

The power behind Walter Mondale: 'hustlers, shysters, and con-men'

by Kathleen Klenetsky

Shortly after the June 5 primaries, Walter Mondale took himself and his family to Southampton, an exclusive resort located on Long Island's South Fork, for a vacation at the summer home of **Herbert Allen**, a Wall Street investment banker and entertainment industry mogul. The trip was duly noted by the major media. Some even pointed out how ironic it was that Mondale, who has repeatedly indicted Ronald Reagan for maintaining a coterie of rich friends, had chosen to sun himself at Allen's \$3 million villa, rather than return to the more plebeian pleasures of his home town, Minneapolis.

But more scandalous was what the media failed to mention about Mondale's sojourn: Allen, like his father before him, had accumulated his vast wealth through highly questionable business deals, many directly linked to the mob. Allen family members boast of this in their more candid moments; Herb Allen, Jr. told the *New York Times* several years back that the family's investment firm, Allen & Company, "trades every day with hustlers, deal makers, shysters, con men. . . . That's the way businesses get started. That's the way this country was built." Hundreds of thousands of dollars of the filthy lucre from this organized-crime empire has been channeled into Mondale's private bank account, as well as into his presidential campaign coffers.

Allen, who has bankrolled other key Democratic figures, including former New York Gov. Hugh Carey, has helped raise substantial funds for Mondale's presidential bid. He sponsored a money-raising event in the spring of 1983 that netted Mondale about \$130,000, a sum which included \$22,500 from Allen & Company employees. This was the largest single source of funds to the Mondale campaign in its first nine months. Allen personally donated the legal limit of \$10,000 to Mondale's political action committee in 1982 and 1983.

Mondale and the mob

If there's any politician on the national scene who'd be comfortable taking money from men who make millions out of selling drugs to teenagers and exploiting children for por-

nographic enterprises, it's Walter Mondale. Very little poking beneath his clean-cut Midwest exterior is required to uncover a core of corruption. From his promotion of Rev. Jim Jones, perpetrator of the Jonestown cult-suicide (see *EIR*, Dec. 20, 1983), his ties to the mobsters of the Anti-Defamation League (ADL), his role in the scandal-ridden Carter administration, his blatant abuse of delegate committee funds during the 1984 primaries, and his multiple connections to organized crime figures, Mondale personifies dirty politics.

Herbert Allen is the kingpin in Mondale's mob connection. According to published accounts, the two men have been close friends for at least a decade, dating from the time when Mondale occupied a Senate seat and Allen was buying up Columbia Pictures. When Mondale was turned out of the vice-presidency in 1980, Allen (along with several other prominent businessmen, like William Norris of Control Data) took it upon themselves to set Fritz up in business and make him rich.

In 1981, Allen, who was serving as chairman of the board of Columbia Pictures, brought Mondale onto the firm's board along with Robert Strauss, the former Democratic National Committee chairman. He provided Michael Berman, a long-time Mondale aide, with a job as a lobbyist for the company in Washington. At the same time, Allen made Mondale a director of Allen & Co., the investment banking firm run by himself and his brother, Charles.

These sinecures proved highly lucrative to Mondale, whose net worth totaled little more than \$200,000 when he left the Carter administration. But within two short years, thanks to the generosity of Allen, Norris, and the Winston & Strawn lawfirm, Mondale managed to rake in nearly six times that sum—over \$1,157,000. According to an April 1983 FEC filing, more than \$100,000 of this figure represented payment from Columbia Pictures, and another \$52,250 consulting fees from Allen & Co.

By joining up with Columbia Pictures, Mondale allied himself with a financial empire that embodies the integral

relationship that has historically existed between the Hollywood entertainment industry and organized crime.

Yet, when asked earlier this year about the propriety of some of his business connections, Mondale demurely replied: "In selecting business entities with whom I might be associated, in each case I selected opportunities in which I was confident I would not be asked to do anything which might be uncomfortable. I did not want to do anything in my business life which might affect my political activities."

And Herb Allen, in the same connection, solemnly told the *New York Times* that he and Mondale had engaged in long discussions after the vice-president left office about what business activities he should enter. Mondale "was concerned, he left the White House with no money and an obligation to support his family," said Allen. "He wanted to do it in a way that was so circumspect." Allen added that he advised Mondale to become involved with business executives who were "honest."

The Hollywood mafia

The Allen family's reputation is so malodorous that even the *New York Times*, in a 1978 article detailing the late organized crime czar Meyer Lansky's role in Hollywood, dubbed **Charles Allen**, Herb's father, "The Godfather of the New Hollywood." It described him as "a mystery power behind the Hollywood set ever since" the early 1950s, a man with extensive business links to criminal circles associated with Lansky.

Some of the family's organized crime ties have been detailed in *Indecent Exposure*, the 1982 best-selling exposé of a check-forging scandal which erupted at Columbia Pictures while Herb Allen was chairman of the board.

Charles Allen, the founder of the Allen dynasty, bought up RKO Pictures from Howard Hughes in 1954. He was on intimate terms with **Jack Warner** of Warner Brothers, **Spyro Skouras** of Twentieth Century Fox, and banker **Serge Semenenko**, with whom he collaborated on numerous business deals.

Semenenko is a particularly intriguing figure. A White Russian emigré, he joined the First National Bank of Boston in the 1920s (soon emerging as its chairman), where he set up a "special industries section," through which he steered the bank's investments into the movie industry, trucking companies, hotel chains, casinos, and jai-alai—operations that have traditionally been permeated, if not dominated, by organized crime.

Semenenko's First National has frequently been charged with shady business practices and ties to the mob by the SEC and other authorities who have investigated its activities over the years. Their interest intensified in 1981, when Roger Wheeler, chief executive officer of the Telex Corporation, was murdered, in a case apparently related to the jai-alai investments which First National had arranged for him. First

National has been one of the largest U.S. banks in South America since the early 1900s and is now expanding into the Far East. During the 1960s, official investigations in the United States linked Semenenko and his bank to organized crime's move into casino gambling in the Bahamas.

Allen, Lansky, and the Bahamas

In 1956, Allen and Semenenko, who were Jack Warner's principal financial advisers, bought big blocks of stock in Warner Brothers, joined its board, and initiated a major overhaul of the company's finances. Part of this reorganization involved selling Warner's pre-1948 films to a company called Associated Artists Productions. The chairman of the board of Associated Artists, and the arranger of financing for its purchase of the Warner Brothers library, was **Louis (Uncle Lou) Chesler**, a Canadian stock promoter who had belonged to Lansky's circles for years. Associated Artists was riddled

The sordid history of the 'Billygate' affair

Almost four years ago, the United States was rocked by a scandal implicating the Carter-Mondale administration in a clandestine deal with some of the worst enemies of the nation, Iran's Ayatollah Khomeini and Libya's Muammar Qaddafi.

The scandal tainted nearly every top person in the Carter-Mondale regime. The President, his beer-guzzling brother Billy, Vice-President Walter Mondale, National Security Adviser Zbigniew Brzezinski, Attorney-General Benjamin Civiletti, Special Ambassador Robert Strauss, and Strauss's protégé, Democratic party chairman John White, to name a few, were all deeply implicated. After some aspects of the case were made public, Billy Carter finally registered with the Justice Department as a foreign agent, and the Justice Department carried out an "investigation" which whitewashed the administration. A supine Congress and corrupt judiciary acceded to the coverup, and, despite massive evidence of wrongdoing, none of the principals was ever prosecuted.

Billygate, as the sordid affair came to be known, operated on two levels. One involved Billy Carter, who became an agent for the Libyan government in 1978, visiting Libya and hosting Libyan "friendship" delegations to the United States. He was paid an estimated \$220,000 by the Libyans to influence U.S. government policy toward Libya, and was promised significantly more for himself and his Georgia business

with organized crime figures. One of the company's vice presidents, a Chesler associate named **Morris Mac Schwebel**, was indicted and convicted for securities fraud in 1961.

The investigator who pulls the strings to unravel Mondale's mob connections gets closer and closer to the infamous Lansky, ending up amidst shadowy "offshore" financial dealings in the Caribbean. It was Charles Allen, indeed, who helped to launch Lansky's move into the Bahamas. In 1957, Allen's close friend, producer **Ray Stark**, joined the Associated Artists' board. At the time, other directors included Chesler, Mac Schwebel, and **Eliot Hyman**, the company's president, who had introduced Stark to Charles Allen. A year later, Stark and Hyman launched a company called Seven Arts (later known as Seven Arts Productions, Ltd.), with Lou Chesler as board chairman, Eliot Hyman as executive vice president, and Ray Stark as senior vice-president. All three also sat on the company's board.

In 1964, Seven Arts' owners decided to seek a listing on the American Stock Exchange. Knowing that this would require passing the SEC's muster, they decided to eliminate the company's dirtier elements. In a series of moves engineered by Charles Allen and Serge Semenenko, Chesler left Seven Arts. The reorganized board of directors included Herbert Allen and **Alan J. Hirschfield**, an Allen & Co. vice-president who became president of Columbia Pictures when the Allen family took that company over.

In 1967, Warner Brothers and Seven Arts merged. The new entity was purchased in 1969 by **Stephen Ross**, president of Kinney National Services. Allen & Co. acted as Ross's agent. The new company, christened Warner Communications, helped finance Jimmy Carter's 1976 presidential bid.

When Chesler left Seven Arts, he took with him the company's share in a shady enterprise called the Grand Ba-



Billy Carter is greeted by Libyan Prime Minister Shakellons during a visit to Tripoli.

associates. The White House provided Billy with briefings and classified government cables on U.S.-Libyan relations.

Evidence published at the time indicated that Billy Carter got this job through Robert Vesco, the international drug and gun-running kingpin who ran Investors Overseas Service (IOS) with Bernie Cornfeld, and through the Sicilian-based Michele Papa, already exposed as the controller of the Sicil-

ian separatist movement. Billy Carter, among his assignments, was supposed to convince his brother to permit Vesco to sell eight embargoed cargo planes to Libya.

On the second level, Billygate was one piece of the Carter-Mondale administration's foolish "Islamic Card" policy. Advocated by Brzezinski, this inept geopolitical tactic called for the United States to support Islamic fundamentalist revolutions along the "arc of crisis" surrounding the Soviet Union, in hopes of infecting the U.S.S.R.'s large Islamic population with the spirit of rebellion and achieving the break-up of the Soviet empire. This fantasy ignored the fact that the Soviets had long before developed their own Islamic Card and were already playing it to the hilt.

As part of its Islamic caper, the Carter-Mondale crew provided crucial logistical and political support to Khomeini's efforts to topple the Shah of Iran. After the triumphant Khomeini repaid his benefactors by taking American hostages, the Carter-Mondale team reached a secret agreement with the mad Ayatollah: The United States government would turn a blind eye to terrorist operations which Islamic fundamentalist networks were running on American soil, in exchange for the release of the hostages before the November presidential elections. Khomeini, who also had agreements with the British and Russians, double-crossed the Carter administration by failing to release the hostages in time for Carter to reap the anticipated electoral benefits. The United States government, however, stuck to its side of the bargain and protected Iranian terrorists operating in the United States. Thus, when leading anti-Khomeini spokesman Ali Akbar Tabatabai was murdered in Washington by Iranian agents, Attorney General Benjamin Civiletti saw to it that the assassin, Bahram Nahidian, was never arrested.

hama Port Authority. This operation was part and parcel of Lansky's move to set up a "Hong Kong West" in the Caribbean, a major center for casino gambling, narcotics, and dirty-money laundering. The Port Authority had originally been created by Charles Allen and some of his other friends, who in 1955 had purchased a 25% interest in a company formed to develop property on Grand Bahama Island. The Allens knew from the get-go that the major partner in the enterprise, with a 50% interest, was **Wallace Groves**, a convicted stock manipulator who had served time in federal prison for mail fraud and conspiracy. Groves was operating as a Lansky cutout, according to numerous published sources.

Allen's Bahamas enterprise ultimately metamorphosed into Lansky's Lucayan Beach Hotel, the first resort to receive a casino gambling license after Lansky bribed the island's corrupt governor, Sir Stafford Sands.

Columbia Pictures and the IOS

In 1973, the Allen family moved into a new phase of operations with their takeover of Columbia Pictures. In negotiations with Serge Semenenko and other Columbia Board members, Herb Allen—who by then was president of Allen & Co.—purchased a controlling interest in the company. Allen became a board member (and in 1981, board chairman), while Allen & Co. Vice-President Alan H. Hirschfield was named president.

The Allens collaborated closely with Columbia's other large shareholder, **Matthew Rosenhaus**, who had as many links to organized crime as they did. Among other things, he sat on the board of Sterling National Bank, which was deeply implicated in the scandal around Italy's Propaganda-2 Freemasonic lodge. In a suit brought in January 1982 in the Southern District Court of New York, Italian authorities charged that Sterling had aided P-2 financier Michele Sindona in robbing \$27 million from Banca Privata Italiana. Sterling also serves as one of the ADL's top banks, and has long been known by the Internal Revenue Service as the major money launderer for New York's organized-crime-run garment center.

Allen and Rosenhaus are by no means the only mobsters with whom Mondale rubbed shoulders while sitting on Columbia's board. One of the major stockholders was **Carl Lindner**, the Cincinnati-based multi-millionaire long associated with the ADL and Lansky's mob networks.

In early 1982, Coca-Cola Co., the Atlanta-based firm which helped install Jimmy Carter and Walter Mondale in the White House and provided much of the personnel for their administration, moved to buy Columbia Pictures. The deal meant approximately \$80 million for Allen and Lindner alone.

Lindner's organized-crime connections are myriad. He is the major shareholder in the notorious United Brands (formerly United Fruit), previously directed by Detroit businessman **Max Fisher**. A close associate of Henry Kissinger and Alexander Haig, Fisher is well known for his links to drug-

and gun-running in the Caribbean and elsewhere. Indeed, law enforcement officials have privately identified United Brands' operations in the Caribbean and Central America as the principal cover under which illegal drugs and arms are conduited to both sides of the continuing conflict in the area.

Lindner is also a 14% partner in Rapid American Corp., whose corporate holdings include Schenley Liquors, legally represented by the mafia's Roy Cohn. Rapid American is owned by the unsavory **Meshulam Riklis**. Currently a major figure in the Israeli mafia, Riklis had been forced to flee Palestine in 1947, when the Zionist Irgun guerrilla fighters discovered that he was a British agent and put a price on his head. He came to the United States and settled in Minneapolis, where he came under the protection of **Burton Joseph**, of the grain trading company of I. S. Joseph. Joseph has been a long-time friend and political backer of fellow Minneapolitan Walter Mondale, and his tenure as ADL national chairman coincided precisely with Mondale's stint as vice-president.

Joseph is now a full-time campaigner for Mondale—and Rapid American has reportedly made contributions to Mondale's presidential campaign.

Riklis played a crucial role in the notorious Investors Overseas Services (IOS) scam, the financial pyramid associated with **Bernie Cornfeld** and fugitive financier **Robert Vesco**. According to a special report published in the March 25, 1983 *Investigative Leads*, Joseph financed Riklis's early corporate takeovers, which led, by 1970, to Riklis assuming a command position within IOS. As attested to by court documents, IOS functioned as one of the most important money-launderers for the mob's international operations during the 1960s and 1970s, particularly in the area of the megabillion-dollar international narcotics trade. Court evidence shows that one of IOS's prime functions was to launder billions of dollars of illegal drug money through a network of elaborate shells.

That's not the end to the sordid tale of Mondale and Columbia Pictures. One of the other people Allen brought onto its board was **John G. McMillian** of the Northwestern Energy Co. of Salt Lake City. McMillian has long been a friend of Mondale's, and has bankrolled his campaigns and those of other Democrats. McMillian's connection to Mondale became a *cause célèbre* during the early part of the 1984 Democratic presidential primaries, when some of Mondale's opponents disclosed that Fritz had been acting as a paid lobbyist for Northwestern Energy's Alaska pipeline project.

McMillian was seeking congressional approval for a plan to bail out the gas pipeline to the tune of \$50 billion in taxpayers' money, and Mondale was hired to line up his friends in Congress behind the scam. Mondale was not only paid a consulting fee, but also received a fat contribution from Northwestern to his political action committee. Another of McMillian's pals on the Columbia board, **Bob Strauss**, also lobbied for the project, as did DNC chairman Charles Manatt's law firm.