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VOICE

**Chaka
Flaunts It**
Thulani Davis
(Page 61)

VOL. XXVIII No. 15 THE WEEKLY NEWSPAPER OF NEW YORK APRIL 12, 1983 90¢

EDITORIAL In Defense of Standards

Robert F. Wagner Jr. has had seven weeks to persuade us he is capable of running the New York City school system. He has appeared on television, given newspaper interviews, and participated in forums with the other candidates, and he has continually failed to convince anyone, including many of his supporters.

Since Wagner's support is so thin and the opposition from educators and minorities so deep-seated, the mayor and the Board of Education would like to hasten the selection process. This week the *Even* (Continued on p. 4)

The Trouble with Wagner

By Wayne Barrett

The Bob Wagner Jr. who is running for chancellor is the same Bob Wagner who's been carrying much of Ed Koch's race baggage for more than five years. Make no mistake about it; Wagner is not what he seems: a white man who accidentally got in the way of a black ambition. He has struck this sympathetic pose, trying to counterbalance his mayoral patron's strident arrogance with his own boyish vulnerability. Bobby wants the winning advantage of being Koch's candidate without the disadvantage of half a decade's (Cont. on page 7)

VLS

Memoirs Are Made of This

Is There Life After Kercuac?

By Laurie Stone

There Never Was a There There

Richard Henry Dana and the Coast

By Fred Dorman

Halfway to Utopia is Nowhere

Socialism and Feminism

By Vivian Cornick

Follow the Leader

Goebbels's Revenge

By Eliot Fremont-Smith

The Corporate State of Grace

*Reagan's Friend Tries
to Bury the Past*

By Joe Conason with Martin A. Rosenblatt

This month a special commission appointed by President Reagan will present studies proposing to reduce federal spending annually by \$60 billion or more. Chaired by J. Peter Grace, who also heads the multinational conglomerate W. R. Grace & Co., this body of corporate executives, lawyers, and lobbyists deserves more notice than it has gotten so far, not only because it is so unbalanced and so riddled with conflicts of interest, but also because its aim is to undo four decades of federal domestic policy.

The central role of Grace and his company, with their many connections to the extreme right at home and abroad, has significance in itself. For to study Grace is to understand how little novelty there is in Reagan's "new right," and how much this administration and its adherents date back to the reactionary right of the '30s and '40s, to the diehard opponents of the New Deal and the appeasers of fascism.

Since it was organized by Grace last spring, the President's Private Sector Survey on Cost Controls (PPSSS) has undertaken, in as much secrecy as it could manage, what Reagan calls "the largest effort of its kind ever mounted (Cont. on p. 10)

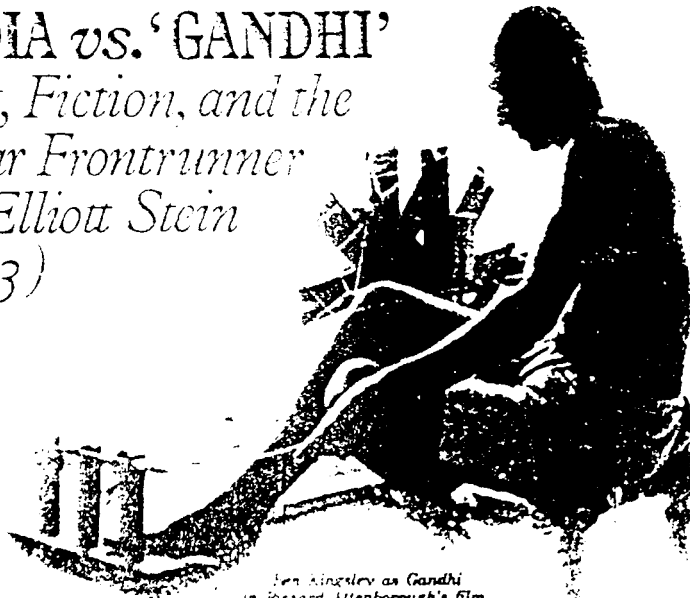
INDIA vs. 'GANDHI'

Fact, Fiction, and the

Oscar Frontrunner

By Elliott Stein

(P. 43)



Ben Kingsley as Gandhi
in Richard Attenborough's film

And Suicide Is Confession

Michael
Feingold on
'night, Mother'
(P. 81)

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Cultural Events Program at Artexpo

Thursday April 7 (Open to the trade only)
10:30am Successful Strategies for Gallery Directors
1:30pm Creative Concepts in Gallery Marketing
These seminars are presented by Decor.

Friday April 8
10:00am Functional Art: A Trend for the 80s
Moderator: Beverly Russell, Editor in Chief Interiors
11:30am Corporate Art Buying in the 80s
Moderator: Richard Walker, Managing Editor
The Artnewsletter ARTnews

12pm Art in Public Places
Moderator: Barbara Goldstein, Editor Arts and Architecture

Saturday April 9
11pm Collecting Contemporary Art: Where to Begin
Moderator: Dale McConathy, Dir. of Arts Administration,
New York Univ.

1:30pm How to Buy Prints
Moderator: Ruth Ziegler, Vice-President, Sotheby Parke Bernet

Sunday April 10
11pm Where's It Worth: Appraising and Insuring Works of Art
Huntington Block, Pres. HT Block Insurance Co., Helaine Fendelman, Partner, Fendelman & Schwartz Fine Art Appraisers; Heene Trotsky Fine Arts Appraiser

Print Institute Workshops—Thursday through Monday
Art workshops in Printmaking, Color Theory, Watercolor Painting and Quick Study Drawing. Art lovers are invited to participate, have their work critiqued by experts and take home a permanent memento.

SPECIAL EXHIBIT:
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Admission to all programs included in the entry fee.

Don't Miss It!



(Above) Grace with President Kennedy in 1962; Grace with Reagan



(Continued from page 11)
administrator Rita Lasker-Wiseman calendar.

• The task force was joined in its work by another former EPA official, John Burton, the former assistant for administration to Anne Burford. He was dismissed last year after it was revealed that the EPA department was investigating his possible abuse of authority at the agency.

• Other companies and members on the EPA task force include E. I. du Pont de Nemours and Co. (two), Eastman Kodak (two), Martin Marietta (two), Ford, Firestone, Hercules Chemicals, Phillips Petroleum, DuPont Chemical, Shell Oil, and Texaco (each one apiece).

It is possible that Roger Grace, whose company is primarily involved in the production of chemicals, plastics, coal, and oil, could have found something amiss in Mrs. Burford's account. Over the past several years, W. R. Grace has been embroiled in at least a dozen serious environmental disputes around the world, including air, water, and even radioactive pollution. The task officer in charge of the EPA task force has reportedly said that is Robert Pedigo, who works for W. R. Grace. As task officer, his role was to oversee certain task forces on behalf of the survey's management office and, by itself, Pedigo also oversaw two other task forces directly involved with W. R. Grace interests—the departments of energy and agriculture.

Lawyers and staff of the House Energy and Commerce Committee, whose probing has led to the recent housecleaning at EPA, are gathering information on the PPSS task force's activities at the agency.

The Department of Energy, once destined for extinction in administration plans, has survived in part from the advice of E. I. du Pont de Nemours, whose largest subsidiaries include Conoco Oil and Consolidation Chemical. DuPont essentially controls the Federal task force with 16 members while Monsanto has a co-chairman. Duke Power, Middle South Utilities, and Potomac Electric Power all sent members, as did Westinghouse, which sent six.

Milliken, who might seem a disinterested party, is one who that Milliken has been a member of Westinghouse for many years. The Electric Society, with which Milliken is long and close, believes that the most serious danger to nuclear power is not like those built by Westinghouse, but perfectly safe, and that Lister's nuclear power. This Lister perspective may have Milliken, who in his other role as the task force, which is to recommend improvements in the Nuclear Regulatory Commission.

• The task force assigned to the Department of Labor is co-chaired by Richard L. Metropoulos, a director of Metropolitan Life Insurance, which employs 10,000 employees. The Labor Department regulates the administration of pension, health, and welfare funds, which in turn is a large segment of Metropolitan Life's business.

• Another task force which is controlled by regulated industries is co-chaired by the Department of Agriculture. It is co-chaired by William W. H. Hines, a director of W. R. Grace, and includes an executive from International Minerals and Chemical Corporation, the Grace company's partner in a major Florida phosphate-mining venture. Other members of this task force hail from Quaker Oats, Kraft, General Foods, the nation's two largest grain and feedlot corporations, and Cargill & Company, one of the two largest manufacturers of farming equipment.

• The task force is simply called "Business-Related Boards and Commissions." How much taxpayers' money can be saved by making the government's many regulatory bodies more efficient is questionable, but there is certainly a lot of money to be saved by industry if these bodies are hobbled. The task force members include a lobbyist from the Alliance of American Insurers, the vice-president for rates of Duke Power, and several representatives of bank holding companies. But even more impressive is the array of registered lobbyists from several major law firms, whose clients have recently poured the American Stock Ex-

America, the American Petroleum Institute, the National Association of Manufacturers' Subcommittee on the Federal Trade Commission and Anti-Trust, the Calorie Control Institute, the International Air Transport Association, the American Meat Institute, the Salt Institute, the Manufactured Housing Institute and even the Scotch Whiskey Institute.

Aside from lobbying Congress, these law firms also appear on behalf of the above-named trade associations (and individual corporate clients) before the boards and commissions whose operation the task force is committed to improve: the National Labor Relations Board, the Federal Energy Regulatory Commission, the Federal Trade Commission, the Federal Communications Commission, and the Civil Aeronautics Board, to name a few of the most important.

Other lawyer-loobivists also appear on the User Charges Task Force, the interior and commerce departments task forces, and in nearly every case they represent clients whose business may be affected by the department or agency under scrutiny.

Role reversal between the regulators and the regulated is not the only theme of the Grace survey, though the examples cited above are hardly exhaustive. The other overarching premise is government's use of goods and services; not only those it already purchases, but those it might buy in the future.

Frequently emphasized in the materials handed out to survey members and staff by Grace's central office is the concept of "contracting out" of government functions—a scheme that may or may not save money for taxpayers but certainly makes money for whatever firm wins the contract. And this coincides neatly with the long-range plans of the Office of Management and Budget to require agencies to contract out on a scale never contemplated before.

So, by the logic of PPSS, a number of the task forces are made up of people who sell goods or services to the agencies they are examining, or who might sell them something next month or next year.

● An example of this syndrome is the Task Force on Federal Feeding, which covers a multitude of programs that purchase food and supplies from the private sector. It is effectively controlled by food service companies: American Brands, ARA Services (a vending machine and fast-food outfit), Carl Karcher Enterprises (also fast food) and Rich Seapak (a seller of fresh and frozen fish). The National Fisheries Institute, a trade association, also sent a member to this unit.

● Then there is the more remote possibility of shifting Social Security's insurance function to the private sector, as was recently proposed by Peter Ferrara, a new member of the White House staff who formerly worked for the free market Cato Institute. The task force assigned to the Social Security Administration is composed almost entirely of insurance industry representatives whose companies—Metropolitan Life, GEICO, Atlantic Mutual, CIGNA Corp., and Sentry—might be well situated to take advantage of such a change.

And finally, of course, there is contractor's paradise—the Pentagon. While Felix Larkin told Congress that the survey expects to uncover waste in the area of national defense, the choice of those who will ferret it out seems incongruous.

● Helping the navy to economize are executives from a department store chain, an insurance holding company, and a coal-mining conglomerate. But the relevant skill resides here in two high-level representatives of the Boeing Corporation. In fact, one of the Boeing men is registered lobbyist Dale R. Haboose, the company's "director of government business relations," who served until August 1979 as deputy assistant secretary for procurement in the Defense Department. Boeing's auditor, Touche Ross, also has two members, and the task force is co-chaired by Stanley Miller Jr., a Boeing director who is listed in survey documents

as the chief executive of an oilfield and mining services firm.

Boeing also has three board members who sit on the board of Citibank—Boeing's chief lender—with Peter Grace.

● Motorola Corporation, which sells a wide variety of costly electronics equipment to the military, has a virtual lock on the Air Force Task Force. The company has seven employees working on it and Motorola chief executive Robert Galvin is the co-chairman.

As a leading member of the nation's most vocal military-industrial lobbying and study group, the American Security Council, Galvin has strong views in favor of a rapid defense buildup, regardless of cost. Over the past two months Motorola has obtained over \$14 million in defense contracts.

About the only task force appointed by Grace which doesn't include a single person who may be affected by its deliberations is a "Low Income Standards and Benefits." Directed by well-compensated chief executives of Abbott Laboratories and Stewart-Warner Corporation, this group is sure to find plenty of fat, as Grace told the Birchers, in budgetary allocations to single mothers and the other unworthy poor.

In fact, Grace's aides personally car-

ried out some of the preliminary work for this task force on their boss's favorite subject—food stamps, that preserve of the Puerto Ricans.

According to an affidavit filed by former food and nutrition service administrator Robert Greenstein, as part of the National Anti-Hunger Coalition lawsuit, he was visited last June 23 by Klaus Scheye, a vice-president of W. R. Grace who is on the PPSS staff. It was during this period that Grace's people were developing memoranda for each task force recommending "targets of opportunity" for budget savings.

Scheye was accompanied when he called upon Greenstein by "a gentleman from a large consulting firm," and their interview lasted about an hour.

Scheye was principally interested, says Greenstein, in the food stamp program and how its allotment of stamps was "adjusted to keep pace with food prices." (Scheye) expressed the view that these mechanisms should probably be altered to reduce food stamp costs through reduced food stamp benefits in future years. ... Mr. Scheye clearly indicated that he and the task force were looking at basic policy changes involving benefit levels in programs such as food stamps, as well as at management and administrative issues.

He indicated that the interest of the task force was in exploring ways to reduce the cost of programs such as food stamps, both through changes in the benefit structure and through management improvements.

Obviously this conflicts with every statement by Grace's office and the White House that the PPSS would concern itself solely with data systems, paper clips, tape pools, and the other ephemera of bureaucracy. Congressman Ford's staff suspects that the PPSS may be trying its recommendations in with the budget policies of the Office of Management and Budget. In fact, Ford has repeatedly asked OMB chief David Stockman to explain the survey's ties to OMB and the budget process. Stockman's failure to provide answers has led Ford to consider pursuing the budget director with a congressional subpoena. And other members of Congress are starting to grow suspicious as the PPSS recommendations emerge. Sonny Montgomery, the Mississippi Democrat who has long held sway over the House Veterans Affairs Committee, last month warned the PPSS to stay away from the Veterans Administration after he learned that a task force has urged the elimination of the VA and the contracting out of

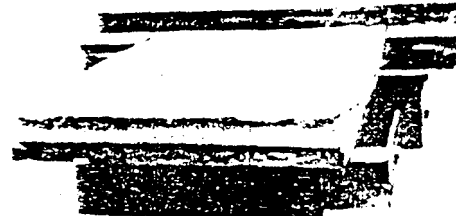
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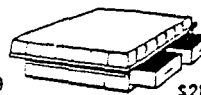


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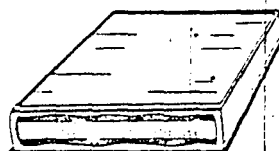
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THE RIGHT STUFFING

inside the mattress can be difficult for you to choose because of the contradictory and self-serving information being given out by some "hard-sell" stores. The truth is that any foam rubber mattress, innerspring mattress or futon mattress will support you properly if it is good quality and is guaranteed for use on platform beds. We sell all three types of mattresses and we guarantee them.

FOAM MATTRESSES

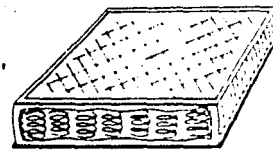
give solid no-sag support at low cost. Our 5 1/2" thick high-density foam mattress is priced 1/3 less than our competition.



	Full	Queen
BASIC 4 1/2" thick 12 lb density Grade 3	\$69	\$79
BETTER 5 1/2" thick 19 lb density Grade 1	\$89	\$99
BEST 7" thick 3 layer dual density	\$129	\$149

INNERSPRING MATTRESSES

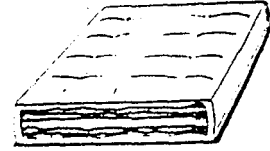
have a bouncy more traditional feel. We feature the Sealy Posturepedic mattress at a surprisingly realistic price.



	Full	Queen
BASIC medium firm Our own brand	\$139	\$169
BETTER Sealy's Super Firm Model	\$169	\$199
BEST Sealy's Posturepedic Royale	\$249	\$299

FUTON MATTRESSES

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its services.

It was evident last fall when Ford held his initial hearings that the PPSS was straying far from its supposed purpose. Much to the dismay of Felix Larkin, Ford produced at that hearing a copy of the work plan for the task force overseeing the federal retirement systems, which estimated aggregated savings over a four-year period of \$23 billion. This sum, as the congressman noted, was unlikely to be amortized by the purchase of a more efficient check-writing machine, but only by sharp cuts in the benefits paid to retired federal workers. Larkin could only respond by referring to a "narrow line of demarcation between a policy and an established practice and the program with which it is implemented."

But Ford wasn't deflected by Larkin's genteel obsequiousness. He pointed out that the savings anticipated in the work plan could only be had through action by Congress, and warned the PPSS against treating where it didn't belong.

Whether that warning was needed at all will become more apparent after all the findings of the PPSS are released. There is a growing sense in Washington that the PPSS may be intended as propaganda in the budget showdown now taking place between the president and the Congress. And the commitment of J. Peter Grace to the ideological and programmatic goals of Reagan cannot be doubted, for they are rooted in politics he has pursued for decades.

A 'Company' Asset

Grace also appears to have been drawn, over the years, to certain CIA fronts—a natural attraction for the head of a company with investments ranging from oil and chemicals to fast food and sporting goods in over 40 countries.

Some of his involvement could be attributed to the agency's role as a protector of U.S. corporate interests abroad, for it was in the economies of Central and South America that the Grace fortune was created and expanded from 1934 until the past two decades. Like United Fruit, the Grace ships, haciendas, and mines turned into a symbol of exploitation of Latin workers and resources, and the target of anger against "Yanqui imperialism."

The increasingly vehement repetition of that phrase, and the actions engendered by it, were among the forces leading Peter Grace away from Latin America after he assumed control of W. R. Grace.

Not all his divestitures of Latin investments were voluntary following the Cuban revolution in 1959. Grace properties were seized without compensation, or "bribe," as he put it. Ever since that bitter experience, Peter Grace has been an unrelenting adversary of "Castro-communism." His Grace Foundation has made substantial donations to anti-Castro emigre groups, and Grace advocated U.S. intervention to counter the attraction of the Latin masses to the Cuban example.

President Kennedy, whose father Joseph was an old acquaintance of the Grace family, took Grace's expertise seriously and asked the executive to head a special committee of top businessmen in 1962 whose assignment was to revitalize the already floundering Alliance for Progress. Much to the irritation of other committee members, like bankers David Rockefeller and Walter Wriston, Grace turned the project into a one-man show. They and other committee members disavowed Grace's final report, which rejected previous Latin aid efforts "tendency to export Socialistic ideas to Latin America" when it seemed clear "... that private enterprise held the key to sound national development."

The key portion of the report, which Kennedy did try to implement at least in part, was a set of incentives to encourage U.S. investment in South America. What Grace wanted, for himself and other American businessmen, were tax breaks on investment in any Latin American country, and a set of guarantees from the

Continued on page 18

Dollars Über Alles



(Top) Convicted war criminal Otto Ambrose; (right) Flick Jr., the "graying hair" and Friedrich Flick, grandfather of slave labor, plunder, spoliation and membership in the SS

Within a few years after he took control of the family business in 1945, Peter Grace was looking for ways to expand and diversify, and like a number of other American industrialists, he saw the future in chemicals. The acquisition of chemical subsidiaries led, in 1951, to the hiring of Nazi scientist Otto Ambrose—a man reputedly well qualified for W. R. Grace's new ventures into petrochemicals and other synthetics.

Ambrose, who described himself during his 1948 trial at Nuremberg as "a plain chemist," was understandably modest. He had been a director, during the war, of I. G. Farben, the multinational chemical conglomerate which fueled and profited from the German war machine. Anticipating long in advance that its aggressions would provoke to an embargo of critical raw materials, Hitler's high command contracted with Farben to create and supply synthetic substitutes for rubber, oil, and gasoline. Ambrose was personally responsible for the development of a synthetic rubber, called buna, which was to be produced from coal along with methanol and other fuel distillates.

Ample supplies of coal were available for this enterprise, but a steady source of cheap labor in wartime was only obtained after Ambrose, along with other top Farben officials, decided to locate the buna plant at Auschwitz, on the former Polish-German border.

Nuremberg records show that Ambrose visited the Auschwitz site several times before construction, funded jointly by Farben and the Nazi government, got underway. Worried by the shortage of labor that would be caused by the imminent eviction of Poles and Jews from their

homes in the surrounding district, Ambrose agreed with Farben mentor, Dr. Heinrich Himmler, to open negotiations with the Gestapo under SS as soon as possible to obtain the necessary measures to keep the plant operating. The message was more important in the version of a dinner conversation, in the aftermath of the concentration camp, we further decided not to negotiate for the use of the camp for the benefit of the buna works. Our new relationship with the SS is proving very profitable.

At his trial, Ambrose characterized his use of the language above as "impassive," but there was nothing more deliberate than the slave-labor operation, where 100 inmates died every day from exhaustion, illness, starvation, and rotten food. By 1944, according to a weekly Farben bulletin, the Auschwitz Poles had been "eliminated" and replaced by "Jews from all countries." These Jews made not only the industrial miracle buna, but also hydrogen gas—also under the supervision of the Americans.

Despite frantic efforts by Ambrose and his associates to destroy incriminating documents after the Allied victory, there was more than enough evidence to convict him, along with several other Farben officials, of mass murder and slavery. Yet Ambrose was happier than Ambrose got harsh sentences, and he served only three years of his eight-year term. This sentence might have been justified, for while Ambrose went to work on projects vital to national security—the reasoning behind the escape of many other Nazi criminals and collaborators.

But nobody makes such claims for Ambrose, instead, from the time he was re-

leased in 1951 until the end of 1961, Ambrose served much of his comfortable living as a "consultant" to W. R. Grace. On several occasions thanks to Peter Grace's intervention with U.S. authorities, Ambrose was even able to circumvent the legal ban on the entry of war criminals into the U.S. to conduct Grace's business.

Grace was not ungrateful for Ambrose's chemical expertise, and even came to admire him, as indicated in a State Department memo about a 1958 letter Grace sent to then secretary of state John Foster Dulles (who had once represented Farben interests in the U.S.). "During the seven years we have known Dr. Ambrose," wrote Grace, "and have had the opportunity of working with him, we have developed a very deep admiration not only for his ability, but more important, for his character in terms of truth and integrity." In fact, Grace thought so much of Ambrose that his friend Roger Milliken's textile company, Ceringer-Milliken, also took Ambrose on for a while.

The Ambrose scenario becomes even more complex when the Nazi scientist's resume with postwar German industry is examined. Between 1957 and 1964, Ambrose served as a director of Feldmühle A.G., a papermaking subsidiary of the gigantic Flick conglomerate—which has, since 1975, acquired nearly 30 per cent of Grace's stock. Flick thus became by far the largest shareholder.)

Flick, another family dynasty, played a role much like that of I. G. Farben in the funding and urging of Nazism. Through an intricate set of holding companies, patriarch Friedrich Flick Sr. controlled the largest portion of the coal, iron, and steel industries in prewar Germany, and was among the first industrialists to join the Nazi party itself. Before Hitler's election in 1933, Flick had donated nearly a million deutsche marks to a Nazi youth fund known as the Keupler Circle.

These investments began to pay off within a few years, when the Nazis helped Flick pressure the Petschek family, Czech Jews who owned coal and steel properties in Germany, into "aryanizing" their company by selling out cheaply to Flick. According to Nuremberg indictments, Flick and his men held top positions in the Nazi industrial hierarchy, which gave them "wide authority over the procurement, use, treatment, allocation, and transportation of thousands of slave laborers and prisoners of war."

Flick was found guilty in 1947 of slave labor, plunder, spoliation, and membership in the SS. The judges said he had "embraced the opportunity to take full advantage of the slave-labor program," and sentenced him to seven years in prison.

Meanwhile, Flick's heir Friedrich Karl Flick Jr., who was only 30 at the time of his father's trial, was sent to the United States to learn about business management. Allied efforts to dismantle the Flick cartel were only partly successful, and someone had to take over the dynasty. So in 1951—shortly after his father's sentence, among others, was commuted by American High Commissioner for Germany John J. McCloy—young Friedrich became a trustee at a small New York bank controlled by the Grace family.

When this relationship between two dynasties began is obscure. But Grace himself has said on occasion that the younger Flick "is like a member of the family," and a spokesman for Grace told business columnist Dan Dorfman in 1978 that Peter Grace "knew the [elder] Flick well.... They were friendly, and [Grace] respected him very much."

Flick the elder went about rebuilding his empire with great success, acquiring chemical and automotive companies including Daimler-Benz, the builders of Mercedes cars.

Perhaps Grace respected Flick as a capitalist of the old school. Flick "thumbed his nose" when asked to compensate the survivors of the slave laborers who created his wartime wealth. In 1968,

Continued on page 18

DOLLARS

Continued from page 14

A Flick spokesman stated that the company felt it had "neither a legal nor a moral obligation to make payment" for using slave labor in 1970, two years before the old man died, his lawyers rejected a personal plea from McCloy and reiterated the company's absolute refusal to honor any claims of Jewish Holocaust survivors.

The German press frequently contrasts the "playboy heir" Freddy Flick with his "puny father." But they shared a propensity to reward politicians who served their interests, both ideological and material. That is what German prosecutors found out when they began in 1981 to look into the scandal of Flick donations to elected officials that is known throughout Europe as the "Bonn Watergate."

The events leading to this investigation began when the Flick Group sold off its interest in Daimler-Benz, and chose to reinvest most of the proceeds in W. R. Grace stock. Sold in 1975, the Daimler-Benz assets brought Flick 1.5 billion deutsche marks in cash, and an equally impressive problem: how to reinvest this pool of capital without paying a stiff tax on the capital gain. German law did contain a loophole permitting the taxes to be excused if the federal minister of economic affairs considered the subsequent investment "worthy of support." In other words, the government could decide that Flick's plans were advancing a national objective, and forgive the taxes.

The notion of a tax break of this magnitude for the Bavarian billionaire was liable to provoke fury among leftist politicians and possibly some newspapers, as Flick well knew. It was an extremely delicate matter which required the sustained cooperation of friends in all the nation's major parties.

In raids upon Flick's corporate headquarters, as well as in testimony from subpoenaed Flick officials and politicians, the Bonn prosecutors have discovered a secret slush fund used to reward dozens of politicians considered helpful by Flick management. These "donations" went especially to the right-wing elements in each of the three top German parties.

And despite strenuous denials from all concerned, much of the evidence points to a connection between the Flick money and the eventual decision by relevant ministers in the Schmidt government to approve the tax break. Editorials across Germany refer to the matter as evidence that Germany has been turned by Flick and other businessmen into "a baksheesh republic," ruled by a "lobbyocracy," in which "some high-ranking people of our state are not a bit nobler and more honest than the small thieves of suitcases and bicycles at the main railroad station."

It's also quite clear that Flick, like Grace, has long been most comfortable



Flick Sr. as an Allied prisoner in 1947

with, and most generous to, the extreme rightist element in mainstream German politics—the Christian Social Union party based in Bavaria and led by Franz Josef Strauss. Indeed Strauss—who, according to *Der Spiegel*, received nearly a million deutsche marks from Flick personally—boasted to prosecutors of his role as an adviser to Flick in the matter of investments overseas. Having written the tax law mentioned above some years back, Strauss advised Flick to buy into W. R. Grace.

Grace and Flick were, according to what Flick told the tax authorities, supposed to institute "technology transfers" beneficial to the German economy. But the prosecutors say this was never accomplished, and that Flick executives may have made "false administrative statements" in order to obtain the tax exemption. Flick settled instead for three seats on Grace's board of directors.

The investigation, which has dragged on for more than two years, is continuing, and a separate probe by Social Democratic members of the Bundestag—some of whom were also implicated—is expected. Flick remains on the Grace board.

Actually, W. R. Grace's unsavory connections actually predate the Ambrose consultancy. During World War II, W. R. Grace was maintained on the government's "watch list" of companies known or suspected to be trading with the enemy—that is, with the Germans or their surrogates in Latin America. Many Grace

personnel in Latin America, according to State Department documents examined by the *Voice*, were under surveillance by the U.S. government because of their ties to Nazi agents, particularly those Grace employees in the company's shipping lines or in Panama, the joint airline venture with Pan American Airways.

The most egregious case was that of Colonel Meliton Brito, a Bolivian army officer hired by Grace to manage its airline business in that country during the war. Despite repeated requests by the State Department that Grace get rid of the pro-Nazi Brito—who actually obstructed the deportation of known Nazis the company maintained him on its payroll for years, insisting that it would be more dangerous to let him go.

A military intelligence report from 1942 describes W. R. Grace as among "the worst" American companies in its behavior with regard to suspected enemy agents, and makes specific reference to Grace's Bolivian general manager, who is described as an opportunist. This man was Brito's main patron at W. R. Grace, and the report summarizes Grace's attitude that "he is a Bolivian and a politician and knows how to make money for us." It went on to say that "This is, of course, typical of W. R. Grace & Co.'s attitude throughout South America." The region controlled by Colonel Brito in central Bolivia later became a refuge for fleeing Nazi war criminal Klaus Barbie.

—J.C.

CONASON

Continued from page 14
The government's fight against any losses on that investment.
But he did more than rely on reports and speeches to win the struggle against communism, which was once listed as his hobby in *Who's Who*. And his interest in the covert side of American anti-Communist policy even predated his fury at Fidel Castro.

The first of several CIA proprietaries to be exposed during the '60s was Radio Free Europe/Radio Liberty, the broadcasting agencies now funded openly by the U.S. government. When they began in the early '50s as part of a cold war drive, the stations were trumpeted as private initiatives. And yet, fronting for Radio Liberty was an outfit known initially as the American Committee for Liberation from Bolshevism, and later simply as the American Committee for Liberation. Among its high-powered trustees—in addition to J. Peter Grace—were about a dozen anti-Communist luminaries, several of them associated with domestic red-baiting. At least a few, such as William Henry Chamberlin and Eugene Lyons, also had ties to *Human Events* and the *American Mercury*, the chief propaganda media for McCarthyism.

The American Committee for Liberation and Radio Liberty were not merely conduits for Western news to budding freedom fighters, but, as John Loftus argues at length in his recent book *The Belarus Secret*, mechanisms for smuggling hundreds of Nazi collaborators onto American payrolls and into American communities.

Loftus, a former Justice Department prosecutor, explains that this part of the operation was conceived and carried out by superspy Frank Wisner, who ran a section of the CIA called the Office of Policy Coordination, with the blessing of agency chief Allen Dulles. The American Committee for Liberation received virtually all of its money from Wisner's CIA office, and transferred it directly to other front groups set up to protect former Nazi collaborators who had emigrated, with Wisner's help and in violation of U.S. law, to the United States.

Did Grace and the other trustees of Radio Liberty's parent organization know what Wisner was up to? Perhaps not. But one wonders about their innocence when Loftus writes that at least 90 per cent of Radio Free Europe's and Radio Liberty's budgets was coming from the CIA. If they did know, they remained silent through the early '70s, when a change in these arrangements was forced upon the Nixon administration by a series of Senate hearings on the secret funding.

And while Wisner's dream of "rolling back" Soviet domination of Eastern Europe grew stale, the CIA had busied itself in Latin America, Peter Grace's turf.

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the AFL-CIO as the American Institute for Free Labor Development, or AIFLD. This was the most ambitious, open, and ideological foreign project undertaken by American unions abroad to date, and it contained a new element. Unlike the AFL-CIO's previous foreign adventures, this one was to be funded and promoted by American businessmen. George Meany, a close friend of JFK, chose J. Peter Grace to chair the board of directors.

Some U.S. unionists began to wonder what Meany could be thinking when they saw Grace recruiting companies like United Fruit, ITT, and Anaconda Copper—none renowned for their advocacy of workers' rights—to the cause of "free trade unionism" in Latin America. The purpose gradually grew clear enough. Whatever their political allegiances, the leftist unions in South America were more militant in their wage demands, and more likely to support revolutionary solutions to national problems. AIFLD trained

young Latin workers in its Virginia headquarters to distinguish such "Communist" influences in their unions, and to purge them.

These "trainees" did more than provide a docile work force. They were instrumental in covert U.S. policy for the instigation of rightist coups against leftist governments in Brazil, Guatemala, the Dominican Republic, and Chile. When charges of CIA funding for AIFLD originated in such publications as *The Washington Post*, the *Los Angeles Times*, and the *St. Louis Post-Dispatch*, Meany denied these allegations, in Senate testimony, as "the Commie line." Subsequent accounts by former CIA agents have confirmed the agency's close ties to AIFLD.

But in the aftermath of the 1964 military overthrow of elected Brazilian president João Goulart, AIFLD executive director William Doherty let these comments slip during a TV interview:

"Some of [the AIFLD trainees] were so active that they become intimately in-

voled in some of the clandestine operations of the revolution [sic] before it took place on April 1. What happened in Brazil on April 1 did not just happen—it was planned—and planned months in advance. Many of the trade union leaders—some of whom were actually trained in our institute—were involved in the revolution and the overthrow of the Goulart regime." The generals who took over from Goulart were not noted for sympathy toward labor unions or workers in general. They instituted the austerity program typical in those circumstances.

J. Peter Grace is a living example of the roots of Reaganism. He is a man who looks backward fondly to the days when business was unfettered, when nobody dared to ask about hiring practices, pollution, labor rights, or consumer protection. Like the business class of the '30s, which shaped his consciousness and the attitudes of so many who now call themselves "conservative," Peter Grace is still

plotting against the New Deal and all of the human advances, from food stamps to environmental protection, that are part of its democratic tradition.

His longing for that past, when plutocrats were bold, is reflected in Reaganism: its friendliness toward fascists and fascists, its antagonism toward social spending and progressive taxation, even its dreams of the gold standard. The technology is different, the public relations more slick, but the biggest difference between the corporate right then and now is that so few Americans recall some of the uglier aspects of its past. It can only call itself new because its true history remains buried.

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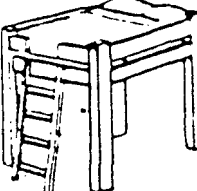
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