

Corruption at the Federal Reserve

Fed's planes are part of a major drug shipment operation

Information that the Ohio-based Midwest Air Charter cargo line has been running illegal narcotics through the Federal Reserve System's transportation network on behalf of its financial controllers Max Fisher and Max Jacobs raises a number of intriguing questions pointing to a major scandal at the venerable Fed.

- Did then Federal Reserve Board of Governors Chairman Arthur F. Burns know of the drug-carrying activities of Midwest Air Charter when he approved its first contract for nationwide transport of the Fed Sys-

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tem's "time sensitive" financial statements, principally checks, in early 1973?

- Did then Fed Chairman G. William Miller, upon approving renewal of the Midwest contract with the Fed in July 1978, order a reinvestigation of Midwest's activities at a time when any competent such investigation would have revealed the illegal narcotics shipments?

- Is Miller's knowledge of and/or complicity in Midwest's drug activities the reason for his otherwise inexplicable rubber-stamping last March of the drug-pushing Hongkong & Shanghai Bank's bid to take over New York's Marine Midland, in the face of strong, nationwide opposition?

- What are the exact circumstances which have continued to allow Midwest, as of this writing, despite a national scandal in the money markets and a congressional investigation earlier this year, to create some \$14 billion per diem average in excess "float" in the U.S. money supply through its failure to clear Fed System checks on time?

Based on this new information, the recent congressional hearings confirming Fed Chairman Miller as the new U.S. Treasury Secretary and Miller's immediate subordinate, New York Fed President Paul Volcker, as the new Fed Chairman, "must be immediately reopened," U.S. Labor Party Chairman Lyndon H. LaRouche announced yesterday in Chicago. Miller and Co.'s mishandling of monetary policy, albeit a disaster, is a "fifth-rate question at best," said LaRouche, "rel-

ative to the top-down corruption of Federal Reserve officials by the international drug trade."

Something rotten in Cleveland

Midwest Air Charter, Inc., is a small "air taxi" or charter cargo airline company headquartered in Elyria, Ohio, outside of Cleveland, which according to outraged Ohio business sources ships illegal drugs nationally for one of its investors, Airborne Freight Corp. of Seattle. On these same flights, Midwest has been contracted by the U.S. Federal Reserve to carry the Fed System's "time sensitive documents," mostly checks and other non-negotiable certificates of value, between Federal Reserve banks and check processing centers around the country.

The better-known \$100 million-plus a year Airborne Freight is owned and controlled, these sources say, by Detroit drug king Max Fisher and his Buffalo business associate Max Jacobs, through their business partners Charles Allen, Jr. and F. William Harder. Harder, who is the president of Allen's New York investment bank, Allen & Co.—with which Fisher does a heavy investment business—maintains a seat on Airborne Freight's board of directors. Airborne Freight itself owns 9½ percent of Midwest, with an option to buy another 10 percent, sources say.

The drugs move, they assert, from the British Hongkong & Shanghai Bank's operations in Asia through the bank's Canadian business operations such as the Canadian Pacific transport conglomerate across remote border points in Alaska. Once inside and successfully past U.S. Customs, Airborne Freight ships the drugs in containers to Seattle, where Midwest picks them up in smaller package formats for national distribution.

The Fed-sponsored status of these flights provides immunity from police surveillance, the sources add.

How such a company got the pivotal Fed contract brings investigators directly to the National City Bank of Cleveland, the city's second largest, which introduced Midwest into the Cleveland Fed and thence to the national Fed.

"We set up Midwest Air," bragged retired National City Bank SVP Fred Hogg recently to investigators. "Joe [Joseph] Garrihy, the founder and now President

of Midwest, came to me in the early 1960s with no money, no customers, and one plane. I have him National City's business of moving our checks around the state, and I called up every other Cleveland bank and got him their business. Then I introduced him to the Fed."

Hogg, whose son and daughter went to work for Midwest, introduced Garrihy to his friend Clifforn G. Miller, then SVP at the Cleveland Federal Reserve. Miller, whose number two man in charge of Cleveland Fed transportation happened to be Hogg's son-in-law Norman Hagen, had by 1967 gotten Midwest the contract to carry all checks and other "time sensitive" financial documents for the entire Cleveland Fed district.

By late 1972, Hogg and Miller arranged with Harry Schultze, SVP at the Chicago Fed, to set up a unified national Interdistrict Transport System (ITS) headquartered in Chicago to transport all "time sensitives"; they advised Schultze to give Midwest the national contract. "They submitted the lowest bid by far," said Schultze, and besides, "they were given clearance from the national headquarters of the Air Force Military Airlift Command. We didn't bother to check them out any further."

Air Force Intelligence

Why would National City Bank and the U.S. Air Force go to the trouble of setting the dubious Midwest up with this strategic contract? The answer is that the drugs being run into the U.S. by the London-run Hongkong & Shanghai Bank are part of Britain's drug subversion of the United States. Not only is British Intelligence highly influential in U.S. Air Force Intelligence, but U.S. Air Force Intelligence is terribly influential at National City Bank, in the person of Claude Maclary Blair, of the Air Force Signal Corps, who became the bank's chairman in 1967.

Mr. Blair has no expertise in banking. After coming up through the British-oriented ATT communications giant in the 1930s, Blair was made a major general in the elite Air Force Intelligence Signal Corps in 1942, the section of the Air Force organized by British Prime Minister Winston Churchill's personal representative in the U.S., Sir William Stephenson, head of British Intelligence's Special Operations Executive in 1939. The Signal Corps was created to ensure British intelligence control of U.S. telecommunications, and, true to form, when Blair returned to ATT in 1945 he rose to the position of Director of the ATT Space Communications Program, was made a life director of the Armed Forces Communications Association, and became President of ATT's Ohio Bell Telephone, from which post he leapfrogged to his post at National City Bank in 1967.

Other British intelligence notables at National City are Gilbert W. Humphrey, Jr., who recently took over

his deceased father's directorship of the bank, as well as of the British Sun Life Assurance Co., and the presidency of the family company, Humphrey-Hanna. Both father and son were well known as associates of Canadian business interests in Cleveland. Also a National City director is Carl S. Ablon,

Ralph E. Ablon, chairman of New York's Ogden Corp., of which Carl Ablon is also a director. Ogden is Allen & Co.'s privately financed metals firm, whose directors also include not only Charles Allen himself but also F. William Harder, a director of Airborne Freight. One of Max Fisher's closest business partners, James C. Donnell II, chairman of Marathon Oil Co. (Findlay, Ohio), of which Fisher is a founder and part owner, is also on the bank's board.

Midwest's owner Airborne Freight is also an Air Force Intelligence "cut-out," as the trade politely terms a front. Airborne's founder and president from 1946-1969, John Dallas McPherson, is a member of the Air Force Association who did pilot training for the Veterans Administration. Top Airborne director James H. Carey is a former executive of London Hambros's U.S. subsidiary—Hambros merchant bank being the prime advisor to Britain's Churchill family, which has provided several heads of British Intelligence—and is also a director of London's Midland Bank.

More concerned about their other business

Under Arthur Burns's tenure at the Fed, Midwest was given its first five-year (1973-78) national contract. "When they bid for renewal in July 1978 they incredibly underbid," Norm Hagen at the Cleveland Fed admitted, "by almost \$2 million. Of course they got the new contract. But since then their service to the Fed System has collapsed. They just stopped shipping our checks, which would pile up at airports. They seemed more interested in shipping the growing freight contracts of their other customer, Airborne Freight. They claimed to be shipping at least 40 percent Fed cargo, 60 percent Airborne cargo on the average flight. I don't believe it; I think Airborne, which would like to own Midwest 100 percent, is dumping their cargo instead on our flights.

"By early 1979 this lag in service was causing a major problem with float, the balance of unsettled checks outstanding in the Fed System," Hagen continued. "Remember when Congress investigated the float scandal? All Midwest has to do is delay shipments by four or five hours a day and at one point some \$14 billion in unsettled checks a day were ballooning up the money supply. They insisted we had to give them more money—of course they had only submitted the original low bid because Airborne is subsidizing their flights—so they could buy more planes. But the problem is still there."

"If the Airborne cargo was drugs, that is the first reason I have heard that would make any sense as to

why Airborne was insisting Midwest bump the very Federal Reserve," commented the prestigious money market analysis house Aubry G. Langston.

The scandal extends back to National City Bank in Cleveland, which has for the last year at least been making a mint off the nation's resultant monetary troubles. Bank stock analysts at Britain's Lazard Freres explained that National City makes most of its steady profits off arbitraging in the float-distorted federal funds markets. When float is large—\$14 billion—checks don't clear, and banks must go to the interbank market in federal funds to borrow short-term cash. This raises the demand for short-term funds, and the short-term rates rise. National City Bank, anticipating this as no one else in the market can, knows that rates will rise at some time in the future and arranges to sell on that day long-term bonds for cash to place in the short-term

market at the higher rates. No other bank, says Lazard, has been able so consistently to make an arbitrage profit like this.

Most bank analysts and commercial banks, however, are well aware of what National City is up to, and intend to keep the situation covered up. "That's our favorite bank!" cried the prestigious Keefe, Bruyette bank stock analysis house. "We would never give you any information which could lead to their incrimination." A top officer of a New York clearing bank added that if the big New York banks knew about the National City scandal, they would probably "be smug about it. ... They wouldn't jump up and run around. Perhaps National City Bank should not have an edge on the arbitrage game, but everybody's in on the game and no one wants to wreck it."

—Kathy Burdman

BRITAIN

Are the Tories going to pot?

No wonder Britain's economy has so much trouble developing efficient executive and middle-management personnel. According to latest reports, "Turn on to Maggie" has become the slogan of the day among Britain's Young Conservatives, who have discovered the joys of cannabis and are hoping to enjoy "high times" in Parliament if their campaign to legalize the weed succeeds.

At least 40 percent of the members of London's Young Conservative organization have sampled marijuana, and they like it, says Charles Smedley, the group's vice-chairman. But being respectful subjects, they want the stuff legalized before they will start smoking it in public as they go to their jobs in the banks, financial houses and law firms in the City of London. "I work in the City and I'm active in politics, explained the 28-year old Mr. Smedley, who is a stockbroker himself. "To break even such a stupid law would be to set a bad example."

Instead, the young Tories will try to change the laws so that by the time they run for office and take seats in Parliament, MPs will be able to smoke pot as openly as they now smoke pipes. Smedley says that there are now younger MPs in Parliament and with luck the law may be changed within the next ten to fifteen years. To speed up the process, his group is organizing a "pot caucus" to be held at the Tory Party's annual conference in October.

"Compared with tobacco or alcohol, cannabis is relatively harmless," Smedley adds. "But the profits should go to the tax man, not to the drug pusher." In the meantime, a work slowdown by British customs officials at Heathrow has demonstrated the fact that every day large hauls of drugs pass through the airport undetected because of deliberate understaffing.

In the first day of their job action to protest staff shortages, customs officials doubled the amount of contraband seized, merely by working at a deliberately slower speed and meticulously searching each "tourist" and "holidaygoer" instead of using

the usual quick, sloppy search procedures which make London a drug smuggler's haven. Three kilograms of heroin worth over \$600,000 were discovered the first day of the job action, in the briefcase of a man who had nonchalantly walked through the green "Nothing to Declare" gate. The following day, marijuana, hidden in a banana, was seized by customs officials. Inspecting a bunch of fruit from a Nigerian woman's baggage, officials found that the fruit had been removed, the skin filled with cannabis and the peel carefully stitched back on!

Although adequate staffing at customs might put a stop to the drug trafficking, the government plans to do just the opposite. It wants to cut the number of customs inspectors by 1,800 from the present level of 28,000 with the prospect of a further 6,000 jobs being lost in 1980. According to the Society of Civil Servants, the customs workers' union, which is protesting the cutbacks, "Smugglers are walking straight through with no one to stop them. We need more staff and not less as the Government plans."

—Marla Minnicino