

## OKLAHOMA CORRUPTION: PAST AND PRESENT

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Corruption in one form or another is no stranger to Oklahoma. Unfortunately, the term “political corruption” is not easy to define. Given the ambiguities, it is best to use an enlarged meaning, one that encompasses scandals and scandalous behavior.

Readers probably deserve a warning that a focus on corruption is, by definition, a focus on bad behavior. Oklahoma history is treated selectively to dwell on the dark side. The conclusion offers a brief comparative assessment of the state’s corruption.

Oklahoma’s history differed from other states from the outset. Federal policy as early as 1820 designated the area that was to become Oklahoma as Indian Territory. This decision arose from a desire to placate white settlers in the East who wanted to settle large tribal land tracts. In the words of state historian Arrell Morgan Gibson, the process by which the Indian tribes were “ruthlessly uprooted to make way for the white settlers, ranks with the tragedies of the ages.” Corruption in the form of large-scale mistreatment of the indigenous people scarred early state history long before it even became a state.

Another basic feature of Oklahoma after the Civil War was the high level of violence that prevailed. Even for the frontier it was notable. By a fluke of history, the Oklahoma panhandle for a time existed apart from any other state or territory and was in a legal sense without law. Indians lived there with their own laws and customs, but were ignored by the whites. Adding to the disorder were the rail camps set up by the railroads as they laid new tracks across the state. One state historian, Robert Shirley, described these camps as attracting tinhorn gamblers, thieves, prostitutes, whiskey peddlers, and hoodlums. One such camp, Gibson Station, was said for a time to have at least one killing per night.

During this same period after the Civil War, whites pressed forward as settlers and promoters. Texas cattlemen drove their herds through the state and sought leases of land from the Indians, often to the disadvantage of the latter. The promoters who sought land from the railroads and for settlement bought up what they could from the Indians, at times fairly, but often by means of guile and fraud.

The pressure by white settlers persisted, even though for a time the federal government used troops to drive them off. Eventually, pressure from the would-be

settlers led the federal government to change the law that assigned the Oklahoma territory to the Indians “in perpetuity.”

The status of Indians further altered dramatically when Congress enacted the Dawes Act of 1887. Under it, Indians were to give up their treaty-bestowed reservations and accept allotments of land like the white settlers. There were some exceptions, such as the Osage and the Five Civilized Tribes, the latter renowned for their high level of social and political development.

Otherwise, individual Indians were to accept 160 acres of land in fee simple and farm it as their own. For the white settlers the allotments were a blessing. But the allotments were a form of private property and contrary to the communal traditions of many tribes. There was confusion and uncertainty among them. Unscrupulous whites preyed upon the Indians and were able to buy up many of their allotments. Fraud and intimidation, backed by the authority of the federal government, prevailed all too often.

The Indians suffered at the hands of the whites, but the latter suffered from some of the predatory actions of the railroads. In the many towns that sprang up with settlement, the railroads were seen as vital to survival and prosperity. Railroads played upon this favorable sentiment, both in deciding where to lay their tracks and in their maintenance.

### **Corruption And Early Statehood**

Oklahoma entered the Union as a state in 1907 with a constitution hailed by authorities, such as the eminent national historian Charles Beard, as progressive in its willingness to regulate business, especially the railroads. But the Oklahoma Progressives were strong segregationists. Thus, the new constitution mandated racially segregated schools. Other Jim Crow measures that they sought were toned down by President Theodore Roosevelt via his threat to veto the statehood act. The state’s celebrated constitution spelled out progressive business policies, but contained racially retrograde policies as well.

Scandal dogged the state’s first governor, Charles Haskell. He had to resign his position as treasurer of the national Democrats because of charges of mishandling party funds and of collusion with the Standard Oil Company, all widely reported in the popular press. Nonetheless, Haskell had strong supporters in Oklahoma. Most controversial during his term in office was his abrupt moving of the state capitol from Guthrie to Oklahoma City. Haskell saw Guthrie as a “Republican nest.” On the night of the day on which state voters balloted on the issue, June 11, 1910, Haskell took the state seal and some other papers from Guthrie to Oklahoma City and opened for business the next day in the new location. The people of Guthrie were outraged, as were many others. Eventually the U.S. Supreme Court upheld Haskell. But his abrupt, unilateral action in relocating the capitol, a major issue of the day, set a bad precedent for other governors to follow.

The 1920s were turbulent times racially and politically. Political warfare reached new highs in intensity. Jack Walton, elected in 1922, came into office as a popular

figure, but soon became embroiled in bitter conflict. Publicly he fought the Klan, but privately he met with Klan leaders and even paid an initiation fee. He sought to staff state colleges and universities with patronage appointments. He also imposed martial law, at first selectively, then statewide. He even used troops to prevent the legislature from meeting. But the legislature was able to call itself into session, impeach Walton with an impressive bill of particulars, and remove him from office. This high-stakes political warfare is the kind of behavior that most Americans of the 1990s would probably associate with a third world country.

Henry S. Johnston, the next elected governor who won in 1926, also ran into heavy weather politically. The legislature reacted strenuously and he, too, was removed from office. Johnston's deeds were largely political, not criminal. One criticism was that Johnston was a mystic who retreated into his office for long periods, enraptured by the wisdom of his personal astrologer. Generally, his critics charged him as having difficulties with patronage and being an aloof and inaccessible governor. All the while the legislature, having unseated one governor, was feeling its oats and proved willing to unseat another.

Thus Oklahoma, in the course of its short state history, had managed what no other state had done before or since: remove two governors from office. This remarkable fact attests to the ferocity of political conflict in this era. Political hardball was the order of the day.

The next few decades were surprisingly calm and free of scandal. Oklahoma began moving reluctantly toward desegregation of education, starting with higher education. Court decisions, including some by the U.S. Supreme Court, pushed the state in this direction and the state, albeit resistantly, largely complied.

### **Liquor And Corruption**

The demise of Prohibition deserves more than passing mention. Oklahoma was one of the last states to allow strong drink. By the time of repeal in 1933, open saloons serving whatever customers wanted flourished in urban centers, and bootleggers provided fast and efficient home service for those in dire need. The widespread flouting of the law in itself became one of the strong arguments in favor of repeal. By this time the state had voted on the liquor issue six times. Finally, on the seventh time, repeal carried the day and thereby reduced a significant source of corruption.

Governor Edmondson won on Prohibition, but lost when he challenged rural interests indirectly, as on reapportionment. Reapportionment is about the match between population and legislative districts. As population moved to the cities, legislative district lines were supposed to be redrawn, but they were not. The result was that the rural vote in sparsely populated districts counted for more than the vote of a citizen in a crowded city district. The state's rural populist culture prevailed over the years to block reapportionment.

### Judicial Scandal

In 1965, scandal burst forth in an unusual setting, the Oklahoma Supreme Court. Three judges were implicated in taking payoffs to decide cases before the court. These three judges were either convicted in court or impeached. IRS inquiries laid much of the groundwork.

One of the guilty judges, N.S. Corn, became contrite and publicly described his misbehavior. He admitted that over about 20 years of taking payoff, he could not recall one single year in which he had *not* taken a payoff. Professor Phillip M. Simpson of Cameron University has researched one spectacular payoff case in which “Corn . . . swore that he had received \$150,000 in \$100 bills. . . in a downtown Oklahoma City meeting. . . . The attorney who had established the pattern with Corn was O.A. Cargill, former Oklahoma City mayor and Corn’s friend for 50 years.” This corruption obviously reached into the highest levels and included citizens usually deemed quite respectable.

The next major scandal centered on the former Speaker of the Oklahoma House of Representatives, J.D. McCarty. The speaker is normally a powerful figure, and McCarty was more so than usual because he happened to serve during the term of the state’s first Republican governor, Henry Bellmon, elected in 1962. McCarty, a skilled politician, emerged as a highly visible and dominant figure, leading Democrats against the Republican governor.

Unfortunately for McCarty, he lost his reelection bid from his district in 1966, and the IRS descended upon him with tax evasion charges. His critics unkindly claimed that he failed to report his many bribes. In any event, he was convicted and sent to jail. Thus, in a few short years, leading state judges and the powerful former speaker had proven to be corrupt.

### Hard Time: A Governor and 220 Commissioners

The next big scandal reached all the way to the top, to the governor himself. David Hall won election as governor in 1970 and left office in early 1975. Almost immediately, federal authorities pounced upon him with charges of extortion and bribery. Hall, they claimed, had sought to bribe a member of the state’s retirement fund to divert \$10 million to help a Dallas friend of Hall’s.

Hall maintained his innocence and accused officials of harassment, but was found guilty and sent to jail. Corruption in Oklahoma showed no respect at all for people in high places. Hall went to jail in 1975, and by the late 1970s, another major scandal was percolating. The Oklahoma County Commissioner Scandal, Okscam, was on its way into the headlines. Between 1980 and 1984, when federal officials announced the scandal largely closed, some 220 felony convictions involving county commissioners and suppliers occurred. The commissioners and favored suppliers had been raking in kickbacks, typically ten percent, on orders for road building supplies such as timber, gravel, and asphalt, all used in constructing county roads and bridges.

Corruption was massive, including most of the state’s counties, and had gone on for as long as those involved could remember. This huge number of convictions, over

220 altogether, ranks Okscam high on the list of major national scandals.

The root of the problem was the autonomy of county commissioners in both state and local government, combined with the flow of money into their hands from state oil and gas revenues. The latter, since the revenues varied from month to month, were effectively unregulated. It was a situation that would have corrupted saints.

Federal officials effectively cleaned out the corrupt commissioners, the bad apples. The state legislated reforms shored up institutional weaknesses in local government. County government emerged as more honest and efficient than it had been in decades.

### **Stifel**

Roughly a decade after Okscam came to light, a major scandal broke that grew out of the misuse of education bonds issued by school districts. A word about bonds is in order. Federal officials allowed local officials to issue education bonds to tide them over financially tight periods, as when property tax receipts for schools were late coming in. The bonds were never intended as a means for local education officials to make money, a distinction that was to become quite important as the bond scam unfolded.

During the 1980s, a major bond underwriting company, Stifel, Nicolaus, and Co., was active in promoting the use of bonds to finance public projects. Stifel also engaged in promoting candidates for office via contributions to their campaigns. The Stifel bond company formed a political action committee (PAC) to channel political contributions to candidates, and also channeled contributions through company officers and lobbyists. By these means, they could contribute quite legitimately, just as other businesses did.

Over time, their contributions went to large numbers of legislators, executive branch officials, and others in public life. The list of Oklahoma politicians who received Stifel contributions, via perfectly legitimate channels, added up to a “who’s who” of people and organizations in public life. One wonders if those who failed to receive Stifel contributions felt that something was wrong with them.

A major development in the use of education bonds occurred when the legislature in 1987 changed the law governing the issuance of bonds to allow school districts to issue such bonds without a vote of the people. Three of the key legislators on the committee that formulated the changed law were recipients of Stifel contributions via the channels described.

Stifel worked closely with the State School Boards Association to pass word to school districts that they could issue the school bonds without a vote locally. Officials of the Association received large sums in fees. By 1990, some 270 school districts, plus some vo-tech schools and a few counties, were participating.

Unfortunately, many of these participating school districts used the school bonds in the wrong way. They used inflated estimates of their education needs and then issued bonds to meet these needs. Since they overestimated needs, they had money from the bonds beyond that needed immediately. They used the extra funds to make deposits in banks, often in Japan, and then drew interest on the bonds in the banks.

At this point the districts were using the bonds not just to meet needs, but also to make money on the interest collected. And they were to find out that, in doing so, they ended up in serious difficulties with the IRS and other federal officials.

In 1991, *The Daily Oklahoman* launched a series of investigative reports on the school bond program. These reports traced the political influence of Stifel in initiating the bond program and in channeling extensive campaign contributions to large numbers of political figures in the state. The impact of these stories was devastating. School districts began dropping out of the program and participation fell drastically. Then federal authorities became interested, including the IRS, FBI and the SEC. Eventually, two of the state's largest urban school districts were informed that they had misused their education bonds and owed the IRS large sums.

Stifel finally pulled out of the state entirely. In 1996, a onetime leading Stifel official, Bob Cochran, was convicted in federal court of misdeeds connected with the education bonds program, although a year later an appeals court reversed Cochran's conviction.

Most noteworthy here is the initiative from within the state, since it was *The Daily Oklahoman* that led the way, not federal officials. It is true that federal law enforcement authorities did reinforce the work of the reporters. State law enforcement officials never did contribute much. All in all, this state newspaper deserves much credit for leading reform efforts from within.

### **The Walters Affair**

During this same period, an example of gubernatorial malfeasance surfaced. Democrat David Walters won election as governor in 1990. Then reports began circulating of his unusual success in raising campaign money. The state attorney general and the district attorney of Oklahoma County led many publicized inquiries via a multi-county grand jury. There were indictments handed down, and Walters finally pleaded guilty to a misdemeanor offense of violating campaign finance laws.

Critics argued that Walters should have been tried on the more serious charges cited in the news releases that swirled about. Walters from time to time proclaimed, in spite of his well-publicized guilty plea, that he was not "really" guilty.

The intense publicity attending the Walters case may have curbed some of the worst excesses of campaign finance for a time. The outcome also showed that the state was capable of internal reform without federal action. Finally, whatever the faults of Walters, his misdeeds were far less than the highly authoritarian actions of some earlier governors, like Jack Walton and Alfalfa Bill Murray.

### **Conclusion**

This review traced Oklahoma corruption and misbehavior generally from territorial times up to the mid-1990s. What may the interested observer learn from it?

Oklahoma is not typically classified as one of the nation's most corrupt states. Such states as Louisiana, New Jersey, and West Virginia usually enjoy that dubious distinction. Oklahoma does not rank as one of the cleanest, nor is it one of the worst.

Political conflict in Oklahoma in the 1920s and 1930s was ferocious, like that of some third world countries today. To describe this conflict in terms such as “colorful” or “entertaining” without a lot of qualification, as some historians do, amounts to a whitewash. Through the biggest scandals from the 1960s on, it was the federal officials who acted. Included in this pattern are basic forms of misconduct such as racial segregation and malapportionment, as well as traditional forms of political corruption.

The action of federal courts in forcing desegregation and reapportionment may be seen as a modernizing influence. And in both of these sectors, Oklahoma was on par with many other states. Insofar as Oklahoma was unique, it is because its powerful culture of rural populism strengthened the resistance to modernization. In the wake of federal efforts, Oklahoma in the 1990s evidenced a willingness to tackle corruption from within, without waiting on federal officials to do the job. Both the school bonds program and Governor Walters’ campaign finance abuses are cases in point. This is an extremely important development that has been little noted.

As a final observation, there is a tendency for many observers in the state, including political scientists, to attack the conservative bias of *The Daily Oklahoman* and its willingness to dig up unfavorable news and offer critical editorial comment. One wonders what these critics would think of the critical attention in news and editorials bestowed upon New York City by the likes of the *New York Times* and the *Wall Street Journal*. Critics of the *Oklahoman* seem to want a tame press rather than a free one.

