



New York Times Photos

## The Watergate Net: One Who Got Away

William J. Casey, tall and confident in his blue banker's suit, mounted the witness stand at the Mitchell-Stans trial last March, and waved at John Mitchell at the defendant's table. Casey, the newly inaugurated president of the Export-Import Bank, loudly announced that he was still a friend of Mr. Mitchell. He had a hard time remembering certain items, such as a report he had ordered on Robert Vesco, which Mitchell allegedly passed on to the financier. He did remember John Dean calling him four times about the Vesco case, but he couldn't recall Mitchell's or the President's name being mentioned. The credibility of witnesses was the major issue in the trial, yet Casey was not challenged. There was no one to do it. Casey was called as a witness for the prosecution, but proved friendly enough to the defense so that neither side wanted to impugn him.

His deftness on the witness stand was not the only thing Casey had

going for him. In a court proceeding cluttered with the wreckage of a national administration, Casey stood out as one of the few remaining shining examples of success. While many of his political friends' careers were plummeting to a disastrous end, Casey's star was still rising. An old friend of Nixon, he had entered the Administration as chairman of the Securities and Exchange Commission in 1971. After the 1972 election, Nixon named him undersecretary of state for economic affairs. The *New York Times* placed him on Nixon's "all star team" for 1973. Now, as Eximbank president, he oversees \$10 billion a year in loans and credits for American export trade. So as he took the witness stand that March day in New York, no one mentioned Casey's own shady background, nor his current legal difficulties.

"Guys in my position are always getting sued," William Casey declared when asked about his own legal troubles. Casey calls himself a risk capitalist—Senator Proxmire calls him a "wheeler dealer venture capitalist." At any rate, his past business dealings have had a way of landing him in a good deal of legal hot water. The charges are always the same: under the table inside dealing among a company's directors, deception of stockholders, or an artful flouting of the securities laws. His tenure in government, far from making him contrite for his past, has confirmed him in his attitudes. As chairman of the Securities and Exchange Commission, he went so far as to relax one of the regulations he had been accused of violating as a businessman. He's also played a prominent role in both the Vesco and the ITT affairs. But the remarkable thing about William J. Casey is that none of it has caught up with him yet. In fact, he's doing better than ever.

### [THE CASEY STYLE]

The public got its first glimpse of the Casey style of doing business when a stockholder in Advancement Devices, Inc., sued Casey as the "controlling person" in that firm. Back in 1961, ADI, of which Casey was board chairman, was strapped for cash. Casey borrowed \$100,000 on his own credit and lent it to the company. ADI decided to raise the money to pay

Casey back by offering stock in the company to new buyers. Casey hired an acquaintance of his, Charles Thornton, to prepare a prospectus and sell the stock. Thornton's prospectus described the company in glowing terms, promising it was about to become "one of America's top industries." In reality, the company was on the verge of collapse. The stock was sold, the company repaid Casey most of his loan, and within a year, ADI was bankrupt. One irate investor sued Casey for fraud, and Casey agreed to pay the man an out-of-court cash settlement.

Even more disturbing were the potentially criminal aspects of the ADI episode which, however, were never pursued by the responsible authorities. Casey had neglected to register the stock and the prospectus with the SEC, which would have forbidden the ADI prospectus from making the claims it did. Casey insists that the SEC's registration law did not apply to this ADI stock, since it was only offered on a private basis to 12 investors. But many securities lawyers dispute that view. Anyway, Casey could also have been prosecuted for common fraud, which applies to any sales of stock.

In addition, it turned out that Charles Thornton, the man Casey had put in charge of the ADI stock sale, had had two previous run-ins with the SEC, including one for stock manipulation, and was legally barred from selling securities—just what he was doing for Casey. Casey says he was not aware of Thornton's background at the time, though the two men had known each other for two years.

In 1965, Casey was called into court again, this time as director and chairman of the executive board of Kalvar Corporation of New Orleans. A substantial minority of Kalvar stockholders were suing the entire board of directors for violating securities laws. The stockholders' suit charged that Kalvar was preparing to buy another company, Standard Office Systems of California, at a grossly inflated price. SOS happened to have been owned by friends of another of Kalvar's directors. A group of Kalvar stockholders protested the purchase and the matter came to the attention of California's commissioner of corporations. In order to avoid a hearing in California

by Tom Zeman

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about the transaction, Casey personally urged the SOS stockholders to fly to New Orleans and consummate the deal there. In addition, the suit complained that Kalvar had issued a misleading proxy statement on the sale in order to cover it up. The stockholders got a temporary injunction, but the deal eventually went through, and the minority stockholders sued for damages. An out-of-court settlement was reached, but the question remains of Casey's possible criminal evasion of the California Securities Act.

Still pending against Casey is a third suit alleging business fraud. In this one, the creditors of the now-bankrupt Multiponics Corporation are accusing the company's board of directors of misusing company funds for their own private benefit. Casey was a founder, director and, until moving to the SEC, legal counsel for the corporation. Among the creditors burned were Lehman Brothers investment bankers, and First National City and Chase Manhattan banks. U.S. District Court Judge Herbert W. Christenberry, in reviewing the case, declared that "some of the things the directors did are inconceivable to me." He ordered the receiver in bankruptcy to sue the directors for \$1.5 million in damages, and suggested that criminal proceedings might also be in order. At the time the suit was ordered, Casey was still SEC Chief and his State Department appointment was pending in the Senate. The U.S. attorney's office still refuses to say whether or not an investigation of the case for criminal wrongdoing is under way.

In one transaction, Multiponics bought a farm from one of its directors for \$600,000 more than its appraised value. The company pledged \$200,000 collateral for a personal loan to another Multiponics director, with which he bought 50,000 shares of the company's stock at \$4 a share. According to the suit, Casey was the author of this deal. The Multiponics directors decided to acquire another company which was in very bad financial straits—and in which the Multiponics chairman had a \$300,000 interest. Finally, on Casey's advice, the company paid \$400,000 to reverse a swap of stock with another company that had taken place the previous year. Multiponics directors were

willing to let the company take such a beating to undo the trade, the suit charges, in order to get SEC approval for Multiponics to sell its stock to the public, "so that their own stock, and/or options to purchase stock . . . would be greatly enhanced in value."

The giant First National City Bank of New York has filed its own 42-page letter of complaint about Multiponics' dealings. Multiponics borrowed \$3.5 million dollars from the New York bank and others purportedly for growth investments. Instead, charges the bank, the corporation diverted \$810,000 of their loan to pay back money borrowed from Casey and other Multiponics directors just 22 days before. In addition, Casey and the other directors received options to buy stock at \$4 a share in return for their short-lived loan, while First National City stock options were at \$12.50 a share.

The bank also complained that Multiponics' "scientific farming" methods it was told about at the time of the loan were in many cases nothing other than old-time sharecropping; some land had not been farmed at all, and much of it was operated at a loss.

Not all of Casey's troubles stem from corporate inside dealing. In 1962 he was successfully sued for plagiarizing a book manuscript while working for Prentice-Hall, Inc. In 1968 he stirred up a storm when he ran a full page advertisement in the *New York Times* headed, "84 percent of Americans support the ABM." The ad turned out to have been signed by several executives, bankers and lawyers who had a direct financial interest in the ABM.

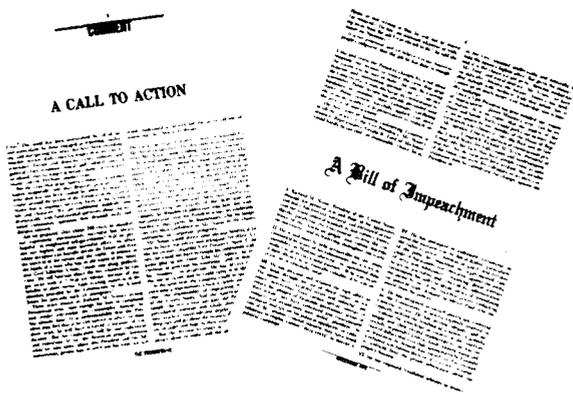
#### [FLYING HIGH]

To be sure, all this trouble has not gone for nothing—Casey was making something in the neighborhood of \$250,000 a year at the time he entered the government in 1971. Nixon, who had known Casey since the 1950s, nominated him to the SEC in 1971, and he breezed through a Senate confirmation hearing. Then details of his business dealings began to emerge, and the Senate Banking Committee decided to hold more hearings. Casey brushed off his legal difficulties as "insignificant." He claimed that the judge in his plagiarism case

had said that the jury's verdict was not supported by sufficient evidence, though the judge later denied saying this. Casey admitted that the prospectus he approved for the Advancement Devices securities was "outrageous," but added that the "sophisticated investors" who bought the stocks should have known better than to believe it all. In the Kalvar-SOS merger, he said he saw nothing wrong about plotting to circumvent a public hearing "if grown men decide they want to consummate a transaction quickly and they do not need the protective services of the California securities commission."

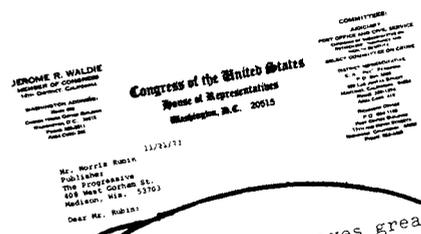
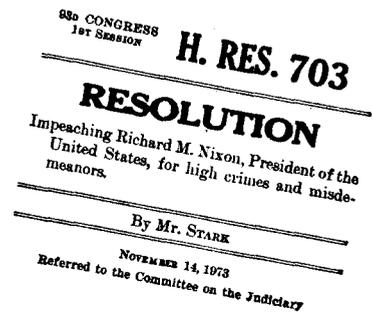
Most of the senators seemed not to mind Casey's contemptuous attitude toward the laws and regulations he was to be charged with enforcing as chairman of the SEC. One senator insisted, "We need a fighter to run the SEC," and Casey certainly was that. (Once, while giving a deposition on his plagiarism suit, he threatened to assault the plaintiff's lawyer.) After the rehearing, Casey was cleared for a second time by the Committee, confirmed by the full Senate, and installed as SEC Chairman in April 1971.

Casey's reorganization of the SEC—which is an independent regulatory agency, not a part of the executive branch—replaced a career civil servant with a Nixon Administration employee as the chief regulator of brokers and markets. The man chosen for that spot was G. Bradford Cook, who later succeeded Casey as SEC chairman, and eventually was forced to resign under fire because of his collusion in the Vesco affair. Casey also moved for the relaxation of certain SEC rules—the very rules he had been accused of violating as a businessman. He proposed that rules requiring registration of stocks and prospectuses be defined so as to allow "highly sophisticated individuals" to invest "in a manner which does not require the delays imposed by accounting and registration considerations." On his last day as SEC chairman, he announced that the Commission had relaxed its rules about speculative forecasting in stock prospectuses. Casey added, "a projection is not a promise and it is not necessarily misleading if it turns out to be inaccurate." It was as if he meant to justify his own past deceptions by



# These editorials in a recent issue of The Progressive

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revoking rules against such outlandish projections *ex post facto*.

All of this, however, was overshadowed by Casey's role in the ITT and Vesco affairs. The Securities and Exchange Commission had prepared a case against ITT in 1971. The suit charged, among other things, that an ITT prospectus failed to inform investors that the government's antitrust suit against them was about to be settled, and that the executives illegally traded ITT stock on the basis of that inside information. This was the classic sort of securities scandal that the SEC was created to prevent. But Casey let ITT off with an injunction making them promise not to do it again. Even more significantly, Casey took the lead in deleting a charge of fraud against ITT, even though the charge was supported by the agency's two top law enforcement officials. That charge involved a phony sale by ITT of stock in Hartford Insurance Company, to an Italian bank, which allowed ITT to avoid certain taxes when they bought out Hartford altogether.

But the matter didn't stop there. After Jack Anderson broke the story suggesting collusion between ITT and the Nixon Administration, a number of Congressional committees tried to get the files on ITT that the SEC had collected in the course of its investigation. Those files included 13 explosive memos on meetings between ITT officials, including ITT President Harold Geneen, and John Mitchell, Richard Kleindienst, John Connally, Maurice Stans, Charles Colson and Peter G. Peterson.

As congressional pressure mounted, Casey met with Richard Kleindienst at the Justice Department and John Dean at the White House to discuss what to do with the files. Casey claimed he was merely seeking advice as to the propriety of turning the SEC's files over to Congress. On October 6, three days after a meeting with Dean, Casey announced that Justice had asked for the ITT files to pursue its own investigation. The SEC had cut short its own investigation and shipped the ITT files over to Justice, where they could not be obtained by prying senators and congressmen. But Justice, it turned out, had never asked for the files. Casey had shipped them over there on his own initiative.

Casey's role in the Vesco affair is somewhat murkier. All that is known is that at John Mitchell's request, he met with one of Vesco's lawyers to discuss the financier's troubles with the SEC on the same day that Vesco handed over \$200,000 to the Nixon re-election campaign. His forgetful testimony at the Mitchell-Stans trial did not help clear this up.

By 1973, when Watergate and its related scandals had reached full flush, Casey was already gone from the SEC and into the State Department, jetting around the world promoting trade and philosophizing about detente. In mid-May 1973 the Vesco and the ITT cases broke simultaneously. Bradford Cook, who succeeded Casey at the SEC, resigned when it was revealed that he had suggested that data on a Vesco contribution to the Nixon campaign be deleted from an SEC suit against Vesco. Cook, insisting he was trapped in a "web of circumstance," claimed that Casey had concurred in the deletion of the Nixon contribution. A few days later, Casey's role in dropping the charges against ITT for the phony Hartford stock sale was revealed. Casey, by luck or by design, was off on a trip to Latin America with Secretary of State Rogers. No web of circumstances was going to ensnare him. His office in Washington blithely denied that he knew about the Vesco contribution matter, and he didn't comment at all on the ITT matter.

Casey has been flying high ever since. His nomination to head the Eximbank was held up for a while, but he was confirmed after Special Prosecutor Jaworski told the Senate that Casey would not be indicted for Vesco or ITT. About two weeks after his appearance at the Mitchell-Stans trial, Casey testified at a different sort of hearing—one before a Congressional subcommittee from which he was seeking a 50 percent increase in the Eximbank's multi-billion dollar lending authority. His less fortunate friends and erstwhile sponsors in that New York docket and in the White House must have watched him with a twinge of envy, combined, perhaps, with the hope that they too would someday be able to dismiss their legal problems as easily as Bill Casey has, and rejoin him at the pinnacle of power and "credibility." □

## GM and the Nazis

*During the recent Arab oil embargo, the major international oil companies had a curious dual role to play. As domestic sellers of petroleum products, they were charged with maximizing supplies of crude oil to the U.S.; as agents of the oil producing countries, they were charged with enforcing the cut-off of those same supplies. While such conflicts have given new political urgency to the question of whether multinational corporations should be entrusted with such vital matters as assuring the availability of energy, the problems posed by multi-nationalism are not entirely new. The astoundingly cynical functioning of America's automobile giants during World War II is particularly illuminating here. Based on recently declassified military and diplomatic source materials, Bradford Snell has pieced together the story and documented the extent of wartime double dealing, especially on the part of General Motors. The following is excerpted from his report to the Senate Subcommittee on Antitrust and Monopoly. His work was financed by the Stern Fund.*

As owners of facilities in more than 45 different countries, General Motors, Ford, and Chrysler can no longer properly be perceived as American corporations. Rather, they comprise supranational and sovereign economic states, which acknowledge loyalty to no particular country. The automakers readily concede this change in corporate outlook. Henry Ford, II, chairman of the Ford Motor Co., for example, has stated: "We don't think of ourselves as a national company anymore. We are definitely a multinational organization . . ." Likewise, GM's Chairman Sloan reportedly told a group of stockholders on the eve of Germany's invasion of Poland in 1939 that his corporation was "too big" to be affected by "petty international squabbles."

Upon first examination, this posture would appear to be in the best interests of international peace. The movement abroad by powerful firms

by Bradford Snell