Soviet Five-Year Plan, over eight years before they were implemented; 2) negotiating secret treaties between the Bolsheviks and the U.S. State Department, when the Bolsheviks barely controlled St. Petersburg and Moscow; 3) lobbying to stop Western military intervention of any consequence against the Bolshevik Revolution, while calling for "economic assistance" and ending the State Department blockade upon trade and credits for the Bolsheviks; and, 4) creating the first "back channel" to the Bolsheviks through the "controlled" Communist John Reed, and possibly through Armand Hammer, who later served George Shultz in this capacity until Hammer's death.

The AIC did not limit itself to extensive business with the Soviet Union. More than a third of its investment activity was in Ibero-America, where AIC was affiliated with the United Fruit Company and W.R. Grace, both of which companies were notorious for their political involvement.

The existing record of AIC's treachery is based largely upon documents written by Dr. Birl Shultz's contemporary, William Franklin Sands, who was assistant to AIC's president Charles A. Stone from 1917 to 1922. Because Sands was a former career diplomat, he was charged by AIC with the job of liaison to the U.S. government. Fortuitously for him and AIC (and perhaps not so accidentally), Sands found himself in Russia at the time of the Bolshevik Revolution, where he had been working on a U.S. State Department relief program for German and Austrian POWs. Sands describes his accomplishments in Russia during this period as unique; he said his was "probably the only organization to bring a profit out of the Revolution."

Connally: 'Shultz Did It'

Far removed from the buzz of more than 500 people, in the back corner of the Hart Galleries in Houston, a tired John Connally surveyed the scene before him. It was Jan. 23, 1988, the second day of a bankruptcy auction held to sell off a lifetime of possessions collected by him and his wife. With millions of dollars in debts, and little in the way of liquid assets, Connally could do little but watch as the auctioneer took bids on his worldly goods, with the proceeds earmarked to go to his creditors.

For the moment, Connally was alone. Although the press had written of his strength, how he had been standing firm in the face of adversity, he appeared tired, somewhat slumped. I approach him and asked if I could ask him a few questions. He straightened up and said, "Only if they are not about bankruptcy."

I asked about his memories of Aug. 15, 1971, and the announcement by President Nixon of the end of the postwar system of fixed exchange rates. He immediately brightened, saying: "Yes, that was my idea. I took that to the President two nights earlier." He continued, saying that we were facing a terrible crisis and that no one else would face it. He said it was his most difficult decision as Treasury Secretary, but events of the subsequent 16 years had proven it was the right decision.

I told him I disagreed, that the shift away from fixed exchange had led to a series of devastating crises. In particular, I mentioned the August-September 1982 debt crisis for Mexico, with the vulnerability of the U.S. banking system to a default or moratorium; and the October 1987 stock collapse, as a result of the shift of the economy from production to speculation, a shift made inevitable by the action of Aug. 15, 1971.

As he listened intently, I told him that I work with Lyndon LaRouche, who forecast that Nixon's actions of Aug. 15, 1971 set in motion what would become the worst financial crash in history. I asked if he had any comments on that.

"Well," he replied, "I'm not sure about that. Of course, the crisis was already under way before I arrived." He told me that he had little familiarity with international finance prior to his appointment by Nixon, and that he was first made aware of the problem during regular briefings from William McChesney Martin.

I asked him, "So how was the decision made?"

He said that there was a working committee, which included himself, Henry Kissinger, Paul Volcker, and George Shultz. Sometimes, Herb Stein (Chairman of the Council of Economic Advisers) attended, sometimes Arthur Burns. Of this group, only Arthur Burns was opposed to closing the gold window. They met on Aug. 13. Kissinger was not there, but Shultz was the most forceful in insisting that the fixed exchange system must end, and that Connally must brief Nixon immediately.

"Did you object?" I asked.

"No," he replied. These were the smartest men around. I figured they knew what they were doing. He added that he briefed Nixon the next day, and Nixon had only one queston—have you run this by Shultz? When told that Shultz was for it, Nixon asked him to get a draft to his speechwriters, and it was announced the next morning that he would give a major policy address.

I asked Connally if he had any regrets about the decision. He looked wistfully around the room and said, "Right now, I have lots of regrets about a lot of things." Any about Aug. 15? With that, he walked away, saying he didn't want to think about it just then.—*Harley Schlanger*