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Corporate Crime Workings Exposed

New York

Like an anthill that is suddenly overturned, some of America's largest and best known corporations last year reluctantly exposed a subterranean world of illegal or questionable business activities that had heretofore escaped public scrutiny.

Taking up where the Watergate special prosecutor's office left off, investigation by the Securities and Exchange Commission and by the Senate Multinationals subcommittee uncovered long-standing practices at companies like Gulf Oil, Lockheed Aircraft and Northrop that added up to what was described as a corporate crime wave and the second and larger half of Watergate.

Illegal domestic political contributions, big buck payoffs made to foreign officials for favorable treatment abroad, secret company slush funds, dummy foreign subsidiaries, numbered Swiss bank accounts and doctored corporate books were just some of the abuses detailed in congressional testimony and reports filed with the SEC.

The revelations raised troubling questions about the ethics and accountability of top management, which, in most cases authorized, supervised or kept one eye shut to the practices at the companies involved. And the integrity of corporate financial accounts was also at issue.

But running through the disclosures — both domestic and foreign — was the business-government connection.

And the main issue, baldly stated, was the attempted subversion of the political process and the corruption of government decision-making through the improper and profligate use of corporate cash. It should be noted that it usually took two to dance this sleazy tango.

Though a certain amount of graft has repeatedly been exposed as the grease that lubricates the relationship between business and government — both abroad, where payoffs to low level officials are considered a way of life in many countries, and at home, where bribes of local building inspectors make for recurring scandals — last year's disclosures were of a different magnitude altogether.

First, the amounts involved tallied in the millions of dollars.

A Library of Congress study in November said that since January 1, 1974, American companies had publicly admitted making more than \$300 million in questionable or illegal political payments. And as 1976 begins, companies continue to come forward with new admissions on almost a weekly basis, mainly concerning foreign activities.

Second, the recipients were not, in most cases, low-level functionaries.

The domestic recipients of the

Gulf and Western Stock Deal

New York

Gulf and Western Industries Inc. said last week it would buy up to 500,000 shares of common stock in Madison Square Garden Corp., raising its holdings from 37 per cent to 48 per cent of outstanding Garden shares.

The company says it now holds 1.78 million shares.

Gulf and Western said it would pay \$5.50 net cash per share and its offer would expire February 6, unless extended or terminated earlier.

Reuters

illegal corporate contributions included the campaigns of a former President, several candidates for that office, numerous U.S. senators and representatives and top state and local officials. And abroad, several heads of state supposedly received sizable payoffs.

The distinctions between business corrupting government and public officials shaking down corporations for campaign funds or other extortionary payments is frequently blurred in the cases that came to light.

The special company committee headed by New York lawyer John J. McCloy that investigated Gulf Oil Corp.'s political payments said, in its report to the SEC, that it became "acutely conscious of the fact that political contributions are urged on a corporate representative by the candidate or his fund raiser as frequently as they were initiated by the representative."

The report referred to the situation in Washington as a merry-go-round that is hard to get off once a company is on and said it found it hard to believe the claims by many of the politicians that they were unaware the cash-filled envelopes they were accepting from Gulf's lobbyists came from corporate funds.

Abroad, extortion rather than bribery would, for example, better describe Northrop's \$450,000 payment to two Saudi generals and Gulf's \$4 million in contributions to South Korea's ruling political party.

As 1976 begins, the bottom line on the disclosures has yet to be reached.

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