

ITT's Credibility Gap

Forthcoming grand jury indictments, expected before the end of the month, are anxiously awaited not only in the White House, but also inside that other embattled fortress, the Park Avenue headquarters of the International Telephone and Telegraph Corporation.

The successive revelations about the ITT scandal in the last few months, culminating in President Nixon's admission that he *did* intervene to stop the antitrust case, have not only made clear that many members of the Nixon administration had been lying, they have also shown more clearly that within ITT a group of three or four men were running their own secret operation, entirely concealed from their board, their shareholders and their most concerned colleagues.

The consequences of these secret plans have been as disastrous for the corporation as Watergate was for the administration. As a result of the antitrust scandal and the Chile scandal, ITT has become a legend throughout the world for political interference. It has steadily lost its credibility, and (considered most serious of all inside headquarters) its share price has sunk with each disclosure.

What have the board or the shareholders done about it? Virtually nothing. The head of their Washington office, William Merriam, was moved to Rome. Dita Beard, their former chief lobbyist, was sent to "sales research" in Colorado. But the public-relations chief, Ned Gerrity, who was centrally involved in both the antitrust scandal and the Chile scandal, remains a key figure. And Harold Geneen, having been promoted from president to chairman, remains the chief executive officer and the unmistakable boss.

Geneen and Nixon, in fact, are in parallel situations. Both inspired corrupt operations while concealing their involvement. Both have landed scores of others in grave trouble while they have survived. Both have gone into deep retreat and are proving very difficult to get rid of. A few influential men within ITT have been contemplating how to dislodge Geneen; but they have been worried about appearing to rock an already rocky boat. Some are alarmed by their own involvement.

Yet it is clear that ITT can only restore its credibility and trust—most particularly abroad—if the company is seen to be reforming itself, rather than waiting for time, or the Special Prosecutor, to do it. At present the corporation is so closely identified with the

necessarily appear partial and confused, like looking at a bedroom from under the bed; for only Geneen knew how many different operations he was mounting at the same time.

This was shown all too clearly when Geneen's operations reached their climax in the crucial week of April, 1971, when so many of ITT's allies—including the President himself—converged on the Justice Department, like a pincer-movement, to persuade the antitrust chief, Richard McLaren, to allow a delay in one of the ITT antitrust cases and, thus, pave the way for a favorable settlement. What is fascinating to observe, from the evidence that has so far emerged, is how Geneen held all the reins in his hands.

The President's own account in his white paper is absurdly inadequate, for while he admits that he and John Ehrlichman did intervene on April 19, telling Kleindienst to drop the ITT case, he makes no mention of all the ITT pressures that were operating at that time. The President presents his intervention as if it were the result of a philosophical decision, taken in a vacuum, whereas the White House was in the midst of a massive lobbying operation master-minded by Geneen.

Only three days before the President's intervention, two high-powered emissaries, briefed by Geneen, had converged on Kleindienst. One of them, Lawrence Walsh from ITT's law firm, Davis Polk, earlier had been asked by Geneen to present ITT's case directly to the President. Instead,

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Walsh wrote to Kleindienst asking for a delay and proposing an "inter-agency review" of the antitrust question. Walsh thought Kleindienst had turned that idea down; but somehow, it filtered through to the President, for in his white paper Nixon says that he instituted a "clearing-house," as he calls it, at the end of April. It was just what ITT had asked for.

The other emissary was Felix Rohatyn, a Wall Street financier and a director of ITT, who had been asked by Geneen to explain the dire consequences to ITT and to the economy if the antitrust cases were to proceed. Rohatyn visited Kleindienst the day after the President had intervened, and though Kleindienst was very receptive and arranged a subsequent meeting with McLaren, no mention was made of the President's interest. It seems clear that both Rohatyn and Walsh were being used, not so much as genuine persuaders but as unwitting frontmen for an agreement that had already been fixed at the top.

Who or what persuaded the President to intervene on ITT's behalf, at such risk to himself, remains the unanswered question. But it is difficult to believe that Geneen does not know, for only three days before the President intervened, Geneen had come to Washington in a last-minute bid to delay the antitrust case. He has seen John Connally at the Treasury, Peter Peterson at the White House, and probably others. In the previous months he and his colleagues had lobbied almost every senior member of the administration. It was after all these pressures that first Ehrlichman and then the President picked up the telephone to call Kleindienst. There lies the crucial missing link in the ITT story.

Geneen was running all this as a private campaign, known only to two or three associates—with a good deal concealed from them. He was secretly heading his massive corporation into the most dangerous territory and leaving many of its 400,000 employees in peril. At the same time with equal secrecy he was conducting his other campaign—to prevent Salvador Allende from becoming president of Chile—by offering a million dollars to the CIA, with the knowledge of only one of his directors, ex-CIA director John McCone, and of two or three of his staff.

The consequences of all this for the corporation have been severe. It has become an international bogey-company, the target for bombings by radical groups in four countries. More important, it has become the object of grave distrust among European governments who provide ITT—through telephone contracts—with the most profitable part of its business. Yet Geneen still remains in control.

Of course, the weakness of boards in getting rid of their bosses is a recurring problem; having been built up by one man, ITT has an extreme problem. But its crisis is also extreme. Unless it can reestablish the trust of shareholders and governments, it will not only itself suffer: it will damage the reputation of all other multinationals.

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personality of Geneen that only the most drastic action can change the corporation's character. And only if the board insists on being told the real truth about the company's activities can it be responsible for the company, as it legally should be.

The whole intricate story of ITT's political interventions, whether in Washington or Chile, only makes sense when it is seen from the viewpoint of one man, Harold Geneen. From any other position, whether from Nixon's or Kleindienst's or Mitchell's, it must