

vide these numbers by the Federal Reserve's industrial production index for cars for 1967 and the first six months of 1983, which are 100 and 114.3, respectively. The ratios should be the same. But they are not. The ratio for 1967 represented 7,436 cars for each point of the index. The ratio for 1983 represented 5,640 cars for each point of the index. That means that it took 24.7 percent more cars to move the index one point in 1967 than it does today. *That is the QAF.*

When the Fed's nearly 25 percent overstatement of the industrial production index for autos is corrected for the first six months of 1983, the 114.3 index drops to 86.0. The Fed claims that car production today is above the 1967 production level; *car production has fallen instead.*

More fakery: lawnmowers and textiles

Sources in several divisions of the Producer (Wholesale) and Consumer Price Index divisions of the Bureau of Labor Statistics corroborated the use of the Quality Adjustment Factor to fake inflation rates.

A staff member of the Producer Price Index division of the BLS revealed the guiding principle: "We try to set up the Quality Adjustment Factor so that it reflects a return on capital to the industry concerned. Let's say a company spent \$100 to meet a governmental standard. If that company raises the price of its goods by \$150, we will only count \$50 of the price increase in the Producer Price Index, because the other \$100 represents the company's attempt to get to, or cover a good return on its capital."

This perspective was borne out by others with respect to the textile, toy, home appliances, and other industries. What is accounted a QAF in the Producer Price Index division is passed on and amplified in the Consumer Price Index division. Thus, the Consumer Price QAF is a little larger, but basically the same as the Producer Price QAF.

A staffer at the Producer Price Index section of the BLS at first claimed that the only time the QAF was applied was when, "a company discontinues one product line and replaces it with another line which has more value," but then admitted that "there is the example of lawnmowers. Last year, to meet safety standards, the lawnmower producers raised the price of lawnmowers from 20 to 50 percent, with most of the price increases in the high teens or up to 25 percent. We at the Producer Price division counted only 6 percent of that increase." She added that the rest of the price increase was attributed to QAFs and deducted.

A source in the apparels division of the BLS Producer Price Index division said that in order to meet garment inflammability laws, which were passed in the 1970s, several manufacturers increased their prices. She gave this example: "Let's say," she said, "that the price of a piece of apparel was \$100 and its price went up to \$110. If the company told us that they spent \$9 to meet the inflammability codes, then we would only count \$1 as part of the price increase, not \$10." When asked, "Do you just take the company's figures? Don't you do any check of your own?," she said, "No, we don't."

THE MARC RICH CASE

Dr. K. implicated in dealings with Iran

by Joseph Brewda

In perhaps the biggest case ever conducted for violation of the Trading with the Enemy Act, spot-oil market speculator and Henry Kissinger business partner Marc Rich has been charged with funnelling over \$200 million for oil to the Iranian government during the height of the hostage crisis, after trade with Iran was declared illegal. If the U.S. government charges are correct—and Rich's outrageous efforts to evade court subpoenas on a related civil case indicate they are—then Rich's treacherous proclivities help explain why Henry Kissinger and his partners at Kissinger Associates have been so helpful to Rich over the years.

The evidence supporting the hypothesis that Marc Rich has been nothing but an operative and is now a sacrificial lamb for Kissinger Associates and its clients, is already so compelling that it is essential that Congress conduct a thorough investigation of the Marc Rich case. The case could very well be another instance of corrupt behavior on the part of newly appointed Central American commission chairman Henry A. Kissinger jeopardizing national security.

The U.S. government charges

Acting upon evidence compiled by the U.S. Attorney's office of the Southern District of New York, a federal grand jury in Manhattan returned a 51-count indictment Sept. 19 against Marc Rich, Marc Rich and Company International, and Marc Rich and Company A.G. for violating the Racketeer Influenced and Corrupt Organization (RICO) statutes, and against Rich and his business partner Pincus Green for violating the Trading with the Enemy Act. Rich et al. are also charged with evading taxes and multiple mail and wire fraud violations.

According to the Southern District, the racketeering charges against Rich involve his concealment of over \$100 million in taxable income from crude oil deals of Rich International—in a large part earned illegally in violation of federal energy laws—by diverting the income through sham transactions offshore to Rich A.G., a foreign corporation which does not file United States income tax returns. As a

result of Rich's scheme, the indictment charges, Rich caused Rich International to evade over \$48 million in federal taxes during 1980 and 1981. Most importantly, from the standpoint of Kissinger's multiple ties to Rich, the indictment charges that Rich purchased 6,250,000 barrels of crude and fuel oil from the National Iranian Oil Company, wholly owned by the government of Ayatollah Khomeini. The oil purchases, which exceeded \$200 million, were all made after it had been declared illegal to trade with Iran.

A part of Rich's scheme, according to the indictment, was to have Rich International purchase barrels of domestically "controlled" oil, which under the former Department of Energy price controls could only be resold at fixed prices. Rich International would then sell and resell the barrels through a network of shells and complicit firms which had the objective of making it easier to falsely alter the certificates of the barrels to "uncontrolled" oil. Once they were labeled "uncontrolled," International could repurchase the barrels at the end of the chain of fronts and resell it at much higher prices, realizing huge illicit profits.

These illicit profits would have forced Rich to vastly increase Rich International's federally taxable income. To evade this taxation Rich devised a new scheme whereby Rich engaged third parties—allegedly Listo Petroleum of Houston and West Texas Marketing of Abilene Texas—which would ostensibly sell the falsely certified "uncontrolled barrels" to International at the high market price rather than purchase the same oil at much lower prices if it chose to. It was secretly agreed that the huge profits created by the difference between the controlled price and high market price would covertly go to International. As part of this scheme it was arranged that Listo and West Texas Marketing would lose preset amounts of money to Rich A.G. and its foreign subsidiaries in other transactions, thereby laundering International's illegal profits offshore to such corporations as Rich A.G., which would pay no federal income tax.

As part of the shell game described above, Rich International negotiated with Atlantic Richfield to purchase 18 million controlled barrels of oil in 1980 and 1981, then arranging to have the barrels delivered to Listo rather than Rich International. The controlled oil from the Atlantic Richfield deal comprised the majority of barrels from which the money in question was covertly collected for Rich by being put on the books of Listo.

This is not the first time that Rich has benefited from Atlantic Richfield, the company owned by Kissinger Associates partner Robert O. Anderson. Anderson is widely credited as the central figure responsible for Rich's spectacular success following Henry Kissinger's 1973 oil hoax. It was Anderson's agreement to purchase from Rich which allowed his operations to vastly expand.

As a further part of the scam, according to Southern District papers submitted to U.S. Court, Rich arranged more than \$31 million in fraudulent deductions in its federal income tax through fabricating transactions between Rich A.G.

and Rich International. These transactions ostensibly related to oil deals between Rich A.G. and Rich A.G.'s frequent client, Charter Oil Company of the Bahamas—a firm at the center of the Billygate scandal and intimately tied to cocaine trafficker and international gangster Robert Vesco, Libyan dictator Muammar Qaddafi, and Henry Kissinger. In fact, Kissinger Associates partner Gen. Brent Scowcroft, Kissinger's longtime associate, was a paid consultant to Charter Oil during the period in question.

The fact that Charter Oil is not directly charged by the Southern District as wittingly complicit with Rich in the above scheme demonstrates the sabotage resulting from FBI involvement in such investigations, especially an investigation with national security implications.

Trading with the enemy

Beginning in November 1979, then-President Jimmy Carter, under the International Economic Emergency Powers Act, began issuing executive orders which blocked and froze Iranian properties in the United States, imposed a trade embargo on Iran, and prohibited the transfer of funds to Iran without special license. Carter's action, forced by the taking of the hostages, an operation, *EIR* had documented, in which he was deeply complicit, required that the flow of weapons, oil, narcotics, and laundered money between Iran and the United States had to be masked.

On April 30, 1980, during the hostage crisis, Marc Rich A.G. entered into contracts with the National Iranian Oil Company to purchase Iranian crude and fuel oil, according to U.S. charges. On or about May 1, 1980, Marc Rich negotiated the sale of over 6 million barrels of oil to Transworld Oil of Bermuda for over \$200 million. Rich arranged for Iran to be paid this money through a series of wire transfers from banks in the United States to Iranian government accounts at Midland Bank in Britain and Union Bank of Switzerland, among other locations.

Although the Southern District has refused to divulge the name of the U.S. banks, claiming, without offering evidence, that the banks were dupes of Rich's scheme, it is extremely likely the major U.S. bank involved was Chase Manhattan. Chase was and is Rich A.G.'s major credit source from its beginnings in 1974; Chase Manhattan's former vice-president in charge of commodities, Peter Ryan, left the bank to become chief executive officer of Rich International. Chase's international advisory board was chaired by Henry Kissinger during the period in question.

If Rich, who is now attempting to renounce his U.S. citizenship, successfully evades criminal prosecution, the U.S. government already has the authority to seize all of Rich's properties. Among these assets are 50 percent of Twentieth Century Fox, jointly owned with Henry Kissinger's long-time friend, oilman Marvin Davis. Following their takeover of Fox in 1981, perhaps with revenues from their Iranian oil deals, one of the first acts by Rich and Davis was to hire Henry Kissinger to serve on their board of directors.