

# The Empire of Lyndon LaRouche

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Behind the recent victories of the Lyndon LaRouche organization in Illinois' Democratic primary—and its reputed fielding of more than 750 candidates nationally this year—is a fund-raising and business network that generates tens of millions of dollars a year, far more than any other extremist party in U.S. history.

From a heavily guarded estate in Loudoun County, Va., and office buildings in the nearby town of Leesburg, Mr. LaRouche's cadre organization, the National Caucus of Labor Committees (NCLC), controls more than two-dozen financially commingled political, business, nonprofit and intelligence-gathering entities with operations throughout the U.S. and in more than a dozen foreign countries.



Lyndon LaRouche

The aim of this activity is not profit in the ordinary sense. According to defectors, the NCLC spends the money (much of it raised through controversial, high-pressure loan-solicitation tactics) as soon as it comes in. It is used in frenetic attempts to advance the influence of Mr. LaRouche, a three-time presidential candidate, who champions nuclear power and "beam weapons," advocates a quarantine of AIDS victims, rails against alleged Zionist-British subhumans, and—in turgid ideological tracts—suggests a kind of national socialism based on a "class dictatorship-in-fact" of imagined pro-LaRouche industrial capitalists.

The business network, defectors say, is essentially an elaborate shell game, with cash always in motion from shell to shell to avoid taxes and court judgments and to disguise various questionable transactions. The tax-exempt, nonprofit Fusion Energy Foundation (FEF), and political action and election campaign committees are frequently used. An interview transcript quoting an NCLC defector, introduced as an exhibit in the case of *LaRouche vs. NBC*, reads as follows: "Money from the . . . profit-making organizations went into political campaigns and was not correctly reported. Money from the tax-exempt [FEF] was given to the political campaign, unbeknownst to the people who made the contributions. . . . Someone would contribute to the [FEF] because they believed in nuclear power and their contribution would turn up as a contribution for . . . [LaRouche's] presidential campaign."

## Intimidation of Journalists

The structure of the network makes government investigation difficult. Mr. LaRouche and his followers compound the problem by claiming that any probe is politically motivated, and by launching civil-rights suits against the investigators.

In addition, lawsuits have been used to intimidate journalists. Both of the authors have been unsuccessfully sued for libel by Mr. LaRouche. (In *LaRouche vs. NBC*, Ms. Lynch was a co-defendant. NBC countersued and won a \$202,000 judgment that remains uncollected.) Nevertheless, the LaRouchians are currently under investigation by federal authorities with respect to allegations of credit-card fraud, income-tax evasion and violations of federal campaign financing laws. To date, however, there have been no criminal indictments.

How big is the LaRouche empire? Veteran watchers generally accept the estimate that LaRouche-related entities are spending \$25 million to \$30 million a year world-wide, the majority of it in the U.S.

• "George Morris," a defector from the NCLC's topmost level, was personally involved in keeping track of the cash flow and in all of the organization's major financial decisions for nearly a decade. Like other defectors, he was unwilling to be quoted under his real name, fearing NCLC harassment. He told us that as early as 1980, the NCLC took in about \$190,000 a week (close to \$10 million a year) from various types of fund raising—and his figures do not include revenues from the organization's commercial businesses.

• Since 1980, NCLC expenditures have grown significantly, reflecting expansion of electoral activity, new operations in Europe and Latin America, use of TV ads (16 national half-hour spots in 1984), and pur-

chase of \$4 million in Virginia real estate. An NCLC weekly income report from early 1986 indicated revenues of about \$300,000 from literature sales alone.

• An FBI affidavit, filed in 1985 in connection with a Massachusetts federal grand jury probe of the LaRouche network's finances, states that just one of three Manhattan bank accounts of Campaigner Publications, a LaRouche propaganda arm, handled total credits of more than \$4.5 million in a four-month period in 1984, maintaining an average balance of \$95,000. This account was one of dozens maintained at that time by NCLC-controlled businesses, political fronts and regional offices across the country and in various foreign countries.

The public is most familiar with the LaRouche organization's literature tables at airport terminals across the nation, with colorful propaganda magazines and paperback books that sell for \$10 or more. But defectors say the real heart of the fund-raising effort is a network of telephone "boiler-room" operations. Using lists obtained from ultraconservative groups, or names collected by the airport solicitors, scores of full-time phone workers solicit magazine subscriptions, as well as contributions and loans.

"Carl Mingo," who left the national office staff in 1984, described a "militarized" atmosphere in the fund-raising office. "There'd be a roll call in the morning. You were given these gargantuan quotas, and you were expected to work from 9 a.m. un-

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til you met the quota, even if that was 11 or 12 at night."

Mr. Mingo said that the openly acknowledged policy was to "get loans at any cost and not pay them back—unless the victim was politically important or threatened to sue." He described intense psychological pressures to meet the quotas: "If you didn't, you'd be an object of ridicule, or they wouldn't give you a day off, or your relationship with your spouse would become the subject of an all-night ego-stripping session."

NCLC internal sales reports indicate that Executive Intelligence Review, a weekly news magazine that costs subscribers \$396 a year and that claimed an average paid circulation of 11,500 in 1984, is the biggest moneymaking publication. Its corporate subscribers have included International Telephone & Telegraph and Lazard Freres, among other major names. (A partner at Lazard Freres also gave a personal donation of \$1,000 to the FEF.) EIR builds on this list by offering to do customized reports at four-figure prices.

The LaRouche network's high-pressure fund-raising tactics have been a major factor in current government investigations: The Federal Election Commission—according to New York federal court records—is investigating complaints that purchases of LaRouchian literature, and donations and loans were falsely reported as contributions to Mr. LaRouche's presidential campaign committees in order to qualify for federal matching funds.

The FEC has also obtained payment of a \$15,000 civil penalty from Mr. LaRouche's 1980 committee in settlement of a variety of campaign-law violations. (Mr. LaRouche's 1980 and 1984 committees received a total of almost \$1 million in federal matching funds.)

The Massachusetts grand jury is focusing on charges that, in hundreds of cases, Mr. LaRouche's followers have made unauthorized charges to credit-card accounts: Individuals who made small purchases of literature or small contributions by credit card later allegedly had much larger and totally unauthorized charges made to their accounts. (Since the probe began last year, four LaRouche-related entities have been fined a whopping \$17 million for refusing to comply with subpoenas of their records.)

Many victims have claimed that Caucus Distributors Inc. and other LaRouchian entities have failed to repay short-term

loans. In Alaska, Indiana and Maryland, state authorities recently issued cease-and-desist orders against CDI's loan-solicitation tactics.

Loan solicitation is probably the most lucrative of the boiler-room efforts. For instance, Richard Proctor, a Calgary, Alberta, businessman, says in a lawsuit that he lent Caucus Distributors, Campaigner Publications and another LaRouchian entity more than \$100,000, but was only able to get back about \$20,000. "It was my retirement money," he said.

## Vote-Getting Payoff Alleged

Top defector George Morris says loan money frequently was used improperly. He says that in 1980, Mr. LaRouche approved the use of a more than \$100,000 loan obtained by a LaRouchian computer software house from the Bank Bumiputra Malaysia in New York as a payoff to George Kattar of New Hampshire. Mr. LaRouche believed that Mr. Kattar, who, according to 1971 testimony at a Senate subcommittee hearing, was an associate of New England organized-crime figures, could get him votes in the 1980 presidential primary. In 1984, Mr. Kattar confirmed to NBC he had helped Mr. LaRouche but denied receiving money. That same year, Mr. Morris says, Mr. LaRouche approved paying sky-high interest rates to Mr. Kattar for a loan of at least \$100,000. Mr. Morris says the loan was paid back promptly out of FEC matching funds (illegal under federal law) as well as contributors' loans and donations.

Mr. LaRouche's top aides became skilled at wheedling unsecured loans from the general public by practicing on the National Caucus of Labor Committees rank and file in the 1970s. "We were like a pack of hyenas," Mr. Morris said. "At least 30% of operating income came from loans, the majority from members."

As NCLC members ran out of resources, the party fund raisers turned more and more to the public. Today, NCLC phone solicitors routinely follow up literature sales or small donations with attempts to get large unsecured loans, promising high interest rates and the moral satisfaction of helping to save humanity.

Senior citizens are special targets. The technique is to break down their resistance with incessant phone calls that play on their loneliness and frequently disorient them or frighten them.

## Induced to Donate \$2 Million

Charles Zimmerman, an 80-year-old former Bethlehem Steel executive living in Sarasota, Fla., was induced to donate or loan a total of more than \$2 million to the FEF and other groups over a recent six-month period, according to Jay Silverman, a lawyer for Mr. Zimmerman's bank. Mr. Silverman said a civil complaint is being prepared against the LaRouchians. In another recent incident, Elizabeth Rose, an 83-year-old Pennsylvania resident, was persuaded to donate more than \$1 million to at least three LaRouchian entities, according to William Eastburn, a lawyer representing Mrs. Rose's children. "It's like they [the LaRouchians] are her surrogate children," said Nancy Day, a daughter of Mrs. Rose, who confirmed the gifts had been made. "They're going to suck out her eyeballs," she said.

LaRouchian fund raising is not all deception. FEC records show that Mr. LaRouche and other NCLC candidates have received thousands of apparently legitimate contributions from Americans in all walks of life. John Talcott, a director of Ocean Spray Cranberries Inc., recalls donating \$15,000 personally to the LaRouchians in 1976; defectors say the money was used to help pay for an election-eve broadcast by Mr. LaRouche on NBC-TV. In 1984, Oklahoma oilman David Anderson, after contributing the legal maximum to Mr. LaRouche's campaign, put up \$400,000 and financed \$900,000—according to Loudoun County court records—to buy the estate Mr. LaRouche now lives in.

Another major source of money is from Mr. LaRouche's private political intelligence service. This apparatus—a semi-covert extension of EIR's news staff (with bureaus in a dozen countries)—performs research and intelligence-gathering tasks for foreign governments. Since the mid-1970s, say defectors, the LaRouchians have sold intelligence to South Africa, the Shah's Iran, the Philippines under Ferdinand Marcos, Iraq, Italy, Thailand, Mexico, Argentina during the Falklands War, and Taiwan. According to George Morris, they attempted to obtain funds from the Soviet

Union, East Germany, Bulgaria and Libya in the mid-1970s, but without success.

LaRouche entities are closely interlocked, often sharing office space, telephone switchboards and staff, and all headed by top NCLC members. Flow charts and financial reports of the NCLC show the cash going into one kitty. Mr. LaRouche, using intelligence-community jargon, has referred to business spinoffs as conducting "proprietary" activities.

A former LaRouche follower, Eric Lerner, stated in a 1979 affidavit filed in a commercial dispute with LaRouche loyalists that he had been pressured by NCLC leaders to "funnel" profits from an engineering business to the U.S. Labor Party (an electoral arm of the NCLC) in violation of election laws. "It is the policy of the USLP to use corporations as fronts for the USLP and as channels for funding of USLP," Mr. Lerner charged, citing the case of Computron, a software firm once associated with Mr. LaRouche.

## 'Underground' Bank Account

The advantages of this NCLC shell game were spelled out in a 1978 internal memo. It referred to a court judgment against the NCLC, and stated that an NCLC bank account had gone "underground due to collection efforts. . . ." According to "Bob Grant," a former NCLC security aide, a frequent concealment tactic was to shift the funds to private bank accounts of low-level but trusted party members. In addition, the organization arranged to set up bank accounts in Zurich, Munich and Frankfurt.

The entire NCLC apparatus, defectors say, is controlled personally by Mr. LaRouche. "Anyone who opposes my orders will, in the moral sense, be shot on the spot. . . ." he wrote in a 1981 memorandum. "I am the boss." Yet his name appears on no incorporation papers or deeds of ownership. "Simon White," a defector who once worked in Mr. LaRouche's security staff, stated in an interview filed as a defense exhibit in *LaRouche vs. NBC*, that Mr. LaRouche "never owns anything, because he wishes to be free from the results of lawsuits." Apparently, freedom from taxation is also a factor: Mr. LaRouche, although living a millionaire life style, stated in a May 1984 deposition that he hadn't earned enough to pay federal income taxes since the early 1970s.

Most observers of the LaRouche organization believe that its amazing fund-raising and business successes are best understood

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by comparison with the methods of religious cults. The NCLC is motivated more by ideology than blind faith, yet members are willing to tolerate work conditions that elsewhere would be considered exploitative. "They usually paid me \$100 a week, but when there was a cash-flow problem I got nothing," recalls "Janet Green," a former full-time NCLC worker.

The NCLC is able to channel the idealism of hundreds of Janet Greens into self-sacrificing work that produces a high rate of profit. In addition, NCLC fanaticism and habits of unquestioning obedience have made it easy to induce some members to engage in questionable fund-raising practices.

Yet there is a vast difference between the NCLC and most religious cults. The proclaimed goal of the NCLC is political power. The NCLC also does not have the special tax-exempt status enjoyed by a church, and it cannot hide behind the law's reluctance to interfere in matters of faith. In recent months, the IRS, the FBI and the Secret Service have all begun to scrutinize Mr. LaRouche's activities with new interest. He'd better find God fast.

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