum prepared by Congressman John Dingell (D-Mich.), "Under this definition the President could utilize his powers under the Act to affect all types of energy production without regard to whether it is for military purposes or not." The *Washington Star* warned that the bill "grants the President almost limitless powers."

If the Senate Energy Committee's proposals pass the Senate they will then go to a conference committee to iron out any differences between it and the Moorehead bill.

That the U.S. synthetic fuels program is modeled on the synthetic fuels schemes of the Nazis—and has been endorsed by Albert Speer, Hitler's armaments chief—has not escaped notice on Capitol Hill. "This looks like they want labor camps in Colorado" declared an aide to one leading Western Republican Senator. "Are we going to be shipping workers in boxcars?"

Mondale's boxcar bill revived

Two congressmen have submitted legislation reviving the National Employment Priorities Act (NEPA), originally sponsored by Senator Walter Mondale in 1974. The bill was introduced by Senator Riegle (D-Mich.) and Rep. Ford (D-Mich.) on July 31, with a similar bill proposed by Senator Williams (D-N.J.).

The bill requires any business with sales over \$250,000 a year to notify the federal government of its intention to either close or relocate. The Department of Labor is then authorized to step in with training programs and job placements plans, including a massive relocation program. The federal government is also authorized to finance public works projects for these laid-off workers and, according to one aide, "the energy programs will be one of the priorities for public jobs."

The Mondale bill did not get far last time around, due to widespread dislike for the idea of worker relocation schemes.

Hearings on this new version of the same bill will be held in the fall.

House Speaker to streamline legislation process

House Speaker Tip O'Neill (D-Mass.), a close Kennedy ally, plans to revise House rules to help speed legislation through the House after the recess. Last week at the whip meeting, O'Neill discussed bringing many more bills to the floor under closed rules. This would mean that no amendments to a bill would be allowed on the floor, thus there would be no chance for a congressman to change a bill after it has been passed through committee.

Senate Republicans vie for seats in House of Lords

Taking more than a page from the British Tories, the 41 Senate Republicans released their "economic program for the decade" on July 30. While it was not surprising that Anglophile spokesmen like Howard Baker, Jake Javits, and Lowell Weicker endorsed the report—which aped British policies on international monetary affairs and employment—it is a telling commentary on the demoralizing effect of Ronald Reagan's noncampaign on honest conservatives, that senators such as Orrin Hatch (Utah), Jesse Helms (N.C.) and Jim McClure (Idaho) would affix their names to such a document for the sake of "party unity."

The drafting of the report was accomplished by one of those soft-

brainwashing exercises in consensus politics, where a conservative and a Council on Foreign Relations flunkey were paired to write various aspects of the program. The anti-labor Tory tendencies of the conservatives were allowed to prevail in the employment policy section.

Everywhere else, the open Anglophiles prevailed. Overall responsibility for the report goes to John Danforth (Mo.), an ordained Episcopalian minister. Eastern liberal John Chaffe (R.I.) wrote the employment policy section, with the assistance of Orrin Hatch's economics aide—a British national. Trilateral Commission member William Roth (Delaware), with last minute additions from Jake Javits, wrote the section on international trade and monetary policy. The token conservative in that group is Jake Garn (Utah).

This concluding section on international monetary policy which was added by Javits at the last minute, while giving lip service to a strong dollar, in reality calls for an IMF dictatorship over the advanced sector, and the virtual dumping of the dollar as the international reserve currency. The Javits section reads:

"11. The International Monetary Fund should exercise more effective surveillance of surplus econ-

omies and should work more closely with commercial banks.

"12. The transactions of U.S. banks in the Eurocurrency markets should be more closely under evaluation."

And, in an incredible bit of doublespeak, Javits calls on the U.S. to "resume its leadership in the international monetary system" by bringing together world financial leaders "to develop a long-term plan for the evolution of the present monetary system." In other words, the United States should exert leadership by dumping the dollar in favor of an IMF-dictated monetary regime.

When asked how the prodollar conservatives could sign such a report, a committee source said, "most of them don't even know what a 'multi-currency reserve system' means."

In the context of calling for more effective "IMF surveillance" over surplus economies, that is, West Germany, Japan, and Mexico under the "North American Western Hemisphere Economic Commission," the program endorses full-fledged trade war against those countries.

In the Tory labor section, a British-spawned "social contract" is called for through labor-management councils, and the process of replacing full-time union workers with lower paid part-time employees, CETA workers, and underpaid youth.

—Barbara Dreyfuss and Susan Kokinda

LABOR PERISCOPE

Turning a retreat into a rout

The AFL-CIO Executive Council convened for its summer meeting in Chicago last week and quietly decided to abandon its priority commitment to nuclear power development in the United States.

While the media focused on other components of the federation's lengthy energy policy statement, the key portions were contained in a subtle but devastating change of direction on nuclear power. Al Zack, Sr., the longtime AFL-CIO public relations director, told a reporter: "Since the Three Mile Island incident, we have had to redefine our support of nuclear energy. People are afraid. ... We can no longer support nuclear energy until it has regained the full confidence and support of the public."

Zack, in a marked departure from previous AFL-CIO policy, tied future labor support for nuclear power to "meeting stringent environmental and safety standards" and claimed that such standards were not being met. Describing the impact of this thinking on overall federation energy policy, Zack stated that the AFL-CIO "no longer could view nuclear energy as a priority solution to either the nation's energy requirement or as a source of jobs for AFL-CIO members."

The 35-odd members of the executive council unanimously approved this new position.

While some observers may be shocked by this turn of events they have been cooking for some time. The principal chef of the new, proenvironmentalist energy plan is AFL-CIO Secretary-Treasurer Lane Kirkland, the Council on Foreign Relations member who is

the heir apparent to enfeebled 84-year-old president George Meany. Kirkland presided over last week's council meeting in Meany's absence, but the energy policy was drafted far from Chicago, in the back rooms of the White House and the policy chambers of the Council on Foreign Relations in New York.

Kirkland is known to have been conferring with such circles over the last several weeks, including during his trip up the mountain to Camp David during the President's recent near two-week recluse. He is said to have promised Carter full support for his Nazi-modeled energy program.

And according to sources inside the AFL-CIO, it is Lane Kirkland who has been single-handedly moving within the labor federation to stymie and otherwise nix proposals from AFL-CIO leaders—especially those in the building trades—for a full scale offensive for nuclear power. Kirkland has had a great deal of outside help in these efforts from CFR-dominated circles in the nuclear industry. Sources have identified Roger Sherman, the chairman of the Atomic Industrial Forum as playing a leading role in this operation. Sherman and other pillars of the nuclear industry have conducted what amounts to brainwashing sessions with Building Trades and other AFL-CIO leaders convincing them to "lay low" in the wake of an alleged "post Three Mile Island" public backlash against nuclear power. Every request by union leaders for joint industry-labor pronuclear action has been either stonewalled

or "put off into the far distant future."

Kirkland has also made use of the environmentalist "Kennedy" wing of the AFL-CIO, headed by the Machinists' William Winpinger, to sell his "compromise." He fields his new energy plan as a compromise between "factions" in the AFL-CIO, pushing the Kennedy-backed scheme to nationalize the oil companies and environmental concerns, but stopping short of outright denunciation of nuclear power.

It is this "inside-outside" operation which is key to rendering the AFL-CIO impotent on the energy issue.

Just how far this suicidal malaise has gone within the AFL-CIO leadership, is shown by the strange actions of Building Trades Department head, Robert Georgine. The Building Trades leader, under counsel from Kirkland, has fired off a letter to utility executives which makes labor support for nuclear power contingent on an end to the attacks on the Davis Bacon Act. Georgine ignores the fact that the anti-Davis Bacon people within the utilities industry are manipulated and controlled by networks associated with the Heritage Foundation and similar organizations. Choosing to make an undifferentiated attack, he is walking into a self-defeating trap.

There are already reports of sentiment against the action of the council coming from Building Trades and other leaders on the East Coast. Next week, when the policy begins to circulate, there is certain to be more trouble.

Kirkland, acting under orders from the same CFR crowd trying to rig the 1980 presidential contest for General Alexander Haig, may be overplaying his hand.

—L. Wolfe

FACTS BEHIND TERRORISM

Mob links to U.S. terrorism

Investigators of terrorism in the United States may be interested to learn that leading members of the legal community notorious for being pro-terrorist are increasingly turning up as counsel for known organized-crime figures.

Seven Las Vegas casinos—including the Jacobs family-owned Aladdin Hotel—are under investigation by the Organized Crime Strike Force of the U.S. Justice Department, the Security and Exchanges Commission, and the Nevada Gaming Commission. The attorney who represented Aladdin at a hearing to seek a temporary restraining order which would allow Aladdin to continue operations is Ramsey Clark. The former Attorney General in recent years has also dedicated his services to defense of the Baader-Meinhof terrorists in W. Germany and activities on behalf of the terrorist-linked Iranian Student Association.

Last year, William Kunstler, who specializes in preventing witnesses in the FALN terrorist case from testifying before Grand Juries, took a Privacy Act case on behalf of New England organized crime boss, Raymond Patriarcha, who is attempting to block release of his FBI files under the Freedom of Information Act. Before Kunstler won a preliminary motion to prevent a Rhode Island newspaper from obtaining any more of the files, it had been revealed that Patriarcha was involved in dog-track money laundering with Joseph Linsey, a Zionist philanthropist who is a business associate of Meyer Lansky, and a funder of the political campaigns of Sen. Edward Kennedy.

Through Linsey and the New England based Air Terminal Services, Patriarcha is also connected to the Jacobs family.

Atlanta denies contract to Jacobs

An indication of the increasing public awareness of mob connections came on July 23, when the Atlanta city council unanimously rejected a move by the Jacobs family to take over a major service contract at the Atlanta International Airport. The council decision culminated a six-month fight, catalyzed by the U.S. Labor Party's best-selling expose of international drug trafficking, "Dope, Inc.," which saw the majority of council members pitted against the mayor of Atlanta, Maynard Jackson and the *Atlanta Constitution* newspaper.

The significance of the contract lay in the fact that in September 1980, Atlanta International Airport will open up new terminal facilities that will make it the largest airport in the world, and the key international transshipment point for the southern United States.

In May, final bids on the concession were accepted and the Jacobs family's Air Terminal Services, a subsidiary of Sport-Systems Corp. and Emprise, came in with an offer nearly \$2 million over the nearest competitor. Sources in the city reported that the Jacobs bid additionally provided the city of Atlanta with 93.4 percent of the profits made during the first 17 months of contract operation. In other words, the Jacobs brothers wanted the contract very badly.

Atlanta had been slated to become the dope capitol of the South by the early 1980s.

Despite slipshod investigations by Atlanta city agencies, which failed to establish such basic features of the Jacobs' track record as a 1972 series of convictions by federal court in Los Angeles on racketeering charges, the city council refused to bend under a daily press assault from the *Atlanta Constitution* and harangues from the Mayor's office. At the end of May, the joint transportation-finance committee voted by a clear majority to scrap the entire first-round bidding process.

Begin investigation of Jacobs?

Two weeks ago, the city council opened a second round of bidding. While precise details are not yet available, it appears that a consortium of local business interest intent on keeping the Jacobs syndicate out of the city, pooled resources to introduce a bid higher than the Air Terminal Services offer. Today, the joint committee convened to vote that the Allright Parking Company be brought in as the holders of the now 14-month contract and as the option holders on the larger contract commencing with the expanded airport opening in fall 1980.

In unanimously voting in the proposal, the committee seized the opportunity to rap the *Atlanta Constitution*. At the end of the hearing, U.S. Labor Party security specialist Jeffrey Steinberg was given the committee floor to present new evidence against the Jacobs family suggesting that even though Air Terminal Service's bid had been rejected, sufficient evidence of other Jacobs operations existed to warrant public hearings and an investigation by the city attorney's office.

—Michelle Steinberg

WORLD TRADE REVIEW

New Trade Deals

PRINCIPALS	PROJECT / NATURE OF DEAL	COST	FINANCING	STATUS
USSR/Peoples Republic of China	Trade agreement	\$537 mn	NAv	I
Iraq from Japan	Marubeni Corp. will build six-lane expressway for Iraqi government. This is biggest construction deal ever won by a single Japanese company	\$325 mn.	NAv	Winning bid announced
Cameron from Canada	Construction of hydro-electric power lines	\$20.7 mn	CIDA	U
USSR from Japan	Kobe Steel and Fukushima Zosen have received a joint order for two 3,000-ton dredges	\$18.5 mn	NAv	I
Ireland from U.S.	Harris Calorific of Cleveland will build a plant for gas welding, cutting, and regulation	\$7 mn.	NAv	U
Canada from U.S.	CAE Electronics buys aerospace-flight simulator for DC 10 from United Airlines	\$5 mn	Direct	I
Italy from Canada	CAE Electronics will build remote control system for nuclear plant of Nucleari Italiano Reattori Avanzatti	\$2.5 mn	NAv	III
Hungary from Holland	Thomassen (Holland) will give Hungary technical & commercial support for the development & sale by Hungary's chemical industry of gas-turbines	\$2.46 mn	NAv	I
Madagascar from France	SPIE-Batignolles obtains contract for electrical installation of the Andekaleta hydroelectrical plant, 130 km to the East of Tananarive.	\$2 mn.	NAv	I
Canada from Spain	Canadian subsidiary of Asisa will build a textile machinery plant in Quebec	\$1.5 mn	Direct	III
Israel from France	Construction division of Societe Industrielle et Commerciale des Charbonnages will build several pre-fab housing plants (annual capacity 6,000-8,000 units)	NAv	NAv	Protocol signed with Israeli Housing Ministry.
Cancelled Deals				
Iran/France-Italy-Soviet Union	Cancellation of construction of "IGAT-2" gas pipeline	\$1 billion		
Iran/W. Germany	Cancellation of construction of 2 nuclear power plants (50% and 80% complete)	\$8.5 bil DM		

Abbreviations:
 U = Undetermined
 NAp = Not applicable
 NAv = Not available

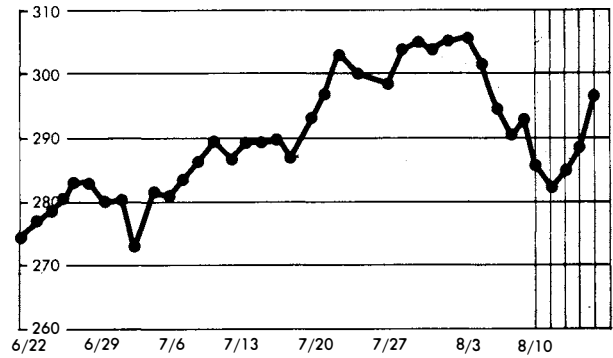
Status:
 I = deal signed
 II = in negotiation
 III = preliminary talks

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Gold

London afternoon fixing

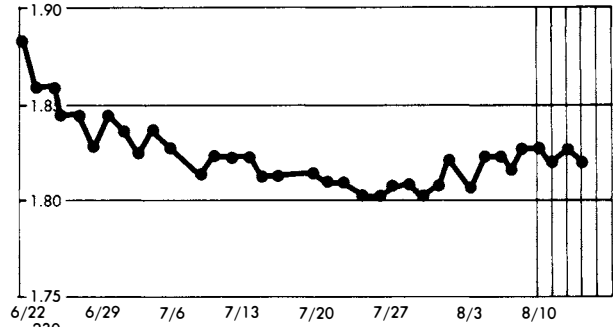
August 3	286.50
6	282.70
7	285.10
8	289.00
9	297.10



The dollar in deutschemarks

New York late afternoon

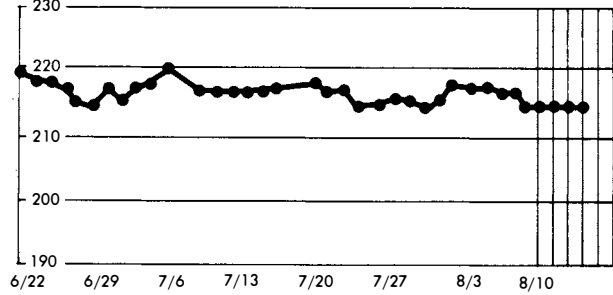
August 2	1.8326
3	1.8308
6	1.8298
7	1.8322
8	1.8253



The dollar in yen

New York late afternoon

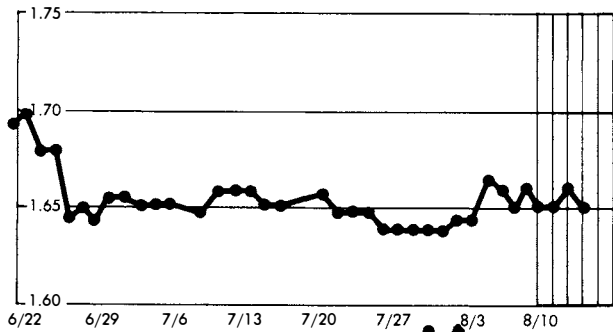
August 2	216.65
3	216.80
6	216.50
7	216.30
8	216.20



The dollar in Swiss francs

New York late afternoon

August 2	1.6600
3	1.6575
6	1.6580
7	1.6600
8	1.6520



The British pound in dollars

New York late afternoon

August 2	2.2730
3	2.2700
6	2.2455
7	2.2230
8	2.2235

