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BUSINESS

Happy ending for gold drama

At the beginning of last month, the board of governors of the International Monetary Fund (IMF) met in Washington to put its stamp of approval on what will become a new system of international finance. All that remains is to put on the finishing touches this month, in European meetings between finance ministers and European central bankers.

Half a year ago, with the world of international finance in the throes of its worst crisis since the postwar years, it didn't look as though the drama would have such a happy denouement. The European nations seemed to be forming a united front against the United States, demanding that the U.S. put an end to its long-growing (19 years) balance of payments deficit and stop exporting its domestic inflation in the form of dollars, held by European central banks, which the U.S. was unwilling and unable to redeem for gold. France and the U.S. were conducting virtually a verbal war.

Nevertheless, by the time of the October meeting of the IMF, the run on gold had been stopped. The U.S. Congress had agreed to a ten per cent surcharge to put a brake on inflation. President Johnson's "Investment Control Program"—a program to limit some foreign investment abroad—had been introduced to reverse America's balance of payments deficit. The gold market had been stabilized through a "two tier" price system, under which governments no longer buy and sell gold on the open market but settle their debts to one another through the IMF. The guardians of world financial stability gathered together in Washington, proud that they had brought the dilemma to a happy ending.

People watching this drama of international finance could be forgiven for imagining that the actors were improvising their parts. In fact, however, there

was prompting at every moment from the wings. The whole thing was written, staged and directed by the men who had, and have, the greatest interest in seeing a happy ending; the men in charge of the big banks in the United States.

In April, 1967, almost six months before the gold crisis really hit, John Deaver and Rudolph Peterson each made public statements on the international financial situation. Mr. Deaver is vice president of the Chase Manhattan Bank, Mr. Peterson is president of the Bank of America, and both men can reasonably be considered as members of the financial elite of corporate America.

Mr. Deaver, in an article in the Chase's bi-monthly financial bulletin, called for terminating U.S. sales of gold to foreign central banks and for compelling central banks to hold onto the dollars they now have. Mr. Peterson, somewhat more blunt, recommended that the U.S. counter any drain on its gold supplies by "massive retaliatory measures . . . which will inevitably include the abandonment of our gold selling policy." Both men recommended that, far from trying to draw more dollars back into the country in exchange for gold, the United States should continue to export as many dollars abroad as possible, whether foreigners like it or not, until, as Mr. Peterson put it, "the other major countries are prepared to function under the only feasible international monetary system—that is to say, the dollar standard."

In other words, the U.S. should try to saddle foreigners and foreign central banks with as many dollars as possible, to tie them firmly into what Mr. Peterson termed "a global economic strategy rooted in the fundamental strength of America." Every dollar held in a foreign bank is, according to The Wall Street Journal's genial paraphrase of Mr. Deaver, "the monetary equivalent of a nuclear deterrent."

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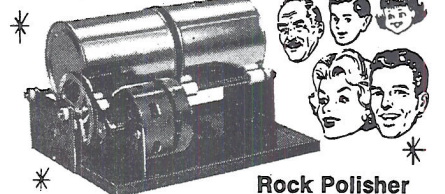


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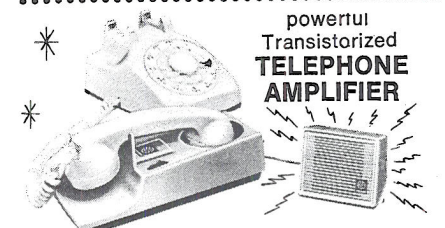


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Manhattan Bank and the Bank of America become the obligation of the whole world. The need for international financial liquidity, in the absence of gold as a reserve currency, could be handled by creating a new reserve asset to supplement gold—an asset which could be used by the United States to replenish its dwindling gold supply.

The whole gold crisis stretching from the fall of 1967 to April, 1968, was

merely the painful acting out of the script that could have been written by BofA and Chase Manhattan. On March 14, 1967, the United States stopped sales of gold in London on the open market. In April, a conference in Stockholm of the finance ministers of the industrial countries agreed in principle on a "two tier" price system for gold, under which governments settle their debts among themselves through the IMF with gold at

the fixed price of \$35 per ounce, thus taking all intergovernmental dealings in gold off the free market. And finally, at the meeting of the IMF board of governors last month, the finishing touches were put on the plan to establish Special Drawing Rights, which will allow the U.S. to go on exporting dollars indefinitely. With the ratification of the SDR plan, the curtain seems to be falling on the final act of the tragicomedy of gold.

COMMUNICATIONS

The CIA finds a publisher

IN MARCH OF THIS year, RAMPARTS published an article by Michele Ray telling how the CIA had taken over command of the search for Che and his guerrillas

since first pinpointing him in Bolivia in February 1967, and how agents Felix Ramos and Eduardo Gonzalez had made several supervisory visits to the guerrilla zone as the net drew tighter.

Miss Ray's article was widely criticized when it first appeared, but subsequent events suggest that if anything, she underestimated the extent of the

CIA's vendetta against Che and the scope of its subversion in Bolivia. Dramatic confirmation of her thesis came in July after RAMPARTS and Bantam Books published Che's diaries, having obtained rights from Che's widow, Aleida March de Guevara, and from the Cuban government. In the middle of the month, Antonio Arguedas, Bolivia's minister of the interior and a close personal friend of President Rene Barrientos, suddenly disappeared from La Paz. He turned up at Iquique, Chile, a week later on July 19, and revealed that he had been working for the CIA since 1964. Arguedas also said that it was he who had sent a copy of the diaries to Fidel Castro and that he had been forced to flee Bolivia because the CIA had discovered this act [See RAMPARTS, Nov. 17, 1968].

The CIA's concern with Che's diaries, however, began long before any copies were passed to Arguedas. The moment Che was murdered, Ramos and Gonzalez began sifting carefully through the documents that had been captured with the guerrillas, including messages sent from the Bolivian jungle to Cuba and those returned from Castro to Che. But the CIA was not the only one to make use of the diaries. The Bolivian High Command claimed them as spoils of war, and by order of the generals they were also given to Andrew St. George, a Hungarian refugee, now a journalist. St. George's job was to peddle the diaries to the American publishing industry for the highest price he could get and then split the take with the generals.

The negotiations were truly bizarre. With the CIA's encouragement, St. George and the generals made a tentative deal with Magnum, a photographers' news consortium. Magnum was to pay the Bolivians a \$125,000 advance, royalties of 33 per cent on the first \$100,000, 50 per cent on from \$100,000 to \$1 million and 55 per cent on anything above \$1 million. The generals



were hoping that their profit on the documents would help recoup the \$3 million of U.S. aid money it cost them to capture Che. However, the original deal which St. George set up miscarried when Magnum's French partners decided that they didn't want to traffic in Che's remains and persuaded a majority of the consortium's members to vote to discontinue negotiations.

For the next few months, Andrew St. George went from one publisher to another to peddle the diaries. Transworld Features Syndicate Inc., Grove Press, McGraw-Hill—all of them at one time or another dickered with the ubiquitous St. George. The publishers did not seem to be bothered by the fact that they were being offered photocopies taken by the CIA at Che's deathbed, nor even by St. George's insistence that the publication of the diaries must be accompanied by an introduction pointing out Che's failures and praising the social enlightenment of the Bolivian generals. The major obstacle was simply economics: the potential American publishers of Che's diaries were concerned that the Cubans might sue them because the legal rights to the documents belonged to Che's widow.

The negotiations languished until June of this year, when suddenly the CIA discovered that the Cubans had obtained a copy of the diaries. All at once, publication of the diaries by the right party became high priority. The CIA was anxious to beat the Cubans into print with a version prepared expressly for an American audience.

To whom can the CIA turn when it has some little publishing chore to do which it can't take care of at the Government Printing Office? In this time of need, the CIA turned to an old friend: Mr. Sol Stein, once executive secretary of the American Committee for Cultural Freedom, now president of Stein and Day Books.

Stein was an ideal choice to publish the diaries. Currently one of New York's more successful publishers, he had already compiled an impressive record as an anti-communist back in the days of McCarthy. It was he, for example, who had written to the New Republic in support of the Congressional witch hunt against Owen Lattimore: "Congressional committees, when they function responsibly, perform a valuable service in furnishing the public with evaluated information concerning the work of apologists and agents of the Soviet Union who have not—or cannot be proven to have—broken existing laws."

Stein's unyielding anti-communism was not the only thing that recommended him to the CIA for the diaries job. He had probably had as much experience in cultural subversion as anyone in the business. In the early 1950s, after a stint on the ideological advisory staff of the Voice of America, Stein became the executive director for the American Committee for Cultural Freedom, an affiliate of the Congress for Cultural Freedom and a recipient of CIA funds until the late fifties. At the moment he joined the Committee, its long-standing relationship with the CIA had reached a temporary hiatus. Irving Kristol, once editor of *The New Leader*, was the committee's chief link with the CIA; in 1951, however, he became a prime mover of the international Congress for Cultural Freedom, taking with him the American Committee's international program and most of its CIA funding.

Thus, from the moment he assumed his executive directorship, Stein's major worry was money, and he looked for it from all sources. For example, in February, 1955, he wrote to Dr. Edward Lilly of the Operations Coordinating Board in Washington, a secret agency composed of representatives from the various intelligence agencies and designed to coordinate psychological warfare research and operations, begging for money for the good works his organization was doing. "It would be a great pity, and a great shame for our country, if in the 1950s the National Committee to Save the Rosenbergs could raise \$300,000 and the anti-communist American Committee for Cultural Freedom could not keep itself in business by raising a fraction of that amount. . . . I do hope that you and your colleagues can suggest some way in which we can continue to operate."

The Operations Coordinating Board, however, could only do the basic groundwork with the CIA on behalf of the American Committee for Cultural Freedom. Stein knew he was going to need a little more outside assistance. To whom could Stein turn to get on Allen Dulles' good side and to raise a little CIA money for his organization? In his time of need he turned to a man who had done work for Dulles in the past, a man Dulles trusted as having a firm commitment to the CIA and its cultural programs: the perennial Socialist Party presidential candidate, Norman Thomas.

Shortly after writing his letter to the Operations Coordinating Board, Stein had also written to Thomas:

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The intervention of the Socialist with the CIA turned the trick. On May 4, Stein was able to report to his executive committee that grants totaling \$14,000 had been received from the Farfield and Asia Foundations. At the end of the week Thomas, proud to be of service, wrote a note back to Stein: "I am, of course, delighted that the Farfield Foundation came through . . . I am happy to think I had a little to do with the proposition in certain quarters."

Given Sol Stein's cast of mind and proven allegiance, he was the logical choice for the CIA's version of the diary. It was easy enough to arrange the contact: Daniel James, Latin American "expert" for the Newhouse papers, and formerly of The New Leader, who was in La Paz this spring writing a biography of Che for Stein and Day. James had begun his "investigation" with an article in The National Review in September, 1967, reporting that Che was in Bolivia and theorizing on the "internationalist plots" he was carrying out on behalf of the Havana high command.

Because of his previous connections with the CIA, James was allowed to study the diaries in La Paz, and he and the Bolivian generals invited Stein and Day's Thomas Lipscomb down to enter into negotiations. The CIA insisted that the Bolivians give their copies of the diaries to Stein and Day without charge, so that it would make it worth the publishers' while to print them. The generals, of course, were reluctant to abandon the dreams of great wealth they had conceived during the negotiations with Magnum and St. George, but, as Arguedas' revelations about the extent of CIA control in Bolivia have since made clear, they really had little choice in the matter. The only "payment" the Bolivian generals received was a guarantee that Daniel James' introduction would place them in a favorable light.

James earned his money. The Barrientos regime in Bolivia, he claims, is the culmination of a 30-year social rev-

olution, and he proves it with extensive paraphrases from Barrientos' own speeches. He then moves from plagiarism to slander by hypothesizing that Che was in Bolivia because Castro feared him as a potential rival, and that Castro purposely abandoned Che in the last months of the campaign, by failing to try even to make contact with him. Both notions are patently false. Even a brief reading of the diaries shows that Che lost contact with Havana only when his radio equipment was captured. And a glance at contemporary Cuba shows the extent to which Castro has encouraged Che's apotheosis in that country.

Sol Stein, however, was tickled pink by the job James had done: "This book," he boasted, "contains all the ammunition political scientists, teachers and students need to determine why the guerrilla movement failed and why such future enterprises cannot succeed."

Unfortunately for James, Sol Stein and the CIA, saying so doesn't make it so.

Networks hard on Daley film

THE EQUAL-TIME ANSWER to Mayor Daley that appeared on Metromedia stations (and some others) in late October looked smooth enough—but it was produced only after a lot of pressure was put on commercial networks.

Bill Jersey's Quest Productions, which produced the "reply" on behalf of the American Civil Liberties Union and

some anti-war groups, had no trouble with the American Broadcasting Company, from whom they were able without difficulty (through Sherman Gringerg, ABC agent for film footage sales) to order all the newsfilm they wanted. But the other two networks were something else again.

At the Columbia Broadcasting System, Jersey went all the way to Richard Salant, president of the CBS news division, for assurances that he could buy all the film he wanted (provided only that it was film which had actually been broadcast). He screened all of the network's footage—and was then told that he could only have two minutes of it.

Amid rumors that Salant was under pressure from network brass to renege on his deal, Jersey got the ACLU on the phone, and ultimately wound up not only with the footage he wanted, but without having to pay for it—because, it turned out, CBS hadn't charged the producers of Daley's documentary for the film *they* got.

Jersey was particularly anxious to get CBS footage because of the scene at Chicago in which "anchor man" Walter Cronkite referred to police and security guards as "thugs." Daley had used film of his later interview with Cronkite, in which Cronkite mentioned the policemen's "courtesy."

At the National Broadcasting Company, Jersey ran into the same problem—an early assurance that he could buy what he wanted, and then a runaround. Jersey said, however, that he had already obtained the NBC footage—he didn't say how—and that he didn't expect any trouble.

SPORTS

An unexpected star forward

The following is an account by Reese Erlich of RAMPARTS of his coverage of an unusual sports event during a recent visit to Cuba.

MY CUBAN FRIEND TOLD ME I would have a "surprise" when he invited me to the University of Havana, and only when we were on our way by car did he tell me that it was a basketball game—and one, he said, which would demonstrate why the Cuban government can never deteriorate in the way the Russian and Czech communist governments have.

I like basketball all right, and I figured his comment as another example of the Cubans' constant attempts to give political significance to everything.

All sporting events are free, but the stadium was only half full, since the teams were second rate. To my surprise there were a few soldiers on guard, and a couple wanted to know who I was. I told them I was an American Revolutionary, and they waved me in.

One of the two teams in the main event consisted of engineering students at Havana University; the other was called Los Caneros (the cane cutters), and attracted most of the crowd's applause. The cheers were especially heavy for the captain, a tall, heavy-set man with a red sweat suit, black beard and