

John McCain: Are His Backers Out of Prison?

by Jeffrey Steinberg, Richard Freeman, and Anton Chaitkin

On Oct. 15, 1982, President Ronald Reagan signed into law the Depository Institutions Deregulation and Monetary Control Act, otherwise known as “Garn-St Germain,” after the principal Congressional sponsors. As a direct result of this disastrous deregulation legislation, within the span of a decade, a small, tightly organized network of financial pirates—many with close ties to the Meyer Lansky National Crime Syndicate—would pull off the biggest heist in American history. By the early 1990s, the U.S. savings and loan industry (S&Ls)—once the backbone of the home mortgage industry and the preferred safe depository of household savings—was wiped out. Many of America’s oldest industrial corporations were looted and left for dead, through hostile takeovers, engineered by junk bond financing. To untangle the S&L carnage, the Federal government created the Reconstruction Trust Corporation (RTC) and eventually shelled out \$200-250 billion in taxpayers’ money, to avert an even deeper collapse of the U.S. real estate and banking sectors.

A handful of the crooks—including Ivan Boesky, Michael Milken, and Charles Keating—were imprisoned for their roles in the looting scheme. Briefly, a few members of Congress were spotlighted and slapped on the wrists for their own profiteering and coverup efforts. But the full extent of this criminal looting of America was barely known, and today is largely forgotten. The biggest political beneficiary of the public’s amnesia is John McCain. With the exception of Sen. Joseph Lieberman’s (D-Conn.) own ties to hedge fund bandit Michael Steinhardt, no American politician is as beholden to organized crime as the senior Senator from Arizona and would-be 2004 “Bull Moose” spoiler candidate for the Presidency.

‘The Keating One,’ and Carl Lindner

From 1981—the year before John McCain ran for U.S. Congress—until the early 1990s, the former Navy pilot was

totally beholden to junk bond swindler Charles Keating for his political fortunes. When the S&L scandal exploded and Federal prosecutors were breathing down Keating’s neck, it was McCain who tried to bully Federal regulators into backing off. While the affair became known as the “Keating Five” scandal, none of the other members of the Senate and House implicated in the ethics violations, were as closely tied to Keating as John McCain.

And Charles Keating was no “loan assassin.” He was but one player in a larger organized crime apparatus that ran the \$200 billion-plus rip-off, in what may have been the biggest actual RICO (racketeering) scheme ever.

Between 1959 and the late 1980s, Charles Keating was the business partner of Carl Lindner, the Cincinnati, Ohio-based financier who would be one of the central figures in the \$200 billion S&L rip-off. In 1959, Lindner and Keating co-founded American Financial Corporation (AFC). Keating served as the mortgage and insurance company’s general counsel, and later as vice president.

Between 1974 and 1976, Lindner and Keating engineered a series of stock purchases and mergers with some of the leading figures in the Lansky crime syndicate—who had followed the Bronfman family recipe, and gone from “rags, to rackets, to riches, to respectability.”

In 1975, Lindner’s AFC allied with Detroit financier Max Fisher, formerly of the murderous Purple Gang; Detroit real estate developer Alfred Taubman (a Fisher associate); and Paul and Seymour Milstein, to grab a 50% controlling interest in the United Fruit Company. Drug Enforcement Administration officials had confirmed to the authors of *EIR*’s bestselling book *Dope, Inc.: Britain’s Opium War Against America*, that United Fruit was a major force in the Latin American cocaine trade—a business that skyrocketed following the Lindner-Fisher, et al. takeover.

The Lindner group’s takeover of United Fruit was only



Lincoln Savings megaswindler of the 1980s, Charles Keating (left) and junk-bond king Michael Milken (right). "Until the early 1990s, the former Navy pilot [McCain] was totally beholden to junk-bond swindler Charles Keating for his political fortunes."

made possible by the mysterious death of the company's chairman and largest stockholder, Eli Black, on Feb. 3, 1975. Black fell to his death from the 44th floor of the Pan Am Building in New York City, in what was officially declared a suicide.

At the same time that Lindner, Fisher et. al. were grabbing United Fruit, Lindner's AFC simultaneously allied with a group of other Lansky-linked entities to establish a formidable pool of interlocking companies that would collectively form the core of the junk-bond raiders. By 1977, **Lindner owned:**

- 40% of Saul Steinberg's **Reliance Insurance Company**. Steinberg had gotten his start as a business partner of Britain's Lord Jacob Rothschild and later had extensive dealings with Kenneth Bialkin, the longtime Chairman of the Anti-Defamation League (ADL) and a top New York City lawyer representing many junk bond pirates and corporate raiders of the 1980s.

- 40% of Meshulim Riklis' **Rapid-American Corp.**, which at the time, owned Schenley Distilleries, Playtex International, Lerner Shops, and RKO-Stanley Warner Theaters. Riklis was an Israeli immigrant mobster and onetime British Mandate police informant, who had been bankrolled, from the 1950s, by Burton Joseph, a Minneapolis grain merchant and top ADL official. Riklis was so close to Israel's top mafia politician, Ariel Sharon, that he bought Sharon his Negev Desert ranch.

- The largest minority share of Laurence and Robert Preston Tisch's **Loew's Corp.**, the theater, hotel and real estate corporation that had also evolved out of the Prohibition-era Lansky move into Hollywood's motion picture industry. Laurence Tisch was later a founder, with Michael Steinhardt, of the secretive "Mega" group of some 50 billionaires, which today supports Ariel Sharon's war drive and the broader Clash

of Civilizations.

- 10% of **NVF**, the holding company of Victor Posner, who had been the chief accountant for Meyer Lansky and the National Crime Syndicate.

- 8% of **Gulf & Western**, the debt-pyramided conglomerate run by Charles Bludhorn, which owned Paramount Pictures, Simon and Schuster Publishers, *Esquire* magazine and extensive properties in the Dominican Republic.

- 19% of **Charter Oil**, the Florida-based company partly owned by Armand Hammer. Charter was at the center of the late 1970s "Billygate" scandal, implicating President Jimmy Carter's brother with Libyan dictator Muammar Qaddafi and Italian Propaganda-2 Freemasonic

Lodge gangster Michele Papa.

Over the years, this group of companies' ill-gotten money created and funded 70 separate pro-Israel political actions committees—all part of the American Israel Public Affairs Committee money-machine, earmarked to buy members of the U.S. Congress.

The Overworld Meets the Underworld

As Lindner and Keating were forging their corporate alliances with Steinberg, Tisch, Fisher, Riklis, and Posner, two of the leading Anglo-American financial groups—JP Morgan and the banking and brokerage empire of Baron Edmund de Rothschild—were sealing their own alliance. These top bankers transformed the relatively small investment bank/brokerage house of Drexel Harriman Ripley, during the 1970s, into Drexel Burnham Lambert.

Baron Edmund de Rothschild personified the intersection of the overworld of high finance with the underworld. Between the 1950s and the 1970s, the Geneva-based Rothschild had bankrolled the careers of Purple Gang tough Max Fisher; pyramid swindler Bernie Cornfeld of Investors Overseas Services (IOS) infamy; pioneer drug-money launderer Robert Vesco; and hedge fund pirate George Soros.

The newly built Drexel Burnham dispatched hotshot bond trader Michael Milken to their newly established Beverly Hills, California office.

Then the screws of usury were tightened on the whole economy. In 1979, Federal Reserve Chairman Paul Volcker began driving interest rates up over 20%, gutting America's productive agro-industrial sector, and the stage was set for the looting and carnage. The passage of Garn-St Germain in 1982, after interest rates had soared past the 20% mark, was the final step.

The Securities and Exchange Commission slapped a \$1.4



*“The name’s Bond.
Junk Bond.”*

million fine on Charles Keating for his role in his and Lindner’s AFC in the late 1970s. Keating then formally left Lindner’s employ. The split was in name only. Keating bought AFC subsidiary American Continental Homes, which he later parlayed into American Continental Corp.—with funding from Lindner. In 1979, Keating moved to Arizona. Two years later, he was introduced to John McCain, and he immediately began bankrolling McCain’s political career. In this, Keating joined McCain’s new father-in-law and other major financial backer, beer distributor Jim Hensley, a pivotal figure within the Kemper Marley-run Southwest crime syndicate. (The political smoke had not yet cleared from the 1976 gangland bombing that had killed investigative reporter Don Bolles, over his probe into the Marley/Hensley ties to the mafia’s Emprise company.)

In 1983, Keating bought the Irvine, California-based Lincoln Savings and Loan, which had \$2.2 billion in deposits. By 1987, Lincoln’s deposits had soared to \$4.2 billion—largely through brokered deposits, referred to in the industry as “hot money.” These are short-term deposits, placed by large institutions like pension funds and insurance companies, seeking high-yield but secured “parking lots” for their funds. Prior to Garn-St Germain, S&Ls could only hold 5% brokered deposits. In connection with Garn-St Germain, all restrictions were lifted.

Once the Milken scheme was under way, Drexel floated high-risk, high-yield corporate bonds—the cash used by the “monsters” to buy up corporate America, and then asset-strip and sell off the carcasses to meet the payment schedules on the high-interest bearing bonds. S&Ls like Keating’s Lincoln, and corporations like the Riklis, Posner, Steinberg, and Tisch enterprises, were both the purchasers and the generators of the Milken-brokered junk. By the time the bottom fell out of this vast Ponzi scheme, Keating alone had palmed off \$250 million in now-worthless junk bonds to 20,000 Lincoln customers; thousands of elderly depositors were wiped out.

The total cost of the Lincoln bailout was between \$2.2 and 3 billion in taxpayers’ money. At least \$110,000 of that

money had gone directly to the campaign coffers of John McCain, according to FEC records.

McCain in the Keating Family

Keating and Hensley first put John McCain up for the House of Representatives in 1982.

Charles Keating and his family and employees made 40 donations, including at least 12 of \$1,000 each, to the McCain campaign. Keating’s American Continental company political action committee had only two beneficiaries in the 1982 campaign—\$5,000 to McCain, and \$2,500 to Sen. Jake Garn (R-Utah). The Garn-St Germain bill was the license to steal; McCain was to drive the getaway car.

In February 1984, Keating assumed formal ownership of Lincoln Savings, formerly a bank servicing many minority people. In April 1984, Keating attended the “Predators’ Ball”—the annual junk-bond gangsters’ strategy and celebration session in Los Angeles.

Billions of dollars were now flowing out of and through Lincoln, through Keating, to Lindner and his co-conspirators at Drexel Burnham. Over \$134 million also went to Keating’s partner, Sir James Goldsmith, notorious corporate black-mailer and backer of the Central American “Contras,” alongside Carl Lindner’s United Fruit Company. The Keating loot helped Sir James fund his brother Teddy Goldsmith, sponsor of Jacobin “anti-globalization” anarchist demonstrators whose real target is the nation-state.

McCain’s second Congressional race in 1984 was a Keating extravaganza. There were at least 32 individual contributions of \$1,000 each from Keating family members and employees. Of this, \$4,000 came from Brad Boland and his wife; Boland was John McCain’s former staff driver, who had been selected by Keating’s staff to date and marry Keating’s daughter Elaine.

Another nine \$1,000 contributions to the McCain campaign came from crooked Atlanta lawyer Lee J. Henkel and his partners and spouses. Henkel would soon go to center stage in a spectacular Keating/McCain attempt to sabotage U.S. government oversight of the S&Ls.

As the *Arizona Republic* reported (Oct. 8, 1989), “the McCains—sometimes with their daughter and baby sitter—made at least nine trips at Keating’s expense from August 1984 to August 1986, aboard either Keating’s American Continental Corporation jet or chartered planes and helicopters owned by (Lansky-originated) Resorts International. Three of the trips were for vacations at Keating’s luxurious retreat in the Bahamas.”

The U.S.A., or the Gangsters?

In 1985, a showdown loomed.

Ed Gray, chairman of the Federal Home Loan Bank Board (FHLBB), appalled at the plundering of the S&Ls, called for re-regulation and the end of brokered deposits.

Gray’s attention was first called to the Keating scheme in particular, when Gray saw that Alan Greenspan, then a big-

name economist for J.P. Morgan, was being paid by Keating (\$30-40,000, in fact) to lobby and lie about how honest and sound Keating was in running Lincoln Savings and Loan; this was two years before Greenspan was appointed Federal Reserve chairman.

Keating now demanded that Gray be fired and/or blocked. He got Representative McCain and three Senators to write to Gray, to delay new rules that would cut off Lincoln's looting.

On Jan. 31, 1985, Gray got the Bank Board to roll back the limit on speculative non-home-mortgage investments by S&Ls to 10% of their assets. Keating responded by falsifying his records to make speculations look like permitted loans. Tension was rising; would McCain's benefactor keep getting away with it?

In 1986, John McCain ran for Senate. At least 45 individual contributions of \$1,000 for that campaign appear in Federal records for individuals identified with the Keating organization. Meanwhile, in April 1986, mob-appointed beer distributor Jim Hensley and his daughter Cindy, John McCain's wife, invested \$359,100 and became the main owners in a Keating-run shopping center.

In a personal letter to John McCain, July 31, 1986, Charles Keating asked McCain for action against Ed Gray, calling Gray's FHLBB a "mad dog."

Then: double pay dirt! On Nov. 4, 1986, Keating's man, John McCain, was elected to the Senate. Three days later, Lee J. Henkel, Keating's agent and McCain's backer, was appointed by President Reagan to the Federal Home Loan Bank Board, upon the insistence of Keating's politicians. Henkel's purpose was to overpower Gray on the Board. At his first Board meeting, Dec. 18, 1986, Henkel proposed a plan to raise the direct investment (speculation) limit for Lincoln savings bank alone! On the same day, Keating's Arizona firm transferred \$3.7 million to Henkel's blind trust. Henkel withdrew \$250,000 cash the next day.

But Gray's allies moved ahead with plans to seize Lincoln Savings, and in March 1987, Keating asked his kept politicians for direct political help to stave off the regulators. All accounts of these events show John McCain to be worried stiff over the outcome, and evidently aware that he is acting as a criminal. Keating met with a nervous McCain, they had a stormy scene, and Keating called in his chips. On April 2, 1987, FHLBB Chairman Ed Gray met with the new Senator McCain, and three Democratic Senators, Dennis DeConcini (Ariz.), Alan Cranston (Calif.), and John Glenn (Ohio).

The *Arizona Republic* later wrote, "The meeting had a clandestine air. Gray came alone. None of the senators brought their aides." Gray was asked to withdraw regulations so as to aid Keating's S&L. He refused. Within a few days, Lee Henkel resigned in disgrace from the FHLBB; his ties to Keating had been leaked to the press.

'McCain Was the Weirdest'

But a second meeting took place one week after the first. There were McCain and the other three Senators, plus Don

Riegle (D-Mich.), and more regulators. According to notes made by William Black, deputy director of the Federal Savings and Loan Insurance Corp., a frantic McCain started this second meeting with the comment: "One of our jobs as elected officials is to help constituents in a proper fashion. ACC [owner of Lincoln S&L] is a big employer and important to the local economy. I wouldn't want any special favors for them. . . . I don't want any part of our conversation to be improper."

Black told reporters, "McCain was the weirdest. They [the Senators] were all different in their own way. McCain was always Hamlet . . . wringing his hands about what to do."

Rather than submit to the political blackmail of elected officials demanding favors for nation-wrecking bandits, the regulators played their trump card, informing McCain and the others that the Justice Department had just been directed to start criminal prosecution against Keating's operation. A shaken McCain left the room, and, it is claimed, never spoke to his moneybags Keating again.

Seized in 1989, Lincoln Savings involved the biggest Federal bank fraud case ever. An *Arizona Republic* reporter (Sept. 29, 1989) asked McCain about his ties to Keating. McCain replied, "You're a liar. . . . That's the spouse's involvement, you idiot. You do understand English, don't you?." When reporters probed further on the Hensley-Keating investment tie, McCain retorted, "It's up to you to find that out, kids." And, referring to his days as a prisoner of war, McCain said, "Even the Vietnamese didn't question my ethics."

Charles Keating was sentenced to ten years in prison for fraud, and served five. Lee Henkel was barred from dealing with banks. Lee Fishbein, Keating-Lindner attorney/co-conspirator, Anti-Defamation League official, and heavy contributor to McCain's campaigns, was banned from ever having any dealings with banks or any other financial institution.

But the Senate Ethics Committee, considering the "Keating Five" Senators, gave McCain merely a rebuke for exercising "poor judgment" in trying to bend Federal regulators. McCain went on in the same orbit, minus one of the stars. In each of his later Senate campaigns, 1992 and 1998, McCain received at least \$3,000 in contributions from Dope, Inc. godfather Carl Lindner; McCain got into some bad odor around Scottsdale, Arizona, in the late 1990s, for pushing officials to give in to a Lindner land scam.

Today's "McCain the Reformer" is an image crafted by media backers allied to the Tisches, and the old Wall Street-gangster axis.

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