

BUSINESS

HOWARD HUGHES: THE LATE MODEL CAPITALIST

"It is only natural that Howard Hughes felt it necessary to grease the wheels of government and keep them greased."

BY KIRKPATRICK SALE

Mystery man, billionaire recluse, eccentric empire-builder, daring pilot, squire of beautiful women—all that obituary stuff you don't need to hear. The important thing about Howard Hughes was that he understood the one essential fact of mid-century American capitalism: the profitable interlock between government and business.

The Hughes empire—close to \$2 billion of it at the time of his death—was always connected in myriad ways to the federal government and depended upon federal funds for its success. The Hughes Tool Company prospered because of the unlimited drilling permitted by the government's 27½ percent oil-depletion allowance. The Hughes Aircraft Company amassed wealth first by supplying airplane parts and armaments to the government during World War II and then grew even fatter as one of the major missile and electronics suppliers to the Defense Department over the last 15 years. The Hughes Helicopter Company was built and sustained by government military contracts, particularly during the Vietnam War, and in the late sixties Hughes even urged the government to keep fighting that war so he could be sure to recoup his investment on his light-observer models.

Working With The Government

The Hughes gambling empire in Nevada was put together with the rule-bending cooperation of state officials and later expanded several times through the willingness of officials in the Justice Department to overlook its antitrust violations. First TWA, which Hughes owned for more than a decade, and then Hughes Airwest, a major West Coast carrier, depended upon the government for their licenses and routes and on political clout in Washington for their growth and profitability. And the Hughes Ocean Mining Division built and operated the \$350-million *Glomar*

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Wide World

Howard Hughes in 1952 rushing to tell a judge that if you dislike a screenwriter you don't ask for your money back, you fire him—if you own RKO.

Explorer that the CIA used for its secret submarine-dredging operations in 1974, only one of many examples of cooperation between these two secret empires.

Given this dependence upon government largess, it is only natural that Howard Hughes felt it necessary to grease the wheels of government and keep them greased. Thirty years ago, according to top aide Noah Dietrich, he was laying out some \$200,000 to \$500,000 a year in payments to various politicians, sums that must have easily been surpassed as his dealings grew and his power extended in the sixties and seventies. Dietrich added that "he financed Los Angeles councilmen and county supervisors, tax assessors, sheriffs, state senators and assemblymen, district attorneys, governors, congressmen and senators, judges—yes, and vice presidents, too"—and, as we now know from Watergate, presidents as well.

A Friend Of Nixon

Yes, Hughes was shrewd enough to take an early interest in a young congressman who represented the district where the Hughes empire was based, a fellow named Richard Nixon. It was Nixon as congressman, according

to one biographer, who "helped TWA win important new routes to Europe, the Middle East, and North Africa, enabling it to join Pan American as the second airline to carry the flag abroad." And it was Nixon as vice president who arranged the Hughes loan of \$205,000 to his brother Donald, never repaid, after which the Justice Department dropped certain antitrust charges against Hughes and the IRS granted certain tax breaks.

It was when Hughes smelled the big prize during the 1968 Presidential campaign that things became overt. He told Robert Maheu, his chief executive officer: "I want you to go see Nixon as my special confidential emissary. I feel there is a really valid possibility of a Republican victory this year . . . that could be realized under our sponsorship and supervision every inch of the way."

Hard to know if it worked quite like that, but it is true that it was at just this time that Hughes began arranging for that secret and illegal gift of \$100,000 through Bebe Rebozo, to be followed by at least another open \$150,000 in the next few years. And it is true that under Nixon the AEC stopped the atomic tests in Nevada that were so worrisome to Hughes; that the CAB allowed Hughes to take over Airwest, despite his previous difficulties in running airlines; that the Justice Department winked at his increasing casino monopoly in Las Vegas, with John Mitchell, it's said, personally ordering hands off; and that Hughes entered with government agencies into a whole new range of profitable deals like the *Glomar Explorer*.

All in all, it seems safe to say that, there being no children or close kinfolk, the people who probably feel most heartbroken at the death of Howard Hughes are the hundreds of politicians who grew to depend on his generosity, including the one out in San Clemente nowadays pleading such poverty. They will mourn the absence of this figure who was perhaps the perfect model of the modern capitalist, one who understood where the most affluent spigots are and how to turn them on.

American politics will be the poorer for his loss. □