

The Gulf Scandal

The finding of a special review committee, headed by John J. McCloy, that Gulf Oil Corporation's clandestine political activities were "shot through with illegality" is a heavy blow to the corporation and its top executives. But, unfortunately, Gulf is not alone in having maintained a political slush fund, in doling out secret payments to politicians at home and abroad in exchange for favors. The McCloy report should serve as warning to all other corporation executives who by similar actions, have imperiled not only their own companies but respect for a free economic system and the democratic process itself.

This illicit political activity by Gulf stemmed basically from the belief of Gulf's top management—a belief widely shared by other corporate heads—that they could not fully rely on the ordinary workings of the American democratic process to safeguard their business interests.

To get the treatment they thought their company and industry deserved, Gulf's managers violated Federal, and in some cases state and foreign laws as well. The end of the affair for Gulf came when, as a result of the Watergate special prosecutor's investigations, the company decided it had better admit publicly that it had made a \$100,000 contribution to help re-elect President Nixon. But many politicians other than Mr. Nixon had been the recipients of the more than \$12 million that Gulf had paid out after its slush fund was set up in the late 1950's.

It would be a grievous mistake to suppose that Gulf and companies that behaved as it did had no choice but to subvert the democratic process by using corporate money to buy political influence. Many other corporations—most of them, in fact—have not behaved illegally, either at home or abroad. Some of the most successful companies have found that cleanliness ultimately worked as a benefit, not a cost, to their business. However, the reputation of all business suffers from the excesses of those executives who behave in flagrant disregard of the laws and of the principles that they pretend to respect.

There is no easy "technical" solution to this moral and legal problem. The McCloy committee, urging abolition of all "off-the-books" funds for political payments or any other purpose, whether legal or not, correctly and forcefully states that it is "the tone and purpose given to the company by its top management" that will determine whether or not white-collar corporate crime and political bribery will be eradicated.

Business executives, like the rest of us, have to learn to respect the democratic system—and help to build one to respect the democratic system—and worthy of respect. If they do not, they will find, sooner or later, that they have become prisoners of the politicians they sought to buy and control. And they will so infect the public with distrust of democracy and of business corporations as to endanger the free political and economic system itself.