

Al's pal: kleptomaniac Tony Coelho

by Scott Thompson

It seems that between kleptocrats like former Russian Prime Minister Viktor Chernomyrdin, and kleptomaniacs like Al Gore's campaign chairman Tony Coelho, the Vice President has built a stable of crooks around himself that would keep an ardent prosecutor occupied for years.



On May 11, 1999, Gore, in a news release announcing Coelho's appointment as general chairman of his Presidential campaign, praised the man for "his leadership skills and strategic vision." "Tony has been a great leader in every endeavor he has undertaken—government, business, and as an advocate for the disabled," Gore said. He identified Coelho as, among other things, "a successful businessman."

A successful businessman?

As *EIR* documented in its Aug. 13 issue ("Campaign Manager Tony Coelho: Al Gore's Kindred Spirit in Avarice"), it seems that the only way former House Majority Whip Tony Coelho (D-Calif.) escaped indictment the last time he held an official post in Washington, D.C., was to resign in mid-term in 1989, because he was about to be hit with a series of criminal and ethics violations.

Now, a further dimension of Coelho's corrupt personality emerges, including in an audit conducted by the State Department's Office of the Inspector General. No sooner had Coelho been reappointed to a position of trust in 1998, as U.S. Commissioner General of last year's World Exposition in Lisbon, Portugal (with the rank of Ambassador), than he dove straight for the pig trough once again.

The Center for the Study of Public Integrity, a non-profit, non-partisan organization, broke the latest scandal, in an article by its director of investigative projects Bill Hogan, who wrote: "In just the past week, Coelho has emerged as the point man in the wholesale makeover of Gore's foundering Presidential campaign—beginning with the 'lock, stock, and barrel' relocation of the campaign headquarters to the Vice President's home state of Tennessee. 'I'm packing my bags and learning country music,' Coelho told reporters as the changes were announced.

"Gore's smartest move, however, might be to leave Coelho—and his baggage—behind. A soon-to-be-released

audit by the State Department's Office of the Inspector General, obtained by the Center for Public Integrity, points to mammoth cost overruns, gross mismanagement, and potential illegal activity under Coelho's watch as U.S. commissioner to last year's World Exposition in Lisbon, Portugal—a political appointment that eventually made him 'Ambassador Coelho.' "

Let the record speak

The "successful businessman" label is an apparent reference to the period after Coelho resigned from the House, skipping town ahead of an indictment for, among other matters, kiting more than three times his income in bad checks (\$319,000) on the House Bank in 1989. The charges did not end there, but Coelho's fast-and-loose treatment of the public trust—as documented by former *Wall Street Journal* investigative writer Brooks Jackson, who wrote a biography of Coelho, *Honest Graft*—brought him to the attention of the owner of an old-line Wall Street firm, Wertheim Schroeder Investment Services, Inc. Coelho loaded the firm up with U.S. pension funds from former political cronies, before, as Hogan reports, the firm was sold off to a British financial services firm.

However, according to the most recent financial disclosure form that Coelho signed on Aug. 5, 1998, he was still receiving \$104,686 a year for consulting services to this firm.

Only in Al Gore's world of virtual reality would a hardcore gambler be described as a "successful businessman." And that is precisely what Coelho's financial disclosure form reveals. Coelho is a board member of a Las Vegas casino giant, Circus Circus, which had been bought by Bill Bennet in 1974. Bennet had gotten into the casino gambling business in 1965 through Del Webb, the developer who built the Flamingo for Benjamin J. "Bugsy" Siegel of "Murder, Inc." Coelho is also a director of a gaming concern known as Autolend. He has a co-investment in a firm called International Thoroughbred Breeders, Inc. (IBT), which engages in horse racing and other gaming.

According to *Newsweek* magazine of May 31, 1999, in an article titled "Another Campaign Headache?" Coelho has been under investigation by the Securities and Exchange Commission, because the SEC was investigating the foundering IBT. Coelho had earlier been board chairman of IBT, with a \$120,000 "consultant's fee," at the time when questions arose over the possible misuse of IBT assets and insider trad-

ing. One of the allegations was that, beginning in January 1977, after Coelho and his then-business partner, Nunzio DeSantsis, took over, Coelho presided over transactions in which large compensation packages for use of a leased jet from DeSantsis's son had been paid.

"We're comfortable that Tony is fine on these issues," said a spokesman for the Gore campaign, who reiterated that Coelho is "a successful businessman."

Next, consider how Coelho used his honorary position as chairman of the President's Council on Employment of People with Disabilities, to earn some more "honest graft." Accompanying his financial disclosure form, he wrote a letter promising to avoid any activities which might give even "the possible appearance of impropriety." Yet he received speaker's fees to address the American Epilepsy Foundation (he has suffered from epilepsy since youth); he received a \$150,000 consulting fee from Dreyfus Charitable Foundation for medical research; and he owns stock in United Medic Corporation, which handles medical billings, and in a health maintenance organization called Value Health.

Lisbon meets Coelho

Coelho, who is of Portuguese-American descent, had always wanted to be Ambassador to Lisbon. When appointed as U.S. Commissioner General of the 1998 World Exposition in Lisbon, he promptly moved into an \$18,000-per-month luxury apartment on the waterfront, paid for by the U.S. Information Agency (USIA)—i.e., the U.S. taxpayer.

Next, Coelho hired a 30-person staff, which included: Fred Hatfield, who had been Coelho's chief of staff on Capitol Hill from 1984 to 1989, and later his business partner; Mark Johnson, the former communications director of the Democratic Congressional Campaign Committee under Coelho, where the "Ambassador" had first practiced his method of "honest graft"; two sons of the U.S. Ambassador to Lisbon, who were paid lucrative amounts; and, his niece Debra Coelho, who was brought in, as the Inspector General's (IG) report puts it, "in violation of USIA regulations," as Hatfield's "special assistant," at \$2,500 a month. (The office manager's monthly compensation was \$1,600 a month.)

All Coelho's buddies, including his niece, received a large *per diem*, and first-class tickets and upgrades were handed out like lollipops. Coelho and his wife typically travelled to and from Lisbon on first-class flights; once, he spent more than \$850 of taxpayers' money to have her picked up in a chauffeured Mercedes, even though the pavilion had a fleet of six vans; Coelho's longtime aides, Johnson and Hatfield, lived in \$5,000-a-month luxury apartments; and, Coelho arranged for Johnson to be paid \$20,000 a month.

When Coelho accepted the job of U.S. Commissioner General, he understood that, since there had been complaints over spending \$2 million for the Expo '92 pavilion in Seville, the U.S. Congress had ruled that world's fair expositions were to be paid for by donations from U.S. corporations. However, almost the only firms from which Coelho could raise money

were those with which he had direct business dealings (see below). So, Coelho lobbied his friends in Congress for emergency contributions from the U.S. Navy and the National Institute of Environmental Health Services (NIEHS), which, combined, provided some \$6.5 million, or, according to the IG's report, "82% of the total funding." Under the agreements that Coelho had made with his cronies on the Hill, bills from his Expo '98 shenanigans went to the U.S. Navy and NIEHS. And, Coelho had staff destroy weekly reports on their expenditures, rendering the IG audit an incomplete document.

Of the firms that did contribute, three stand out:

ICF Kaiser International, Inc. This major Department of Energy contractor, where Coelho had been a board member and to which he returned as chairman after Expo '98, also had contracts with other government agencies dragooned into financing Expo '98. Though ICF Kaiser may have contributed to Expo '98, it received \$10.2 million in business from the government agencies that also contributed to Expo '98 during FY 1998. And, last June 14, while Coelho was still its chairman, ICF Kaiser announced a joint venture which was awarded a \$19 million contract for work on the \$1 billion Portuguese Oporto Light Rail Transit System. "We have more projects concentrated in Portugal than in any other European country," James Maiwurm, the number-two executive to Coelho at ICF Kaiser, said in announcing the award. Coelho has subsequently resigned all his corporate ties with ICF Kaiser.

EuroAmer Sociedade Imobiliar, S.A. According to his 1998 financial disclosure form, Coelho held a stake of \$500,000 to \$1 million in this real estate firm, ESI, which was then involved in a \$30 million residential apartment project in Lisbon. Among those involved in ESI were former Defense Secretary Frank Carlucci, who has been a Coelho business partner in other matters, and Frederick Malek, the president of Thayer Capital Partners and 1992 campaign manager for President George Bush.

Service Corporation International. SCI runs funeral homes, cemeteries, and crematoria worldwide. According to his 1998 financial disclosure form, Coelho received more than \$283,000 in director's fees and other compensation in the previous year, and Portugal was one of SCI's prime targets for expansion.

The wave that flopped

On his own initiative, Coelho founded the Luso-American Wave Foundation, which built a sculpture of a wave 8.5 high and 64 feet long on which the names of prominent Portuguese-Americans were to be inscribed—for \$100 to \$5,000 contributions. To build the wave, Coelho took out a \$300,000 personal loan from a Portuguese bank. In his financial disclosure form, not only did Coelho fail to report the \$300,000 personal liability, which is a possible ethics violation, but also the Luso-American Wave Foundation had its certificate and articles of incorporation revoked on Sept. 7, 1999, by the District of Columbia, "for having failed and/or refused to file" any of

the reports required by law. And, not a single name had been inscribed on the wave.

According to the Inspector General's audit, Coelho may have been prepared to renege on this personal loan, and let the U.S. government pay: "A Portuguese bank made a 'personal' loan, of \$300,000, to the commissioner general to support a project of a private organization. This amount was recorded on the U.S. pavilion's 'cuff records' as a liability. The U.S. Information Agency may be responsible for the repay of this loan if the organization does not raise sufficient funds to pay it back. We did not include other expenses (salaries, operations, etc.) of the organization that were shown on the U.S. pavilion's forecast summary." However, after the Center for Public Integrity raised the issue of the personal loan, which received widespread media attention, Coelho, while serving as campaign chairman for Gore, stated that he had repaid all but \$109,000 of the loan.

Does this mean that Coelho will, for once, not stiff American taxpayers? Or, does he plan to let the matter rest with partial payment of his personal obligation? Unfortunately, he has refused to talk with the Center for Public Integrity, or to make the loan papers available. He has also turned down requests for interviews with journalists associated with *EIR*. However, there may be fertile grounds in the IG audit report to institute a criminal referral on these and other matters to the U.S. Department of Justice.

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GOP budget strategy runs into reality

by Carl Osgood

On Oct. 18, President Clinton invited the top Congressional leaders of both parties to the White House for a meeting to discuss ways of solving the budget impasse that has been developing over the last few months. Clinton issued the invitation after he vetoed the Foreign Operations Appropriations bill, because it was almost \$2 billion below his budget request and it failed to include any funds for implementing the Wye River Middle East peace agreement, an agreement he played a strong personal role in forging. The foreign aid bill is the second of the 13 annual spending bills that Clinton has vetoed.

Until recently, GOP leaders have shown little interest in negotiating with Clinton on the spending bills. However, as of Oct. 20, only five of those bills have been signed into law; besides the two already vetoed, several others also face veto threats. Another source of pressure on Republicans is the fact that most of the government has been operating since Oct. 1, the beginning of fiscal year 2000, on a continuing resolution. The original continuing resolution, which was to expire on Oct. 21, has already been extended to Oct. 29, which is also the GOP's targetted adjournment date. With these pressures facing them, GOP leaders decided to accept Clinton's invitation, and a meeting took place late on Oct. 19.

Leaders of both parties emerged from the 90-minute meeting in an upbeat mood. House Speaker Dennis Hastert (R-Ill.) told reporters, "I think we made good progress today. It was a very positive meeting, and we look forward to working through this process." House Majority Leader Dick Armey (R-Tex.) characterized the meeting as "energetic." And Senate Majority Leader Trent Lott (R-Miss.) declared, "I think we are pretty close to achieving the goal that we have set out."

Congressional Democrats and the White House echoed those sentiments. House Minority Leader Richard Gephardt (D-Mo.) said, "I think there's a sense of urgency about getting this done." White House Chief of Staff John Podesta said that the administration shares the GOP's goal of not touching funds earmarked for Social Security. "We're willing to sit down in good faith and see where all these pieces add up," he said. Podesta was set to begin negotiations on Capitol Hill on Oct. 20.

However, the road to this point has not been an easy one, nor does it promise to get easier, especially with the GOP caucus deeply split between those who just want to finish the appropriations process and those who refuse to let go of their ideological agenda.