

IRS corruption fuelled operations of 'Get LaRouche' task force

The following testimony by the Schiller Institute was submitted to the Senate Finance Committee, which held four days of hearings on abuses by the Internal Revenue Service (IRS), on April 28 to May 1. The testimony was submitted on May 22.

During four days of recent public hearings by this Senate committee, the American public was presented with stunning evidence of political targetting and other criminal misconduct by officials of the Criminal Investigative Division (CID) of the Internal Revenue Service. The April 30, 1998 testimony of former Sen. Howard Baker, who also served as President Reagan's Chief of Staff, was particularly chilling, as was the April 29, 1998 day-long testimony of three small businessmen, who found their enterprises decimated, their finances ruined, and their personal lives shattered, as the result of the outright criminality of IRS agents. At one point, Sen. Daniel P. Moynihan queried the three men about the role of Federal prosecutors and the U.S. Department of Justice in their ordeals. Senator Moynihan correctly pointed out that, once the IRS action moved into a phase of grand jury deliberation and criminal prosecution, the IRS was necessarily abetted by U.S. Attorneys and officials in the Criminal Division of the Main Justice Department in Washington. He pressed for the Webster Commission probe into abuses by the IRS to be broadened to include the inter-relationship between IRS agents and Federal prosecutors.

The Lyndon LaRouche case, which is the subject of this testimony, has been described by former U.S. Attorney General Ramsey Clark as "about as close as a case gets to the potential perfidy of justice. . . . In what was a complex and pervasive utilization of law enforcement, prosecution, media, and non-governmental organizations focussed on destroying an enemy, this case must be number one. There are some, where the government itself may have done more, and more wrongfully, over a period of time; but the very networking and combination of Federal, state, and local agencies, of Executive and even some Legislative and Judicial branches, of major media and minor local media, and of influential lobbyist types, the ADL [Anti-Defamation League of B'nai B'rith] preeminently; this case takes the prize."

Indeed, the LaRouche case represented far more than a runaway action by rogue agents of the IRS. In the LaRouche case, the IRS played a pivotal role, in a concert of action,

involving prominent and powerful political figures, typified by former Secretary of State Henry Kissinger; elements of the national security establishment; politically driven U.S. Attorneys and high-ranking officials of the Criminal Division of the U.S. Department of Justice; elements of the national media, who committed the equivalent of witting perjury, by transmitting, through television and the print news media, slanders and fabrications, provided by the IRS and the Department of Justice, to mislead the American public and create a climate conducive to a railroad prosecution of an entire political movement.

Again, to quote former Attorney General Clark: "The purpose can only be seen as destroying—it's more than a political movement, it's more than a political figure; it is those two. But it's a fertile engine of ideas, a common purpose of thinking and studying and analyzing to solve problems, regardless of the impact on the status quo, or on vested interests. It was a deliberate purpose to destroy that at any cost."

As the accompanying chronology will show, the political targetting of Lyndon LaRouche for frame-up and jailing—or worse—began in earnest in August 1982, when Kissinger wrote a personal note to then-FBI Director William Webster, demanding that the FBI and Department of Justice take action against the LaRouche political movement. Throughout the autumn of that year, there was correspondence among Kissinger, his attorneys, and officials of the FBI and Department of Justice. Kissinger's lawyers were, in effect, coached on how to frame their complaints against LaRouche, to trigger a national security probe of the LaRouche movement, using broad authorities prescribed in Executive Order 12333, which was ostensibly aimed at combatting foreign espionage, international terrorism, and international narcotics trafficking—none of which applied to LaRouche or his associates.

By January 1983, Kissinger's efforts resulted in a formal authorization, from members of the President's Foreign Intelligence Advisory Board, for an EO 12333 probe of LaRouche's finances.

The Kissinger-instigated action led to a decade-long nightmare, culminating in two events:

- On Oct. 6, 1986, more than 400 Federal, state, and local law enforcement officers (including, prominently, officials of

the IRS Criminal Investigative Division) staged a dawn raid on the publishing offices of Lyndon LaRouche. The ostensible purpose was to execute two search warrants, and four arrest warrants against individuals who had never been previously charged with anything more serious than a speeding ticket. The raiding party, it was later learned, was backed up by armored personnel carriers, helicopters, fixed-wing aircraft, and, for good measure, special counter-terror units of the U.S. military. Fortunately, cooler heads prevailed, and a Waco-style bloodbath was averted, although court testimony later revealed that there were Federal law enforcement officials who were anxious to trigger such an outcome. Wildly fabricated “informant” information, which led to the near-bloodbath, was provided, in large part, by individuals working closely with the lead IRS agent in the Federal-state “Get LaRouche” task force.

- Between January 1989 and 1992, Lyndon LaRouche and a dozen of his political associates were framed up and sent to Federal and state prisons on a range of white-collar and tax charges; a tax-exempt foundation and three commercial enterprises were illegally shut down by a fraudulent Federal bankruptcy action that the courts later ruled was “constructive fraud upon the court.” Lyndon LaRouche was sentenced to 15 years in Federal prison. Several LaRouche associates, prosecuted in the Commonwealth of Virginia, were sentenced to up to 77 years in state prison—for first-offense white-collar crimes!

As you will see below, the Internal Revenue Service played a central role in this travesty of justice. In addition to this written testimony, the Schiller Institute will provide the committee with background documentation on all of the matters highlighted here. Among the material to be provided is:

- the statements, quoted above, from former Attorney General Clark. Clark delivered those comments during testimony at a two-day public hearing, on Aug. 31-Sept. 1, 1995, before an independent commission co-chaired by former Congressman James Mann of South Carolina, and JL Chestnut, one of the foremost civil rights lawyers in America today.
- the correspondence between Kissinger, his attorneys, former FBI Director William Webster, and other senior officials of the Justice Department and the FBI, all of which were obtained under the Freedom of Information and Privacy Act (FOIPA). A memorandum from the President’s Foreign Intelligence Advisory Board (PFIAB), also obtained under FOIPA.

IRS abuses in the LaRouche case

To summarize the pattern of abuse and criminal misconduct by agents of the IRS in the LaRouche case, IRS officials:

- targeted LaRouche for politically motivated reasons and allowed political opponents of LaRouche to utilize the power of the IRS for their political aims;
- systematically leaked confidential taxpayer informa-

tion and false allegations to the media and private individuals;

- allowed its agents to illegally gather information on LaRouche and his political associates without any investigative authorization;
- issued baseless assessments of taxes to LaRouche and companies associated with his political efforts, which were indefensible in a court of law;
- engaged in all the above types of activities for the stated purpose of creating financial harm to companies and individuals who were political associates of LaRouche.

The following summary of illicit IRS actions in the LaRouche prosecution has been constructed from independent investigations, FOIPA documents, and the public record of court proceedings. It represents the information concerning IRS abuses which could be obtained by these limited means. Only through further investigation of the events listed below could Congress assure itself that the IRS is no longer employed as an instrument of political prosecution.

September 1982-January 1983: Henry Kissinger initiates action against LaRouche. The President’s Foreign Intelligence Advisory Board takes formal action.

1983-1984: A series of meetings is convened at the Manhattan apartment of New York investment adviser John Train. According to Michael Hudson, a participant at the meetings, the purpose of the meetings was to “coordinate national magazine stuff about you guys, and work with Federal law enforcement to deny you funding and tax exemption, is the delicate way to put it.”

Other participants include Roy Godson, then a consultant to the National Security Council and PFIAB; John Rees, a longtime FBI informant; representatives of the ADL; representatives of Freedom House, a private research organization headed by PFIAB chairman Leo Cherne; financier and propagandist Richard Mellon Scaife; NBC producer Pat Lynch; Dennis King, a paid propagandist against LaRouche funded by the ADL and the Smith-Richardson Foundation; and reporters and editors from the *Wall Street Journal*, *Reader’s Digest*, *Business Week*, and the *New Republic*.

One participant in the Train salon, Chip Berlet, has stated that he was introduced to many other individuals at Train’s apartment who were identified only as “gentlemen with a government connection.”

At the time, the Fusion Energy Foundation (FEF), a leading proponent of beam weapons ballistic missile defense, was a tax-exempt foundation under the Internal Revenue Code. FEF was considered by LaRouche’s political opponents to be a major source of respectability and funding for LaRouche’s ideas. According to Hudson, he was put into contact with the Baltimore regional office of the IRS to further the slander and unwarranted prosecution campaign outlined at the Train salon meetings. That office had purview over tax-exempt organizations. In response to FOIPA requests, the IRS disclaims that it has a file concerning these events or any file at all concerning

the Fusion Energy Foundation.

November 1983-March 1984: NBC producer Pat Lynch, a participant in the Train meetings, produces two major smear pieces on LaRouche, a declared Presidential candidate, which air in January and March 1984. According to its sworn responses to civil discovery requests in a subsequent lawsuit, NBC received non-public IRS investigative information about LaRouche. The broadcasts promote the idea that LaRouche should be investigated by the IRS. Other than a one-line reference to contacts with Lynch, IRS documents released under the FOIPA contain no information about these events.

November 1984: Boston U.S. Attorney William Weld launches a grand jury investigation of LaRouche's Presidential campaign based on allegations of credit card fraud. These allegations are first aired by Boston NBC affiliate WBZ, in collaboration with the FBI, and receive national media attention.

February 1985: Following a request for IRS investigation of LaRouche by IRS Agent Larry Lucey of the Criminal Investigation Division of the Richmond District, the IRS Richmond director orders that any investigation of Lyndon LaRouche's non-filer status be handled as a civil examination matter. LaRouche stated several times during his campaign that he had not filed taxes. LaRouche's attorneys had advised him that, based on the unusual circumstances in which LaRouche lived and worked, because of repeated threats to his life by terrorists, he had no taxable income. However, a civil audit of LaRouche, as recommended by the Richmond director, was never undertaken. Such an audit would have readily resolved any actual issues concerning LaRouche's income tax liability.

November 1985: Following a year of grand jury testimony covering every aspect of the finances of the LaRouche movement, Boston U.S. Attorney Weld seeks a national tax investigation. The central allegation concerns whether it was proper for associates of LaRouche to claim independent consultant status for paid political organizing activities. Following a February 1986 law enforcement conference called by Weld to discuss "prosecutive theories" against LaRouche, the national tax task force approach is rejected by other prosecutors.

September 1985-June 1986: The IRS, through CID agent Larry Lucey, employs the Loudoun County Sheriff's Department and Loudoun Sheriff's Deputy Donald Moore as confidential informants in a rogue investigation of LaRouche. No criminal investigation of LaRouche by the IRS had been authorized at the time of these activities—in fact, authorization had been specifically declined.

Sheriff's Department personnel stated that the purpose of their investigations was to destroy LaRouche's electoral aspirations. During the course of their IRS-sanctioned activities, the Sheriff's Department illegally obtained Social Security numbers on members of LaRouche's political movement

when they registered to vote, and engaged in black bag jobs, bank account monitoring, and warrantless electronic surveillance against LaRouche and his associates. Deputy Donald Moore admitted many of these activities to an FBI informant, Douglas Poppa, in 1994, subsequent to LaRouche's trial and conviction. The ADL was at all times working with Moore and the Loudoun County Sheriff and, in all probability, also functioned as a confidential informant to the IRS.

February 1986-August 1986: The participants in the Train salon launch an unprecedented wave of black propaganda and dirty tricks against LaRouche and his associates. In an international effort, later proved to be the work of the East German intelligence services, LaRouche is accused of involvement in the assassination of Swedish Prime Minister Olof Palme. In the wake of the victories of two LaRouche associates in the Illinois statewide Democratic Party primaries for governor and lieutenant governor, there are numerous illegal leaks of information from the Boston grand jury and the IRS which receive nationwide airing in the *Wall Street Journal*, *Reader's Digest*, the Associated Press, the *Washington Post*, *Newsweek*, and NBC.

A central lie repeated throughout the propaganda campaign concerned LaRouche's alleged "lavish" lifestyle, on which he paid no taxes. In reality, LaRouche lived on rented properties during this period and had no lavish lifestyle, a fact which the IRS well knew. Prominent among the defamations during this period were NBC TV news broadcasts in April 1986 for which the IRS provided information, and which ended with the assertion that there was "an open IRS investigation of LaRouche and individuals associated with him."

June 1986: Newly appointed U.S. Attorney Henry Hudson declares LaRouche to be an investigative priority in the Eastern District of Virginia. He creates a task force which includes the IRS. The declared purpose of the task force is to "create as much probable cause as possible" for search warrants against LaRouche and entities and individuals associated with him. Thus, after a two-year investigation and illegal operations, the government has to create a task force in order to obtain a broad license to fish for any crime it can fabricate against LaRouche.

September 1986: Boston U.S. Attorney Weld is appointed to head the Justice Department Criminal Division.

September 1986: The IRS falsely tells the Associated Press that the Fusion Energy Foundation's tax-exempt status has been revoked, and releases other information about the FEF to reporter William Welch. As a result, AP, in a national wire, claims that solicitors for the FEF are committing tax fraud by stating that the FEF is tax exempt. After threats of legal action, the IRS claimed that it had made a "mistake" concerning FEF's status when discussing the FEF with reporter Welch and that the FEF was, indeed, tax exempt. As previously noted, in response to FOIA requests, the IRS has

disclaimed that it has any file on the Fusion Energy Foundation.

“Law enforcement sources” bragged to the *Washington Post* during September 1986, that the massive negative publicity in the wake of the Illinois primary victories by two LaRouche associates had devastated the LaRouche movement financially.

Oct. 6-7, 1986: IRS agents, along with FBI and Bureau of Alcohol, Tobacco and Firearms agents and Virginia State Police, participate in an armed raid on offices of entities associated with LaRouche. Documents obtained during the raid are initially taken to a military facility for examination as a result of top-secret negotiations with the Pentagon.

April 1987: The United States government launches an unprecedented bankruptcy liquidation of Campaigner Publications, Caucus Distributors, and the Fusion Energy Foundation, the principal publishers of LaRouche’s ideas. IRS Agent Lucey, who was subsequently described in government documents as the “elder statesman” of the Federal criminal task force and the “resident expert” on LaRouche, plays an active role in assisting the civil bankruptcy action. The bankruptcy action is later dismissed as illegal by Federal Judge Martin Bostetter, who likened it to a “constructive fraud” upon the Court. The bankruptcy ends any ability to repay the loans at issue in the subsequent Federal indictment of LaRouche for loan fraud.

June 1987: LaRouche is indicted for conspiracy to obstruct justice in Boston as a result of Boston U.S. Attorney Weld’s two-and-one-half-year investigation.

May 1988: The Boston criminal case ends in a mistrial amid hearings airing major prosecutorial misconduct. In a written decision, Federal Judge Robert Keeton characterizes law enforcement misconduct in the LaRouche case as “systemic.”

February 1987-Oct. 14, 1988: Following examination of voluminous financial records seized during the October raid and grand jury investigation, the U.S. Attorney concludes that no tax-evasion charges can be brought against LaRouche or the companies paying LaRouche’s expenses, because such charges lack prosecutive merit. Instead, a conspiracy charge is brought against LaRouche and unnamed co-conspirators, a charge which the U.S. Attorney describes as “novel.” The conspiracy alleged is that LaRouche conspired to conceal his income from the IRS. In addition, LaRouche is charged with a loan fraud conspiracy and as an aider and abettor in the obtaining of other fraudulent loans. LaRouche’s trial occurs only days after his indictment. Major defenses, including any reference to the fact that the Federal government brought about the bankruptcy which halted loan repayments, are banned by the trial judge. And, given that LaRouche’s jury has been saturated with propaganda about his alleged lavish lifestyle, the conviction on the nebulous conspiracy charges is a foregone conclusion.

January 1989-1991: The IRS commences civil enforce-

ment actions against individuals and companies associated with LaRouche, as part of a strategy, in the wake of LaRouche’s conviction and jailing, to drive the LaRouche movement out of existence. These actions again are widely publicized by NBC national news. The most prominent IRS actions involve assessments against PGM, the financial management company associated with the LaRouche movement, and against LaRouche personally. The IRS initially claims that PGM owes \$2,773,882 in unpaid taxes, an assessment the IRS knows to be without merit.

Recently, after years of litigation and legal fees incurred by PGM, in which the IRS repeatedly took indefensible positions in the tax court, the IRS has now agreed, after a review of documents which had been available to it all along, that PGM has no tax liability.

The IRS has taken a similarly outlandish position with respect to LaRouche personally. Originally, the IRS claimed that LaRouche owed \$5,844,074 in taxes, interest, and penalties. After years of litigation, the IRS now states that the figure is \$353,444. LaRouche disputes the entire amount. That case is presently scheduled for trial in the tax court.

In conclusion, the Schiller Institute wishes to thank the Senate Finance Committee for the opportunity to present this testimony. We will be happy to provide the committee with any further documentation that may be required in the course of the ongoing investigation into abuses by the IRS.

Videos Provide Evidence of DOJ Corruption

In August-September 1995, a group of distinguished state legislators and others, with the aid of the Schiller Institute, pulled together independent hearings “to investigate misconduct by the U.S. Department of Justice.” They examined three types of cases: Operation Fruehmenschen against black elected officials; the LaRouche case; and the cases brought by the DOJ’s Office of Special Investigations (OSI), including that against John Demjanjuk.

Two videos are currently available:

- DOJ Misconduct: 4 Case Studies (104 minutes),**
order number SIV-95-002, \$35.
- LaRouche Case (60 minutes),**
order number SIV-95-005, \$25.
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