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Acting Attorney General Richard Kleindienst and ITT's Felix Rohatyn before the Senate Judiciary Committee.

United Press International

HillHears Origin of ITT Talks Kleindienst Denies Role Was Improper

By Sanford J. Ungar
Washington Post Staff Writer

Acting Attorney General Richard G. Kleindienst yesterday described to a Senate committee his five meetings last year with a director of the International Telephone and Telegraph Corp. about pending antitrust action against ITT.

He said the meetings were arranged after one of his neighbors, a Washington representative of ITT, complained to him at a springtime party

that the antitrust litigation could have disastrous economic effects on the company and the nation.

But Kleindienst, whose nomination as Attorney General is pending before the Senate, steadfastly denied that he exerted any pressure to obtain a favorable settlement of the case for ITT.

He also insisted, during a day-long hearing, that he had no knowledge at the time of the plans of an ITT subsidiary to donate \$400,000 to the committee planning this summer's Republican National Convention in San Diego.

Kleindienst's version of events was supported by U.S. District Court Judge Richard W. McLaren, former head of the Antitrust Division of the Justice Department, and Felix G. Rohatyn, the ITT director with whom Kleindienst discussed the case.

The testimony and questioning of the three witnesses took so long yesterday that the Senate Judiciary Committee never had time to hear from the man who first leveled charges of impropriety against Kleindienst, syndicated columnist Jack Anderson.

Anderson is scheduled to testify when the special hearing resumes today, as is former Attorney General John N. Mitchell and W. R. Merriam, the ITT vice president in charge of the conglomerate's Washington office.

A subpoena has been issued for Dita D. Beard, a lobbyist for ITT and the author of a controversial memorandum published by Anderson linking the antitrust settlement to the alleged \$400,000 contribution.

But Mrs. Beard could not be found, and Committee Chairman James O. Eastland (D-Miss.) said last night that he had asked the FBI to help locate her.

See KLEINDIENST, A4, Col. 6

KLEINDIENST, From A1

Anderson claimed yesterday that Mrs. Beard, a resident of Arlington, had been ordered out of town by ITT officials. Justice Department officials were unanimous in their demand that she appear. "I'd sure like to have that gal up here to be examined under oath," McLaren said.

Kleindienst acknowledged under oath yesterday, when pressed by Sen. Birch Bayh (D-Ind.) that "I set in motion a series of events by which Mr. McLaren became persuaded... that he ought to come off his position," which was that ITT must divest itself of the recently acquired Hartford Fire Insurance Co.

This is how Kleindienst described the "series of events":

At a neighborhood party in suburban McLean, Va., last spring, he said, John Ryan, corporate deputy director of ITT here, approached Kleindienst and "raised the question of whether I would be available to discuss economic aspects" of the ITT antitrust action.

Although Kleindienst said his memory of the conversation was vague, he testified that he told Ryan he "would be available" for such talks.

Shortly before April 20, Kleindienst received a call from Rohatyn and they set up an appointment for that date.

Rohatyn stressed in advance, Kleindienst said, that "he was not a lawyer and had no political credentials." In fact, the then deputy attorney general subsequently learned that Rohatyn, a New York investment banker, was on the finance committee of Democratic presidential aspirant Sen. Edmund Muskie of Maine.

At the April 20 meeting, Rohatyn explained to Kleindienst that if the Justice Department were to prevail in three antitrust cases pending against the \$6.7 billion conglomerate, "drastic economic consequences would accrue," the Cabinet nominee said.

The potential consequences described by Rohatyn were a \$1 billion loss to ITT stockholders, a \$4.5 billion tax problem and liquidity loss, resulting in an inability of ITT to

perform overseas contracts and a subsequent "unfavorable effect on the balance of payments" and "repercussions on the stockmarket."

At Rohatyn's suggestion, Kleindienst said, he urged McLaren to call a meeting nine days later during which the director and other ITT representatives explained their case of "financial hardship" to Justice and Treasury Department officials.

"My own recollection is that I sat there and said nothing myself" during the April 29 meeting, Kleindienst testified.

After that meeting, McLaren testified, he asked for an evaluation of ITT's claims by the Treasury Department representatives and Richard J. Ramsden, a New York investment banker who had previously been consulted by the Antitrust Division in another controversial case involving the Ling-Temco-Vaught conglomerate. Both evaluations supported ITT, McLaren added.

(McLaren later said that he could not remember, but he thought Ramsden had been recommended to the Justice Department either by the Treasury Department or White House aide Peter Flanagan.

(A Treasury Department spokesman confirmed last night that the two Treasury representatives attended the April 29 meeting "basically to answer questions" and "stated orally" that same day that "there was merit" in ITT's position on the international issues.

(The Treasury spokesman said, however, that no formal report on the ITT case was ever requested from or filed by that department.)

McLaren and his aides subsequently developed a settlement proposal which was submitted to Kleindienst for his approval on June 17. It permitted ITT to retain the Hartford Fire Insurance Co., but required divestiture of several other subsidiaries, including Avis Rent-A-Car and ITT Levitt, home builders.

On the morning of June 17, Kleindienst and McLaren testified, they jointly called Rohatyn in New York from

Kleindienst's office to spell out the terms and urged the director to have ITT lawyers contact McLaren about final negotiations, if interested.

Kleindienst supervised the ITT case after Mitchell withdrew from it because his law firm had substantial dealings with the conglomerate.

On July 31, a Saturday, the ITT settlement was announced, essentially along the lines proposed six weeks earlier by McLaren.

Kleindienst and Rohatyn testified that they held three other private meetings while the ITT case was under consideration by the Justice Department—on May 10, June 29 and July 15.

Each time, they said, Rohatyn was checking on the progress of the case, asking for clarification of the settlement proposals or complaining that the terms were too harsh on ITT.

"It began to look like dismemberment of the company," Rohatyn testified.

Kleindienst said that he gave Rohatyn no encouragement and did not even bother to inform McLaren of the last two meetings with the ITT director. "I told him (Rohatyn) that I would not inject myself into the negotiations," the Cabinet nominee testified.

Under initial questioning by Sen. Edward M. Kennedy (D-Mass.), Kleindienst said Rohatyn simply telephoned and asked for the first appointment.

During a private conference at the witness table, however, Rohatyn reminded Kleindienst that the arrangement originally resulted from the deputy attorney general's talk with Ryan at the neighborhood party.

Correction

Two International Telephone and Telegraph Corp. officials were incorrectly identified in photographs on Page A4 of The Washington Post March 2. Felix Rohatyn, a director, was inadvertently transposed with ITT chairman and president, Harold Geneen. The Washington Post regrets the error.

Contradictions Cited in ITT Case

By Jack Anderson

The Justice Department and International Telephone and Telegraph are now trying to lie their way out of a scandal over the suspicious, sudden settlement of a landmark anti-trust suit against ITT.

In earlier columns, we disclosed a remarkable ITT memo indicating the Justice Department granted the favorable settlement in exchange for cash support of the upcoming Republican convention in San Diego.

The author of the memo, ITT lobbyist Dita Beard, told us she arranged the settlement herself in a private conversation with Attorney General John Mitchell at a Kentucky dinner party.

Mitchell refused to talk to us. A spokesman, John Hushen, urged us to withhold our story until he could "get our ducks in a row." He then waited three days before calling us back with a terse statement from Mitchell.

The statement says the Attorney General "was not involved in any way with the Republican National Committee convention negotiations and had no knowledge of anyone from the committee or elsewhere dealing with International Telephone and Telegraph"

This is false. In mid-May last

year, California Lt. Gov. Ed Reinecke and an aide, Edgar Gillenwaters, met with Mitchell in his Washington office to discuss efforts to hold the convention in San Diego.

Mitchell Misleads

We could not reach Reinecke, but Gillenwaters told us he and Reinecke personally informed Mitchell that ITT had offered to put up as much as \$400,000 to support a GOP convention in San Diego.

"He liked the idea of (having the convention in) San Diego," Gillenwaters said of Mitchell. "He didn't need any persuading. He said, 'If you can do it, more power to you.'"

ITT also issued a statement on the matter which insisted that only its lawyers were authorized to deal with the Justice Department on the anti-trust cases. "Neither Mrs. Beard nor anyone else except legal counsel was authorized to carry on such negotiations," the statement said.

This is also false. Felix Rohatyn, an investment banker and director of ITT, told us he held a series of about a half-dozen secret meetings during the merger negotiations with Deputy Attorney General Richard Kleindienst. Rohatyn said he was specifically authorized to "make the case on

the economic side" by ITT President Harold S. Geneen.

Rohatyn's acknowledgment also puts the lie to an earlier statement by Kleindienst, who has been named to replace Mitchell as Attorney General. On December 13, Kleindienst wrote to Democratic National Chairman Larry O'Brien to deny that high-level political pressure had been exerted on the Justice Department's anti-trust staff in the ITT case.

"The settlement between the Department of Justice and ITT was handled and negotiated exclusively by Assistant Attorney General Richard W. McLaren (then head of the anti-trust division)," the Kleindienst letter said.

Obviously, if Kleindienst were holding secret talks with Rohatyn on the case, it could not have been "handled" and negotiated "exclusively" by McLaren and ITT's lawyers.

Under the Dome

Sen. Jennings Randolph, the West Virginia Democrat who fought for the eighteen-year-old vote for 30 years, recently went home to personally escort a college student to the voter registration desk. The unawed young lady registered Republican . . . Sen. Marlow Cook (R-Ky.), ranking minority member of the Senate Penitentiaries Subcommittee, will soon be taking a hard

look at the federal prison rehabilitation programs. Cook hopes to kick off two days of hearings this April with testimony by James Hoffa . . .

As a member of the powerful Senate Commerce Committee, Indiana Democrat Vance Hartke will have a lot to say about whether the national no-fault automobile insurance bill ever reaches the Senate floor. His opinion may be colored somewhat by the fact that he is a full-fledged, dues-paying (\$175 per year) "sustaining member" of the American Trial Lawyers Association — the lawyers' group which is lobbying mightily to kill the no-fault proposal . . .

The black-owned Afro-American newspaper appeared on the newsstand in a Senate dining room recently and stayed there exactly one day before irate Senate Restaurants Manager Joseph Diamond banned it. . . . Doug Toms, Federal highway safety director, may leave his job to take a crack at politics in Washington state. Toms was bitterly disappointed when he couldn't get Detroit to put airbags in all passenger cars by the 1974 models. He recuperated from the setback with a breezy 21-day junket to Japan to visit auto plants and see whether Honda can develop a safer motorcycle.

Bell-McClure Syndicate

"What do you think you were doing there," Sen. Hart of Michigan wanted to know, "giving an economics course?" "No sir," the poor little conglomerator answered in deference, "I was trying to make a hardship case."

Getting ITT Done

*A Commentary
By Nicholas von Hoffman*

With all the press, Justice Department people, an International Telephone and Telegraph Corporation flunkies, the waiting public didn't get into the Senate Judiciary Committee's imperial art deco hearing room. Nor would they get to see it on TV because chairman James O. Eastland doesn't like a lot of cameras around

They wouldn't get to hear Attorney General-designate Richard Kleindienst deny columnist Jack Anderson's accusation that the administration had taken what would amount to a \$400,000 bribe to go easy on ITT in three antitrust suits. Since no individual has been accused of pocketing the money, but only the Republican Party, the moment lacked that yummy feeling that people get when they think that a politician is going to be hauled off to jail. Actually, Anderson's charge is worse because it suggests not individual, but institutional corruption.

There was, however, the distant possibility that the hearings might cause the Senate to think twice about confirming Kleindienst, the old Goldwaterite anti-civil libertarian with the Assyrian, wrap-around bull's eyes. Just the barest of a chance of stopping him because even the liberals who consider Kleindienst the guy who did his all to keep blacks from voting back home in Arizona say they're going to vote for him. Still, now there is a chance and that prompted I. F. Stone to look at the meaty-fleshy fellow as he took his seat in the witness chair and whisper, "We've been saved, not by the bell but by the smell."

There was the odor of something in the room, maybe faith and sanctity, for to believe what Kleindienst told the committee would have been something of a religious exercise. According to him he had nothing to do with

the case that would have separated the Hartford Fire Insurance Company from the ITT conglomerate octopus. It was a lucky stroke that brought Felix Rohatyn, the stock-broking member of ITT's board to his office, not to arrange a deal, but to explain the dreadful economic consequences of successfully prosecuting the case.

Why, Kleindienst, who makes up in the self-confidence of the powerful what he may lack in plausibility, said, he'd never met a soul from ITT before that date, had no interest in the company . . . oh, no, that wasn't quite true, he did know this chap Ryan who does something for the company, sees him at neighborhood Christmas parties, block club meetings, and yes, under questioning from Teddy Kennedy, Ryan did say something about meeting with somebody at the conglomerate, but that was the last of it, he had no idea that it would be this amiable Mr. Rohatyn or that it would turn out so that "Mr. Rohatyn and I had a very good social relationship through all this."

Mr. Rohatyn, a little, narrow-tied man who doesn't look like a million dollars, was there by the Assyrian Bull's side to verify all this. "Every meeting was on the record," he assured everybody, although they met alone and there are no extant notes. They made no deals, negotiated nothing. "What did you think you were doing there," Sen. Hart of Michigan wanted to know, "giving an economics course?"

"No, sir," the poor little conglomerator answered in deference. "I was trying to make a hardship case."

Ultimately, he did. It took a lot of meetings. ITT had to hire two fancy economists from Columbia University and the Wharton School of Finance to make it. And the Justice Department had to hire a somewhat mysterious outside financial expert with unknown credentials who may or may not have been recommended by the White House to understand how it would be a hardship if ITT were forced to divest itself of the \$2-billion insurance company.

At length the experts made the hardship case by explaining what they call the "ripple effect," the possibility of untoward consequence on the New York Stock Exchange and possible injury to our balance of trade, and got the Justice Department to agree that ITT, with assets of close to \$7 billion, shouldn't have to give up Hartford. As soon as the decision was reached, Kleindienst called the anemic little financier and told him the good news. You'd do as much for somebody with whom you had "a very good social relationship."

So they denied everything, but in denying all they confessed all. For suppose that Anderson's charges are completely untrue, they've already told too much in trying to refute them. Here you see it, Mr. Rohatyn can just drop in on the Deputy Attorney General and explain everything. Could Ralph Nader, who sued to prevent the ITT-Hartford merger? He might be able to demonstrate a different ripple effect. Here we see the fancypants Washington law firms like Covington and Burling at work; here we see the use of outside professionals paid to prove in their prestigious jargon what their bosses want proven.

And that's all legal. That, they're proud to admit. That's the right way to get things done.

ITT Generosity Long-Standing And Bipartisan

By Morton Mintz
Washington Post Staff Writer

The International Telephone and Telegraph Co. has been kind to Democrats, too, even though it is getting some bad publicity at the moment for allegedly making an unusually generous offer to help finance the Republican National Convention so as to get leverage on the Justice Department for a favorable ruling on a merger case.

One example of ITT's spirit of bipartisanship—a spirit shared, it should be noted, by many large corporations, banks, labor unions and trade associations—dates back to 1960.

The president of ITT, then as now, was Harold S. (Hal) Geneen. He and two former ITT vice presidents, J. T. Naylor and William Marx, figure prominently in the story of ITT's bipartisan generosity.

Naylor, in a sworn affidavit filed with the Senate Committee and the Justice Department, said that Marx told him in October, 1960, that ITT wanted "to 'butter' both sides so we'll be in a good position whoever wins."

Naylor said Marx also told him, "Hal and the board have a program that is very important to political protection and business development. Hal has given me a selected list of top executives to contribute to the election campaign. You are down for \$1,200.

"This can be financed for you by the company if necessary . . . You will be expected to recover the amount by covering it up in your traveling expense account."

(The Corrupt Practices Act of 1925 prohibits gifts by corporations, either direct or indirect. In 1969 and 1970 the Justice Department, acting on

His check, for the requested \$1,200, was deposited on Nov. 10, two days after Lyndon B. Johnson was elected vice president, the affidavit said.

Naylor never tried to recover the money from ITT. This led to a bitter confrontation with Geneen in March, 1961. The ITT chief told him, Naylor said, "Everybody does it and the board wanted it this way. It is 'paying off big in Washington.'"

Marx has denied that he ever solicited campaign contributions. The Justice Department said that the FBI and a grand jury had found no basis for a prosecution. Naylor left ITT years ago.

Whether Washington was "paying off big" was never proved. Certainly, however, ITT officers and directors did not damage their access to government officials when they—along with thousands of others—gave substantial sums to the President's Clubs after Johnson became President.

But there doesn't seem to have been any payoff at the Justice Department in 1966, ITT, when seeking to effect the biggest broadcasting merger in history, won approval from Federal Commerce American Broadcasting Co.

The merger set off a furor, led first by three dissenters on the FCC (Robert Bartley, Kenneth Cox and Nicholas Johnson) and then by others, principally, Sens. Gaylord Nelson (D-Wis.) and Wayne Morse (D-Ore.).

On the eve of FCC approval, the Justice Department entered the case, on antitrust grounds, and forced the FCC to hold a full hearing (the first one was a so-called oral hearing).

The battle got so rough that Antitrust Division attorneys—orally and in briefs—charged that Harold Geneen and other top ITT officials had misrepresented crucial facts in testimony given under oath. The officials, along with others from ABC who were similarly accused, denied the charge.

In the end, the FCC approved the merger anew. The Justice Department appealed to the U.S. Court of Appeals, in a brief entitled, "United States of America v. Federal Communications Commission." On Jan. 1, 1968, while the appeal was pending, ITT abandoned the merger effort.

investigations initiated in the Johnson administration by the Internal Revenue Service, instituted several prosecutions for indirect corporate giving.)

Several days later, on Oct. 18, Naylor swore, Marx introduced him to Robert G. (Bobby) Baker, then secretary to the Senate majority, and then left him alone with Baker and ITT's then vice president and counsel, M. R. Mitchell.

Mitchell told him, Naylor said in the affidavit, "Please make out your check in favor of the 'Texas Business and Professional Men's Committee for Johnson for Vice President'."

Naylor said he was initially reluctant, but finally yielded.