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*SEC Preys on Industry*

Virtually all major U.S. banks and corporations have been driven into operations of some sort in these islands and principalities, in order to avoid the predatory Securities and Exchange Commission — whose political control traces to the Kennedy family. The British-allied and -intermarried Kennedy group has run the SEC since Joseph Kennedy became its founding chairman in 1935.

Since the SEC unconstitutionally forbids corporations to engage in political operations, politically-minded companies have operated through "unregulated" financial centers like Liechtenstein and Luxembourg, Curaçao and the Cayman Islands. Nixon campaign funds, for example, were routed through these channels — enabling the conspiratorial Order to monitor all the supposedly "secret" transactions of the Committee to Re-Elect the President, while British secret agent Henry Kissinger ran the inside operation against President Nixon.

The Lockheed Scandal, which brought down the Japanese government in 1977 and destabilized several other governments, took place after word of Lockheed's alleged foreign bribery leaked out of European financial channels under the control of Prince Bernhard of the Netherlands, of the Order of Malta.

Last week's scandal against Citibank involved Citibank's use of false bookkeeping to avoid surveillance of its British operations by the prying Bank of England. While Citibank was avoiding the British monetary authorities, it was permitting all its British operations to be cleared through Coutt's and Co. — the royal family's private bank!

The Order's dirty money operations have prevented Federal investigators from uncovering the flow of money from the drug traffic. The proceeds of drug traffic in the U.S. and Canada are laundered through big cash-flow operations like restaurants, casinos, or sports teams — the drug-peddling Bronfman family happens to own all the big sports teams in Canada. The money is then sent to a dummy corporation, perhaps in Hong Kong; this dummy company invests in a similar mail-drop in Panama; the process is repeated a minimum of six times, as money travels from Panama to Liechtenstein, from Liechtenstein to a "non-resident corporation" in Canada, from Canada to Singapore, from Singapore to the Netherlands Antilles, and so forth. Each of these centers is under the control of the Order; the drug traffic in major industrial countries is itself under the control of the Order, the money-laundering casinos and hotels are under the control of the Order; and the hit teams and other wetwork operations that protect it are also under the control of the Order.

In this way, ostensibly legitimate business of Canadian, British, and American banks is often actually operating as a front for political blackmail, financial warfare against nations, and drug and prostitution rackets in the hand of the Order of St. John of Jerusalem.

*—David Goldman*

# The U.S. Steel Corporation: Morgan's Saboteur Inside American Industry

From its position as one of the dominant corporations in U.S. heavy industry, the United States Steel Corporation has since the beginning of this century exercised a pernicious influence throughout our economy. In the last year alone, U.S. Steel has

## CORPORATE AFFAIRS

been a leading proponent of the following policies clearly detrimental to the national interest:

- Throughout 1977 when the crisis of the nation's steel industry was throwing thousands of skilled workers out of work, U.S. Steel spokesmen across the country attacked the Japanese model of government credit and tax policies to foster modern industrial growth, and instead defended Adam Smith free enterprise.
- U.S. Steel's primary response to the world steel crisis was to lobby for protectionist legislation in Washington and launch antidumping suits against Japanese and European steelmakers, threatening to create a rift between the U.S. and its allies.
- Last summer U.S. Steel began systematically shutting down its high-cost "excess" steel capacity as part of a London-instigated world rationalization program. The so-called marginal plants were the victims of the corporation's long-standing policy of underinvestment in plant modernization and necessary maintenance expenditures. The financial leadership of the company shelved the plans for building a greenfield plant (a new, fully-integrated steel making complex) in Conneaut, Ohio, on the grounds that there is an over supply of steel capacity worldwide.
- U.S. Steel reaffirmed its commitment to a policy of "diversifying" out of steel production into "high


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profit" areas like natural resources and real estate. Armco Steel has now fallen in line with the U.S. Steel model announcing recently that it will put no more new investment in steel.

• U.S. Steel, also a major coal mining company, played an inside wrecking role in the five-month coal strike which disrupted the nation's economy last winter. As the original head of the bargaining team of the Bituminous Coal Operators Association, U.S. Steel's J. Bruce Johnston sabotaged the possibility for an early negotiated settlement in holding out for a no-wage-gain labor contract. In executing this "hard-line" policy, Johnston was following in the tradition of R. Heath Larry, the labor relations lawyer who until recently was the vice-chairman of U.S. Steel.

*J.P. Morgan's Legacy*

How are such policies — which are clearly opposed to U.S. national interest — formulated at U.S. Steel? The answer to that question leaves no doubt that down to the present day the steel trust put together by J.P. Morgan continues to be London's trojan horse inside the U.S. economy.

J.P. Morgan's takeover of the Carnegie Steel Company in 1901 was a strategic coup for the City of London, with the objective of undermining future U.S. industrial growth and the U.S.'s role as a world industrial power. Through the takeover, the House of Morgan imported into the fast-expanding U.S. economy the British System model of trustification, gobbling up the majority of U.S. Steel capacity and subsequently regulating output. The results of this policy can be gauged by comparing the explosive expansion of U.S. steel production up to 1901 and the relative stagnation afterwards.

The bank that came to bear J.P. Morgan's name in the U.S., in fact, originated in London in 1838 as George Peabody & Co. Morgan's bank gained notoriety during the U.S. Civil War in financing the sale of defective rifles to the Union, which blew up in soldiers' faces. J.P. Morgan only rose to prominence in the U.S. in the 1890s when he was boosted by the Belmont family, the London Rothschilds' leading U.S. collaborators. The Anglophilic loyalities of Morgan Guaranty are maintained by the present chairman of the bank, Walter Heinz Page, the grandson of the U.S. ambassador to Britain during World War I of the same name, who manipulated the U.S. into bailing out the dying British empire.

To this day Morgan Guaranty and Morgan Stanley, the banks where every other secretary has a British accent, maintain privileged relationships with U.S. Steel. Morgan Guaranty and Morgan Stanley are U.S. Steel's main commercial and investment bankers, respectively. According to sources inside U.S. Steel, Dave Dilly, the corporation's chief economist, gets continual updates on international developments (such as the Bremen and Bonn summits) from his friends at Morgan Stanley. These briefings supplement what he reads in the London Economist and the Financial Times of London. Dilly in turn explains things to the director of Financial Services, William Lewellen.

There exists an internal policing apparatus in U.S. Steel to make sure that executives don't tap other channels of information or use outside consulting services. This apparatus is the Functional Analysis Review Team, referred to familiarly around the company by its acronym — FART.

*Morgan and The Company*

A director of Morgan Guaranty has traditionally sat on the board of U.S. Steel. Presently the seat is occupied by John M. Meyer, Jr., who is the chairman of the Directors Advisory Council of Morgan Guaranty Trust. Meyer sits on the executive, organization, and the financial policy committees of the board of directors of U.S. Steel. David Roderick, U.S. Steel's president, who is identified by progrowth industrial forces in the Pittsburgh region as the officer most responsible for the corporation's worst policies, is a member of the International Council of Morgan Guaranty. (Lord O'Brien of Lothbury chairs the council.) U.S. Steel's lawyer is Case and White, the old Morgan law firm. In 1975 Morgan Guaranty's trust department held 3.35 percent of U.S. Steel's stock, a significant holding of such a large firm.

*Inco and Rothschild*

The Morgan-conveyed British influence in U.S. Steel has been reinforced by the presence of Canadians on the board of directors who have historically occupied their positions because of U.S. Steel's major investments in Canada. Henry S. Wingate, former chairman and chief executive officer of Inco, Ltd., the British Rothschild-controlled Canadian nickel mining company, only recently retired from the board of U.S. Steel. That leaves Robert C. Scrivener, chairman of the board of Northern Telcom, Ltd. as the Canadian representative.

As U.S. Steel's lead investment bank, Morgan Stanley has a major say whenever the corporation is contemplating any new investment that requires external financing. If it were ever to be built the Conneaut plant would require several billion dollars of outside financing. "The investment bank analysts are going to have their shots," noted one of the financial officers of the corporation in an interview.

But it's a moot point as to whether there is any divergence of outlook between the bankers at Morgan Stanley and Morgan Guaranty in New York and the enormous financial planning staff which occupies the twenty-third floor at U.S. Steel's corporate headquarters in Pittsburgh. "I doubt whether even Morgan Stanley plays much of an inside role in U.S. Steel," said an officer in the corporate loan division at Morgan Guaranty. "They need investment banker technicians to execute equity or debt financings, but the corporation's own financial planning staff is

extremely sophisticated, and it is probably as large as all of Morgan Stanley, or us!"

### *Where Steel Is A Sideline*

What this means in practice is that the financial planners at U.S. Steel think like bankers who make steel as a side line, not as industrialists. The view which predominates at the corporation is summed up by the pronouncement of one company economist on the prospects for the Conneaut plant: "There is no way anyone can justify building a new greenfield plant when there will be sub par return on investment."

Virtually all officers who have an input into financial policy matters look with skepticism on expenditure on new steel facilities. The last such was the construction of the Baytown, Texas plant around ten years ago. "Every one here is concerned above all with return on investment," said another financial officer. "This is how people are measured and compensated."

### *The Kennedy-Blough Fight*

Historically, U.S. Steel has always been more diversified than other steel companies. But the present, all-out diversification thrust dates from the early 1960s and the Kennedy-Roger Blough confrontation involving President Kennedy's famous blocking of U.S. Steel Chairman Roger Blough's attempt to raise steel prices. The usual explanation of that turning point goes as follows: after President Kennedy imposed de facto government price controls on the industry, there was no way to justify further investment in steel — the "cost-price" relationship didn't justify it.

In fact, the confrontation between Big Government, which slammed on price controls, and free enterprise, which demanded the right to raise prices unimpeded, was a phony, controlled debate from the start, which has disoriented U.S. industrialists ever since. The issue was the deliberate policy of the Anglophile Kennedy Administration and U.S. Steel leadership to obstruct a policy of international industrial development which would have created limitless markets for this country's steel and capital goods and set off a permanent boom throughout the economy. Under such conditions, U.S. steelmakers would have been in a positon continuously to modernize steel-making technology and reduce the cost of production.

### *Steel a "Minor Segment"*

In the absence of such an orientation, U.S. Steel pursued a policy politely known as diversification. Around the time Edgar Speer became U.S. Steel chairman in March 1973 he told Fortune magazine: "We could conceivably get to the point where steel would be a minor instead of a major segment of our business." He told Forbes magazine: "I'll tell you what excites *me*. Raw materials. It's been the most successful diversification move in the past and offers the greatest single opportunity for the future."

When Speer became chairman in 1973, 20 percent of the U.S. Steel's sales were in non-steel areas. About 30 percent of the corporation's sales derive from non-steel areas today. And yet Speer is in a sense a "production man" who was in the company 34 years before becoming chairman, not some financier imported into the company by the board of directors. The unanimity of outlook between Speer and the financial muscle on the board is a testimony to the fact that U.S. Steel has always functioned like a financial conglomerate, not a company whose business is making steel.

— *Lydia Dittler*