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Missing Link?

Investigators Believe Hughes Case Provides Motive for Watergate

Casino Deal Won Approval, And $50,000 Was Given; The PR Role of O'Brien

Hoodlums a Smokescreen?

By JERRY LANDAUER
Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON — On a March afternoon in 1970, a former FBI agent named Richard Danner arrived at the Justice Department for what might have been a social visit with Attorney General John Mitchell. Mr. Danner enjoyed access to many administration figures, he is the man who introduced Congressman Richard Nixon to Charles "Bebe" Rebozo 27 years ago. On this occasion in 1970, however, Mr. Danner was representing Howard Hughes on serious business.

Specifically, he was seeking lenient enforcement of Justice Department antimerger guidelines that were frustrating Mr. Hughes' fierce ambition to control the Las Vegas "Strip." In just two years, the wealthy recluse had bought five big hotels, and, as Mr. Danner informed the Attorney General, he now proposed to buy the 1,000-room Dunes—an acquisition that would give him control over more resort-hotel rooms in the Las Vegas market than the antitrust guidelines permitted.

Soon afterward, the Hughes proposal got a high-level go-ahead, and some weeks later Mr. Danner delivered the second of two $50,000 "campaign contributions" to Mr. Rebozo, the President's friend.

A Motive for Watergate?

At the time, Mr. Mitchell was the unquestioned strong man of a confident administration unblemished by scandal. But his handling of the Dunes case, as reflected in confidential Justice Department files, seems to indicate a weakness for bending government policy to help administration friends.

What's more, investigators for the Senate Watergate Committee now believe that the case supplies the missing motive behind the 1972 burglary of Democratic headquarters, which led to most of Mr. Nixon's impeachment problems. They contend—but Mr. Mitchell denies—that the Attorney General tampered with the Dunes case and that fear of discovery of the facts led to the Watergate break-in mission.

If this theory is correct, the bungled effort to photograph Democratic Chairman Lawrence O'Brien's papers and tap his phone wasn't merely a "stupid" stunt, as the President has said. It was motivated at least in part by a dismaying discovery: that at the time of the secret Mitchell-Danner negotiations, Mr. O'Brien was a public-relations consultant to the Hughes enterprises and hence could have learned (he says he didn't) not only about the Dunes case but also about Mr. Danner's delivery of the two $50,000 contributions to Mr. Rebozo.

A Chronological Account

The events supporting this proposition, as recounted in Justice Department records, White House memos and testimony before the Senate committee, can best be set down in chronological order:

In the summer of 1968, after the Hughes organization had signaled interest in buying the Stardust in Las Vegas, the Justice Department's Antitrust Division concluded that adding this hotel to existing Hughes holdings would violate the merger guidelines issued in May 1968. The division prepared a proposed complaint, whereupon Mr. Hughes backed down.

In late 1968, Mr. Hughes' Washington attorney, Edward P. Morgan, asked the Antitrust Division for clearance to buy another Las Vegas hotel, the Landmark. Mr. Morgan argued that the hotel's financial problems justified an antitrust exemption under the "failing-company" doctrine. Antitrust officials interviewed other prospective purchasers, concluded that there wasn't any alternative to bankruptcy and reluctantly agreed in writing, three days before Mr. Nixon's 1969 inaugural, not to challenge the Hughes take-over.

Target: The Dunes

In the fall of 1969, Mr. Hughes fixed sights on the Dunes, a target seemingly beyond his legal reach because acquisition of the Landmark gave him an even larger percentage of available rooms than at the time of the intended Stardust purchase, which the government had thwarted by threatening to sue. So instead of asking Mr. Morgan to submit relevant economic data in the form of a "business-review letter," as department regulations require, Mr. Hughes sent Mr. Danner straight to the top, to Attorney General Mitchell.

In early March of 1970, after two private sessions with Mr. Danner, the Attorney General broached the proposed Dunes acquisition to Assistant Attorney General Richard McLaren, then chief of the Antitrust Division. According to Mr. McLaren's scribbled notes, the Attorney General favored letting the Hughes interests acquire the Dunes because Paul Laxalt, at that time the governor of Nevada, was deeply concerned about hoodlum infiltration of the hotel's casino—infiltration that the current owners couldn't control.

(Mr. Laxalt says this alleged Mitchell message to Mr. McLaren was a phony, intended to cover up some unstated reason for favoring the Hughes bid. "Hell, Mitchell never even talked to me about the Dunes deal, and I would have opposed it if he had—because we'd already drawn the line of no more acquisitions by Hughes," the former GOP governor says. "He was just trying to lay this thing on me.")

On March 11 or 12, Mr. McLaren, the antitrust chief, informed the Attorney General that the planned Hughes purchase would breach the government's merger guidelines. Furthermore, Mr. McLaren emphasized, the problem of hoodlum influence should be handled by license-revocation proceedings in Nevada if necessary, not by antitrust exemptions in Washington.

Nevertheless, on March 19 Mr. Mitchell

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met for the third time with Hughes emissary Danner and, according to Mr. Danner, gave his pledge not to contest the Dunes deal, "from our review of the figures we see no problem," Mr. Danner quotes Mr. Mitchell as saying, because the proposed merger assertedly wouldn't violate the merger guidelines.

(Mr. Mitchell's office log reflects at least three meetings with Mr. Danner within seven weeks. But whether by inadvertence or not, the Attorney General didn't record any of these private sessions in the Justice Department's file on the Dunes case. Nor did he inform Mr. McLaren of his approving decision; as late as March 28 the antitrust chief signed a memo to Mr. Mitchell opposing the purchase.)

Immediately after getting the good news, Mr. Danner says he passed it on to Robert Maheu, chief of all the Hughes interests in Nevada. On the same day, March 19, Mr. Danner flew South to Key Biscayne, meeting there with Mr. Rebozo. The two men say they discussed various Hughes business deals. But Mr. Danner has insisted to Senate investigators that he didn't mention Mr. Mitchell's alleged antitrust favor to the President's friend.

(Mr. Mitchell says he doesn't recall giving any go-ahead to acquire the Dunes. Through an attorney, William G. Hundley, the former Attorney General says he didn't discuss campaign gifts with Mr. Danner and that he wasn't aware of Mr. Danner's cash deliveries to Mr. Rebozo until he read about them in newspapers. Mr. Mitchell hasn't been formally charged with involvement in the Watergate break-in; he has pleaded innocent to an indictment charging him with conspiracy and other crimes as part of the cover-up afterward.)

In the spring or early summer of 1970, probably before negotiations to buy the Dunes lapsed for financial reasons, Mr. Maheu acted to meet "political obligations" that he says Mr. Danner told him were incurred "as a result of" the secret meetings with Attorney General Mitchell. Mr. Maheu arranged to take $50,000 in cash from the Silver Slipper—a Hughes casino organized as a proprietorship so that political money from it wouldn't constitute an illegal corporate gift—and Mr. Danner took the cash to Key Biscayne for delivery to Mr. Rebozo.

(Mr. Rebozo didn't hold any campaign office or title, nor did he report the campaign gift on any public record. He has sworn that he returned the money, plus $50,000 received earlier, intact and untouched in 1973. Mr. Nixon has vouched for him as a "totally honest man.")

In December 1970, Howard Hughes and his lieutenant, Mr. Maheu, had an angry falling-out. Because Mr. Maheu knew about the cash donations delivered to Mr. Rebozo and could tell about them, his disaffection from the Hughes camp caused acute concern among certain Nixon aides. Whether by coincidence or not, H. R. Haldeman, at that time the White House chief of staff, became interested in Democratic Chairman O'Brien. Mr. O'Brien was a public-relations consultant to the Hughes enterprises in 1969-70, between stints as party chairman. On Jan. 18, 1971, Mr. Haldeman instructed John Dean, then the White House counsel, to investigate the O'Brien-Hughes relationship; assuming something damaging could be found, Mr. Dean and Special Counsel Charles Colson were to "come up with ways to leak the appropriate information."

Mr. Dean couldn't find anything to discredit Mr. O'Brien, but he turned up tidbits that must have alarmed any White House men privy to Mr. Rebozo's secret cash collections. From Mr. Rebozo himself, Mr. Dean learned that Mr. O'Brien had been hired by Mr. Maheu. And from White House investigator Jack Caulfield, he learned that Messrs. O'Brien and Maheu were "longtime friends" from Democratic days. "During the Kennedy administration, there apparently was a continuous liaison between O'Brien and Maheu," Mr. Dean told Mr. Haldeman in a confidential memo dated Jan. 26, 1971.

"Bebe said that this information had come to his attention at a time when Maheu was professing considerable friendliness toward the administration," Mr. Dean wrote. "He also requested that if any action be taken with regard to Hughes, that he (Mr. Rebozo) be notified because of his familiar-

ity with the delicacy of the relationships as a result of his own dealings with the Hughes people."

In August 1971, Hank Greenspun, the publisher of the Las Vegas Sun, indicated to a ranking White House aide that he knew of the Hughes donations delivered to Mr. Rebozo. Thereupon, Herbert Kalmbach, the President's lawyer, came to Las Vegas to find out how much Mr. Greenspun knew, the publisher says, and to inquire about links of the President's brother, Donald Nixon, to the Hughes organization.

Donald Nixon's Links

Starting in November 1971, the President's men gleaned fresh details of Donald Nixon's ties to the Hughes interests. Besides traveling to Latin America with a Hughes employe to dicker about mineral claims and sugar-marketing quotas—activities that prompted the President to order electronic surveillance of his brother for "security reasons"—Donald Nixon, it developed, was claiming a "finder's fee" in connection with Mr. Hughes' purchase of Air West, a regional airline.

(Even more worrisome, if Mr. Kalmbach's disputed closed-session testimony to the Ervin committee is accurate, both Donald and brother Edward Nixon had received as loans some of the Hughes cash delivered to Mr. Rebozo.)

In early 1972, at a White House meeting with Messrs. Haldeman, Mitchell and John Ehrlichman (then the President's chief domestic adviser), the two Nixon brothers were rather forcefully asked to submit memos outlining all business activities that might cause political problems during the President's reelection drive. Mr. Mitchell was designated as "action officer" in charge of answering any Democratic campaign accusations involving the brothers.

On Feb. 4, 1972, the day after newspaper accounts credited Mr. Greenspun with possessing the single largest collection of handwritten notes from Howard Hughes, Mr. Mitchell presided at a meeting in his Justice Department suite to discuss intelligence gathering for the campaign. According to sworn Senate testimony by Jeb Stuart Magruder, the deputy campaign director, Mr. Mitchell either selected or approved the selection of two targets for surveillance, Democratic Chairman O'Brien and Mr. Greenspun, the newspaper publisher; both presumably might have known about handling of the Dunes case and about Bebe Rebozo's and Donald Nixon's money connections to the Hughes empire.

Mr. Mitchell's Hindsight

Mr. Magruder has testified, and Mr. Mitchell has denied, that an intelligence-gatherers' meeting in the Attorney General's suite also discussed reasons for choosing these two targets.

According to Mr. Magruder, Mr. Mitchell wanted documentation from Mr. O'Brien's office about illegal corporate gifts to the Democrats, though that's a cauldron he might well have been reluctant to stir, considering GOP fund-raising transgressions at the time. The stated reason for checking on Mr. Greenspun's establishment—to obtain proof of hunting violations by Democratic aspirant Edmund Muskie—sounds even more implausible: the Muskie missteps had already been publicized in campaign flyers distributed by the Republican team.

Mr. Mitchell continues to assert that he always vetoed break-in plans put forward by subordinates. "In hindsight," he has testified, "I presume there were other people interested in the implementation of some type of activity in this area."

Apparently other people were interested, for the newly released White House tape transcripts indicate someone broke open publisher Greenspun's safe. When he learned of the episode, President Nixon cut loose with curse words and speculated that the burglars might have been seeking material tying Democratic Chairman O'Brien to the Howard Hughes organization.

The Tale of the Safe

"Can you tell me is that a serious thing?" Mr. Nixon asked aides H.R. Haldeman and John Ehrlichman on April 14, 1973. "Did they really try to get into Hank Greenspun?"

Ehrlichman: I guess they actually got in.

President: What in the name of (expletive deleted) though, has Hank Greenspun got . . . to do with Mitchell or anybody else?

Ehrlichman: Nothing. . . . Well you know the Hughes thing is cut into two factions—I don't even know—but they're fighting . . .

Haldeman: They busted his safe to get something out of it. Wasn't that it?

Ehrlichman: No, they flew out, broke his safe, got something out (unintelligible). Now as they sat there in my office—

President: Other delicate things, too. You've got, apart from my poor brother, which unfortunately or fortunately was a long time ago but, more recently, you've got Hubert Humphrey's son works for him (Mr. Hughes) and, of course, they're tied in with O'Brien I suppose. But maybe they were trying to get it for that reason.