Gulf Oil's Directors Debating Response to Scandal

Meeting on Slush Fund Report May Signal Stance of Big Business on Credibility

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Bob R. Dorsey, chairman of Gulf Oil Corporation.

Dorsey Resignation Rumor Is Denied

Economic Analysis

PITTSBURGH, Jan. 12—Directors of the embattled Gulf Oil Corporation gathered at the company's headquarters here late today to chart Gulf's response to a highly critical court-ordered report that dissected the company's illegal political contributions.

The report, issued two weeks ago, traced the origins and operation of Gulf's political slush fund through the administrations of three chief executives. It also questioned the performance of a number of Gulf's current officials, including its 63-year-old chairman Bob R. Dorsey, who inherited the illegal fund.

The directors were expected to discuss Mr. Dorsey's continuing role at Gulf. The meeting was to continue tomorrow. There was no indication whether any announcement would be made.

A company spokesman said today that both Mr. Dorsey and E. D. Brockett, his predecessor as chairman and still a board member, would remove themselves from the boards deliberations, as recommended by the court-ordered report, when the company's illegal political activity was considered.

Gulf's public relations department early this evening denied a rumor that Mr. Dorsey was planning to resign. Mr. Dorsey has stated a number of times that he played no role in the company's illegal activities and intended to stay on as the company's chief executive.

The directors' decisions are widely awaited as an indication of the response by big business to questions of integrity and credibility with the public.

Reputation Damaged

Some Pittsburgh businessmen say hat whether the directors decide to make changes in the executive suite or not, Gulf's reputation has already been damaged.

"I'd say they're in serious trouble, individually and as company," a steel company executive said. "But when your buddy's got cancer, you don't go down the street shouting about it."

In recent months, there have been numerous published accounts of Gulf operatives criss crossing the country, handing out cash in sealed envelopes to politicians at virtually every level of government.

Gulf is the largest corporation to admit widespread use of company funds for such illegal purposes, and information already made public by investigators has made it clear that Gulfs illegal domestic activity far outstrips anything known about other American companies.

Gulf has also admitted paying almost $5 million to foreign governments over the last decade. Such contributions include $4 million to South Korea's governing Democratic Republican party prior to the 1971 elections, and $460,000 to government officials in Bolivia.

As a result of these disclosures, and accounts of similar activity in the United States and overseas by other large corporations, many individuals have expressed disillusionment about the ethics of American business.

'Back to the 1930's'

"In the 1960's, we built a pretty good public acceptance of business," said one Pittsburgh steel executive who has been watching the Gulf case closely. "Now we're right back to the 1930's."

So far, punishment for corporate transgressions has been minimal. Two years ago, for example, Gulf was fined $5,000 after pleading guilty to illegally contributing $100,000 to the Nixon re-election campaign of 1972. In size, the fine paid by the nation's seventh-largest company would be comparable to a 1 cent penalty paid by an individual with a gross income of $33,000.

However, the battle over cor-

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porate ethics is being fought not only in the courtroom but also in the arena of public opinion, where the following questions are being raised:

¶How typical is Gulf's behavior? What percentage of American corporations pay off politicians and bribe foreign governments? How involved in such activities are the chief executives?

¶If such illegal activity is widespread, does it mean that the competitive edge for some American companies is so finely honed that the ultimate advantage must come from illegal payoffs and behind-the-scenes influence?

¶Have the Justice Department and Congress winked at domestic illegalities? Has the State Department turned a blind eye to overseas bribes? Have corporate auditors ignored massive slush funds funneled through Switzerland or the Bahamas?

¶If payoffs and bribery are part of the American way of doing business, what do businessmen think about it? Can the Government be counted on to clean it up?

Despite a flurry of investigations there still are more questions than answers. Government investigators have said that as many as one-third of the nation's 500 largest corporations may have indulged in serious illegal political activity.

Most businessmen express the opposite view and say the guilty companies that have emerged — including such names as Northrop, Minnesota Mining and Manufacturing, Lockheed and United Brands as well as Gulf—are aberrations, and that the vast majority of American companies are both honest and ethical.

However, critics note that the companies identified thus far have emerged almost by accident, rather than by any careful screening process designed to ferret out the worst offenders.

Most of the companies were listed on a White House document naming contributors to the Nixon re-election campaign. Others emerged as offshoots of investigations by the Watergate Special Prosecutor and the Securities and Exchange Commission of companies on the original White House list.

An amnesty offer by the S.E.C. to any company that admitted to making political contributions elicited a few more admissions.

For the most part, there has been no detailed search by government investigators of corporate books for evidence of overseas slush funds or unaccounted-for cash that might have been secretly funneled to politicians.

Although Pittsburgh is an industrial city, and home for such corporate and financial names as United States Steel, Westinghouse, Alcoa and the Mellon National Bank, the Gulf scandal is taking second place this week as a topic of conversation.

Next Sunday's Super Bowl football game, with the Pittsburgh Steelers battling the Dallas Cowboys, dominates discussions here, even in the prestigious old Duquesne Club, haunt of the city's élite, where a Gulf executive once knocked down the company's chairman, W. K. Whiteford, in an argument over illegal contributions.

Still, Gulf creeps into conversations from time to time and almost always there is a tone of sadness or resignation tinged with anger.

"My feeling," said one financial executive who frequents the Duquesne Club, "is that this is a tragic chapter. There is very little sympathy with the few at the top [of Gulf] but a good deal of sympathy for the others. A lot of hard-working people have been tainted with the brush of corruption.

"Generally, though, I would have to say that people here are much more worried about how the Steelers are going to perform on the 18th than about what happens to Dorsey on the 13th."

Another member of the Duquesne Club said he had great sympathy for Gulf executives, including the late Mr. Whiteford, who established the slush fund in the Bahamas that financed Gulf's illegal political activities.

He was especially disturbed, the businessman said, by the fact that "this rubs off on all business."

"Most of all," he continued, "it make its more difficult to sell to the public the idea that American business is good. The overwhelming majority of American companies have not done anything illegal, at least not to any extent."

Al Julius of KDKA-TV in Pittsburgh, the local CBS affiliate, last week conducted a man in the street inquiry about Gulf which elicited some strongly held views on the company.

"I asked if they considered this [illega activity] wrong, or just a fact of life," Mr. Julius said. "Most of them thought it was wrong and said someone should investigate. But they didn't want Congress to do it."

Mr. Julius said he found a deep skepticism over the willingness of politicians to reform the very system that has kept them in office.

It has been noted here that when Gulf's lobbyist, Claude C. Wild Jr., was testifying in 1973 before the Select Senate Committee investigating Watergate, not a single Senator asked whether Gulf cash had been used for anything besides the single illegal contribution of $100,000 to the Nixon campaign.

Mr. Wild was later quoted as having told Gulf officials that he had furnished money at one time or another to nearly every Senator on the Select Committee.