

# Burns Opposed GAO Audit of Fed

By Jack Anderson

Pipe-puffing Arthur Burns, chairman of the powerful Federal Reserve Board, doesn't want to open his books to government auditors.

When House Banking Committee Chairman Wright Patman introduced legislation to subject the Fed's fiscal operations to government audit, therefore, Burns quietly got on the phone to top bankers and urged them to bring pressure on Congress to kill the bill.

Competent sources have told us about Burns' telephone campaign and have supplied us with documentary evidence of one key call. Under the massive assault by Burns and the bankers, the bill was successfully blocked.

The bill was the outgrowth of charges that the Fed was more interested in protecting the bankers than the public. Burns was absolutely opposed to allowing the General Accounting Office to scrutinize the Fed's books.

We have now obtained an internal memo detailing some of his backstage maneuvering. Dated '10/19/73 4:40 p.m.' it tells of a telephone message from John Lee of the New York Clearing House, a link between local banks and the Federal Reserve System.

The memo states that Lee "had a call from Gabriel Hauge (board chairman) of Manufacturers Hanover Trust. Mr.

Hauge had a call from Arthur Burns, chairman of Fed. Mr. Burns asked Mr. Hauge if he could muster some support in New York to help the Fed repeal a bill sponsored by Mr. Patman that would require full GAO audits of the Federal Reserve System."

Bankers, no matter how they feel about the Fed, are particularly vulnerable to its pressures. Dr. Burns had no difficulty mustering support to beat back the audit.

A spokesman for Burns said that Burns remembered the conversation with Hauge and that Burns "undoubtedly, did mention" the bill, but did not "recollect the tone of the conversation" about lobbying.

Hauge agreed the audit bill "must have been part of the conversation." But like Burns, Hauge could not recall the references to lobbying. Hauge said he has opposed an audit of the Fed for many years.

Rep. Patman has charged over the past few months that Burns and the Fed mounted "an unprecedented effort" to sabotage the audit bill. Our discovery of the memo on the exact course of the campaign, however, is the first substantive evidence to back up Patman's charge.

We have also uncovered a Mailgram, sent to business leaders on Oct. 18 by John Harper, chairman of The Business Roundtable, an organization of big businessmen.

"It is important businessmen be heard on this issue..." Harper told his members. "By their very nature the activities for which the Federal Reserve has responsibility are highly skilled and of such a confidential nature that an audit type of exposure would be seriously counter-productive."

Over the years, the GAO has conducted hundreds of investigations of classified operations without breeching any secrets. This was a fact the big money chose to ignore.

**Hughes Appearance**—Howard Hughes, the bizarre billionaire recluse, has signed an affidavit promising to appear as a witness in his suit against a number of former business associates.

The secretive Hughes, who is believed to be living at the Inn in the Park in London, has not been seen in public in years. Since surreptitiously leaving his hotel hideaway in Las Vegas in 1970, Hughes has reportedly lived in the Bahamas, British Columbia and Nicaragua.

More recently, the Hughes organization has taken an entire floor at a London hotel, posting armed guards at the entrances.

In his suit against his former colleagues, Hughes has alleged that he was overcharged millions of dollars by his associates in the purchase of gold and silver mines in Nevada.

As part of the suit, Hughes' lawyers have filed the affidavit, in which Hughes promised he

will make himself available for questioning by the defendants.

The Hughes papers are in the hands of U. S. District Court Judge Aldon J. Anderson in Salt Lake City.

In his affidavit, signed in London, Hughes said: "I shall be available to appear for deposition therein, and shall appear upon proper notice in accordance with and as required by the orders of the court."

A clerk for Judge Anderson told us she did not know if the signature on the affidavit had been checked for authenticity.

Oddly enough, the Hughes document was filed at the time Chester Davis, a lawyer who is now running Hughes' far-flung operations in the United States, was fighting subpoenas for Hughes executives to appear before the Senate Watergate committee.

**Headlines and Footnotes**—CBS correspondent Daniel Schorr may soon be covering the Watergate trials from the inside. Last Friday, he received a summons for jury duty from the U. S. District Court presided over by Judge John Sirica...The sizable crowd that congregated on the White House lawn last week to greet Romanian President Nicolae Ceaucescu wasn't there by accident. Many were government employees who were brought in to ensure that the Communist leader had a respectable welcoming party.