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Politicians as the guardians of the status quo: A demonstration of rank and privilege without responsibility

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ABSTRACT

Much has been written about corruption and bribery involving major corporations in the United States such as Lockheed. However, most of this literature ignores the link between Watergate and the Foreign Corrupt Practices Act. The role of accounting and accountants in disguising the use of corporate funds for illicit purposes has also not been addressed even though many of the enquiries into Watergate and related activities expressed concern that none of the cases of financial misstatement had been discovered or, at least reported, by auditors. In other words, the accountability system envisaged in the financial reporting and audit requirements of the Securities Exchange Act and professional pronouncements had failed. Nonetheless, the Foreign Corrupt Practices Act has done little to address the accounting and audit failures that gave rise to its enactment. The paper uses post-Watergate investigations and hearings leading to the enactment of the United States Foreign Corrupt Practices Act in 1977 to demonstrate the power of interested parties to influence for their own benefit, the outcome of legislation and other forms of regulation. In general, the findings support the observation expressed in the Letter of Transmittal of the Final Report of the Senate Select Committee on Presidential Campaign Activities (1974a, p.1227) that while “rank has its privileges because rank has its responsibilities”, privilege is often used “as a dodge of responsibility”. The paper draws largely on historical documents, in particular, reports of the Senate Select Committee on Presidential Campaign Activities, transcripts of hearing of various House of Representatives and Senate Committees and Sub-Committees dealing with issues arising from Watergate and Watergate-related activities.

Keywords: Watergate, Foreign Corrupt Practices Act, Accountability, Audit, Neo-liberalism