

What's At Stake In Lancegate

Events surrounding the unstable fortunes of Mr. Bert Lance will reflect the most important aspects of world politics to come during the immediate period ahead. The Director of Management and Budget is the bobbing cork, whose gyrations indicate volcanic activity on the ocean floor. On the surface there is the fate of Carter's closest crony, Attorney General Griffin Bell, and potentially Vice-President Mondale, the President himself, and even the omnipresent Dr. Henry Kissinger. Beneath this are the scramble of financier factions in the face of the international monetary earthquake; the revolt of most of U.S. business against the Carter Administration's depredations upon the U.S. economy; and the issue of war and peace in the Mideast, and hence the world.

As in most fundamental political crises-in-progress, the true motives of the principals have only been shown to the public in brief glimpses, to the extent it is necessary to marshal broader forces behind a factional position. Two such instances are the *Wall Street Journal* editorial of Aug. 16 and the *Washington Post* editorial of Aug. 19.

Entitled "Economic Policy Adrift," the *Journal* piece sets out plainly the motives for the general pressure towards "Cartergate" on the Republican, and even part of the Democratic, side of Congress.

What the *Journal* editors call the "Schlesinger-Califano" economic program of the Administration, referring to new Energy Dept. head Schlesinger's conservation program and the "workfare" program of HEW Secretary Joseph Califano, "is pushing the economy onto the shoals," the editorial says. It cites the plunge of the stock market (which continued its fall this week to close within points of the January 1976 low of 859). The Administration's advisors are pretty much hopeless, the editorial argues. Council of Economic Advisors chairman Charles Schultze is a "born-again-Keynesian." There had been some hope for Treasury Secretary Michael Blumenthal, "but he is more interested in picking the daisies of tax reform." Poor Bert Lance, the "corporate high-roller," is given up for dead. The *Journal* editors quoted at length the current view of the consultants Townsend-Greenspan, whose President, Alan Greenspan, was the chief economic advisor to the Ford Administration, that Carter's programs will stop business from mounting the level of investment required to prevent a secular downturn in economic activity.

The editorial's author, Mr. Robert Bartley, did not add that he and former Treasury Secretary William Simon had worked out a "Cartergate" plan dating back to the last week in July, and that the *Journal* has become the organ of a makeshift alliance between the Republican leadership, conservative Wall Street, and much of U.S. business against the beleaguered Administration.

On the other side, the Aug. 19 lead editorial of the *Washington Post* argues for settling the dust over a series of deals that culminated in the half-exoneration of Lance by the Comptroller of the Currency, John Heimann, on the morning of Aug. 18. The particular arrangement behind the "exoneration" dates from Henry Kissinger's visit to the White House on five days before. The terms are: Kissinger will help end the Cartergate drive in the press and in Congress, in return for taking over foreign policy. (Kissinger's stated support for the Sol Linowitz treaty on the Panama Canal is the cover for this deal.)

The code-word for the deal is "pragmatism." The mediators of the deal (see *National Report*) are Vice-President Mondale and Senators Humphrey, Javits, and Case of the International Relations Committee, and Sen. Ribicoff, whose committee resumes hearings on Mr. Lance's business activities in September.

The *Washington Post* editorial notes that Lance, according to the Comptroller's report, had not broken the law. But he is guilty of improprieties which may be used against him at any time in the future. Mr. Lance may stay on, and Carter (implicitly) can be freed of some pressure, if the Administration gets down off its high horse and stops moralizing, and becomes "pragmatic." What this means is that Kissinger's "realpolitik" will replace the failed "architectonics" of the Brzezinski "Trilateral" foreign policy. As both men have repeatedly stated, this is no difference in substance, but rather a difference in style.

As far as it can be reconstructed, the series of actions leading to the threat of "Cartergate" is the following. Kissinger played a double game. In summary, he judoed the "Cartergate" pressure from the conservative Republican side in order to force through a deal with the Administration — actually with Vice-President Mondale and his backers — on Kissinger terms. On the weekend of July 23-24 Kissinger and Simon spent the weekend together and planned a strategy against Carter. Simon communicated the order of battle to Bartley and the *Wall Street Journal*, and to the Republican leadership of the Senate, where minority leader Howard Baker's office acted as a clearinghouse for media leaks and committee action. Kissinger activated certain Nelson Rockefeller assets, such as *New York Times* columnist and former Nixon speechwriter William Safire, whose Aug. 12 column announced "Lancegate" for the first time.

Kissinger then proceeded to doublecross the conservatives, including the highly manipulable Bill Simon, and strike a deal with Vice-President Mondale for control of the Administration. That is how matters stood as of Friday afternoon, Aug. 19. But in the big scramble, no such deal is permanent. The conservatives are furious,

and need only pick up the battering ram again. Henry Kissinger, who is possibly the most hated man in American politics, got away with the judo job for only one reason. The industrial, agricultural, and conservative political groupings who created the impetus for getting rid of Jimmy Carter are a huge but heteronomic political force. They have no political leadership other than the holdovers from the previous Administration. It was only necessary for Kissinger to dupe Bill Simon, which almost any fool could do, to gain temporary tactical control of the drive against Carter.

What could break against the principals now, depending on the political line-up, includes the following:

*The Blumenthal scandal. One of the few things the National Bank of Georgia crowd figured out about what had hit them was that Treasury Secretary Blumenthal had acted as "deep throat" for much of the press blitz against Lance. Blumenthal and Comptroller of the Currency John Heimann, a Nelson Rockefeller appointee to the New York State Banking Commission in 1975, acted as Kissinger's inside team in the Administration. The *Atlanta Journal*, the flagship paper of the Cox chain, has broken the story that Blumenthal improperly used the relationship of his Bendix Corporation to the National Bank of Detroit to obtain a \$300,000 personal loan — precisely the kind of misconduct Lance has been pinned to.

*The Kissinger scandal. Columnists Evans and Novak, regular conduits for Dr. Kissinger, warned Thursday that an obscure case against former Director of Central Intelligence Richard Helms, who has been investigated for perjury before a Senate Committee on U.S. involvement in the 1973 Chile coup, should be dropped. Highly reliable sources say that the Justice Department is prepared to bring perjury charges against Helms, with the immediate effect of forcing Helms to implicate former NSC director Kissinger, who ordered Helms to lie about Chile. This could lead to criminal prosecution charges against Kissinger. Mondale and various allies of the New York "Our Crowd" investment banks are the authors of this option, which is part of their insurance policy against Kissinger.

*The whole shebang against Carter. Three scandals could bring down the entire Administration. They are (1) massive vote fraud during the 1976 Presidential election; (2) the use of the Federal Election Commissions as a political plumbers' unit and Gestapo against opponents of the Administration; and (3) Carter Administration links to international terrorism, including the so-called Baader-Meinhoff gang "Red Morning" unit, which murdered top West German banker Juergen Ponto last month.

The material on these scandals has been made available by the intelligence, security, and legal staffs of the U.S. Labor Party over the last few weeks and months. During the last ten days, enough political dynamite to blow the Administration out of the water has been obtained by the first-echelon national media from the U.S. Labor Party, and the U.S. Labor Party's profile on the Carter Administration, Institute for Policy Studies, and Interpol conduits of terrorism has begun to circulate through top-ranking law enforcement channels. The Aug. 17 morning *Washington Post* carried a two-page spread

on the U.S. Labor Party, which became one of the most discussed items in Washington circles this week. Probably it was a "pre-emptive leak" by the *Washington Post* editors in anticipation of the release of the vote fraud and FEC stories.

Kissinger and Chase Manhattan

Kissinger's motives are the exigencies of his present job, Chairman of the International Advisory Board of the Chase Manhattan Bank, whose foreign minister he became after leaving the U.S. State Department. Chase is widely advertised to be on the verge of bankruptcy. That is not only the long-stated opinion of the *Executive Intelligence Review*, but the word around Kidder-Peabody, Merrill Lynch, Townsend-Greenspan, and other conservative installations in the New York financial district.

Among the most important elements of the conservative infrastructure is a financial network that includes New York's Citibank, the Bank of America in San Francisco, Chicago's Continental Illinois Bank, and their British cousins, Lloyds, Barclays, and other clearing banks. A life-and-death battle is underway between this banking network, which is allied to conservative investment banks such as Kidder Peabody and Merrill, and Chase Manhattan's network, which includes Chemical Bank and Bankers Trust, and is allied to the Kuhn-Loeb, Loeb-Rhoades, Lazards, that is, "Our Crowd." "Our Crowd" has its own independent stance in these matters. It is most closely linked to the Mondale element in the Administration and Humphrey in the Senate.

Chase Manhattan's position is too weak to permit hope for success in the cut-and-thrust of market warfare. Its only chance is to gain an advantage on the political front, with the hope of direct and indirect support from the Administration.

The mechanism of this survival-fight between the two networks (see *Economics*) is a shadowy war over control of Arab deposits and interest margins. For a series of reasons detailed elsewhere, the "Citibank" side is better prepared to withstand a rate war among international banks than the "Chase" side.

Fed Chairman Arthur Burns' decision to raise interest rates — the Federal funds rate is up from under five and one-half to over six percent over the past two weeks — has been instigated by Citibank and favors them heavily. To summarize, Chase has depended on two-year funds deposited by Saudi Arabia in the volume of hundreds of millions of dollars per month, and a clean \$1 billion in July, to obtain an unusually large lending spread. The Saudi funds were obtained at almost 1 percent below normal certificate of deposit rates, by virtue of Chase Manhattan Bank chairman David Rockefeller's demands upon the Saudis during a March trip to Riyadh. Chase needed the extra spread to cover up a stupendous proportion of nonearning assets in foreign loans to developing countries and U.S. real estate. (Citibank's own position is terrible, but not as terrible as Chase's, due to its strategy of doing business through local currency, which accounts for half of its foreign lending).

Over the past couple of weeks, Burns' flattening of the yield curve has sharply reduced banking spreads in the Eurocurrency market; and the August oil payments

failed to go into Chase Manhattan, wiping out its advantage on two counts. Chase's current operating margin has been cut by about 60 percent, below the survival margin.

The Citibank management, closely tied to the *Wall Street Journal*, is guilty of gross cynicism in representing as an economic program what is, on the contrary, a pure financial warfare strategem: raising rates and tightening credit to wipe out its opposition. But because the policy which is monetarily advantageous to Citibank coincides with conservative economic dogma, e.g., the pronouncements of Townsend-Greenspan, the approach is broadly "saleable" to the rank-and-file of industry. So

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Citibank's *Monthly Economic Digest*, the *Wall Street Journal's* editorial pages, Townsend-Greenspan's forecasts, and Fed Chairman Arthur Burns' pronouncements are agreed about tightening credit.

By default, this has become the view of U.S. business, harassed so long by environmental regulators, Carter's non-energy program, the Securities and Exchange Commission, and others that what it thinks it wants is to be left alone.

This non-policy is wholly incapable of preventing economic and political disaster in the United States, with the inevitable consequences of world depression collapse and probable general thermonuclear war in the near term. Without a centrally-led USA political opposition to the Carter-Mondale crowd, organized around industrial capitalist principles of expanding production and trade through national bank-directed hard-commodity credit policies, the situation can only deteriorate. The pace of current efforts to organize such a "counterpole" to Carter, exemplified by the outcome of last week's national conference of conservatives and independents in Memphis, Tenn. (see *National Report*) is thus the key determinant in rescuing the U.S. economy, and the point of intervention to compel Simon, Citibank et al. toward the replacement of the present International Monetary Fund-World Bank monetary mess with a viable gold-backed monetary system.

— David Goldman