

Through Watergate Howard Hughes' Link to Watergate

By Carl Oglesby

(First of three parts)

My constant theme in these pages over the past year has been that Watergate manifests an underlying contest among national power elites for control of the federal policy apparatus. Old companions of *Through Politics* know I call these forces Yankees and Cowboys, intending thus to designate the old established finance powers of the East Coast on one hand and on the other the newer-money groups emerging since the Civil War, and with a rush after World War II, basically in the Southwest. About a year ago when James McCord began to tell Sirica and Erwin what he learned about Plumbing in his stint with the White House, he dropped a few clues that made me think that where it bore down on the thicket of actual events, in the stream of the present, the Yankee-Cowboy analysis required decisively an examination of the relationship between Nixon and Howard Hughes. So I started collecting Hughes stuff.

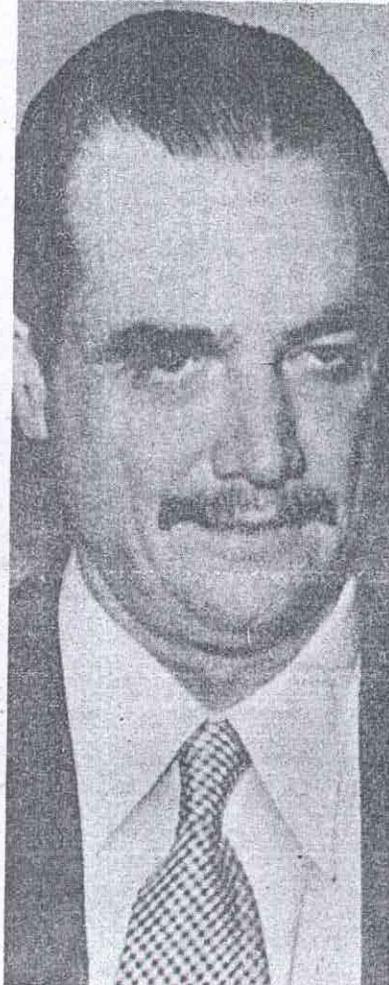
Before then, I scarcely noticed his existence and certainly did not see him as a significant political force or an ultimate incarnation of my Cowboy businessman. It astonished me in fact to discover that perhaps besides the wreck of the Penn Central, there has been no greater collision in the business history of the United States than the collision between Hughes and a powerful consortium of Eastern financial powers over the control of TWA, and that the closer one looked at this decade-long and immensely complicated fight, the more purely and powerfully it came to embody the elements of the Y-C struggle. (Anyone wanting the details of the Hughes-Rockefeller struggle for the body and soul of TWA should read David Tinnen's exciting study just published by Doubleday, *Just About Everybody vs. Howard Hughes*.)

So my theory finally stumbled upon its makings, or another mother lode of them, at the very moment that it was offering or suggesting (yes, theories offer things and suggest things and whisper in your ear all the time) that McCord was a double agent for the Yankee side who had been sent to infiltrate Nixon's secret group and expose it, hopefully for the quicker overthrow of the Cowboy powers that dominate the Nixon coalition.

That part of the analysis, the argument about McCord, took care of itself from the start, not necessarily because people were getting into Yankees and Cowboys or any such thing but because nothing less than a double agency of some kind, of some motivation, could explain how cream-of-the-cream professional spies on so delicate and dangerous a mission as

throughout the McGovern organizations, in the laundry through which the milk money passed (*Globe*, March 27). The explanation being offered by these Democrats is that they were naive and that AMPI was clever. Maybe. But as with the Plumbers in the first instance of Watergate, we are not dealing here with babies. It is worth investigating this far enough and hard enough to find out if any of these high-up McGovern staffers were working for Nixon all the time.

In a remarkable pre-echo of this, Chicago investigator Sherman Skolnick claims that Nixon's very first campaign for office, the 1946 congressional campaign against Jerry Voorhis, was another inside-job setup. Voorhis is remembered as the first victim of Nixon's dirty-minded anti-communism. But Skolnick says that a book published in



What Was His Angle With Nixon?

the penetration of Democrat National Headquarters could have made the blunders that got them busted. Well, the answer is that the blunders were made on purpose by somebody who wanted the bust to happen. The search for an explanation of why anyone should want that would then generate questions that would separate out the forces opposing Nixon and the forces supporting him.

Two Covert Groups

In other words, there were two covert groups in motion around the '72 elections, one of which the whole world knows about because of the activity of the other. That doesn't mean, of course, that the McCord team was winners at the bottom line. If Nixon is impeached, yes, something may be recouped. But while the McCord side was setting up Nixon's private secret police for the hit that ought by rights to have blown Nixon away, the Nixon side was setting up the Democrats with McGovern, whom they reasonably enough figured they could bury. Each side was trying to make it impossible for the other side's man to win — and in effect, if we take the longer view of Watergate, both succeeded.

I would put money on it, by the way, that this stretch of the story — how Nixon went after McGovern once he had manipulated him into the nomination — remains to be unearthed. The current investigation of the enormous amounts of cash flowing into Nixon's coffers through the Houston office of American Milk Producers, Inc., has turned up the use of key Democrat Party PR types, scattered

1968 in West Berlin, *Who's Who in the CIA*, by Julius Mader, identifies this same Voorhis as a charter member of the OSS, the forerunner of the CIA. His main sphere of activity during World War II is supposed to have been Latin America. After the '46 assignment as Nixon's fall guy, Mader's account shows him going on to set up a string of cooperative organizations fronting for domestic CIA activity. Voorhis's sympathies for Stalin and Communism and Russia in this case would have been nothing but nice soft targets floated up for Nixon to bang away at. Why would the Nixon people do that? To make sureness double sure. It's just a more primitive and smaller-scale version of what they did down the road in '72.

But the larger question for me over the past year has been Howard Hughes. Who was he? What was his angle with Nixon? That's what I've been trying to get down for the past several months (and it's why I've had to abandon column-writing for a while). New discoveries are still to come, the picture is by no means complete, but I'm confident now that I have at least some larger elements of the picture standing in the right places, so I thought I would make and offer a preliminary outline of the Hughes-Nixon story as I think it is emerging.

The Central Question

The decisive and central question in the whole long tangled mystery of Howard Hughes is simply whether or not the rules and regulations of contemporary

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Hughes

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corporate activity apply even to corporations, or in Hughes' case, to an immense industrial empire, owned by a single individual. All boiled down, Hughes has been saying that the principles of free enterprise are nothing unless the rights of individual property ownership and control are sovereign in the law. He owns what he owns, says he, and can do with it what it pleases him to do with it. Didn't he make his empire himself? Didn't he use his ingenuity and vision and pocket money to built airplanes and then airlines and indeed the vast industrial empire that bears his name?

True, he had a substantial inheritance, the oil-drill company founded by his father in Houston back around the turn of the century. Hughes Tool has indeed provided a comfortable financial base for Hughes' often incautious and sometimes reckless adventures. But consider that Hughes tool was worth half a million to him when he came into it in 1924, and that the industrial empire which he has erected upon that base is worth probably

between two and three billion. Billion. So he has not stinted, he did not become a playboy, he took his opportunity in hand at an early age and ran with it in new directions. And by this effort, he created, among other things, Hughes Aircraft and TWA.

The issue of accountability in his ownership of this empire was first joined in the mid-fifties around Hughes Aircraft, a major electronics supplier to the Defense Department with a big stake in communications satellites and fire-control system for warplanes. In the middle-fifties, the senior technical staff of Hughes Aircraft, led to two technical geniuses named Ramo and Wooldridge, walked out on the company after long and bitter wrangling over the role Hughes played in management. What Galbraith of Harvard would call the technostructure was complaining that its owner and maker was interfering with its work, that his eccentricities, his whims, charming enough as literature — as copy — were disastrous in the world of business. They were a thousand times disastrous in the world of *defense* business.

So in a fight that involved Hughes with and against his staff and drew in the military and an assortment of other Washington types at levels high and low,

the issue was joined: Hughes made Hughes Aircraft, and this is a free-enterprise country where individuals own and are supposed to own the means of production which they develop through their own initiative and risk-taking, and if Hughes' interference in the management of his own company leads to customer problems, would it not be more seemly for the customer to leave him alone and shop elsewhere than to try to tell him what to do? Especially since the customer was the military, because what the military was buying from Hughes was the technical capability of fending off Communism, and the reason for fending off Communism (so it is said) was that Communism promised to destroy the system of free enterprise and the principle of private ownership of property upon which that system is raised.

Juicy Contradictions

Already the contradictions were juicy. If there was such a thing as a capitalist in America, ruggedly individualistic, adventuresome, the embodiment of the Western virtues, that had to be Hughes. If there was any such thing as a group in America committed to the ideas which he and his life gave such body to — capitalism — that had to be the Pentagon. They might clash over many

things — this delivery date, that design approach — but how could they clash over so fundamental a question as the right relationship of an individual to the things the individual built and owned?

It is fascinating to watch these contradictions flow, this living casebook in which those who spit on Marx without ever trying to understand him constantly give new proofs to his central idea, namely, that the fundamental processes of the growth of the capitalist system give rise to pressures within it, indeed within its central core of values and beliefs, that weaken it, that visit strains and tensions upon it from the very middle of the center. To protect itself, American capitalism produces a huge military estate. The military willingly undertake their mission, to defend American capitalism. What do they soon find out? That to protect the system efficiently, they need to know when the weapons are going to arrive from the factory — needless to say, a free-enterprise, capitalistic, privately-owned and privately-managed factory. So the weapons don't come on time. The military inquire. They discover eccentricities in management. The eccentricities stem from the owner himself. The next moment the military is on the attack: "You are ruining a great

property," fumed an Air Force officer at the height of the squabble.

The result was that the Hughes Aircraft Co. was ultimately sequestered from its owner's "interference" within a specially-invented outfit, the Hughes Institute for Medical Research in Miami. That happened in 1957 and appears strongly connected with the so-called Hughes Loan, actually a gift, to the President's brother, Donald Nixon.

A brief word about that. The general impression being formed about the Hughes Loan of 1957 is that it was for simple favors like a tax break for Hughes Medical, but an almost unintelligible book published in 1972 by a fly-by-night publisher and written by a surely pseudonymous author (Nicholas North-Broome, *The Hughes-Nixon Loan: The "Loan" No One Repaid*, American Public Affairs Institute) forces a speculation that what was ultimately at stake here was control of the vast amounts of tidelands oil available in the LA harbor to which the County of Los Angeles held the rights. I am in doubt about this because North-Broome's book consists mostly of a thicket of legal documents reproduced in evident haste and with less than a minimum of commentary. These documents seem incomplete, and like most courtroom prose the writing is not calculated to reveal the true subject. Throughout, however, the documents maintain a chatter of hard-to-pin-down references to people and lawfirms involved with Donald Nixon, Hughes, and the LA harbor oil rights, which appear to have been disposed of during that time at a price sufficiently under what they were worth to suggest that a big dirty deal had gone down. One hopes the various Watergate investigations will take up this interesting episode.

The TWA Fight

No sooner had the fight around Hughes Aircraft begun to play out than the same issue started crystalizing around TWA. This time Hughes' adversary was the Eastern banking institutions that form the core of Yankeedom's power base. Morgan and Mellon and other interests were present, but it would not be unfair to say that the dominant presence was that of David Rockefeller — even though like Hughes he appeared on the stage of controversy only through his numberless minions.

The issue with TWA was at bottom the same as with Hughes Aircraft. Can an eccentric be allowed to run his own airline when the result will be, for example, the airline's collapse? The corporatized interests of the East versus the still individualized interests of the West. Rockefeller at some \$30 billion versus Hughes at maybe \$3 billion. Old money versus new money. A fortune which has been around for a few generations and which has long since

established itself in a universe of institutions and bureaucracies versus a fortune whose first builder is still alive and functioning (maybe). There is actually a sense in which the figure that David Rockefeller confronts (and with such acrimony) in the person of Hughes is formed in the mold of his father, John D. himself.

We will not pause here with the details of the long and dramatic clash over first the management then the ownership of

TWA. Suffice it for now that the Yankee banks followed at bottom a simple strategy towards a traditional purpose. The purpose was to take TWA away from Hughes on the given and public grounds that TWA was and had to be treated as a public resource whose operation should be regulated for the general public good and whose management therefore ought not to rest in the hands of a single unaccountable individual. The strategy was to get Hughes and TWA in a financial box from which his only exit would be an immense loan from the Eastern banks. After he had taken the loan, the bankers would then use the many leverages available to big creditors to force him out of the airline altogether.

In the beginning of 1960 Hughes owned more than three quarters of TWA and its management answered to him alone. Five years later he had been shoved out of TWA management, then forced to sell his shares on the public market, then confronted with a some \$150 million damages suit which the new Eastern-controlled management of TWA threw at him for losses owing to his allegedly bad management in the years before the Eastern consort forced its way on board.

After Hughes was forcibly divested of his TWA shares, he found himself, though lacking a former major property, suddenly rolling in loose cash. After taxes, he still had some \$486 million dollars from the TWA sale. Stress, \$486 million *cash* in suitcases. In hand. Think how much money you lose in a day from not having it invested. But on the other hand, what was he to invest it in?

Hughes came to the top floor of Boston's Ritz-Carleton to work out this decision. That was in 1966, and it is to their never-ending credit that our town's reporters gave his super-secret recluse trip such a thumb in the nose that he soon determined to go someplace else. The someplace else was Las Vegas.

Buying Everything

What happened in Vegas? Very easy. Hughes started buying everything he could lay his hands on. Within a few years he owned outright, with zero partners, the Desert Inn, the Sands, the Castaways, the Frontier, the Landmark, the Silver Slipper, and Harold's Club in

Reno, hotel-casino holdings accounting for some 15 percent of the state's total gambling volume. Besides all that, he owned Alamo Airways and was negotiating for what became Hughes Airwest, he owned McCarren Field, KLAS-TV, the Krupp Ranch, and thousands of square miles of land. He was the state's number-one employer and by all accounts enjoyed the kind of favor with politicians and bureaucrats that his kind of bankroll typically brings with it.

But what of the crime syndicate's interest in all this activity? Vegas as a gambling capital was as much the creation of Meyer Lansky as TWA was of Hughes. Lansky had moved in on it in 1945 with a few preliminary purchases that led to the construction starting in December of that year of the Flamingo, the first of many hotel-casino operations that would ultimately grow into the Strip, famous for fear and loathing.

In other words, was Hughes not horning in on somebody else's private action?

Next: Part II of the Hughes Connection: Showdown in Vegas.