Is Don Regan the banker of choice for Carter-Mondale Democrats?

by Mark Burdman

If current investigations by law enforcement authorities into dirty-money activities of Democratic Party-linked bankers are pursued to their most plausible outcome, then the tracks must inevitably lead to the door of former Merrill Lynch President Donald Regan, now White House chief of staff.

During the past weeks, four separate cases of banking-world chicanery, and ensuing law-enforcement investigation, have involved financial-scam operations linked to the Carter-Mondale era Democratic Party and to former Democratic National Chairman Charlie Manatt, himself a banker-under-suspicion.

These cases have included:

- The engineered collapse of Cincinnati-Alabama-Florida banker Marvin Warner's Home State, because of Warner's illicit siphoning off of funds into his own private accounts. In past years, Warner has funded the campaigns of former President James Earl Carter, current Ohio Gov. Richard Celeste, and Ohio Sen. Howard Metzenbaum, among others.
- The collapse of Livingston, New Jersey's Bevill Bresler Shulman government-securities firm. Two leading BBS officials had formerly been members of the Carter-Mondale era Democratic Party National Finance Committee.
- The jailing on June 3, 1985 of Jimmy Carter's good buddy, Tennessee banker Jake Butcher, ex-director of the now-bankrupt United American Bank, a $1 billion financial empire, for a maximum twenty-year sentence. The collapse of Butcher's UAB in February 1983, was the third-largest banking collapse, up to that time, in the United States, since the Great Depression.
- The lawsuit filed on May 14, 1985 by the Attorney-General's office of the State of Georgia against approximately 20 New York money-center investment houses, for having fraudulently marketed Single Deferred Premium Annuities (SPDAs) of the Baldwin-United Corporation during the early 1980s, despite the fact, the State of Georgia contends, that these New York houses *knew* that Baldwin-United was going bankrupt, and that, therefore, they were *willfully* swindling purchasers of Baldwin SPDAs.

The two latter cases are most intimately linked:

Jimmy Carter's friend Jake Butcher was a Democratic Party politician, who twice ran for governor of Tennessee. The director of Baldwin-United in the early 1980s, Morley Thompson, was involved in money-laundering operations tied to the dirty side of the United Auto Workers component of the Democratic Party.

The collapse of Butcher's UAB, in fact, was instrumental in collapsing Baldwin-United in the summer of 1983, since Butcher had elaborate financial ties to Baldwin-United, including owing Baldwin-United $20 million in cash.

Both cases might, generically, be referred to as part of the financial-story-behind-the-story of "Billygate," the name given to the complex of relations tying Jimmy Carter's brother, Billy, to the Libyans.

Odd as it may seem to some, the Baldwin-United/Thompson-Butcher story is also of direct consequence for the fate, and the loyalties, of White House Chief of Staff Don Regan.

Of Regan, magic, and the mafia

On April 15, 1985, a consolidated case of debtors and debtors in possession, in relation to the Baldwin-United Coporation proceeding, was presented before the U.S. Bankruptcy Court, Southern District of Ohio, Western Division.

A chronology prepared for the case has an entry from Aug. 25, 1980, from Morley Thompson to "Donald Regan, then president of Merrill Lynch, proposing a joint venture between Baldwin-United and Merrill Lynch which would provide each company a tax saving of $40 million per year as a result of SPDA sales."

An entry from Dec. 18, 1980—while Donald Regan was still chairman of Merrill Lynch—refers to a memorandum "transmitting a reprint of a Merrill Lynch full-page advertisement for SPDA's which appeared in the Wall Street Journal."

A third entry, from Dec. 31, 1980—again, while Don Regan was still president of Merrill Lynch—is in connection with a Colorado bank transaction that Baldwin-United and Thompson were involved in. It says: "B-U obtained the opinion of Merrill Lynch sometime during 1980 as to the value of the partnership interests and used this opinion in stating the value of the class 2 partnership interest."

The documentation available to *EIR* up to this moment says no more about the Baldwin-United case in respect to Don Regan's reign; the relevant court subpoenas, should they be issued, would be most interesting, if we can judge by what the available evidence shows that Merrill Lynch was doing with Baldwin-United soon after Don Regan's departure, to become U.S. Treasury Secretary in January-February 1981.

By December 1981, for example, the court chronology reports: "Letter of Miller to Merrill Lynch to B-U, Att: Thompson, *confirming that Merrill Lynch will act as financial adviser to B-U for the MGIC acquisition* [emphasis added]." In February 1982, a note reads: "Morley Thompson stated that Merrill Lynch was hired by B-U in connection with the MGIC acquisition." Later: "Morley P. Thompson stated that on 2/2/82 a meeting was held with the banks that were supplying the bridge loan in connection with the MGIC financing."

And so on.

MGIC (sometimes referred to as "Magic"), which stands for Mortgage Guaranty Insurance Corporation, is itself no small matter. Based in Milwaukee, Wisconsin, the company is the core of the financial interests of Max Carl, an individual linked to the Anti-Defamation League mobster crowd around Max Fisher. MGIC was set up in 1959, as a kind of privately licensed Federal Home Administration, pioneering in the mortgage reinsurance market, and making substantial gain, through income-tax writeoffs allowed by the federal government. As a result of cornering this lucrative cash-laundering venture, Carl found himself sitting on enormous sums of cash in the early 1960s.

During the period of the 1981-82 negotiations on Baldwin-United's acquisition of MGIC, MGIC was being advised by Goldman-Sachs, on whose advisory board sits Henry Kissinger. Money for Baldwin-United's buyup was reportedly provided in part by Merrill Lynch and American Express.

As the by-then bankrupt Baldwin-United was put under investigation by the Securities and Exchange Commission in the 1983 period, Morley Thompson was dumped as head of Baldwin-United. Max Carl was made honorary president, and the board of directors appointed Victor Palmieri, of Penn Central, as chairman.

Penn Central, too, has come under organized-crime control in recent years, through its takeover by the Cincinnati-based Carl Lindner, a kingpin of the United Brands/Gulf & Western narcotics-trafficking mafia.

Hence, the "daisy-chain" of events surrounding Butcher, Baldwin-United, MGIC, and so on, potentially implicates Donald Regan in some quite nefarious activities.

Given that the banking collapses in the early 1980s helped trigger recessionary shock-waves in the U.S. economy, Regan would also have to be held responsible for the broader aspects of the ensuing banking crisis.

The Georgia case

Further aspects of the "Don Regan connection" may be surfacing, thanks to the litigation introduced by the Georgia State Attorney-General on May 14.

The case, titled, "State of Georgia v. Merrill Lynch, et al.," involves proceedings against all those major investment houses (with Merrill Lynch taking the role of *primus inter pares*) reputedly involved in fraudulently marketing Baldwin-United securities in Georgia, at a time when these houses knew Baldwin-United was bankrupt. Aside from Merrill Lynch, other named defendants include E. F. Hutton, Shearson Amex, Kidder Peabody, Prudential-Bache, Drexel Burnham,
and others.

They are accused of having sold $60 million in annuities to 2,500 citizens of the State of Georgia, a portion of the $4.2 billion in annuities that Baldwin-United sold nationally to 163,000 investors in the early 1980s. According to the State of Georgia, in early 1982, Baldwin-United was already siphoning off $1.5 billion from subsidiaries to prevent the company from going under.

According to a source at the Georgia Attorney-General's office, three potential penalties are being sought:

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1) Confiscation of the brokerage commissions of the New York houses that made a killing off of the Baldwin-United scam;

2) An injunction: "If they do it again, they will be in contempt of court";

3) Revocation of their brokerage licenses to sell in the State of Georgia.

Citing the national dimensions of the Baldwin-United scam, *EIR* asked the official whether the case might not take on *federal*, rather than only state, dimensions. He replied: "I assume that under the federal RICO statutes, there might be actions which could be taken by the U.S. Attorney, or by the Department of Justice, or possibly even by the SEC. We would certainly welcome the attention of federal authorities to our lawsuit. . . . Also, there are other states with RICO statutes, patterned after federal statutes, who could do what we've done."

Asked whether Don Regan would come up in the investigation, the official laughed, and said, "We assume he still has loyalty to his former employers."