

## Lance Scandals:

# Noose Tightens Around Carter's Neck

Already this noose is being tightened by Henry Kissinger's longtime friend, Illinois Senator Charles Percy. Percy, the ranking minority member of the Senate Governmental Affairs Committee, which will hold hearings on the Comptroller's report September 7-8, declared Aug. 18 that "the report does not address several significant aspects of Mr. Lance's financial activities and questions of improprieties are raised in the report." Percy is demanding investigation into Lance's banking activities in regard to Calhoun National Bank.

The Comptroller of the Currency released his report on the banking practices of Office of Management and Budget Director Bert Lance Aug. 18, clearing Lance of illegal banking actions but raising numerous questions about the propriety of his activities. For example, the report suggests that a compensating balance from Lance's National Bank of Georgia was a condition of a loan Lance received from Manufacturers Hanover Trust, but the report appears to take at face value denials of this arrangement by Lance and the bank's officials. The report also notes 50 instances in which Lance failed to file any of the federally required statements with the bank's directors on his personal outside loans.

Both the *Washington Post* and the *New York Times*, allied with Wall Street, highlight the many unresolved questions raised by the report. The *New York Times* implicates Carter in the Lance affair with a second lead Aug. 19 on Carter's acceptance of plane rides from Lance's bank, noting that if the bank was not paid back the "free ride" would constitute an illegal campaign contribution.

The Comptroller's report is clearly being used by Henry Kissinger and Vice-President Walter Mondale to tighten a noose around President Carter, in light of the behind-the-scenes agreement worked out by these two representatives of different Wall Street groupings. Carter is being warned — he must go along with this deal, including especially the replacing of Brzezinski's diplomacy with the more pragmatic Kissinger's, or the attacks on the Administration will be unleashed full scale. The lead editorial in the Aug. 19 *Washington Post* makes this very clear. "There's nothing in the Comptroller's report, or in Mr. Lance's finances that is serious enough to force him to resign. Nevertheless, if Mr. Lance stays in Washington, it will be at a certain price. Part of that price will be paid by Mr. Carter, who will have to avoid for a while all references to new moralities, fresh winds blowing and similar uplifting topics," said the *Post*.

But the attempt by these Wall Street factions to use the Lance scandal in a controlled way against the Administration is threatening to go totally out of control. There is widespread sentiment throughout the USA for a com-

plete investigation into all aspects of the affair and all members of the Administration. Senator Robert Dole (R-Kan) said the "report raises more questions while answering few. It is hard to conclude that Mr. Lance acted properly in all situations." The *St. Louis Globe Democrat* editorialized Aug. 19 that the report is "a whitewash of Lance...the Justice Department has shown favoritism and the confidence of the nation is shaken as it was during Watergate." The Comptroller's Office and the IRS are continuing to investigate, and the Senate Banking Committee and House Banking Subcommittee are expected to hold hearings on the Comptroller's report, along with the Senate Governmental Affairs Committee. As the *Chicago Tribune* put it in its Aug. 19 editorial, the scandal has "taken on a life of its own." The matter may well turn into a watering of the entire Carter Administration.

Here are excerpts from last week's most important press commentary on the Lance affair.

*New York Times*, Aug. 13, front page, by Nicholas M. Horrock:

The Comptroller of the Currency has widened his investigation of Bert Lance's financial dealings to include loans that may have indirectly benefited him and is searching bank records for about 20 loans that may have been extended to his wife, other members of the family and business entities, sources familiar with the investigation said today.

In addition to an investigation of transactions by Mr. Lance, the director of the Office of Management and Budget, with the Manufacturers Hanover Trust Company of New York City and the First National Bank of Chicago, Federal investigators are concentrating on Mr. Lance's relationship with Jake Butcher, a Tennessee banker, and Mr. Butcher's United American Bank of Knoxville, the sources said. They are also searching the records of the United American Bank of Nashville, in which Mr. Butcher has an interest.

Meanwhile, Representative John B. Anderson of Illinois, the third-ranking Republican in the House, called tonight for Mr. Lance's resignation. It was the first such demand by a major Congressional figure.

The Comptroller's Office is preparing a 100-page report on its investigation that may be ready for President Carter's scrutiny by late next week, but the sources said the report would not close all the avenues of the Comptroller's investigation.

John Heimann, the Comptroller, is known to be reviewing records of the following loans, among others:

\*Two loans extended to Mr. Lance's 1974 gubernator-

ial campaign by the Northwest Georgia Bank in Ringgold, Ga., for a total of \$140,000. The loans were reported in Mr. Lance's campaign filings in June 1974.

\*A \$240,000 loan in 1974 from the Roswell Bank of Georgia, which was reportedly used to pay off an earlier loan at the Atlanta-based Fulton National Bank...

\*A \$651,000 loan from the Georgia Railroad Banking and Trust Company of Augusta...

\*A \$185,000 loan from the C. and S. National Bank of Georgia. C. and S. officials did not respond to questions about this transaction. The bank is listed as a correspondent bank for the National Bank of Georgia, according to recent bank directories.

\*Continuing overdrafts in the account of LaBelle Lance at the National Bank of Georgia, which her husband headed...

*New York Times*, Aug. 13, page 12, by Wayne King, "Southern Newspapers Have Diverse Views on Lance":

"Mr. Lance's most outspoken defense has issued from the *Atlanta Constitution*, the South's most ardent champion of the Carter Administration. Its board chairman is Ann Cox Chambers, Mr. Carter's Ambassador to Belgium...By contrast, the Charleston S.C. *News and Courier*, in an Aug. 10 editorial headlined "Goodbye Good Ol' Boy" said: "Bert Lance, director of OMB should resign. Disclosure of his personal financial dealings is proving to be an embarrassment to an Administration that came to office with little more than a professed dedication to integrity..."

*New York Times*, Aug. 14, front page by Judith Miller:

One day before it was publicly disclosed that Bert Lance was to be nominated to head the Office of Management and Budget, the Atlanta regional director for the Comptroller of the Currency rescinded a potentially embarrassing agreement between the Comptroller and a bank Mr. Lance then headed.

...At about the same time, a criminal investigation into Mr. Lance's activities at the Calhoun bank, a case that had languished for 11 months, was terminated by the United States Attorney in Atlanta...

Taken together, the two moves enabled the Acting Comptroller of the Currency to give Mr. Lance a clean bill of health on his management of the Calhoun bank, thereby removing the issue of possible mismanagement as a topic for consideration at Mr. Lance's confirmation hearing in January."

*Baltimore Sun*, Aug. 15, editorial, "A President Lanced":

The Bert Lance affair is one of those personnel problems all presidents hope to avoid and most confront, sooner or later. President Carter is being unusually cautious about commenting publicly on his fellow Georgian's troubles...Yet he implicitly acknowledged that Mr. Lance may have committed "improprieties" and said in effect that he should resign if he has done so...

Mr. Lance is an old and close friend of the President. It is a friendship that suggests he would not want to do anything to harm or hinder the President. It may be that re-

signation would be Bert Lance's most useful service to his old friend.

*Washington Post*, Aug. 15, front page by John F. Berry, "Probers Wanted to Block Lance":

After President-elect Jimmy Carter announced that his friend Bert Lance would head the Office of Management and Budget, reportedly a number of officials in the Comptroller's Office openly discussed ways to block the appointment...

They were troubled by both legal and ethical questions.

There was a debate about what to reveal about Lance, recalls a source inside the comptroller's office. "We were trying to figure out how to stop him..."

*Christian Science Monitor*, Aug. 15, front page by Godfrey Sperling, Jr., "Carter's Quandary: keep or drop Lance; 'Mr. Clean' image in Jeopardy":

Presidential watchers here are divided, roughly, on how Mr. Carter will deal with Bert Lance, his director of the Office of Management and Budget.

Some say it now is inevitable that the President will have to get rid of him.

Others say that barring a finding by the comptroller of the currency that Mr. Lance has broken a law in his previous banking and private borrowing operations, Mr. Carter will seek to ride out the storm and keep his valued friend and adviser at his side.

And still others say that it is likely Mr. Lance will step down voluntarily in the wake of recent pressure...

What to do about the 'appearances' of wheeling and dealing on the part of Mr. Lance?...

...some veteran observers here are saying that Mr. Carter will find it difficult to keep Mr. Lance around even if the comptroller clears him of any illegality. Says one who has closely watched and measured the conduct of several presidents:

"This President, more than anyone I can remember, must avoid the appearance of wrongdoing — in himself and his administration — as well as avoiding wrongdoing itself."

Because of Watergate, presidents now are expected to keep especially high standards of conduct for themselves and for those around them — standards that are above reproach...

Before the recent disclosures, Mr. Lance was rated as one of the President's top personal assets, as well as one of the most powerful and influential figures in the administration.

Mr. Lance may be able to hold on and find a way back to his influential role at the side of the President. But at this point the prospect seems rather dim.

*Chicago Daily News*, editorial, Aug. 16, "Lance Should Get the Point":

The Senate hearing was itself strange, since only Lance was heard, and it resembled a love feast more than an inquiry. The senators fell all over themselves to praise Lance and accuse the press of "smearing" him. But it is hardly a smear to ask for a complete disclosure of the financial maneuverings of the man entrusted with

managing the budget of the entire nation. Judging from the testimony that came out early, Lance has managed his own finances somewhat in the manner of a riverboat gambler. That could hardly be expected to sit well with a public that demands, at the very least, prudence in the management of public funds. Even if the probes produce no evidence of wrongdoing, Lance's capacity to induce public trust has been damaged. If he is as wise as President Carter has proclaimed him to be, he should consider stepping out of OMB, and saving his friend in the White House further embarrassment.

*Chicago Sun Times*, Aug. 16, by Loye Miller Jr., "All in the Family: Carter Smiling Less?"

Life around Jimmy Carter's White House these days sounds like an episode out of *Mary Hartman, Mary Hartman*.

Dad's in trouble at the office with questions about Bert Lance, the frustrations of Cy Vance and all those mean old senators who want to squash his shiny new treaty on the Panama Canal. Son Chip's moving out on his pretty little brunet wife, Caron, leaving her with their month old son. And down in Georgia, brother Bill...well..you know about brother Bill...

Jimmy Carter loves Bert Lance, as they say, almost like a brother. It clearly hurts him personally as well as politically to see Lance twisting in the wind while the comptroller of the currency puts all his old bank deals under a microscope and the smell from the laboratory turns sour. As much as a Lance resignation forced by scandal would shake Carter, who has self-righteously proclaimed his administration will be clean as a hound's tooth, the troubles brewing on the President's foreign affairs flank are even far more grave. To begin with, Carter's brash efforts to shape up the Russians by lecturing them on human rights and getting tough with them on strategic arms limitation have strained relations between the superpowers to the worst in years. Sobered by the vehemence of the Soviet reaction, Carter is now cooling it, but it may take a long time to repair the diplomatic china cracked by his freewheeling first months.

As Vance returned from his latest Middle East swing Sunday, the tenuous-Mideast truce was more fragile than it has been in years. On the proposed Panama Canal treaty, defeat in the Senate — which would be a disaster for the President domestically and lead to rioting and bloodshed internationally — is a very real threat. Throughout the first months of the Carter Administration, many wise old heads around town have been saying that while Carter has done pretty well so far, you can't really tell what kind of a President he's going to be until he gets into his first real crisis. Those President-watchers just may be on the verge of being able to make that judgment now.

Are things going to get better for Dad...and Lance ...and Vance? Or are we going to have the first blockbuster scandal of the Carter presidency, not to mention a Mideast war?

*New York Times*, Aug. 15, by Hedrick Smith, "Lance Inquiry: A Carter Test — President Seen Facing Acute Political Problems":

The persistent investigation of the personal financial problems of Bert Lance, the director of the Office of Management and Budget, and the nagging publicity that has accompanied it pose a severe test and an acute political dilemma for President Carter...

"I believe that if anything should be proven concerning Bert Lance that is either improper or illegal, that Bert would immediately take the initiative to either resign or step aside," Mr. Carter said in a television interview broadcast yesterday.

Yet the longer the issue remains unresolved, the greater the risk that it will injure Mr. Lance's future effectiveness and that the charges of Mr. Lance's financial imprudence will cast a shadow on the whole Administration.

Every day is working against Lance and the Administration, one high Administration official said. He said that he thought it was embarrassing for the President, particularly because of the "Simon-pure" attitude the President has taken about his appointments.

Some of Mr. Lance's backers privately contend that he is the victim of an internal struggle within the Administration. They suspect that the investigation of his affairs is being deliberately prolonged and expanded by the Treasury Secretary Michael Blumenthal, and John G. Heimann, the new Comptroller of the Currency whom Mr. Blumenthal promoted for the job over Mr. Lance's opposition.

#### *Blumenthal Camp Replies*

Friends of Mr. Lance argue that Mr. Blumenthal is the senior Administration official who stands the most to gain power and influence if the President is forced to let go his gregarious, back-slapping budget director.

In some elements of the financial community, especially among Republicans and political conservatives, Mr. Lance is more popular than Mr. Blumenthal is because he is known as an advocate of balanced budgets, tight money and controls on Federal spending. His aggressive business style appeals to some of them more than do Mr. Blumenthal's more unorthodox approach and intellectual bent.

James T. Lynn, Mr. Lance's predecessor as budget director in the Ford Administration, commented to a friend the other day that he thought Mr. Lance was doing a good job and hoped that he would stay on. Businessmen have remarked to Arthur F. Burns, the conservative-minded chairman of the Federal Reserve Board, that they would feel the loss of Mr. Lance's conservative influence on Administration policy.

#### *Counterpressures Cited*

But there are counterpressures on the Administration as well.

One investment service, *Liberty Street Review*, said that the Administration was suffering from "a leadership vacuum" in its economic policy-making.

More fundamentally, however, some influential New York bankers and financiers suspect that whatever the outcome of the current investigation, Mr. Lance will be a liability to the Carter Administration, and the President will reluctantly have to let him go.

*Chicago Tribune*, Aug. 19 "Not All Questions on Lance Resolved" by Aldo Beckman, Washington D.C. bureau chief:

The whole Bert Lance exercise on Thursday was orchestrated by the White House on the theory that a presidential declaration of finality can end anything.

It was reminiscent of the day a few years ago when another President released a series of taped conversations and declared that the Watergate investigation had ended. Lance Thursday declared himself cleared of allegations of impropriety after reading the report from the comptroller of the currency. The White House, grabbing the conclusion that there was no evidence that warranted criminal prosecution, chose to ignore other points that questioned Lance's judgment as a banker, left unresolved the questions of whether he had obtained personal loans through illegal use of his bank's funds, and noted that the investigation was not over.

The White House recognized that this was perhaps its last big chance to put the inquiry and the controversy to rest, and all the stops were pulled. The President flew to the White House from Camp David, Maryland, returning to the cool of the Catoctin mountains after his public endorsement of his long time friend and personal banker.

"As far as I'm concerned, the intense investigation has answered questions that were raised against Bert Lance," said Carter.

Sen Abraham Ribicoff (D-Conn) already embarrassed by his earlier embrace of Lance, wasn't so sure and immediately scheduled public hearings.

The questions raised in the comptroller's report will fuel Ribicoff's probe and could still lead to Lance's resignation or dismissal.

If the hearings, now set to begin in early September, drag into the fall and become a television extravaganza, Thursday's frenzied activities will be nothing more than a footnote to the controversy, much as the release of the Nixon tapes has become.

The controversy is far from over, despite White House efforts.

It has taken on a life of its own, and there is little anybody, including the president of the United States, can do about it until it runs its course and Senate hearings are completed.