Justice Comes in Strange Patterns

Milton Moskowitz

IT'S NOT so much that the wheels of justice grind slowly as that they grind in curious patterns.

Forbes, a magazine written and edited for people interested in making money in the stock market, summed it up well in its August 15 issue with the following comment:

"If you rob a bank with a gun and take, say, $50,000, you go to jail. What happens if you rob it of, say, a few hundred million, but with a pen, not a gun? The apparent answer is: Next to nothing happens to you."

C. Arnholt Smith

This caustic comment was prompted by the "justice" meted out to C. Arnholt Smith, the former chairman of San Diego's U.S. National Bank, who was responsible for what bankruptcy trustees called "one of the largest systematic lootings of a public company ever recorded in the history of this country."

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SMITH'S BANK went bust in October, 1973, under the weight of millions of dollars of bad loans made to companies controlled by — guess who? — Smith. The one-time confidant of Richard Nixon pleaded "no contest" to charges of conspiracy, misapplication of bank funds and making false entries on the bank's books.

For these misdeeds Smith was fined $30,000, to be paid at the rate of $100 a month over the next 25 years — with no interest. As Forbes aptly put it, this "was the merest slap on the wrist for one of the great swindlers of our time."

The Smith case brought to mind another bank swindle that surfaced several years ago. This involved the First National Bank of Cartersville, Ga.

Lamar B. Hill, former president of the Cartersville bank, embezzled $4.6 million and was sentenced to 10 years in jail. In reporting this outcome, The Wall Street Journal pointed out that just before Hill was sentenced, jail terms were meted out to three young bank robbers. They had stolen $13,800 from the First National Bank of Dalton, Ga. Their sentences? 16 years in jail.

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JUSTICE moved in the same mysterious fashion this summer. On August 12, in federal district court in New York, Leonard Hankin was fined $25,000 and sentenced to one day of unsupervised probation. Hankin is a department store executive and his offense was conspiring with officials of two other stores to fix the prices of women's clothing in the New York area.

The three stores were previously fined $50,000 apiece.

On that same day, August 12, there was an abrupt end to the trial of Abbott Laboratories in federal district court in New Bern, N.C. Abbott was on trial as a result of shipments of contaminated intravenous solutions.

It seems that Abbott, which held 45 per cent of the intravenous solution market, had a problem with faulty stoppers on its containers. This permitted live bacteria to be introduced into the solutions which hospitals use to replace lost body fluids and to treat shock.

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IN 1971, the federal government's Center for Disease Control reported that the Abbott-shipped solutions were associated with 934 cases of blood poisoning in 25 hospitals. Fifty persons died.

After bringing Abbott and five present or former employees of the company to trial, the Justice Department agreed to drop its charges and to allow Abbott to plead "no contest" to a single count of conspiracy. The original indictment contained 60 counts.

With that plea, the charges against the individuals were all dismissed. Abbott was fined the maximum penalty — $1000.