

The precedent: Beggs and General Dynamics

by Marsha Freeman

On Dec. 2, 1985, James Beggs, then head of NASA, and three other former or current officials of the General Dynamics Corporation were indicted on charges of violation of, and conspiracy to violate, Armed Services Procurement Regulations. On June 19, 1987, the U.S. Justice Department (DoJ) dropped all of the charges against the company and the four defendants.

Although one might argue that, since the charges were dropped, the industry and individuals were vindicated, the Justice Department's wrecking operation had already succeeded. Beggs was forced to resign as the administrator of the nation's space agency—a circumstance which led to the installation of the incompetent William Graham, and the loss in January 1986 of the Challenger Space Shuttle and seven astronauts. That "small error"—to launch a manned space mission in sub-freezing temperatures—has led to a down time of *two and a half years* for this country's most important military and civilian launch capability.

Seeing General Dynamics, the United States' third-largest defense contractor, under indictment, lesser fry among defense contractors started their own "whistle-blowing" operations, to have contract employees turn in their colleagues at the hint of any suspicion of wrongdoing.

As a result, companies which were the mainstay of federal contracts in defense, space, and other high-technology fields began to bow out of federal contracts, sensing that they were likely to be accused of criminal behavior no matter what they were doing.

This effect of the Justice Department's Fraud Division case against General Dynamics opened the floodgates for a wholesale attack on the military-industrial community, culminating in the recent dragnet raid on dozens of Pentagon contractors. Whether anyone is actually guilty of anything is not the issue. That will turn out to be irrelevant.

On April 30, 1985, Deputy U.S. Defense Secretary William Taft announced that in the near future, 30 major defense contractors would be indicted for defrauding the government. At that time, three top defense contractors—General Dynamics, McDonnell Douglas, and Rockwell International—were already being audited, along with a growing list of other defense companies.

While the Defense Department made the public announcement of the audits, behind the scenes the DoJ Criminal Division, headed by Stephen Trott, had secret investigations

already underway.

In 1984 the Criminal Division had sent special agent Gary Black to Los Angeles to handle a grand jury which had been set up to hand down indictments against General Dynamics. After one year, Black reported that there was no basis for an indictment, and there were no criminal violations by the company.

Black was immediately transferred back to Washington and placed in the Civil Division, and Robert Bellows from the Criminal Division was sent out to Los Angeles. Bellows never informed General Dynamics of the revival of the grand jury probe. Reportedly, he combined offers of immunity and threats of prosecution toward lower-level employees, to contrive the case against the company.

By the summer of the following year, 1986, William Weld—who had practiced for the job by attacking defense contractors while U.S. Attorney for Massachusetts—was on the scene in Washington. In his confirmation hearings before the Senate that fall, he stated that his major interest as head of the Criminal Division at DOJ would be "white collar crime."

Trott and Weld's case against General Dynamics began to fall apart as soon as a judge and jury started hearing the case. Federal Judge Ferdinand Fernandez stated in September 1986 that Defense Department procurement regulations were so complicated that no layman (judge or jury) could understand them. He therefore referred the case to the Armed Services Board of Contract Appeals, where it should have been sent for a ruling to begin with.

In a statement on June 22, 1987, Weld could not explain why 82 boxes of Army and General Dynamics documents that been obtained under the Freedom of Information Act, had been "overlooked" by the prosecution. There had never been any doubt in the industry or at NASA that the charges were bogus from the beginning. But the Justice Department had a free hand in running its witchhunt.

Though he was asked repeatedly by the White House and Congress to apologize to Beggs, after the charges against Beggs were dropped, Weld refused.

The 'charges'

If the charges against General Dynamics had led to convictions, research and development in the aerospace/defense industry of this nation would have ground to a halt. The particular charges involved the development of the Sergeant York gun. The Justice Department was seeking to set the precedent that any research and development expenditures in an area even remotely related to an ongoing contract, had to be charged to that contract, and could be charged to the company's internal R&D, even if the work were devoted to future technological capabilities.

In the case of any large company, the same personnel work on several different programs at the same time. At present, the military services grant contractors discretionary R&D funds under categories of "internal research and devel-

opment," and "bids and proposals" work, to carry out advanced development, and bid on new government contracts.

Each year, the military services which grant the contracts, review the contractor's R&D. The services can raise or lower the funding for the following year, depending upon how fruitful they consider the company's lines of research are.

This collaboration between the companies and the military services has worked to the benefit of both. The Justice Department decided in 1984, however, that this arrangement should be declared illegal, and that in the case of General Dynamics, *any* research work done on advanced anti-aircraft guns under internal research and development, should have been charged to the Sergeant York contract.

The irony in all this, is that in the years under question, General Dynamics spent more money on internal R&D and bids and proposals than was reimbursable by the Defense Department. As a result, the company had to swallow huge losses. Therefore, even if the company had misbilled the government, the government lost nothing. At worst, this was a "victimless crime."

If the DoJ had won its "legal" case, companies would have found it impossible to do R&D. Auditors would be snooping around, constantly questioning scientists and engineers, to find out which contract they were charging their work to. Since developments in any particular technology can be applied to perhaps dozens of specific pieces of equipment, how could you ever decide which contract should pay for it?

Why General Dynamics?

Many aerospace firms have been charged with government violations; many have been fined and stricken temporarily from bidding on new government work. Why was General Dynamics targeted for the grand jury treatment, leading to criminal indictments against top executives, and millions of dollars in legal fees?

In addition to being a top aerospace/defense contractor, an R&D house in areas such as fusion energy and other high-tech fields, and a major player in defense equipment procurement, General Dynamics had James Beggs as Corporate Executive Vice President/Aerospace before Beggs went to NASA in 1981.

In his position as NASA Administrator, Beggs oversaw the successful launch of 23 Space Shuttle missions, an annual increase in real dollars for the space program overall, and the initiation of the space station as the first new program in manned space flight in a decade.

Beggs was an articulate defender of the idea that the government must invest in advanced technology, and in that area, he went head-on against the "free enterprise fanatics" in the rest of the Reagan administration.

In a lecture at the end of 1984, Beggs asserted: "More than a century and a half ago, there were the Luddites. More recently, there was the Club of Rome. . . . The fundamental

error made by the Luddites, the Club of Rome, indeed, by the malthusians and others who have shared their philosophy, is one of forgetfulness. They forgot to remember that the human imagination is not finite.

"And as long as we are free to imagine what the future might be like and to work toward it, there are no limits. For me, this is the very real meaning of our enterprise in space."

Who could afford to keep Beggs in the administration, while the agenda shared by the Soviet Union and the Soviet/Eastern Establishment combine known as the Trust, was to destroy American defense and aerospace capabilities, while signing a parade of Munich-style "peace" treaties? How could the budget balancers clobber all R&D and spending, when the head of the space program was proving in public speeches that government investment in advanced technology and infrastructure was needed to provide new jobs, increased productivity, and real economic expansion?

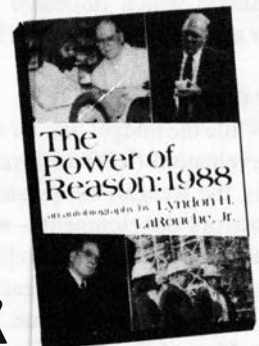
Since James Beggs left NASA, many in the Reagan White House have been working hard to kill the space station, prevent any long-term planning in space, and consign America's space capabilities, which had been developed for decades, in the hands of fly-by-night companies trying to raise speculative capital.

The Beggs/General Dynamics case was the paradigm of what the Justice Department had planned for the rest of the defense industry, for years.

FED UP WITH WASHINGTON POLITICIANS?

Then
Throw
The Book
At Them

(but read it first)



THE POWER OF REASON: 1988

An Autobiography by Lyndon H. LaRouche, Jr.

Published by Executive Intelligence Review

Order from Ben Franklin Booksellers, 27 South King St., Leesburg, VA 22075. \$10 plus shipping (\$1.50 for first copy, .50 for each additional copy). Bulk rates available.