

...Sec. 605. The Secretary is authorized to establish, alter, consolidate or discontinue and to maintain such State, regional, district, local or other field offices as he may deem to be necessary to carry out functions now or hereafter vested in him.

Sec. 611. (a) The Secretary is authorized to recruit, train, accept, and utilize, without regard to the civil service and classification laws, rules, and regulations, the services of individuals without compensation as volunteers for or to aid or facilitate the work of the Department.

(b) The Secretary is authorized to provide for incidental expenses, including but not limited to, transportation, uniforms, lodging, and subsistence for such volunteers...

...Sec. 612. (a) The Secretary is authorized to provide for participation of Armed Forces personnel in carrying out his functions. Members of the Armed Forces may be detailed for service in the Department by the Secretary concerned (as said term is defined in 10 U.S.C. 101) pursuant to cooperative agreements with the Secretary...A member so detailed shall not be subject to direction or control by his Armed Force or any officer thereof directly or indirectly with respect to the responsibilities exercised in the position to which detailed.

Sec. 613. (a) With their consent, the Secretary may, with or without reimbursement, use the services, equipment, personnel, and facilities of persons or public and private nonprofit agencies and organizations, including any agency or instrumentality of the United States or of any State, the District of Columbia, the Commonwealth of Puerto Rico, or any territory or possession of the United States, or of any political subdivision thereof, or of any foreign government in carrying out any function now or hereafter vested in him.

(b) The Secretary may, with or without reimbursement, provide service, equipment, personnel, and facilities to public and private nonprofit agencies and organizations, including any agency or instrumentality of the United States or any State, territory, the Commonwealth of Puerto Rico, the District of Columbia, or political subdivision thereof, or to any foreign government whenever he deems such action to be necessary and appropriate to the performance of functions now or hereafter vested in him...

Sec. 614. The Secretary is authorized to enter into and perform such contracts, leases, grants, cooperative agreements or other similar transactions with public agencies and private organizations and persons and to make such payments (in lump sum or installments, and by way of advance or reimbursement, and, in cases of grants, with necessary adjustment on account of overpayments and underpayments) as he may deem to be necessary or *appropriate to carry out functions now or hereafter vested in the Secretary*...

...Sec. 622. The Secretary is authorized to establish a working capital fund, to be available without fiscal year limitation, for expenses necessary for the maintenance and operation of such common administrative services as he shall find to be desirable in the interest of the economy and efficiency...

...Sec. 625. The Secretary, when authorized in an appropriation act, in any fiscal year, may transfer funds from one appropriation to another within the Department provided, that no appropriation shall be either increased or decreased pursuant to this section more than five percent of the appropriation for such fiscal year.

Sec. 646. There are hereby authorized to be appropriated such sums as may be necessary to carry out the provisions of this Act.

## Lazard Staging Lancegate In Grab For Federal Monies

Office of Management and Budget Director Bert Lance came under fire because he blocked the Lazard Freres fascist economic program, not because of his record in Georgia banking.

This is the understanding of business lobbyists in Washington, conservative financiers in New York, and Lance's friends in the "Atlanta Mafia" — who are supporting the beleaguered Budget Director in a fight to hold onto his office. Support from these business and political circles accounts for the sudden hard-hitting counter-attack on his accusers which Lance himself launched in last week's hearings before the Senate governmental Affairs Committee — a counter-attack initially so successful that even the *Washington Post* and the *New York Times*, the leading "Lancegate" media outlets, were forced to report the first day's hearings as a clearout victory for the OMB Director and a series of embarrass-

ments for his principal inquisitors on the committee, Senators Ribicoff and Percy.

Many congressional conservatives, and Lance's conservative Democratic friends, have no doubt who is behind the Ribicoff-Percy media assault on Lance. "We know who owns the *Washington Post*," an American Bankers Association official said bitterly, referring to its connections to the New York investment banking firm Lazard Freres, home-base of Felix Rohatyn. "They are trying to use the Lance scandal to push pieces of legislation like Humphrey Hawkins that have been languishing in Congress."

The first wave of "Lancegate" articles broke July 12, days after Lance confronted Fabian Senator Proxmire over a provision to stop so-called "redlining" that Proxmire had attached to a Housing bill. In an open letter to Congress, Lance called for a Presidential veto of

the legislation, attacking the attempt to sneak through a provision that would compel commercial banks and savings institutions to invest a legally fixed portion of their assets in urban areas they had avoided lending to, or "redlined."

Little noticed at the time, the Proxmire-Lance confrontation was a key test of strength. Proxmire has bragged of plans to put through the elements of a Schachtian economic program — low-wage government jobs financed with Federal money — by packaging it into a plethora of different bills. Lance's rebuttal not only stopped the Proxmire scheme, but made clear that the Office of Management and Budget, which controls Federal outlays, would block Proxmire and Humphrey in the Senate, and Walter Mondale in the White House, at every step.

With Congressional opposition stacked up against the Humphrey-Hawkins slave labor bill and related legislation, the Fabians planned to use existing "jobs" programs and piecemeal passage of new plans and funding. This way, Proxmire and Humphrey believed, they could push through virtually the entire program that Lazard's Felix Rohatyn presented to the Nov. 1976 Conference of Northeast Governors (CONEG) in Saratoga Springs, N.Y., before year-end. But this required control over OMB — and Lance was blocking them.

Friends of Lance in Atlanta banking say there is real hatred between the "Georgia" and the "New York" crowd in the White House, and overwhelming opposition to Rohatyn's forced-labor schemes. Lance's opposition to Proxmire and Company, like his opposition to the Administration's proposed tax rebate earlier in the year, stemmed from Sunbelt fiscal conservatism.

#### *Fight For Control*

The prize in this fight is control over the Federal pursestrings, with budgetary control so ill-defined that existing Executive powers could be used to ram through most of the Rohatyn program. "Enough machinery exists around town to get these kinds of programs through," said a House Banking Committee staffer. "At this point it's a political question. What's going on now is a fight for control of the budget process."

For example, the obscure Federal Financing Bank, which has lent \$30 billion to Federal agencies and will reach a \$48 billion total by the end of fiscal year 1978, can borrow money on the public market with a Federal guarantee. All that is required to set it into motion is Congressional go-ahead, and it can raise virtually limitless funds for a program — provided that the Office of Management and Budget, the central checkpoint, lets that happen.

In an effort to shut the barn door before the horse gets out, several Congressmen, including Rep. William Moorhead (D.-Pa.) have introduced legislation to include all of the Federal Financing Bank and similar activities on the official Federal budget. At present they operate "off-budget," and have little regulation outside the discretion of the executive. Moorhead, who is associated with the Mellon industrial group, is taking indirect aim at the Humphrey-Hawkins bill, the vaunted Urban Bank, and similar schemes, according to Congressional sources.

Possessed of a weapon like the Federal Financing Bank, the Fabians could turn the U.S. economy upside down within months. But as things stand, they cannot even use their existing resources. National Commission on Manpower Policy chairman Eli Ginzburg, a professed admirer of Hitler's economics, complained in a recent interview, "We already have billions of dollars out in manpower programs, but we can't do anything with them." Local city machines, who use Federal funds to rehire laid-off teachers and firemen, and their friends in the Federal bureaucracy, are sabotaging the Humphrey-Mondale attempt to force through a slave-labor regime, Ginzburg said. "If I were running things, I would know exactly what to do, and I would start by pushing some people around at the White House," he threatened. *New York Times* editor A.H. Raskin, a leading publicist for Humphrey-Hawkins, made the same point more cautiously in an article this morning, warning that the "spectre" of Lyndon Johnson's Great Society failure daunted current efforts to rope youth into make-work jobs.

Lance's Office of Management and Budget is the bottleneck which all Administration proposals, by law, must pass through before going on to Congress. President Carter's task force on the Urban Bank — a Rohatyn conception designed to fund low-wage jobs in city ghettos — will in all likelihood be written by Fabians HUD Secretary Patricia Harris and Labor Secretary F. Ray Marshall. But it will spend three months at the OMB before it goes to Congress at the end of the year. Mondale and his allies have discovered that the Georgia group inside the Administration, which swallowed the Schlesinger energy program, the Califano "workfare" program, and a dozen other atrocities, has drawn the line at the Lazard plan to turn the U.S. economy into a top down-controlled replica of Germany in the 1930s. As Carter's best friend inside the White House, Lance represented an obstacle to their schemes. They are frantically trying to get rid of him.

## Lance Fights Back

Although Office of Management and Budget Director Bert Lance may yet be forced out of office, the first days of the new Senate hearings on the Lance affair last week indicated a dramatic political shakeup is underway in Washington which could increase the opportunities for concerted political action to derail the drive to impose a Schachtian economy on the United States.

First of all, Lance himself turned the tables on his principal Senatorial accusers with his testimony Sept. 15. In what was generally conceded in the press as an effective point-by-point refutation of the allegations against him, all stemming from his management of two Georgia banks before assuming the OMB post under Carter, Lance directly challenged "Lancegate" as a trial by innuendo and an attack on his and his family's human rights, and announced he was fighting for "the American system" exemplified by his own career as a successful businessman. Lance also asserted that Senate Aides had been made aware of every allegation of banking irre-

gularities which has subsequently surfaced in the press by Jan. 13, 1977 prior to the Senate hearings on his confirmation as Budget Director.

Senators Ribicoff (D-Conn.) and Percy (R-Ill.), majority and minority leaders of the Senate Governmental Affairs Committee who had assumed the role of chief prosecutors of Lance, were rocked back on their heels. As the *Washington Star* headlined, "Lance Fights Back, Ribicoff and Percy Destabilized." Indeed Percy was forced into a public apology for his previous insinuation to the press that Lance had backdated checks to avoid income tax payments.

The *New York Times*, a leader in the "Lancegate" media offensive, retreated temporarily into front page complaints about "partisan bickering" and "feudal" committee proceedings as Sen. Thomas Eagleton (D-Mo.) rallied to Lance's defense with a strong attack on fellow Senator Percy for seeking to oust Lance with "guilt by accumulation" of unproved charges. Sens. Nunn (D-Ga.), Sasser (D-Tenn.), Chiles (Fla.) and others repeatedly challenged the Ribicoff-Percy attempted orchestration of the hearings as a "knockout blow" to the Budget Director.

When Percy demanded that the Comptroller of the Currency's office, responsible for the initial investigation of Lance, be asked to check every point of Lance's testimony before the committee to determine if it was truthful, Sen. Nunn demanded a full investigation of the flood of leaks to the media from the Comptroller's office which was the main source of the allegations against Lance in the weeks immediately prior to the hearings. "We might as well get everybody investigating everybody in this town," Nunn declared.

Should this kind of fight lead to public debate on the economic issues behind the "Lancegate" campaign the consequences for the Felix Rohatyn "Our Crowd" investment banks behind the Lancegate drive could be extremely unpleasant. Already there are signs, in two columns by Washington columnists Eliot Janeway and Charles Bartlett, that Treasury Secretary Werner Blumenthal whom they reported was the "inside man" in the operation against Lance, would be targeted by fiscal conservatives for his hyperinflationary "weak dollar" policies.

The Lancegaters though caught off-blance, have by no means given up their campaign, as evidenced by continued demands for Lance's resignation on the grounds that "guilty or not," his effectiveness as OMB Director has been irrevetriably compromised and his usefulness to Carter is at an end. Press attacks on Carter press secretary Jody Powell, another charter member of the Atlanta crowd, accusing him of "Nixon tactics" for a "counter-leak" aimed at Senator Percy before the hearings last week, point to a continuing effort to clean out any "sunbelt" industrialist channels of influence into the White House capable of resisting Rohatyn-style low-energy slave labor schemes.

However, given the strength of resistance shown by last week's Lance hearings, it seems unlikely that the OMB office will pass from conservative control, even if Lance himself is forced out.

## Press Admits Lance Won First Round

*The following are excerpted from the national news media following OMB director Bert Lance's testimony before the Senate Governmental Affairs committee:*

*Washington Post, Sept. 16, article by Haynes Johnson, "Squabbling Senators, Artfully Crafted Defense":*

They thought they had B'r'er Rabbit in the briar patch, but in the end it was the senators who were stuck in the tar.

*New York Daily News, Sept. 16, "Lance Comes Out Punching — Upsets the Senators With His Defense":*

Bert Lance dramatically took the offensive against his toughest congressional critics yesterday, accusing the Senate Governmental Affairs Committee of trampling on his rights and his reputation...

*New York Daily News, Sept. 16, article by James Wieghart, "Bert Might Go Out With a Bang — Not a Whimper":*

Whether it ultimately saves his federal job, Budget Director Bert Lance's gutsy attack on his Senate critics certainly put to rest repeated reports that he is ready to resign quietly, to save President Carter any further embarrassment.

*New York Times, Sept. 16, news analysis:*

....By contrast with his disorganized committee critics, who interrupted each other or rambled ineffectually, Mr. Lance had the only coherent, forceful presentation of the day, an advantage that could conceivably tip the balance for him, if it persists.

*Washington Star, Sept. 15, article by John J. Fialka, "Lance Defends Himself by Counterattacking":*

It was supposed to be a public execution, the end of a media festival that had gone on throughout the dog days of summer.

...Here was no humble prisoner waiting for the mercy stroke, the final blow from his enemies. Here was the manager of the largest budget in the Western Hemisphere, maneuvering to deliver a full broadside at his attackers, flaying them for trying him with innuendos and leaked stories to the press.

The fury of Lance's charges was so intense that the committee members spent a full hour after his opening statement backpedaling and bickering among themselves.

New York Times, Sept. 16, column by James Reston, "Lance Wins Round One":

Bert Lance clearly won the first round of his battle with the United States Senate, but in politics, there are some battles you can't afford to win. Mr. Lance chose to put the Senate committee on the defensive, to attack his attackers, but it is fairly clear that he was trying to save

himself and not his job.

...There is no way, after Mr. Lance's battles with the Senate, that he can be anything but a problem for his friend, Jimmy Carter, in the Congress and with the budget. His problem now is how to go home again to Georgia and somehow try to re-establish the old confidence and the old life among his friends.

## Lazard Press Goes After Rocky

One day after Nelson Rockefeller testified before the Senate Finance Committee on his proposal for a new Project Independence, the *New York Post* and other outlets associated with the Lazard Freres investment banking house suddenly came alive with disclosures of the crimes of Nelson Rockefeller and his brother David.

The brothers are being smeared with an initial finding of the two-year old New York State Assembly investigation into the use of state police during Rockefeller's term as governor and leaks from the Security Exchange Commission's report on Chase Manhattan's role in dumping \$158 million in New York City notes in 1974-75.

No competent person would argue with the allegations and in fact, this news service was the first to break the story on Nelson Rockefeller's illegal state police files as early as 1975. The important point is the timing of the attacks: evidently the financiers gathered around Lazard are angry that Nelson Rockefeller's fascist boondoggle scheme may disrupt their own, the energy Corporation of the Northeast.

Morris Abrams, a partner in Paul, Weiss, Rifkin, Wharton, and Garrison law firm, which prepared Felix Rohatyn's energy proposal, indicated that the press attacks are just the beginning. Abrams said that if either Ed Koch or Mario Cuomo win the New York mayoralty, he will request a commission to investigate Rockefeller's activities as governor.

Below we print a sampling of the informative press attacks so far:

### Village Voice: "Exclusive" On David Rockefeller's "Mafia" Tactics

(article by Jack Newfield)

"This week I read the still secret executive session testimony of David Rockefeller before the SEC....

"Reading and rereading these hundreds of pages of evasive and inarticulate testimony, it struck me how similar the management of Chase bank is to the management of the Mafia...

"David Rockefeller and his vice-presidents conduct business just about the same way Carmine Galante and his underbosses do...

"In late 1974 Chase bank created a "management committee" to meet on a regular basis and make decisions regarding New York City's fiscal crisis, its debt and borrowing practices... The SEC staff lawyers, who questioned Rockefeller on July 28, 1975, asked the Godfather of finance to provide the SEC with the minutes

of these crucial meetings at which the city's fiscal fate was determined. Rockefeller testified: "We don't keep minutes of the management meetings."

"... Rockefeller has perfected the method of insulating himself from potentially criminal conspiracies. He has mastered the technique of the cover-up. He has learned the great Mafia secret that it doesn't matter what the public thinks, only what the courts can prove. He understands the imperative of not producing one incriminating piece of paper..."

### New York Post: Rocky's State Cop Spying

*The New York Post on Sept. 14 ran a page-one headline "State Cops Spied on Thousands"*

"The state police during the Rockefeller Administration investigated thousands of citizens by impersonating reporters, logging mail, taking pictures from helicopters, studying telephone and credit records and questioning neighbors, a State Assembly probe has found.

"The assembly investigation found 'several violations of state law', but 'no pattern of illegal acts'...

"Police investigated the formation of at least two underground newspapers and the first black-owned, black-operated radio station upstate. They started files on all authors and letter-writers mentioned in certain issues of *The Nation* magazine..."

"The task force intends to hold hearings this fall on a series of recommendations that includes setting up an outside review board of state police activities."

### Rocky Accused Of "Lying" In Nursing Home Scandal

*Earlier this month, the Soho Weekly ran an article accusing Nelson Rockefeller as having committed perjury before the Moreland Act Commission hearings on New York nursing homes:*

"Abram asked the Vice President about a meeting he had on May 4, 1973 with Samuel Hausman, a longtime friend and political associate. What Abrams wanted to know was whether Rockefeller's one-hour meeting with Hausman that day was spent on nursing home czar Bernard Bergman's problems with the state health department.

"... If Rockefeller's recollection is correct, then