

FRONTLINES



Hernandez: Man vs. nature.

"gate" of all. But President Reagan assured the public there would be no cover-up. White House counsel Fred Fielding was put in charge of the EPA investigation. And if that name, too, sounds familiar, it should.

Fielding was John Dean's assistant during the Watergate affair, working mightily to contain the damage to Nixon's ship of state. When the EPA controversy began to take off in late 1982, it was Fielding

who made the fateful decision to withhold certain documents from Congress to shore up the principle of executive privilege. (Where have you heard



Scandal veteran Fred Fielding.

that one before?) "*The line had to be drawn somewhere.*" Fielding explains to *The Wall Street Journal* several months later. And so, history has conspired to place the unassuming lawyer once again at the scene of a Republican administration tragedy. □

The Man Who Would Be King

It was the FBI's most imaginative scheme yet in its campaign against Martin Luther King. The bureau was already wiretapping his phones, bugging his hotel rooms and planting smear articles in the press aimed at "neutralizing King as an effective Negro leader." The new plan went a step further: it proposed that the FBI hand-pick a moderate black leader to put in King's place as soon as "King has been completely discredited" by the bureau.

The FBI's candidate to be King's replacement, the man the bureau referred to as "the right kind of a national Negro leader," is none other than Samuel R. Pierce, Jr., currently the secretary of housing and urban development (HUD) and the only black in President Reagan's cabinet.

The FBI's dream of replacing the Reverend King with Pierce came four months after King expressed his own dream

of racial equality at the massive 1963 March on Washington. The FBI proposal—set forth in a January 8, 1964, memo—was the brain child of Assistant Director William Sullivan. Pierce, at the time an up-and-coming lawyer with no apparent connections to the civil rights movement, "does have all the qualifications of the kind of a Negro I have in mind," wrote Sullivan in the memo.

Sullivan's memo could be among the most patronizing prose since *Gone With the Wind*. The first step in the plan was "to take [King] off his pedestal . . . so that he . . . no longer will be deceiving and misleading the Negro people." At this point, the confused Negro people "will be left without a national leader of sufficiently compelling personality to steer them in the proper direction." Enter Pierce.

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destruction and damage. To me, that's an offensive, not a defensive, capability."

The two-year-old group works out of a tiny office next to several occupied by other disarmament groups, including the Physicians for Social Responsibility. "We're different from them in one crucial respect," notes Davis. "We're on the inside of the industry."

Most high-tech workers in defense prefer not to think about the implications of their efforts, but HTPFP says that situation must change. "We technologists are providing these weapons of destruction to the political leaders of the world, and we don't ask if they are going to use them wisely," says Davis. "We have to stand back and see what is happening to the fruits of our labor."

What prevents these workers from demanding such

accountability is secrecy—the hallmark of classified defense work—which produces a strict compartmentalization in research labs. "Secrecy is maintained in the name of national security, but it effectively stifles the kinds of discussions these people ought to be having," Davis points out. To counter that, HTPFP holds meetings periodically at which technologists, not accustomed to publicly airing their doubts and fears, talk about their problems of conscience.

So far, the group has had little success with its employment agency—placing just one individual from the 250 who have submitted résumés. The economy has not been kind to high-tech firms that don't have lucrative defense contracts. HTPFP staffers say that about 200 companies—most of them located in the Route 128 cor-

ridor near Boston—have indicated a willingness to hire their people, but that up to 70 percent of those firms now have a hiring freeze in place.

Does HTPFP want a defense researcher to quit his or her job tomorrow? "To tell people, 'Go starve,' is unrealistic and unfair," says Davis. "A more realistic course is to convince them to urge the government to change its research priorities. Close the defense spigot and other routes will soon open up for the technologists."

At present, even its boosters admit that HTPFP is a gnawing on the hide of the defense elephant. But some folks are beginning to take notice. After a high-ranking manager of one of America's leading weapons developers (the names of the individual and the company are being with-



High-tech renegade Davis.

held at HTPFP's request) recently spoke out on his concern about weapons research, the firm informed him that it was reviewing his security clearance. If it is revoked, he could be out of a job for a long time. "In this business," says Davis, "things can get very nasty." —Eric Nadler

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Samuel Pierce: The FBI's "kind of Negro."

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 "who would steer the 20 million Negroes away from communism." Sullivan concluded: "It would be most helpful to have a man like Pierce leading the Negroes to whom we could go, if necessary, and rely upon in sensitive matters." J. Edgar Hoover responded to the Sullivan proposal with rare praise.

In fairness to Pierce, he adamantly denies any contact with the bureau about his candidacy; no documents have been found to indicate the plan was ever acted on.

But there is no mystery as to why the FBI's "right kind of Negro leader" was also Ronald Reagan's. A Republican stalwart, Pierce was the general counsel to Nixon's Treasury Department and the first black to sit on two corporate boards: Prudential and General Electric. As HUD secretary, Pierce has advocated supply-side policies of cutting housing assistance to the poor, causing one member of Congress to denounce him as a "Stepin Fetchit" who has disdain for "the black poor."

Pierce's singularity as the only minority member of the cabinet has still left him somewhat invisible to the president, however. While hosting a group of mayors visiting the White House in June 1981, Reagan greeted his HUD secretary with a handshake and a "Hello, Mr. Mayor."

—Jeff Cohen

Cleaning Out Swiss Banks

Banks in Geneva, Switzerland, have a problem. In recent years, so much foreign wealth poured into the city that they ran out of room in which to stash the unknown billions of dollars worth of securities, bank notes, jewels, gold and silver. Prohibited by municipal regulations from building any farther upward, the banks turned underground. But this hasn't solved their storage problems. The five underground levels the banks managed to build before they hit the city's water level are still not enough to contain the massive amounts of foreign capital that continue to flow into Switzerland.

Much of that money—no one knows exactly how much—is illicit, sent to Switzerland to evade other nations' taxes, currency regulations or criminal investigations. Switzerland has become a haven for this "flight capital" because it is a criminal offense for Swiss banking officials to reveal the identities of account holders. This, of course, makes it easy for captains of finance, despots and others to conceal the source or amount of their earnings.

Until recently, bank secrecy has been the most sacred of Swiss cows. But now a national ballot initiative threatens to shed some light on those famous Swiss accounts. The initiative, sponsored by the Social-Democratic Party of Switzerland (SPS), would force banks and financial institutions to supply information to foreign and domestic authorities in cases of revenue and criminal investigations.

The "Initiative Against Misuse of the Banking Secret and Banking Power" will not come before Swiss voters until the spring of 1984, but the campaign is already heating up. The banks, represented by the Swiss Bankers Association

(SBA), are contributing millions of dollars for a "public education" campaign that includes newspaper and TV ads stressing the folkloric quality of Switzerland's banking traditions. Fortunes are riding on the outcome of the vote.

"It is not our job to clean up the mess in other countries," says SBA spokesperson Andreas Hubschmid. "The initiative would damage us considerably. Not only would people who hide their money go away, but the good image of Swiss banks would be lost. And that would be dangerous."

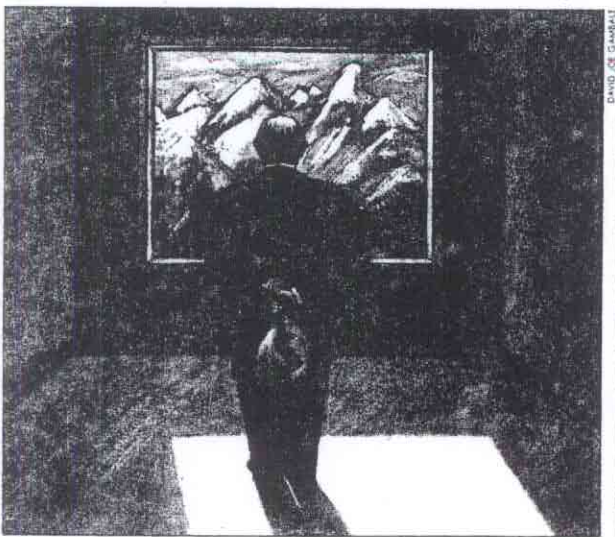
How much "flight" money would be diverted to such secondary money laundries as the Cayman Islands or Liechtenstein if the initiative passes? The Swiss National Bank estimates that 56 billion Swiss francs—\$28 billion—entered Switzerland in 1981 alone from international finance transit centers in Luxembourg, Liechtenstein, Singapore and the Caribbean. According to the SPS, that is roughly the amount of capital that may not be able to stand the light of exposure.

The money comes from all over the world. "There is [the

most] tax evasion in the countries that are taxing highly," says the SBA's Hubschmid. "Like in Britain before Thatcher. There were heavy restrictions on capital exports, but a lot of money came to Switzerland then. There are always leaks."

France, for one, is currently feeling the full vacuum power of Switzerland's secret financial shelters. A French parliamentary commission investigating the swift exit of francs from the country after the Socialists took power in 1981 concluded that at the very least, \$1.7 billion was deposited illegally in Swiss accounts the year President Mitterrand was elected.

The Third World is an even greater victim of Switzerland's banking code. From 1978 to 1981, non-OPEC developing countries lost \$7.6 billion to Swiss coffers, a drain that their fragile economies could ill afford. One country that has particularly suffered is Zaire. It is rumored that most of Zaire President Mobutu Sese Seko's estimated personal fortune of \$4 billion is stashed in Swiss banks. That money alone could pay off almost 80 percent of desperately poor Zaire's \$5.1 billion foreign debt. —Mark Schapiro



DAVID DE GAMBRIEL