

against any U.S. military intervention in Iran issued the same weekend may well have been related to the MIG 23 incidents. See the report in SOVIET SECTOR.)

All this, over what Administration and press virtually proclaimed from the rooftops was a hoax: no one asserted that the MIG 23s were armed with nuclear weapons, nor even outfitted for the purpose, and even if they were, officials conceded, it would make no difference in the overall strategic balance of forces.

A *Washington Post* editorial delivered the "soft version" of the British line: the hoax must be used to make "the Kremlin . . . help the Administration . . . to make a complete accounting to the public" for its actions or face the prospect of "an immense crisis."

Subsequently President Carter announced that he had received "assurances" that the planes were neither armed with nuclear weapons nor deployed against the United States, clearing the atmosphere somewhat. But he added that "investigations" would continue.

The money behind Murdoch

How a British publisher moved in on the U.S.—and why

Two years ago Australian-British publisher Rupert Murdoch purchased the *New York Post* from aging Kuhn Loeb heiress Dorothy Schiff. Since then, the *New York Times* reported Nov. 6, Murdoch's increasingly lurid *Post* has lost a thumping \$18 million, despite its monopoly of the afternoon newsstands. He only paid \$30 million for it in the first place.

Murdoch, unfazed, has continued to snap up publications across the country. In New York he is organizing his entry into the morning newspaper field, a horoscope-sex-and-violence paper for "youth and ethnics" called *The Sun*. That entry, along with his *Post*, *Village Voice*, *New York* magazine, and *National Star*, will mean that easily half the major publications New Yorkers see on their newsstands will be Murdoch-owned.

Where does Murdoch get his money? The *New York Times* claims he gets it from the internal profits of his international publishing operations. But as a spokesman for the *Daily News* put it privately, "That SOB puts down \$30 million for the *Post* and \$12 million for *New York* magazine and the *Village Voice*. No real publisher puts in, or can put in, that kind of money expecting to lose \$18 million of it."

Arthur Ross, one of the two financial fairy godmothers whose sale of stock to Murdoch was key to the *New York-Village Voice* takeover, is reported to have said that Kuhn Loeb's decision to sell the *Post* to Murdoch was taken because "it was felt that New York needed something different — something more in line with Big MAC, more gruesome." Ross's remark betrays the secret of Murdoch's apparently unlimited financial resources. Murdoch is not a publisher at all. Just as Big MAC and the Emergency Financial Control Board were the instruments for the financial reorganization of New York on the model of British-style austerity economics, Murdoch was the

blunt instrument for the accompanying social and psychological reorganization.

Murdoch's systematic debasing of the population of the city of New York is not particularly a question of his own taste. It is a social pact. He was brought into New York by Big MAC and the EFCB, and he in turn has hired most of his senior staff from those two agencies.

Murdoch's financial agent in New York City is EFCB board member Stanley Schumann of Allen and Co. investment bankers. He has recently hired EFCB Executive Director Donald Kummerfeld as his new chief international operating officer and president of his American publishing firm, News America Publishing, Inc.

And Murdoch's banking friends are at the center of the international "Big MAC" operation — the gamut of British policy from wrecking the dollar to propping up the London-run international illegal narcotics business. The Allen and Co. investment house has worked with gangster Meyer Lansky to set up casino gambling resorts (Allen and Co. later claimed they did not know of Lansky's involvement), has underwritten Las Vegas and Hollywood investments with friends from the Democratic Party, and has acquired a reputation for shady business deals. Allen's recent purchase of Columbia Pictures took place amid allegations of criminal activity.

Abroad, Lord Catto of Cairncatto sits on the board of Murdoch's international holding company News Ltd. Lord Catto is also a board member of the Hongkong and Shanghai Banking Corp., which has been accused of heavy involvement in drug dealing. Also on the News Ltd. board is P.B. Hamlyn, publisher of Mandarin Books, which is backed by Jardine, Matheson and Co., the British concern that openly held the lion's share of the opium trade in the Far East

and is still today accused of coordinating it.

Edgar Bronfman, one of the stockholders who gave control to Murdoch in the *New York* magazine deal, comes from the Bronfman liquor interests that ran gangland crime during Prohibition and are now reputed to be the major conduit for Montreal and Vancouver-based narcotics smuggling into the United States. Bronfman controls the Bank of Montreal and is a powerful figure in the Loeb, Rhodes investment house in New York, which was founded by his father-in-law and through which he sold his *New York* magazine stock to Murdoch.

Murdoch's International Austerity, Inc.

Murdoch made his move into the New York City media, with the offer of Kuhn Loeb's *New York Post*, at the end of 1976. He had already set up the *National Star*, claiming, according to *Newsweek* magazine, that existing competition *Midnight* and the *National Enquirer* had become too staid. Clay Felker of *New York* magazine introduced Murdoch to Dorothy Schiff of Kuhn Loeb, then publisher of the *Post*; to Felix Rohatyn of Lazard Freres bank and the Municipal Assistance Corp. (MAC); to Arthur Ross of Argus Corp., then a hefty *New York* magazine stockholder; and to the rest of the network out in the Hamptons. Kuhn Loeb decided it didn't want the *Post*, and decided Murdoch should have it, apparently for the reasons Arthur Ross is reported to have given. The *Post* began conditioning the population to Big MAC austerity.

The New York magazine takeover

Clay Felker buddied around with Murdoch in the Hamptons and apparently interested him in the slick-sensational image of Felker's *New York* magazine and *Village Voice*. When East Side socialite Carter Burden decided he wanted to sell his stock in New York Magazine Co. and went looking for buyers, Murdoch was there.

Felker, financially trapped and probably misled, desperately tried to head off Murdoch's financial backers with his own deal with Katherine Meyer Graham, Lazard Freres heiress and *Washington Post* publisher. Graham called in her banker, Felix Rohatyn, head of New York's MAC.

The fight, carried on in the daily newspapers for a couple of weeks, was between factions with identical interests, and it wasn't hard to see, in Big MAC's New York, that whichever side pushed the most debased line would win out. And the most debased line was being pushed by Murdoch's friends from the drugs and gambling business. Edgar Bronfman's representative John Loeb, a stockholder in his own right, backed Murdoch. Arthur Ross, another major stockholder, either went with Carter Burden or manipulated him, and sold out en masse to Murdoch's group.

Murdoch was welcomed with open arms by New York City's publishers in 1976, to help eliminate their "union problems" — ignoring his penchant for Cold War raving headlines, sensationalism and pornography in print, and his notoriety for dirty dealings against his political "allies" in Australia.

But Murdoch's activities in the recent New York newspaper strike made it clear that his goal in New York was to take over the biggest daily newspaper readership in the country from the Chicago Tribune Company's *New York Daily News*.

After convincing the financially troubled *News* publishers that he could solve their "union problems" with a strike through the slow month of August, Murdoch pushed a "hard line" in negotiations in his capacity as president of the Publishers' Association, and dragged the strike on into October. With the entry of labor mediator Theodore Kheel into negotiations as an advisor to the unions in late September, and with other signs that the *News* especially was anxious for a settlement, Murdoch suddenly called off negotiations, protesting Kheel's presence, pulled out — and made his own separate peace settlement with the *Post*'s pressmen to return to work under a "me too" agreement in which they would get whatever the other two newspapers subsequently settled for.

Murdoch's duplicity not only gave him a headstart return to the newsstands, and in time for profitable Columbus Day advertising business, but allowed him to use the situation to begin plans for moving into and taking over the morning newspaper market from the strikebound *Daily News* with his new morning tabloid *Sun*.

The move will have only marginal effects on the *New York Times*, which has a special role as a national newspaper and does not compete with the *Post* for readers or advertising, but it bursts the *Daily News*' illusions of using Murdoch to negotiate for a hard-line contract of manpower cuts and "productivity" increases. Because of their vulnerability to antilabor profiling by Murdoch, the *News* now stands to lose the most, having lost money on the strike and on prestrike plans to expand circulation into suburban New York and New Jersey — plans which have since been dropped.

But Murdoch didn't get what he wanted from the strike. The deliverers' union refused to handle the *Sun* without some effective guarantees on the future of the *Post*, something Murdoch has been unprepared to give. Finally, negotiators prevailed over the stupidity of the *News*' executives and the paper was back on the streets right before election day.

The *Sun* has yet to rise, and an enraged Murdoch has filed a multimillion dollar conspiracy suit against the mail handlers union and the *News*.

— Fay Sober and Mark Cooke