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The Sovereign State of ITT

By Anthony Sampson

Stein and Day. 323 pages. \$10

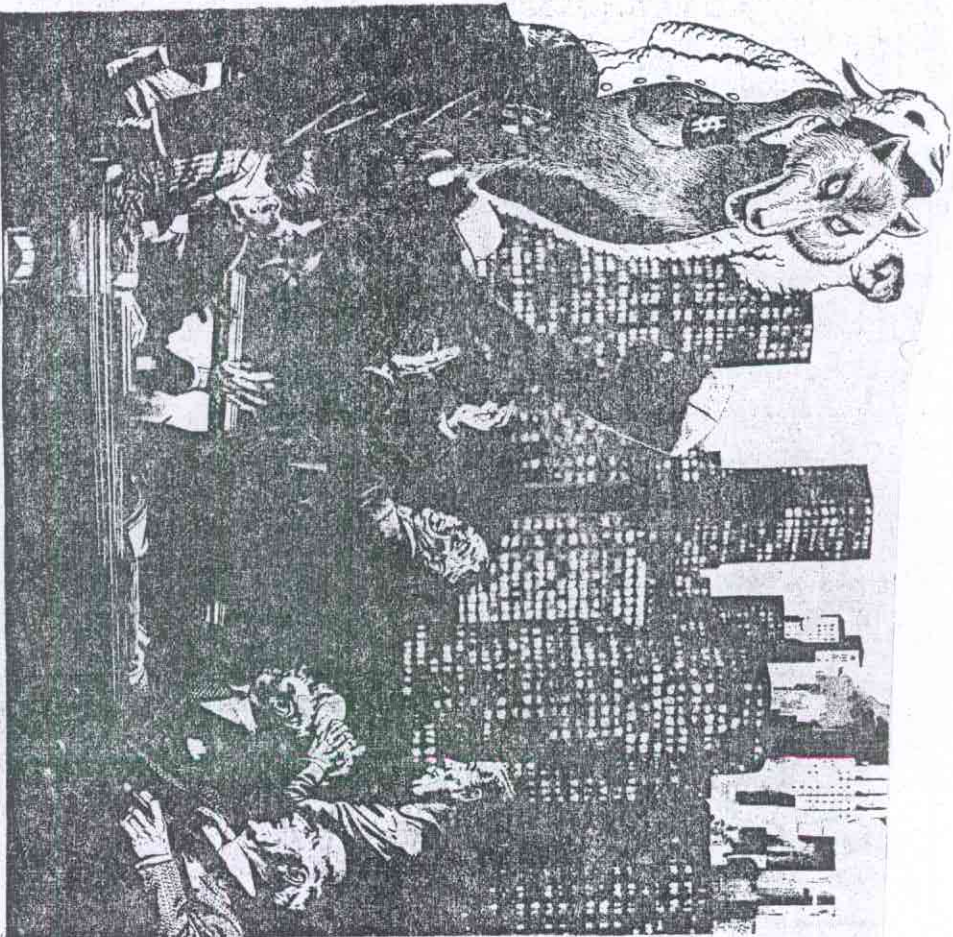


By PHILIP GEYELIN

LAST YEAR'S ANNUAL BARBECUE in Brussels for the managers of the far-flung interests of the International Telephone and Telegraph Corporation took place just after the scandals involving Hartford Life and Dita Beard and Chile and Salvador Allende had broken open. Yet spirits could hardly have been higher: there was much hearty back-slaapping and shoulder-punching and a lot of laughter (pretty much in unison) at the joking allusions made by ITT's top man, Harold Geneen, to his company's new notoriety. Anthony Sampson, a British journalist and author of *The New Anatomy of Britain*, recalls in his new book, *The Sovereign State of ITT*, that he took the occasion to ask the head of public relations, Ned Gerrity, what effect he thought the scandals had had on ITT's business, and Gerrity replied that "the publicity had really established the company's corporate identity—the reservations for Sheraton hotels have been a record."

That scene and that response say something about the character of ITT and the men who have run it over the years—something about the single-minded pursuit of profits above every other consideration, moral, ethical, or even legal, and also about the cynical indifference to public sensibilities. ITT had just been accused rather persuasively of trying to put the fix in at the Justice Department on the biggest antitrust case in American history and of seeking, hand in hand with the

PHILIP GEYELIN is the editorial page editor of *The Washington Post*.



Illustrated by Sally

Central Intelligence Agency, to overturn the results of a Chilean election because it did not wish to do business with the candidate, Marxist Salvador Allende, who had won it. The means which were said to have been employed in both cases (massive lobbying at high levels of government, under-the-table offerings of cold cash to influence government officials in Washington, or to foment trouble in Chile) were sufficiently questionable, not to say nefarious, to reduce almost any other institution to at least some sense of having overstepped the mark, some slight show of sensitivity if not of shame. But shame and sensitivity have apparently never been any part

of the character of ITT, which is quite probably the most rapacious, amoral, acquisitive, arrogant and unresponsive (except to the market value of its stock) of all of the great multinational corporations which have grown almost explosively in recent years and generated forces so powerful in the commercial and political affairs of nations that they are beyond the effective control of any single sovereign state.

A singular contribution of Sampson's book is the perspective it puts on ITT by tracing its early growth from an international (which is to say, largely foreign) telephone company into an industrial monstrosity. Even

after the divestitures agreed to out of court in the Hartford case, ITT today possesses a mind-boggling assortment of subsidiaries or sub-subsidaries, numbered in the hundreds and bound together by nothing other than profitability, a common management and a unique, mysterious but somehow effective system of accounting which is Geneen's particular genius. If Sampson's history of ITT were no more than that, it would be a model of its kind; it is rich in color and detail, and remarkably free of technical jargon. In short, it is an immensely readable profile of a corporation and how it grew and changed radically in structure and strategy without changing its fundamental character. Sampson's account begins with the early days in the 1920s and with ITT's enigmatic, flamboyant, imaginative and seemingly unprincipled creator, Sosthenes Behm, who set out at the start to establish abroad an international telephone network comparable to the system operated in America by AT&T. He did not quite succeed, as any American tourist overseas can testify, but neither did he stop with telephones. Some measure of the course he pursued and the enduring character he gave to the company can be seen in the example of his business connections before and during World War II with Hitler's Germany, and with pro-Nazi governments in Latin America, even while he was supplying war material to the Allies from a factory in New Jersey. "Thus," writes Sampson, "while ITT Focke-Wulf planes were bombing Allied ships, and ITT lines were passing information to German submarines, ITT's direction finders were saving other ships from torpedoes." (Continued on page 10)

The Sovereign State of ITT

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Corporate profiles, of course, are not everybody's bedside reading, even when done with the light, sure-touch of, say, *The Wall Street Journal* or *Fortune* magazine. But while this one may disappoint the cognoscenti for its lack of technical analysis, it will intrigue and enlighten those general readers whose concern with ITT grows out of a slowly dawning awareness that there may be something inimical and quite probably injurious to the public interest in the developing interplay between monumentally big and unresponsive multinational business and increasingly irresponsible and unresponsive government.

I am not talking now solely of inside deals and influence-peddling in high places, although that is a large part of it. Sampson does not add a great deal to what was already known about the antitrust case—the offer to underwrite the Republican Convention in San Diego and the parallel campaign of intense pressure that eventually resulted in the government's abandoning its professed intention to take the ITT case to the Supreme Court, and agreeing to settle it out of court on terms more favorable than ITT's own counsel believed could have been obtained by further litigation. Nor does he quite get to the bottom of ITT's scheme to collaborate with the CIA in an effort to rearrange the internal politics of Chile. But he does a nice job of pulling the available facts together and placing them all in the context not only of ITT's past history but of its general approach to government—contemptuous, whether it be ours or a foreign country's.

Sampson wisely does not stretch his material beyond what is demonstrable and pertinent to ITT. He is careful to note that ITT may not be typical, in that its arrogance and its excesses are not shared by all of the great industrial formations which go by the name of multinationals and/or conglomerates. His point is that ITT dramatically demonstrates the sort of problems we are in for if some device cannot be found to bring under more effective control those international industrial amalgamations which now operate across national frontiers with relative impunity. Sampson freely admits he has no

sure solution, although he suspects that tighter national regulations offer a quicker answer than some new form of multinational control. But his definition of the problem is in itself a considerable contribution to our understanding of current affairs. For in the course of reciting the recent history of ITT, Sampson describes and delineates a corporate cast of mind—an attitude toward government and the public—which is not all that different from the attitudes of the men who gave us the Ellsberg burglary, "the plumbers" and the "enemies list." I do not make the Watergate connection lightly; these days it can be too easily made. But it is not entirely by coincidence, I think, that the scandal growing out of the Nixon administration's handling of the ITT antitrust case should now be considered in the eyes of the Ervin Committee and of Special Prosecutor Archibald Cox as an integral part of what has come to be called "Watergate." Although Sampson's history of ITT ends before the Watergate had really exploded on the scene, already some of the Watergate celebrities—John Mitchell, Charles Colson, John Dean III, John Ehrlichman—had been identified as participants in one way or another in the settlement of the ITT antitrust case. Before we are through with Watergate, there is good reason to believe that G. Gordon Liddy, E. Howard Hunt and who knows what other members of the Watergate conspiracy will have been implicated in that part of it which had to do with ITT.

But there is a larger, less precise Watergate connection with ITT which has to do with bigness, arrogance and abuse of power, whether by government or by industry; with a state of mind that routinely deals the people out of decisions that vitally affect their lives. It has to do with secrecy and with shredders, and with a cynicism which puts results—or profits—ahead of compassion or social welfare or the plight of powerless minorities. It has also to do with conformity and with 16-hour working days—the life of ITT executives under Geneen is remarkably similar to that of a White House staff under orders last fall from Charles Colson to devote every waking hour and every ounce of energy to nothing other than the re-election of the President. Out of it there do come results—whether in ITT's earnings or in Nixon's re-election. But out of this ferocious pursuit of narrow aims there can also come an easy acceptance of amorality in high places and an unprincipled misplacement of values—whether in the making of presidents or of profits. And also out of it comes corruption of judicial as well as other governmental processes.

But this is to wander unfairly off the point of

Sampson's book, which to his credit does not moralize or offer easy answers: "any honest discussion of the effects of the multinational corporations must end, I believe, on a note of bewilderment," he concedes. If this leaves you with no solutions but quite a lot to think about, that is the strength of *The Sovereign State of ITT*—that and the quality it has of a first-rate portrait, not of something as bloodless as a corporation, but of a complex and fascinating fictional figure out of, let us say, Melville.

The analogy is not mine. Sampson says of his own experience as he worked his way through the life and times of ITT, that he was persuaded at the start by a "Geneen-watcher" that the great man was really Captain Ahab. "I could see what he meant—the monomaniacal obsession, the magnetic ascendancy he cast over his crew in the hunt for the whale," Sampson writes. "But as I continued my own travels, I came to think that Geneen and his corporation resembled not so much the crew of the *Pequod* as the white whale itself; a leviathan secretly circling the world, usually detectable only by the turbulence of the water, but suddenly showing one side of its huge strange shape, or spouting dark water, first in one corner of the globe, then a few days later at the opposite end—becoming a legend for ubiquity, immortality, and supernatural strength."

BLOCKBUSTER COMING

For more than a year now, Anthony Sampson, author of the highly-praised "Anatomy of Britain," has been quietly but industriously researching the operations of the International Telephone & Telegraph Company in America and Europe.

The result of his research will appear July 30 in a work to be entitled "The Sovereign State of ITT." Several chapters of the book are devoted to how ITT used its influence with the Nixon Administration--particularly with John Mitchell, John Ehrlichman, John Dean, John Connally, Maurice Stans and Spiro Agnew--to pressure the gov-

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ernment into dropping its antitrust suit against the giant conglomerate.

Typical of the evidence Sampson has dredged up is a letter from ITT's public relations ace, Ned Gerrity, to Agnew. Dated Aug. 7, 1970, it attempts to enlist Agnew to influence indirectly Richard McLaren, then head of the Justice Department's Antitrust Division. At one point McLaren felt strongly that ITT, the 11th largest corporation in the world, should not be allowed to acquire the Hartford Fire Insurance Company. But eventually he came around. He is now a federal judge.

Herewith, a copy of the letter from Gerrity to Agnew.

August 7, 1970

The Honorable
Spiro T. Agnew

Ted:

I deeply appreciate your assistance concerning the attached memo. Our problem is to get to John the facts concerning McLaren's attitude because, as my memo indicates, McLaren seems to be running all by himself.

I think it is rather strange that he is more responsive to Phil Hart and Manny Celler than to the policy of the Administration.

After you read this, I would appreciate your reaction on how we should proceed.

NED