

ALSOP for RELEASE Sat., Sun., Nov. 3,4. Dispatched Nov. 1, 9:30 P.M.

MATTER OF FACT

By JOSEPH ALSOP (note single byline)

Playing the Ace

WASHINGTON

In the Washington influence game, the ace is the President of the United States. If you can play the ace, you win all the stakes on the table, which are likely to be a lot bigger than the penny ante R.F.C. loans we have lately heard so much about. And in the whole history of the Truman administration, the ace was most spectacularly played in the case of Pan American and American Overseas Airways.

The case revolved around Pan American's desire to purchase American Overseas, with its valuable trans-Atlantic routes. The case was considered long and fervently by the Civil Aeronautics Board, amid many such indications of political pressure as revisions of Justice Department documents in Pan American's favor.

In the end, in the spring of 1950, a majority of the C.A.B. headed by the then-chairman, Joseph O'Connell, found against Pan American. The majority opinion attacked Pan American's plan as grossly monopolistic. A minority opinion, granting Pan American all it asked, was entered by C.A.B. Vice-Chairman Oswald Ryan, whose reappointment to the board had been secured the year before by Pan American's Washington counsel, Louis A. Johnson.

(more)

Under customary procedure, the majority opinion was then passed on to the Budget Bureau, for coordination with other interested departments before submission to the President. The C.A.B. majority was strongly supported by State and Post Office. The permanent staff of Commerce followed suit, but was over-ruled by the big-business-minded secretary, Charles Sawyer. Justice, where the staff had also been over-ruled, and Defense, then headed by none other than Louis Johnson, were officially neutral. But Under-Secretary of Defense Stephen Early joined Secretary of Commerce Sawyer in pleading the cause of Pan American at the White House.

Even so, the first serious sign of trouble ahead came when C.A.B. Chairman O'Connell called on the President's special assistant, Dr. John R. Steelman. Steelman made a long, mealy-mouthed speech against the C.A.B. decision. He argued that a finding against Pan American would "embarrass the President," because Steelman's ex-colleague in the White House, Clark Clifford, had just become counsel for Pan American's big rival, Trans-World Airlines.

Actually, Clifford had taken no part whatever in the case in hand. But Pan American had none the less not been alone in getting up its full head of political steam for this case. American Airlines, the parent company of American Overseas Airways, was extremely anxious to sell its trans-Atlantic subsidiary to Pan American for the handsome price offered. In such figures as Amon Carter and Silliman Evans, American Airlines had its own valuable political champions, and in the President's secretary, Matt Connelly, American had a useful friend in the White House. It is hard to tell just whose head of political steam played the largest part in the interesting events which follow.

(more)

On June 12, 1950, C.A.B. Chairman O'Connell also went to see the President. He explained that the big Pan American case was out of the way, and that he wished to go into private practice. The President urged him to stay on, saying he could "rely" on him. O'Connell said he would not resign until the President had located a suitable successor.

O'Connell was pleased but not surprised therefore, on the afternoon of June 29, when the decision in the Pan American case was at length returned to the Civil Aeronautics Board from the White House. The decision bore the President's signature of approval, with an approving letter from the President to boot. The delighted C.A.B. majority decided to hold the decision for release to the press until the next morning, so that sufficient numbers of copies could be mimeographed. Meanwhile, as he later confessed to his C.A.B. colleagues, Oswald Ryan, who had supported Pan American, hastily passed the ugly news by telephone to Dr. Steelman.

After that, things began to happen. On the morning of June 30, the President's secretary and Steelman's ally, Matt Connelly, called C.A.B. Chairman O'Connell to request that the release of the decision be held up. Half an hour later, he telephoned again, to ask that the President's approving letter be returned to the White House. And a few minutes after that, he telephoned a third time, to request O'Connell to send back the decision itself, with its Presidential signature.

(more)

These extraordinary proceedings were shortly explained, when Oswald Ryan put in an appearance at the C.A.B. offices, and confessed that he had been meeting at the White House with the President, Steelman and Connelly. Almost on Ryan's heels, came a brand new Presidential letter, enclosing the Pan American case decision with the President's signature rather clumsily removed with ink eraser.

In the new letter, the President directed the C.A.B. to approve Pan American's purchase of American Overseas. He tossed a dry cracker to T.W.A. by letting Pan American's rival fly into London. But he also directed the C.A.B. to let Pan American fly into Paris and Rome, which had never previously been suggested by anyone at all. For Pan American, this was gigantic victory snatched from the very jaws of total defeat.

O'Connell thereupon sent the President an angry letter asking why he, as C.A.B. Chairman, had not been consulted. The President wrote back that he had indeed sought to consult Chairman O'Connell, but that he had been unable to locate him on that fateful morning. This seemed very odd indeed, in view of Matt Connelly's three conversations with O'Connell while Oswald Ryan and the President were actually closeted together. O'Connell wrote back, pointing out the oddity. The President then summarily accepted O'Connell's resignation. And American Airlines got its price for its overseas branch, which had been certificated to insure Atlantic competition, while Pan American got all that it wanted and more than it had asked.

(Copyright, 1951, New York Herald Tribune Inc.)