

Turning Justice Around

Troubling questions still surround the debate over the International Telephone and Telegraph Corporation; a pivotal mystery is what caused Assistant Attorney General Richard McLaren to change his mind about taking the case to the Supreme Court for a test of the permissible scope of conglomerate mergers. He had eagerly sought such a test. Yet he chose to accept instead an arrangement permitting the giant conglomerate to hold on to the billion-dollar Hartford Fire Insurance Company.

Two of the three factors which Mr. McLaren said turned him around are manifestly unimpressive. The first was I.T.T.'s contention that requiring it to give up Hartford Fire Insurance would inflict grave damage on the national economy and on the balance of payments; the second was a telephone call from the United States Treasury to the effect that, though the Treasury had not tried to check I.T.T.'s data and would make no comment on the fundamental competitive issues involved, there was merit in I.T.T.'s general economic argument about the balance of payments.

This leaves as the crucial factor that changed Mr. McLaren's mind a report by an outside financial analyst, Richard J. Ramsden, a partner in an investment management concern. The report was commissioned by White House aide Peter N. Flanigan, a former investment banker, who is President Nixon's chief liaison with the business community.

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The Ramsden report proves to be nothing more than a financial analyst's opinion of the value of I.T.T. and Hartford stock, separately and as a merged entity. The report concludes that divestiture of Hartford would have con-

siderably reduced the price of I.T.T. stock. Even if this analysis were correct, it is difficult to see why the predicted 16 per cent decline in I.T.T.'s stock would have been a good reason for dropping the antitrust suit against I.T.T. Are the antitrust laws to be enforced only when there is no damage to a company's stock price?

In fact, if acquiring Hartford so enhanced I.T.T.'s stock, this merely suggests that the huge conglomerate has indeed been given additional market power. This would be a point for the prosecution, not for the defense.

The Ramsden report says cautiously that Hartford Fire Insurance is "obviously not a major direct factor in I.T.T.'s over-all favorable balance of payments posture." It merely suggests that there might be some indirect negative effect on I.T.T. as an earner of foreign exchange, if divestiture affected the corporation's ability to get credit on favorable terms.

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Congress—and the courts—must get to the bottom of what really turned Mr. McLaren and the Justice Department around. Far more is at stake than the confirmation of Richard Kleindienst as Attorney General.

There is already a staggering list of matters that necessitate a full inquiry—the blatant shredding of documents in I.T.T.'s Washington files after disclosure of the first memo linking the company's financial gift to the Republican National Convention to settlement of antitrust suits against it; I.T.T.'s subsequent claim that the memo was a hoax—a claim cast in doubt by F.B.I. analyses; the heavy—and possibly illegal—selling of I.T.T. stock by corporate directors possessing inside knowledge of the antitrust negotiations; I.T.T.'s maneuvers with an Italian bank and American mutual fund that apparently enabled the company to retain control of Hartford Fire Insurance Company stock, of which the Internal Revenue Service had ordered it to divest itself in 1969; and the political deals—both in Washington and in Hartford, Conn.—that permitted I.T.T. to pull off the \$1.5 billion merger, the biggest in United States corporate history.

The I.T.T. case casts a shadow over the processes—and the so-called partnership—of big business and government in this country, a shadow that must be removed.