

Mitchell and Stans after the indictment: Could the scarred Administration find a new thrust?

## And the Mess Goes On

Richard Nixon dug in last week to save his Presidency from the Watergate mess—a tangle of corruption that has now become the most devastating scandal in American political history. He reiterated his own plea of injured innocence; he did an arm-waving, tough-it-out speech at a Republican fund dinner; he announced a shake-up that did away with his old authoritarian command structure and returned John Connally to Washington as part-time strongman. But nothing he said or did could staunch the flow of bad news that has now engulfed his government. Two of his charter Cabinet members, John Mitchell and Maurice Stans, were indicted for influence-peddling and perjury. The Pentagon papers case was thrown out of court, a casualty of ham-handed government tampering. The CIA, the FBI, the Justice and State departments, even the Marine Corps were tarred by scandal. The Ervin committee was set to begin its live-TV inquisition. And at the heart of it all, the President himself stood besieged, his popularity sagging, his Administration near shambles, his reputation—and his future—dangerously on the line.

Mr. Nixon's strategy for recovery was to contain the damage at lower echelons and go on about his Presidential business. His boldest single stroke toward this end was his topside realignment—a shuffle that looked like musical chairs, but was advertised as nothing less than an end to the Berlin Wall insularity of his first four and a half years.

Mr. Nixon resurrected Connally, a per-

sonal favorite and a possible successor, as an unpaid special adviser with both foreign and domestic responsibilities. CIA director James Schlesinger moved over to the Pentagon, replacing Attorney General-designate Elliot Richardson, and was succeeded in turn by his civilian deputy, William Colby. J. Fred Buzhardt Jr. shifted from Defense to the White House as special counsel on Watergate matters. The President abruptly aborted his four-month-old "supercrat" system, announcing that he would hereafter run the open Administration he used to talk so much about. And he was expected to call this week for the creation of a bipartisan reform commission to propose ways to stop various electoral abuses—including Watergate-style dirty tricks.

### The Wreckage

But the moves were patently more cosmetic than curative—a realignment of the survivors of the old crowd that had brought the Nixon Presidency near ruin. The extent of the devastation was only just coming clear through the pell-mell rush of disclosures. The scandal has generated four indictments this week with the main wave yet to come. It has driven a dozen more men from high office. It has wrecked reputations and broken careers: outgoing Attorney General Richard Kleindienst burst suddenly into tears at one routine staff meeting, and departed FBI director-designate L. Patrick Gray III told friends he contemplated suicide. It has disgraced the White House staff, tainted a half-dozen

other agencies and infected the processes of politics and justice in America. And it has crippled the Presidency. Watergate has dropped Mr. Nixon's Gallup rating to 48 per cent, matching the lowest of his tenure, and his ability to govern has diminished in direct proportion.

The news had become a daily torment for the President—a rush of accusation that dragged down one after another of his closest associates and now threatened his own defense of innocence betrayed. The week's worst tidings:

■ Mitchell, the law-and-order Attorney General of the first Nixon Administration, and Stans, the President's first Secretary of Commerce, were indicted on charges that they had sold their influence for \$250,000—not for themselves but for the Midas-rich Nixon campaign. The money—\$200,000 of it in cash—came from New Jersey financier Robert Vesco, who was under investigation by the Securities and Exchange Commission in a spectacular mutual-fund looting case; Mitchell and Stans promised to help, the government said, though the SEC wound up suing Vesco anyway. The charges were conspiracy and perjury, and the possible penalties—prison terms—a fate that has befallen only two Cabinet members in history.\*

\*The last previous loser: Warren Harding's Secretary of the Interior, Albert B. Fall, who served nine months on bribery charges growing out of the Teapot Dome scandal. Attorney General Harry Daugherty was indicted in the case but not convicted. Sixty-six years earlier, Jefferson Davis—Secretary of War in the Pierce Administration—was imprisoned for two years for his secessionist Presidency in the Civil War.



Photos by Wally McNamee—Newsweek

### Connally: Now, Assistant President?

■ The case against Daniel Ellsberg and Anthony Russo for having leaked the Pentagon papers was poisoned, in the end fatally, by a Kafkaesque series of secret-police operations run from the White House. John Ehrlichman, then Mr. Nixon's No. 1 domestic adviser, was disclosed to have drawn the CIA into this effort with a phone call to Gen. Robert E. Cushman Jr., then deputy CIA director and now Marine Corps commandant. The agency subsequently gave White House gumshoes E. Howard Hunt Jr. and G. Gordon Liddy the wigs, faked papers and technical equipment they used to case Ellsberg's psychiatrist's office for a burglary. But the last straw for Federal Judge W. Matthew Byrne Jr. was the revelation that the FBI had done its bit, too—by bugging a phone that Ellsberg was using during a critical period in the case. Byrne, exasperated, declared a mistrial and dismissed all the charges.

■ The President's own last-ditch defense took another blow during the week, this one from—of all people—his all-too-obedient servant, Patrick Gray. The onetime acting FBI director, himself a casualty of the scandal, told Senate investigators that he warned Mr. Nixon last July 6—three weeks after the Watergate break-in—that some of the men around him were meddling dangerously with the investigation. Gray meant (but did not name) Ehrlichman and John W. Dean III. The President, as he told it, sounded unconcerned at the time—"You keep up the investigation," Gray quoted him as having said—but the "meddling" thereafter stopped. Still, the story at the very least suggested that Mr. Nixon had been alerted early on to the cover-up attempt; his problem was that even suggestion shadows his absolute statement that he



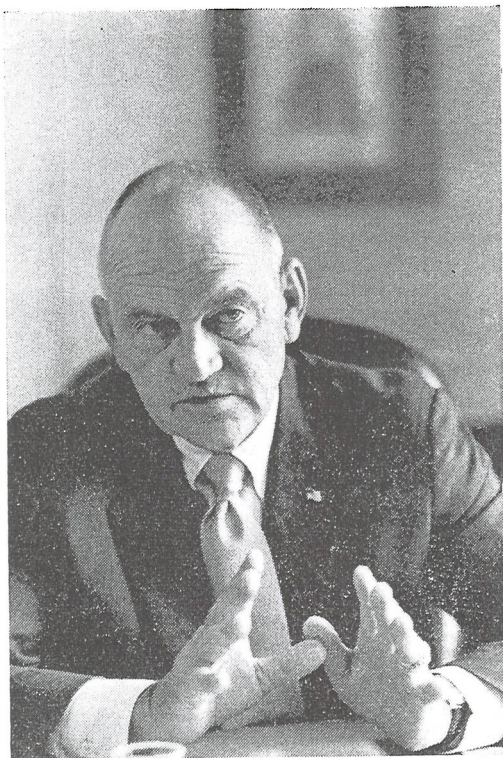
The Nixons at GOP fund-raiser: A hang-tough talk for the faithful

had no reason to suspect anything amiss among his men until eight weeks ago.

■ John Dean, the outcast White House lawyer who first pointed the finger at the President (NEWSWEEK, May 14), remained the walking powder keg in the case—a fact that he underscored last week with a new public declaration that some of his onetime colleagues are out to "get" him, and that he won't go quietly. Dean spent the week underground while his lawyers negotiated for immunity from prosecution—a license to talk that the Administration resisted, but the Ervin committee was more than willing to grant. Among his charges, he confirmed to NEWSWEEK's John Lindsay in an exclusive interview last week, was that he had never produced a report on the Watergate case—that Mr. Nixon had never asked him for one, and that he himself was "flabbergasted" at being quoted in the President's Aug. 29 statement that no current higher-ups were involved.

Dean's earlier charge to investigators—that Mr. Nixon was aware of the Watergate cover-up at least as early as last autumn—plainly touched a raw nerve among the Nixonians. The White House answered with a flat denial that the President was "aware of" the bugging or that he had "participated in" the cover-up. The choice of words seemed almost obtrusively careful—a lawyerly evasion of the issue of whether Mr. Nixon *knew* about the effort to cover the Administration's tracks. Newsmen quickly pounced on the distinction, and Presidential press secretary Ron Ziegler was obliged to come back next day insisting that the White House hadn't intended one.

Still, the President's last line of defense stood damaged, and he turned a long weekend in Key Biscayne into yet another crisis retreat. Some of his own people had begun sending him word that he had failed thus far to recover



Wally McNamee—Newsweek

Gray: A message for Mr. Nixon

## HOW GRAY TRIED TO 'WARN' NIXON

When L. Patrick Gray III resigned as acting director of the FBI three weeks ago, the chorus of relief around the White House could almost be heard in tourist country. Gray had wounded the Nixon Administration deeply; not only had he admitted handing over

FBI files on the Watergate bugging and burglary to White House counsel John W. Dean III, he had also confessed to destroying papers from Waterbugger E. Howard Hunt's safe given to him by Dean. But the White House rejoicing was at least premature; last week Gray surfaced again with an even more damaging story. As the details leaked out, Gray told Senate investigators that he had personally warned President Nixon less than three weeks after the Watergate burglary that White House top-siders were using both the FBI and the CIA to cover up the scandal.

As Gray told the story, he first suspected CIA involvement in the Watergate case the week after the burglary, when FBI agents investigating the case told him that the forged passports and fake identification papers found on the Waterbuggers bore the professional earmarks of first-rate CIA work. That embarrassing clue sent Gray to the phone to call Richard Helms, then chief of the CIA. "Is the CIA somehow involved in the Watergate?" Gray asked. Helms said no. But next day, according to Gray, the CIA's No. 2 man, Lt. Gen. Vernon A. Walters, informed him that "there was CIA involvement."

With that, Gray arranged a meeting with Helms and Walters to pin down the CIA role—and told White House counsel John Dean about the appointment. On the morning of the meeting, Gray says, he got a call from John Ehrlichman telling him to "cancel" it. "Who decides on these things?" Gray bristled. "You, Pat," Ehrlichman replied blandly. Gray dutifully scrubbed the appointment.

It gradually dawned on Gray that, whatever the fact of the matter, some-

body in the White House wanted him to believe that Watergate was a CIA caper and that he ought to lay off. Dean, he says, phoned him three times on July 3 with precisely that message. But Gray, still suspicious, asked the CIA—and got a denial. Gray may or may not have suspected at that point that the whole idea of a CIA connection had been designed to flimflam the FBI off the case. What he did sense was that the FBI was caught in the contradictions and unwelcome in the investigation. When Mr. Nixon called him on another matter on July 6, he blurted out the bad news: "Mr. President, you are being wounded by men around you . . . by men using the FBI and the CIA."

**Agony:** The President, Gray recounted, answered mildly: "You keep up the investigation." The "meddling" seemed to stop; Senate investigators were left to decide from Gray's raw unevaluated narrative whether Mr. Nixon really meant to call off his people or whether the Gray message merely forced the White House to replace the CIA cover story with a blanket cover-up. Gray, in any case, agonized for months ("He feels he tried to warn the President," a friend said, "and the President didn't heed the warning")—and as a patriot, he told friends, he once even contemplated suicide.

But in the end, like so many others tarred by Watergate, Gray may have been trying to hedge his bets. Gray also disclosed for the first time that he had not put Hunt's papers straightaway in an FBI "burn bag." Instead, he squirreled them away for six months and burned them at his home in Connecticut—only after the White House assured him he would be permanent director of the FBI.

the initiative in the case—that he had appeared to be reacting grudgingly to pressure rather than trying genuinely to clean house. The polls bore out that his son-of-Checkers speech a fortnight ago had not retrieved his standing: a 54-37 majority in a post-speech Harris survey found his credibility so damaged that it would be difficult for him to be an effective President again.

But in the end the President resisted the pressure to do something melodramatic, and instead followed the counsel of more cautious aides: to hunker down, try to keep his own name clear and do his best to reconstitute the government. "All we can hope for," said one man in this car . . . , "is that the story will die down to headlines only once or twice a week, and we can begin to get attention with the business of government on the off days."

Mr. Nixon's strategy, as it evolved in conferences with his closest surviving intimates at the Florida White House, was tailored to suit. He convened his demoralized White House staff shortly after his return and laid down the new line: there was "full recognition" of the

Watergate problem, he said, and it would be "handled in the proper way." But, he went on, "we've got many important things to do and we are going to get them done." They would, moreover, be done in different ways; the old White House oligarchy that had insulated him so long was gone, and the doors were to be open to the Cabinet.

### 'The Finest Steel'

Mr. Nixon repackaged the message for public consumption at a \$1,000-a-plate party dinner that night at the Washington Hilton. Watergate had rather palled the affair: 500 of the 1,500 guests were freeloading, the take was less than half the hoped-for \$2 million, and some of the President's advisers thought he ought to talk about something else. But the crowd buoyed him, getting up from their strawberries in Grand Marnier for a minute-and-a-half standing ovation. He responded with a hang-tough pep talk reducing Watergate to a "deplorable incident," pledging that his new team at the Justice Department would get to the bottom of it and assuring everybody "that the business of

your government is going forward." Just six months after his re-election landslide, he felt constrained to remind a Republican audience that he hadn't come as a loser. "The finest steel," he said, "has to go through the hottest fires."

"The boss is coming out fighting," exulted one White House staffer listening to the speech. But phase two of the counteroffensive, the command shake-up Mr. Nixon announced the next day, was considerably more switch than fight. The personnel shifts were mostly unremarkable, a patch job thrust on the President by his ongoing purge and accomplished by re-slotting old faces in new jobs (page 20). The competence of the principals, notably Schlesinger and Colby, was assumed but was not decisive in the strained climate of Watergate. "Where's the new faces?" complained one Republican regular. "Where's the new blood coming in?"

The newest to Washington was Connally's, returning to the President's service "something like" three days a week, and his reincarnation was hardly likely to satisfy the President's critics. His character, for one thing, was shadowy—a kind

of Assistant Presidency without pay, portfolio or accountability. His ambitions were suspect to the party regulars, who had not had time in the fortnight since his switch to get used to the idea that he was one of them now. And his own credibility was shadowed at one remove by Watergate. His Houston law firm, it developed, represents the Gulf Resources & Chemical Corp., which is under investigation in connection with a secret \$100,000 gift to the Nixon campaign; part of the money was laundered through a Mexican bank and ultimately paid into the account of one of the Watergate gang. Connally felt obliged to take a leave of absence from the firm—and even then arrived faintly tarnished as a man charged with helping restore public trust in the Nixon government.

**The New Order**

One of Connally's first assignments will be to run the in-house reorganization—an effort intended, according to its advance billing, to break up the autocracy built by Ehrlichman and H.R. Haldeman and open lines of communication to the Cabinet, the Congress, even the press. The first casualty will be the supercrat system installed with great fanfare only last January as a means of consolidating authority in the White House; three Cabinet ministers (Agriculture's Earl Butz, Health, Education and Welfare's Caspar Weinberger, Housing and Urban Development's James T. Lynn) turned in their dual portfolios as counselors to the President and returned to the rank and file.

The intent was bold and the prospect happy, if the new order in fact airs out the closet government in which Watergate became possible. The problem is that the old order was designed precisely to suit the needs and tastes of the President. "He is basically a loner," one staffer said, and the guessing was that the new system would turn out to be as

insular, if not quite so airless, as the old.

The first order of business was still to guarantee the survival of the President—and if a blanket defense was no longer possible, Mr. Nixon and his men did what they could to reduce the direct dangers to him. They promulgated new guidelines on executive privilege, asserting the right of White House staffers to refuse to testify about conversations with or about the President or to disclose any official papers at all. They won the right to have a staff lawyer sit in on not only the Ervin hearings but the preliminary questioning of witnesses as well—a duty that presumably will fall to Buzhardt as the President's new Watergate counsel. They hinted they would stall John Dean's grant of immunity to testify before the Ervin committee. They pooh-poohed the documents Dean has squirreled away in a safe-deposit box—one prosecutor said they have "nothing to do with anything"—and demanded in court that the originals be returned.

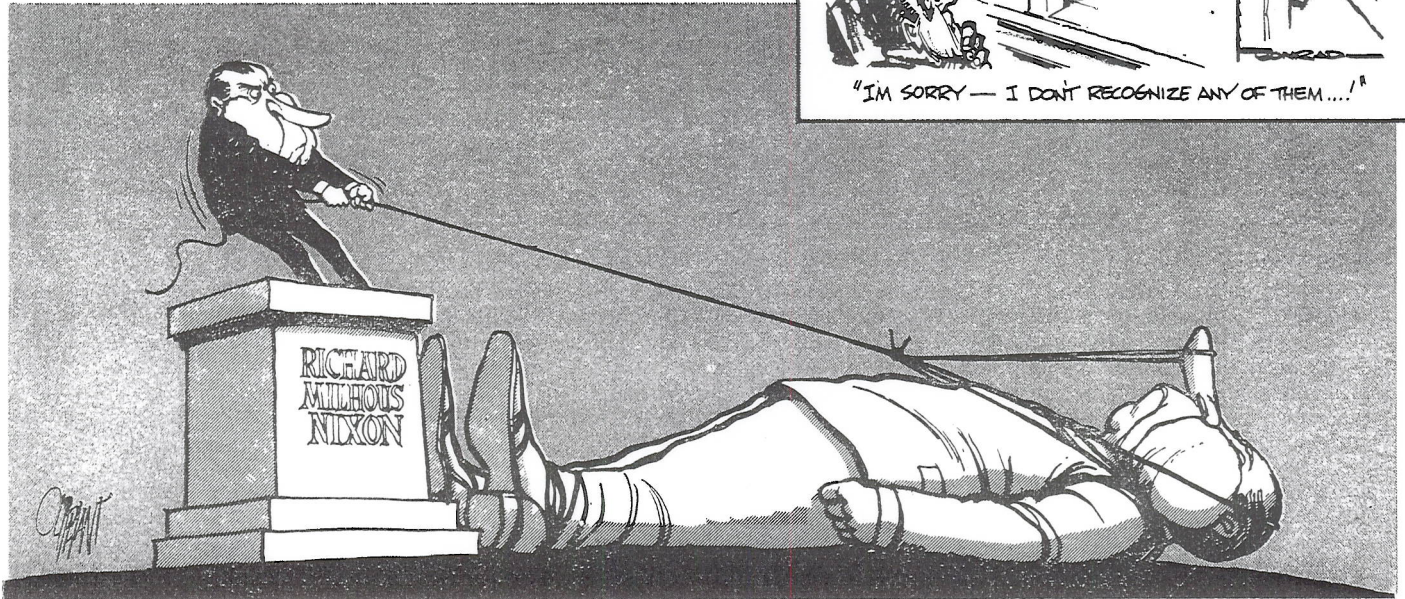
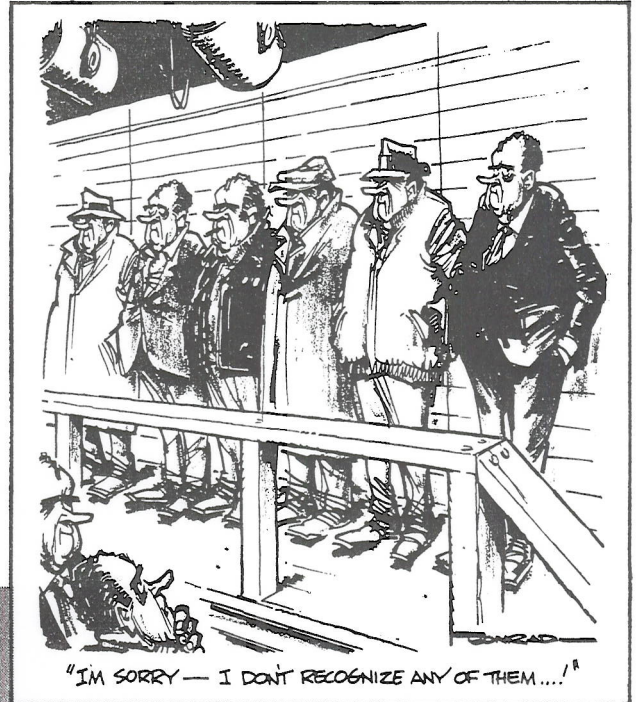
It was an effort joined, to his subsequent embarrassment, by the President himself: he was alleged to have tried twice to bottle up reports on the Ellsberg burglary—both times on the tenuous ground that to disclose it might endanger the nation's security. In mid-April, the story went, John Dean tipped the Justice Department's Watergate team to the burglary. Henry Petersen, who heads the team, twice urged Mr. Nixon to make it known to Judge Byrne; the President said no both times and relented only when Petersen's boss, Kleindienst, insisted on it. Later, it became clear that

Egil Krogh, the onetime White House staffer who cleared the burglary, would have to testify; Mr. Nixon again expressed reluctance to have the tale surface—and again gave national security as his reason. This time, Elliot Richardson intervened with the President and got Krogh's affidavit on the case released to Byrne. Richardson's leverage, one source told NEWSWEEK, was an implied threat to quit—a move that would have wrecked Mr. Nixon's current show of trying to get to the bottom of the case.

**'Adam's Off Ox'**

Richardson, a stiff-backed Brahmin with political ambitions of his own, spent three uncomfortable days defending his integrity before the Senate Judiciary Committee—and in the process putting as much distance as he could between himself and the Nixon crowd. As a Republican, he said at one point, he felt "betrayed by the shoddy standards of morals" of some of his colleagues and so

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Two views of a beleaguered President: The polls were sagging, the future in doubt

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would not be compromised by association with them. Still, some senators remained disturbed by the appearance of the thing—"There are a couple hundred million people," Michigan's Philip Hart told him gently, "who don't know you or me from Adam's off ox"—and they hectoring Richardson to repose absolute authority over the case in the special prosecutor he is expected to choose this week. Richardson resisted; his own confirmation as Attorney General might be

delayed or even defeated as a result.

What the senators were saying in effect was that the Administration simply cannot be trusted to investigate itself—not in a case that could yet involve the President. Sam Ervin's committee of inquiry was the only alternative theater of disclosure; the committee scheduled its opening hearing for late this week and published a list of its first twenty witnesses, with minor players leading the parade and big names like Dean (No.

13), Mitchell (No. 17), Ehrlichman (No. 19) and Haldeman (No. 20) well down the line. The committee, which started in business knowing it was likely to embarrass the President, has lately had to live with the unsettling thought that it might wind up implicating him. It has turned up no such proof so far; the question among some of the younger senators and staffers is how hard an old Establishmentarian like Senator Ervin will push to find any. "He's a nineteenth-

## NIXON'S NEWER FACES OF '73

Richard Nixon sprang no real surprises when he restaffed his shattered Administration last week—and as the key new figures, John Connally and Elliot Richardson needed no new introduction. But three other topsiders—James R. Schlesinger as Secretary of Defense, William E. Colby as CIA director and J. Fred Buzhardt as Mr. Nixon's Watergate counsel—have been less conspicuous. Who are

sinecures, and even had a new sign put up in Langley, Va., identifying the CIA headquarters as something other than a "highway research station."

Though Schlesinger's new assignment will be his first in the Defense nucleus, he has been circling around it for most of his career. A summa cum laude graduate with a Harvard Ph.D. in economics, Schlesinger became an analyst in

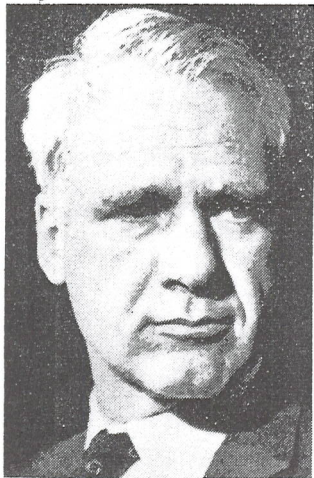
("the professional's professional") and lukewarm acquaintances ("the complete apparatchik") in almost the same terms. He is thoroughly competent, courteous, low-key, and sometimes almost invisible—none of which is especially surprising for someone whose entire career has been spent in clandestine intelligence.

Colby joined Gen. William (Wild Bill) Donovan's Office of Strategic Services in 1943 and parachuted behind enemy lines to join a French Resistance unit. After the war, he worked in Donovan's New York City law firm until he joined the newly formed CIA in 1950. Except for a three-year stint in Vietnam running the controversial rural-pacification program, he has been in the agency ever since, rising to his current post as deputy director in charge of operations—the so-called department of dirty tricks.

Colby won't have an easy time as director if he tries, as he well might, to pick up where Schlesinger left off. As one official put it, "A lot of people whose jobs were being eliminated looked to Colby as their route of appeal."

■ "Fred was never liked by the White House in-crowd," a Washington insider told NEWSWEEK's Thomas DeFrank last week, "because of his reluctance to say 'yes' every time they called." That may be precisely why Mr. Nixon has now asked Fred Buzhardt to join the new in-crowd, becoming his interim counsel on the Watergate affair. Buzhardt is widely respected as his own man. As the Pentagon's chief legal officer for almost three years, he has been intimately involved in such matters as the Pentagon papers trial. But he is also said to have resisted attempts made in 1971 by some of the Watergate conspirators to see classified Defense Department documents.

Reclusive in both his private and public life, the 49-year-old conservative Republican from Greenwood, S.C., spent eight years on Capitol Hill as an aide to Sen. Strom Thurmond. At the Pentagon, he quickly became one of Defense Secretary Melvin Laird's closest advisers—on everything, said one colleague, "from civil rights to dropping bombs." Buzhardt has been highly praised by his latest chief as well. "He is a man who finds solutions," Elliot Richardson said in a recent speech. "In Fred's case, there is always a way to get there from here, and it is always a legal way."



Schlesinger, Buzhardt, Colby: Switched, promoted and summoned to court

the newer faces? What can be expected of them in their new assignments?

■ With James Schlesinger on his way to the Pentagon, "Pentagonese" may at last be on the way out. As chairman of the Atomic Energy Commission, Schlesinger was once treated to a military-style briefing when he suddenly stopped the slide show. "Cut out the Pentagon crap," he barked. "Just give me the facts."

Schlesinger's reputation as a tough manager is not built on style alone. In his sojourn since February as director of the Central Intelligence Agency, Schlesinger has done more shaking up and cutting down than anyone expected—except perhaps for those who, like the President, had read his recommendations for drastically reshaping the whole intelligence apparatus. In less than four months, Schlesinger chopped 700 heads, announced that there were too many aging spies hanging around in overseas

national security affairs at California's elite outpost of the defense establishment, the Rand Corporation. From there, it was a short career hop in 1969 to the President's retooled Office of Management and Budget, where Schlesinger oversaw—and slashed by some \$6 billion—the Defense Department budget. Before going to the CIA, he also ran the Atomic Energy Commission, giving it a new consumer- and ecology-oriented image. At 44 the youngest man ever to be nominated for the Defense post, Schlesinger looks disarmingly professorial with his occasional loose shirttails, rumpled hair and pipe. But no one at the Pentagon is likely to be fooled for very long.

■ Charter hands, veteran spies and middle managers of the CIA all heaved a collective sigh of relief when the President nominated William Colby, 53, to be the new director of the agency. For Colby is invariably described by friends



Wally McNamee—Newsweek

Auld acquaintance: Vesco (white tie, second row left) joins applause for Mr. Nixon at a New York dinner in 1968

century man," said one junior Democrat, "and this is 1984."

The deterrent operating on the Hill was the certainty that to implicate the President on hard evidence would force Congress to the next step: impeaching him. That possibility is now the common talk of the cloakrooms, though it is still largely taboo on the floor. The source of the hesitation is not affection for Mr. Nixon; Congress—his own restive party mates included—found other ways to punish him, memorably with a stinging House vote to deny him funds to continue the bombing of Cambodia (page 37). What slowed the pursuit instead was simple reverence for the Presidency. "I do not like Mr. Nixon," said one House Democrat. "I have never liked Mr. Nixon. But God damn it, in a country that's gone through an assassination and a long, divisive war in the past ten years, you just don't take something as traumatic as impeachment very lightly."

#### Working in the Shadow

The President seemed at least outwardly confident last week that it would never come to that—that he had put the worst of the danger behind him and had begun governing again. "We've turned the corner on Watergate," one associate said. "It's January 1969 all over again." But ahead lay the Ervin hearings, and two civil trials, and four grand-jury investigations, and a whole new run of criminal proceedings—a train of events that will be a source of constant pain for the government and constant peril to the President. Mr. Nixon has now signaled his determination to stick it out and he has begun reordering his Administration accordingly. Unavoidably, however, he will be working in the shadow of Watergate, and in the unremitting threat it poses to his own survival.

## A Connection Named Vesco

Watergate had been a Washington story from the beginning, and only those closest to the case had paid much attention to the low-profile Federal grand jury in New York that had been looking into the contribution of \$200,000 in cash to Mr. Nixon's re-election chest by free-booting financier Robert L. Vesco (NEWSWEEK, May 7). But last week the grand jury returned its indictments, and they were blockbusters.

■ Charged with conspiracy to defraud the U.S. and to obstruct justice were former Attorney General and Presidential campaign manager John N. Mitchell and former Commerce Secretary Maurice H. Stans, Mr. Nixon's chief re-election fund-raiser, together with Vesco and a former New Jersey GOP politician named Harry L. Sears.

■ Mitchell and Stans were also charged with six counts of perjury stemming from their earlier grand jury testimony.

"My God, I'm just stunned," said one of Stans's attorneys. "There seems to be such detail. I'm stunned."

Mitchell appeared to be no less flabbergasted. Though he had read press reports of imminent indictments that very morning, he called them "ridiculous" and proceeded on schedule to Washington and a planned appearance before Sen. Sam Ervin's special investigating committee. It was not until Mitchell reached his lawyer's office in the Capital that he learned he had been indicted. The former A.G. immediately went into the bathroom ("he appeared to be sick," said an associate), then emerged pale and haggard and headed for Capitol Hill, telling reporters as he went that he was "certain that the judicial proceedings

in this case will fully vindicate me and confirm the absence of any wrongdoing." Stans also declared that "I will be vindicated," and Sears said through his attorney that he was "innocent of all wrongdoing." Only Vesco remained silent; he was in the Bahamas, reportedly trying to renounce his American citizenship.

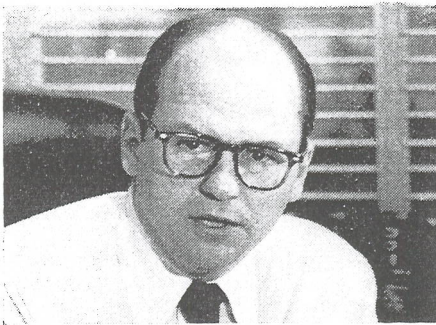
Mitchell and Stans were the first Cabinet members to be formally accused of criminal acts since Harry Daugherty and Albert B. Fall—Attorney General and Interior Secretary respectively in Warren G. Harding's Cabinet—were charged in the Teapot Dome scandal 50 years ago. In addition, the names of three Nixons—Edward and F. Donald Nixon, the President's brothers, and his nephew Donald—appeared modestly in the Vesco maze, and Securities and Exchange Commission chairman G. Bradford Cook was severely enough implicated (though not charged) that some Washington sources expected him to resign.

#### Bill of Particulars

The 46-page New York indictment was released by a Mitchell appointee, U.S. Attorney Whitney North Seymour, in his last days in office. The charges affirmed and enlarged upon accusations made by Harry Sears in a lengthy deposition released nearly three months ago. In broad outline, the indictment charged that Vesco secretly and illegally sent \$200,000 in cash to Stans on April 10 last year, that Mitchell interceded on Vesco's behalf with the SEC, which was investigating the peculiarities of Vesco's take-over of the Investors Overseas Services, Ltd., and that all parties then conspired to cover up the \$200,000 contribu-



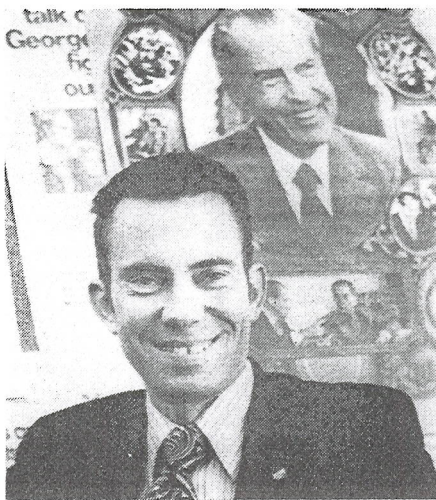
Casey: Willing to listen



Cook: Duckblind delicacies



Sears: Pay now, talk later



**NATIONAL AFFAIRS**

tion and the uses to which it subsequently had been put.

When none of these maneuvers seemed to do much good in thwarting the main SEC investigation, the indictment charged, Vesco wrote to F. Donald Nixon, the President's 57-year-old brother, a few days before last year's election, threatening to disclose his *sub rosa* gift unless the SEC probe were entirely quashed. This memo "came to the attention of Mitchell," the indictment said. After receiving this and two other threats, Mitchell allegedly relayed a request to SEC chairman William Casey to delay a number of SEC subpoenas.

**\$250,000 Would Suffice**

As detailed by the indictment, the conspiracy goes back to June or July of 1971. Vesco allegedly sent Sears, a former New Jersey state senator and later a director of Vesco's International Controls Corp., to talk with Mitchell about the bothersome SEC. The commission had begun investigating Vesco even before the IOS looting—in which, the SEC charges, Vesco foisted off on IOS huge holdings in shadowy foreign companies in exchange for U.S. blue-chip stocks. Several unproductive meetings with Mitchell and Stans ensued over the following year, and on March 8, 1972, Vesco himself braced Stans with a dazzling offer—allegedly as much as \$500,000, to be given to the Committee for the Re-election of the President in return for favorable intercession with the SEC. According to the indictment, Stans replied that \$250,000 would suffice and asked that it be delivered before April 7, the day on which a new law went into effect banning secret contributions. Vesco left that meeting and headed immediately to the CRP offices of John Mitchell, who had recently left Justice to head up Mr. Nixon's re-election campaign.

On April 10—three days after the new law on campaign donations went into effect—Vesco had two lieutenants deliver \$200,000 in \$100 bills to Stans's office (he had verified through Edward

Nixon, according to grand jury testimony, that Stans would prefer the donation in cash). Two hours later, Sears told Mitchell that the money had been handed over, and three hours after that, the grand jury charged, Sears finally got in to see the SEC's chairman, William Casey, and G. Bradford Cook, then its general counsel, who was heading the investigation. It was a meeting, said the indictment, "arranged by the defendant John N. Mitchell earlier that day."

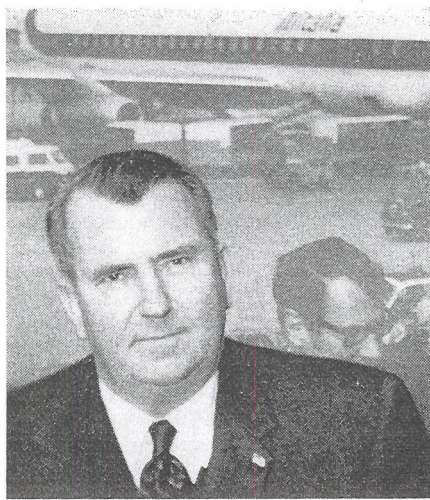
Whatever the outcome of this and several subsequent conversations between Sears and the SEC head, the investigation continued—and Vesco began showing signs of panic. In July 1972, he prevailed upon Jose Figueres, the President of Costa Rica (where Vesco has invested tens of millions), to write to President Nixon saying that Costa Rica's place as "a showpiece of democratic development" was threatened by the SEC probe.

Three months later, the indictment said, Vesco threatened to tell the whole story of his contribution unless the SEC subpoena against him was withdrawn. And in the days just prior to the election, Vesco "did attempt to submit a written memorandum," in the words of the indictment, "to Donald Nixon, the brother of the President of the United States, the purport and tenor of which was to threaten disclosure of the secret cash contribution and other adverse consequences unless the SEC was directed to drop all proceedings against Vesco." That memo found its way to Mitchell (the indictment did not say how), who turned it over to Sears and apparently said nothing more about it—and Vesco seemingly reconsidered his threat.

**Embarrassments All Around**

The main course of the SEC's investigation was evidently undeflected by Vesco's blandishments, and the agency ultimately accused him of looting \$224 million from investors in IOS. But the financier's campaign contribution was almost as much an embarrassment to the agency as it was to CRP. For Cook himself had shown a keen interest in tracing the cash, and he seemingly took unusual pains to make sure that Stans knew how the investigation was getting on.

Cook has told conflicting stories, but in an interview last week with NEWSWEEK's Mike Ruby, Cook said he discussed the Vesco case with Stans while the two men were hunting geese in a Texas marsh last Nov. 13. Cook voiced his suspicions about the origins of the money, Cook said, and Stans replied: "If we've got any money [from Vesco] we'd have it in checks." Stans allegedly asked whether the SEC was inquiring only into the source of Vesco's contribution or into the uses to which it had been put. Cook said he had replied that the question hadn't been decided yet. Cook also told Stans that he thought he would "make a run for the chairmanship" of the SEC when Casey left for another post in January of 1973, and in due course Stans



Edward and Donald Nixon: Cash on the line

## NATIONAL AFFAIRS

said "he would put in a good word" for Cook with the White House. Cook was named SEC chairman last February and confirmed later that month.

The grand jury indictment contained no hint of these duck-blind delicacies, but it did charge that Stans had engaged Cook's help in trying to cover up the Vesco contribution. At the urging of Stans, the grand jury said, all specific references to the secret \$200,000 gift were deleted from the SEC's final charges, and transcripts of testimony mentioning the contribution were withheld from public filing.

### Into the Wall Safe

Whether this interlocking but disputed set of coincidences will be enough to sustain a conspiracy charge is open to question, some legal experts said after reading the indictment. But the inclusion of specific perjury charges may well have increased the over-all chances of gaining some kind of conviction. Mitchell is accused, among other things, of having lied to the grand jury about his discussions with Sears concerning the SEC and Vesco, and Stans with having lied about asking for the donation in cash. ("We had no need for cash," Stans assured the grand jury, though in fact this \$200,000 allegedly went into Stans's wall safe to help pay for the CRP's campaign-espionage operations.)

Though perjury and conspiracy charges are difficult to sustain when one man's word is simply matched against another's, *NEWSWEEK's* Rich Thomas has learned that the government will be going into court with multiple witnesses against the defendants on most of the specific counts. Harry Sears, though a co-defendant himself, has testified copiously and may turn state's evidence, hoping for a reduced sentence. In addition, White House counsel John Dean has testified before the New York grand jury on his role as a go-between for Mitchell, and Laurence Richardson, a former Vesco lieutenant whose testimony last January launched the super-secret four-month grand jury investigation, was in on many of Vesco's dealings at the core. Several other well-connected figures, including the President's two brothers, are reportedly ready to corroborate specific points against the two former Cabinet officers.

Whatever the outcome of the trial, last week's revelations are expected to do irreparable damage to the career of SEC chairman Cook—a particular irony in view of the SEC's germinal role in the Vesco case. As for Mitchell and Stans, they face possible jail terms of 50 years and fines of \$75,000 if convicted on all counts—with legal disbarment for Mitchell if he is found guilty on any of the charges. But the 37-year-old Vesco has been riding out the whirlwind with his millions in the Bahamas and Costa Rica—and informed legal opinion is that there may be no way to extradite him for anything.



Last laugh: The Ellsbergs and a juror (right) celebrate dismissal

## Ellsberg: Case Dismissed

As the scandal unfolded and the trial droned on, each new disclosure made the once-distinct Watergate and Ellsberg cases look more like two sides of the same bad penny. Both uncovered an astonishing network of clandestine operations and backstage cover-ups that spread from the White House and involved an interchangeable cast of shady characters. By last week, evidence of misconduct by the Nixon Administration in the Ellsberg affair had grown to such proportions that presiding judge W. Matthew Byrne Jr. finally dismissed all charges against Pentagon-papers defendants Daniel Ellsberg and Anthony Russo, ordering that they should never be brought to trial again. "The conduct of the government," said the angry Byrne, "has placed this case in such a posture that it precludes the fair and dispassionate resolution of . . . issues by the jury."

The developments leading up to last week's dramatic decision showed more clearly than ever how the ends-justify-means doctrine of Watergate had tainted the government in general and three of its most highly sensitive agencies—the State Department, the FBI and the CIA—in particular. First the CIA admitted the "ill-advised act" of providing technical assistance to the Ellsburgars. Then came the Justice Department's belated disclosure that Ellsberg had been a subject of FBI wiretapping in late 1969 and early 1970—long before the Pentagon papers were published—but that documents relating to those taps had mysteriously disappeared from bureau files.

What's more, E. Howard Hunt Jr., the onetime White House staffer and Nixon campaign aide who helped plan

the "bag job" at the office of Ellsberg's psychiatrist and Watergate as well, testified to further dirty tricks. Hunt said he had been given access to 240 top-secret State Department cables, with which he had prepared two forgeries indicating that John F. Kennedy ordered the 1963 assassination of South Vietnamese President Ngo Dinh Diem.

It was the Justice Department's admission about the Ellsberg wiretap that most infuriated Judge Byrne, who had asked the government a year ago for a full accounting of all bugs and taps involving the former Pentagon researcher, his co-defendant and their attorneys. A "preliminary report" on the matter from William D. Ruckelshaus, newly named acting director of the FBI, said that Ellsberg had been overheard during a call he made from the Bethesda, Md., home of Morton B. Halperin, a director of the Pentagon-papers study and then a consultant to the National Security Council. No record of the conversation could be found, said Ruckelshaus, but a bureau employee recalled it.

### 'The Right Way to End It'

That put the prosecution in a bind. Without any records of the Halperin tap and others associated with it, there was no way of telling what Ellsberg had been overheard to say or whether anybody else in the case had been recorded. According to sources familiar with the surveillance operation—originally authorized in 1969 by Attorney General John Mitchell—it covered reporters for at least three newspapers (The Washington Post, The New York Times, and The Sunday Times of London) and sev-