NIXON SAYS HE CONSIDERED POLITICS IN MILK RISE BUT DENIES ANY DEAL; HE ALSO REJECTS CHARGES ON I.T.T.

TWO STATEMENTS

But Documentation to Support President's View Is Withheld

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By JOHN HERBERS
Special to The New York Times

LAGUNA BEACH, Calif., Jan. 8—President Nixon acknowledged today that he took "traditional political consederation" into account in ordering a controversial 1971 increase in Federal milk price supports.

But he said that charges he granted favors to milk producers and the International Telephone and Telegraph Corporation in return for campaign contributions were "utterly false."

Milk case excerpts, Page 20; I.T.T. excerpts, Page 21.

The President's position was set forth in two White House statements that last November Mr. Nixon promised to make public to get out the "facts" on both cases. But documents supporting the statements were not made public on the ground that they previously were voluntarily delivered to the special Watergate prosecutor.

Knew Industry Plan

"In view of the fact that the documents and tapes are on file with the special prosecutor, it should be clear that the acccounts published today are consistent with the basic facts contained in those documents and tapes," said a statement iss ued by the White House press office.

The statements disclosed for the first time that Mr. Nixon personally made the decision to accede to dairy industry requests to raise milk price supports in 1971 and that, when he made the decision, he knew of the industry's plans to contribute up to $2-million to his re-election campaign.

The paper noted that the President was made aware of "the political power of the dairy industry lobby" before reaching his decision and that he had concluded "it could be politically disastrous in some of the Midwestern states" if the wishes of the lobby to raise milk price supports were not granted.

Orders to Kleindienst

On the matter of International Telephone and Telegraph, the President insisted that he had intervened in the Government's antitrust suits against the corporation solely because he believed the suits were based on a philosophy that he disagreed with—that is, that "bigness per se" is bad.

For this reason, the President said, he ordered the then Deputy Attorney General, Richard G. Kleindienst, on April 19, 1971, to instruct Richard W. McLaren, then Assistant Attorney General in charge of the

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DEAL IN MILK RISE IS DENIED BY NIXON

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Antitrust Division, that an appeal of one of the suits should not be filed in the Supreme Court.

Mr. Nixon labeled as "false" charges that his intervention had been related to an I.T.T. commitment, variously reported at $100,000 to $400,000, to help finance the Republican National Convention.

The President said that he had been unaware of that commitment, which he said was made "several weeks" after his intervention in the antitrust case.

Regarding the decision not to publish documents, the White House said that to do so would violate the President's intention to maintain the "confidentiality" of materials submitted to the Watergate prosecution.

However, because the documents were not make public, as White House spokesmen indicated a few weeks ago they would be, and because the statements released today were subject to various interpretations, Mr. Nixon's latest move was not considered likely to end the controversy.

Further, the statements contain little information that has not been published. Rather, they interpret the facts from the President's point of view.

From the standpoint of documentation, Mr. Nixon's action today contrasted with his disclosure in early December of his personal finances, when he made public his income tax returns for his first four years in the Presidency and volumes of legal papers.

'Actions Totally Proper'

Mr. Nixon and his Administration have been accused of raising milk prices in 1971 in return for large campaign contributions from the milk interests and, of settling the I.T.T. case after the corporation made known its intention to help finance the 1972 Republican National Convention, then planned for San Diego.

The separate statements issued today on the two actions, the White House said, "support the President's previous statements that his actions were totally proper."

As to the milk supports, the White House said that the president's action had been based on several factors: "First and foremost, intensive Congressional pressure, generated in part by the dairy interests; secondly, the economic merits of the case itself; and finally, traditional political considerations relating to the needs of the farm states. The economic consequences of that milk decision show it to have been in the national interest."

However, the statement conceded that he knew of plans by the industry to contribute up to $2-million for his re-election at the time he agreed to the request for a milk price rise.

As to the I.T.T. case, the White House said that the President interceded in antitrust action against the corporation in April, 1971, solely to avoid a Supreme Court ruling that would permit antitrust suits to be brought against large American companies simply on the basis of their size.

"The President was not aware at the time of any pledge by I.T.T. to make a contribution toward expenses of the Republican National Convention, nor, in fact, had such a pledge ever been made," the statement said. "The ultimate resolution of the I.T.T. matter—requiring I.T.T. to undergo the largest divestiture in antitrust history—was itself judged to be reasonable and fair by two former Solicitors General, Erwin Griswold and Archibald Cox."

Excerpts From Statement on the Milk Pricing Case Released by the White House

WASHINGTON, Jan. 8—Following are excerpts from a statement on the milk pricing case as released today by the White House:

During the spring of 1971, Secretary of Agriculture Clifford Hardin announced that certain dairy products would be supported by the Federal Government at 80 per cent of parity during the 1971-72 marketing season. Subsequently, under heavy pressure from the Congress to increase supports and after consultation with his senior advisers, the President reconsidered and requested the Secretary to raise the price support level for the coming year to 85 per cent of parity.

Because the President also met with dairy leaders during this same period and because campaign contributions were given to his re-election effort during 1971, there have been charges in the media and elsewhere that the President's actions on price supports were the result of promises from the dairy industry to contribute to the 1972 Republican Presidential campaign. These allegations are unsupported by evidence and are totally false.

The Decisions of March, 1971

The decision announced each year by the Secretary of Agriculture of the price at which the Government will support milk prices has a significant impact on the nation's dairy farmers. In 1970, Secretary Hardin had announced that for the marketing year running from April 1, 1970, through March 31, 1971, the Government would support manufacturing milk at \$4.66 per 100 pounds, or at 85 per cent of parity. This figure represented an increase of 38 cents and an increase of 2 per cent of the parity rate over the year before (1969-1970).

As the 1971-72 marketing season approached, the question within the Government was whether to continue supporting the milk price at \$4.66 per pounds or to raise the price. Because a grain shortage and other factors had incerased the costs of production for dairy farmers, a continuation of the \$4.66 price meant that the parity rate would actually fall to approximately 80 per cent. To the farmers, a drop in parity rate would result in a possible loss of income which in turn could deter production. The farmers therefore advocated an increase in the price support to \$5.21 per 100 pounds, or 90 per cent of parity; at the very least, they argued, the Government should raise the price to \$4.92 per 100 pounds and thereby maintain the current parity rate of 85 per cent. At the Department of Agriculture, it was feared that such price increases might encourage excess production of the farms, raise the prices of dairy products for consumers, and ultimately force the Government to pur-

Associated Press

President Nixon at his home in San Clemente, Calif., yesterday morning chase the surplus products.

The dairy industry, which had become highly organized in the 1960's, moved to exert maximum, direct pressure on the Secretary of Agriculture in early 1971. In a few weeks, over 13,000 letters from milk producers were received by the Department of Agriculture.

At the same time, the dairy industry worked to achieve its objectives indirectly through members of the Congress who agreed with industry views. The upper midwestern affiliate of the Associated Milk Producers, Inc. (AMPI) estimated that its members alone sent some 50,000 letters to Congressmen on the subject of milk supports. Between February 23 and March 12, 1971, some 25 Senators and 65 Congressmen wrote the Secretary of Agriculture to urge that the $4.66 support price be increased. Some 20 Senators and 53 Representatives indicated that they wanted to see the price raised to a full 90 per cent of parity ($5.21 per cwt.). Four Senators and eight Representatives adopted a more restrained position, asking that the price be raised to at least 85 per cent of parity ($4.92).

Some Letters Cite Requests

Some of the letters openly referred to the fact that spokesmen for the dairy cooperatives—AMPI, Dairymen, Inc., or their affiliates—had written or called upon the Congressmen to ask for support. A number of letters were apparently drafted by lobbying groups.

Many of the members also took to the floor of the House and Senate to express their concern.

While their colleagues were mashalling support in open floor speeches, senior Democratic leaders in the Congress were expressing their concerns privately to representatives of the Administration. On Feb. 10, the chairman of the House Ways and Means Committee, Wilbur Mills, (D., Ark.), arranged a meeting in the office of Speaker Carl Albert (D., Okla.) to discuss the dairy issue. Representatives of the dairy industry had apparently asked for the meeting to plead their case. In attendance were Harold Nelson and David Prr from AMPI; Congressman Mills, Albert and John Byrnes (R., Wis.); William Galbraith, head of Congressional liaison for the Department of Agriculture; and Clark MacGregor, then counsel to the President for Congressional relations.

The Congressional leaders continued to make their views known in several private conversations thereafter. According to Mr. MacGregor's records, Congressman Mills urged him on at least six occasions in late February and early March to urge the President to raise the support price. Congressman mills and Speaker Albert also telephoned the director of the Office of Management and Budget, George Shultz, with the same request. Mr. Shultz sent a memorandum to John Ehrlichman at the White House indicating the substance of the Mills request for a rise in the support level.

Nevertheless, on March 12, Secretary Hardin announced that the price support for the coming year would be approxmately 80 per cent of parity—not 90 per cent as the dairy industry wanted. The Secretary's announcement acknowledged that some dairymen believed that the support price should be increased. But, he said, higher support prices might lead to excessive supplies and large surpluses. Mr. Hardin believed his action was "in the long-term best interests of the dairy producers."

Immediately following the Agriculture Department announcement of March 12, 1971, a campaign was initiated on Capitol Hill by both Democrats and Republicans for mandatory legislation to increase the parity level to 85 or 90 per cent. Thirty separate bills were introduced in the House of Representatives between March 16th and March 25th with this specific goal in mind. One hundred and twenty-five members of the House of Representatives introduced or co-sponsored legislation to support the price of manufacturing milk at a level of not more than 90 per cent nor less than 85 per cent. In other words, 85 per cent would be an absolute floor for price supports. Of these Representatives, 29 were Republicans and 96 were Democrats. Two Congressmen, one from each side of the aisle, also introduced legislation for a mandatory level of 90 per cent of parity.

Democrat Support in Senate

In the Senate, 28 Senators, led by Democratic Senator Gaylord Nelson of Wisconsin, introduced legislation on March 16, 1971, that would have required support levels at a minimum of 85 per cent of parity. Of the Nelson bill sponsors, one was a Republican (Senator Cook of Kentucky) and 27 were Democrats.

Philosophically, the Nixon Administration had hoped to gradually move away from Federal policies which provide massive subsidies to agriculture. These subsidies had initially been instituted during the Depression years when the Government undertook a variety of measures to ease the plight of the farmers and to give them some degree of economic stability and continuing purchase power. During the ensuing decades, when these support policies might have been phased out, they instead became political footballs, tossed about in the Congress, aided and abetted by well-organized farm lobbying groups.

With 29 Senators and more than 100 Congressmen actively spearheading the effort to achieve an increased parity rate for the dairy industry, it thus became increasingly clear that mandatory legislation would be enacted and, further, that a Presidential veto of such legislation could well be overridden. Moreover, if the President were to try to force his will in this matter (i.e., to push parity down to 80 per cent) it could be politically disastrous in some of the Midwestern states, and, in the light of known Congressional intentions, would be both foolish and futile.

Godfrey Sperling, writing in The Christian Science Monitor on Dec. 1, 1970, had observed that "farmers and rural communities of America are deeply distressed with the Nixon Administration . . ." especially "with the paring of subsidies . . ." Sperling also noted the election results of Nov. 3, 1970: "Democrats in 11 basically agricultural districts picked up new Congressmen. At the same time no Democrats who were incumbents in such farm districts were defeated." Finally Sperling mentioned those Democrats who did well in farm areas: Senators Joseph Montoya of New Mexico, Quentin Burdick of North Dakota, Hubert Humphry of Minnesota, Stuart Symington of Missouri, Adlai Stevenson of Illinois, Vance Hartke of Indiana, Gale McGee of Wyoming, Frank Moss of Utah and William Proxmire of Wisconsin. All but one of these Senators in 1971 were supporting dairy industry efforts to obtain higher price supports.

The situation was not dissimilar to one facing President Lyndon Johnson in 1967 when he was forced to curb dairy imports by a Congress which had introduced legislation as a prodding action. Mr. Johnson sharply reduced dairy imports in that year after 58 Senators, led by Senator William Proxmire (D-Wis.), and 180 Congressmen had introduced a dairy import control bill. In 1967, as in 1971, the activity in the Congress had taken place after the dairy lobby had, by one account, "launched an all-out drive to get Congress" to pass import controls.

With the pressures from Capitol Hill mounting rapidly, President Nixon during the afternoon of March 23d met wit hseven of his senior advisers to explore the situation with regard to milk price supports. This was the President's second meeting of th day concerning dairy matters. As will be discussed below the President and other Administration officials met that morning with dairy representatives in response to a long-standing appointment.

The President himself concluded that the final decision came down to the fact that the Congress was going to pass the higher support legislation, and he could not veto it without alienating the farmers—an essential part of his political constituency. It was also believed that by raising the support levels in 1971, similar action in 1972 could be precluded—thus holding the price line for two years.

The fundamental themes running through this March 23d meeting were two: (1) the unique and very heavy pressures being placed upon the President by the Democratic majority leadership in the Congress and (2) the political advantages and disadvantages of making a decision regarding a vital political constituency.

After the President announced his decision there was discussion of the great power of the House Democratic leadership (which was then pressing for the milk price support increase) and how that power might be enlisted in support of certain of the President's key domestic legislation, if the Administration acknowledged the key role these leaders played in securing the reversal of Secretary Hardin's March 12 decision. The meeting concluded with a discussion of the manner in which the decision would be announced and implemented.

Two days later, on March 25, Secretary Hardin officially announced the decision to raise the support level to approximately 85 per cent of parity for the 1971-72 marketing season.

[II]

The Dairy Industry Contributions and Lobbying Activities

The discussion in the foregoing section shows that overwhelming Congressional pressure—and the political consequences of ignoring it—was the reason for the milk price support decision reached on March 23d.

The lobbying and contribution activities of the dairy industry followed a separate track. Not unexpectedly the industry undertook to cover every available base. But there was no arrangement or understanding between the industry and the President as has been so widely and falsely alleged.

The record shows the following lobbying and contribution activities by the dairy industry representatives between 1969 and 1971:

1969-1970

President Nixon had no direct contact with any of the members of these dairy organizations until 1970 when AMPI officials invited him to address their annual convention in Chicago in September. The President was unable to accept the invitation, and Secretary Hardin spoke in his place.

Although he could not attend the convention, the President—as he frequently does—placed a courtesy phone call on Sept. 4, 1970 to the general manager of AMPI, Mr. Harold Nelson. He also spoke with Secretary Hardin, who was with Mr. Nelson. During that conversation, the President invited the dairy leaders to meet with him in Washington and to arrange a meeting with a larger delegation of dairy leaders at a later date.

Accepting the President's invitation, Mr. Nelson and his special assistant, David Parr, paid a brief courtesy call on the President on Sept. 9, 1970.

The meeting, which was publicly announced to the press occurred in the Oval Office, and, according to the President's diary, lasted approximately nine minutes. Most of that time was consumed with introductions, photograhps and the distribution of Presidential souvenirs.

The context of the meeting was a greeting during a presidential "open hour" — a session frequently arranged for short courtesy calls from diverse groups and individuals. During the "open hour" of Sept, 9, the visit from the AMPI representatives was fitted in between the visits of 25 other people, including a group to encourage military servicemen to exercise their votes, a group of concerned citizens from the state of South Dakota and a contingent of Gold Star mothers.

During the late 1960's each of the three major dairy cooperatives established a trust fund in order to raise and distribute money to political candidates. AMPI established the Trust for Agricultural Political Education (TAPE), Mid-America dairies established the Agriculture and Dairy Educational and Political Trust (ADEPT), and Dairymen, Inc., created the trust for Special Agricultural Community Education (SPACE).

In August of 1969, an attorney for AMPI delivered to Mr. Herbert Kalmbach the sum of $100,000. Mr. Kalmbach deposited the funds in a trustee account he maintained at the Security Pacific National Bank in Newport Beach, California. The account contained political contributions remaining from the 1968 election campaign. The President had no knowledge of this contribution.

Reports on file with the Clerk of the House of Representatives showed that contributions to Congressional candidates in 1969 and 1970 by TAPE, SPACE and ADEPT totaled over $500,000. The bulk of the money was earmarked for Democratic candidates. Representatives of the dairy co-ops have indicated in an Associated Press account of Dec. 17, 1973, that Republican candidates received approximately $135,000, or less than 30 per cent of the funds.

Knowledge of Financial Support

Some members of the White House staff knew that the dairymen were giving financial support to Republican and Democratic candidates in Senate elections in 1970. One member of the staff, Charles W. Colson, asserted in a memorandum to the President that AMPI had pledged $2-million to the 1972 campaign. (Whether any such pledge was actually made is unknown, but the total amount given to the President's 1972 campaign was $437,000. As noted below, AMPI's campaign contributions to other candidates during this period were even more generous.) That memorandum was attached to a Presidential briefing paper for the courtesy meeting between the President and the AMPI representatives in September of 1970. It was suggested in the memorandum that the President acknowledge AMPI's support. No suggestion was made that any commitment whatsoever be made to do any substantive act. There was also no mention of the asserted pledge during the meeting.

Another reference to fund raising was in a letter addressed to the President on Dc. 16, 1970, from Patrick Hillings, a former Congressman who had succeeded Mr. Nixon in his Congressional seat after the latter had been elected to the Senate. At that time, Mr. Hillings was a member of a Washington, D.C., law firm that represented the dairymen in the nation's Capital. In his letter, Mr. Hillings asked for the immediate imposition revised dairy import quotas in accordance with recommendations recently presented to the President by the Tarif Commission. Prsident Nixon did not see the letter.

Since the President had already been informed of the fund raising efforts by the dairy industry, the only possible relevance of the Hillings letter would lie in what action was taken on the Tarif Commission recommendations that Mr. Hillings asked the President to accept.

The fact is that the action taken by the President on import quotas was less favorable to the dairy industry than the steps recommended by the Tariff Commission. The commission, a body of impartial experts, had recommended on economic grounds and pursuant to statutory requirements that imports be closed off entirely for three dairy products (ice cream, certain chocolate products, and animal feeds containing milk derivatives) and that much lower import quotas be set for a fourth item, low-fat cheese. Rather than closing off imports—an action that would have been more favorable to the dairy industry—the President instead reduced the import quotas on each item, permitting all four goods to continue their competition with American dairy products.

1971

The President next met with dairy representatives at 10:30 A.M. on March 23, 1971, in the Cabinet room of the White House. Included in the meeting were a delegation from the dairy cooperatives as well as several Administration officials, include O.M.B. Director, George Shultz; Assistant to the President, John Ehrlichman; Deputy Assistants to the President, Henry Cashen and John Whitaker; and Donald Rice, Associate Director of O.M.B. From the Department of Agriculture were Secretary Hardin; Under Secretary Phil

Campbell; Assistant Secretaries Clarence Palmby and Richard Lyng; and Deputy Assistant Secretary William Galbraith.

Contrary to allegations which have since been made, the meeting had been scheduled more than three weeks *BEFORE* the March 12 announcement on price supports by Secretary Hardin. As noted above, the meeting stemmed from an invitation first extended on Sept. 4, 1970, when the President spoke by telephone to Harold Nelson of AMPI. In January of 1971, Secretary Hardin recommended to the Wihte House that the meeting be placed on the President's schedule. Thereafter, in February, the White House arranged the March meeting.

The President opened the meeting by thanking the dairy leaders for the support they had given to Administration policies and praised them for their activism in pursuing goals which were important to them. The remainder of the meeting was taken up with the dairy leaders pleading their case for higher suppohts and with other Administration officials expressing concerns about overproduction and higher retail prices. There was no mention whatsoever of campaign contributions. Nor were any conclusions regarding dairy supports reached at the meeting, as the President pressed the attendees as to whether or not they could control overproduction. Much was said by the dairy representatives of the higher costs of their doing business.

Prior to this meeting, a staff memorandum was prepared as a briefing paper for the President. That paper briefly noted that the dairy lobby—like organized labor — had decided to spend political money and that Pat Hillings and Murray Chotiner were involved. There was no suggestion that the President should give special treatment to the dairymen. In fact, thtat same paper discussed in much more detail the pressure which was coming from the Congress for higher supports; that the Congress was acting at Speaker Albert's instigation; that the Democratic leadership wanted to embarrass the President; and that a bill for higher supports would probably be passed, thus presenting the President with a very tough veto situation.

There were no other discussions between the President and the dairy industry representatives prior to the President's decisions on the afternoon of March 23, 1971. There are a number of mistaken notions with regard to these lobbying efforts of the dairy industry. One is that they had a substantial influence upon the President's decisions. That is untrue. Another is that the dairy contribution represented a substantial portion of the total funding of the President's re-election effort. The truth is that the contributions from the dairymen amounting to some $427,000 constituted less than 1 per cent of the total.

It should be further noted that from the perspective of the dairymen, their contributions to President Nixon's campaign organizations were not the major focus of their efforts. According to The Congressional Quarterly of March 17, 1973, reports publicly filed by the political arms of the cooperatives show the following total contributions by the political arms of the dairy cooperatives to all political candidates from April 7, 1972, through Dec. 31, 1972:

ADEPT	$ 324,292.58
CTAPE/a	906,245.00
PACE	17,650.00
SPACE	254,700.00
Total	$1,502,887.58

(a—Note: CTAPE became the major distribution arm of the Associated Milk Producers during the 1972 campaign. Its parent, TAPE, transferred funds to CTAPE, which in turn gave them to the candidate's organizations.)

[IV]

Conclusions

The information contained in this discussion can be summarized as follows:

—Immediately after the Agriculture Department first announced on March 12 that milk would be supported at approximately 80 per cent of parity, pressures developed on Capitol Hill for mandatory legislation to increase the parity level to 85-90 per cent. Several of the President's advisers believed that the legislation would be enacted and that a Presidential veto of such legislation would be politically disastrous for Mr. Nixon in several states.

—Except for the fear that a rise in suports would create problems of overproduction, several advisers believed the dairymen's case to be meritorious due to the rising costs of fuel, feed, and labor for those producing dairy products. In fact, the corn blight of 1970 considerably reduced many supplies of feed grain for the 1971 marketing year.

—With the Congress putting "a gun to our head" and with his senior advisers supporting him, the President decided that the parity level should be increased to 85 per cent.

—Economically, the President's decision to raise the support level proved to be sound and beneficial for the nation.

—While the President had been advised that the dairymen had decided to make contributions towards the re-election effort of 1972, this did not influence the President's decision to raise the level of supports.

Excerpts From the White House Statement

WASHINGTON, Jan. 8—Following are exxcerpts from a statement concerning the International Telephone and Telegraph Company as released today by the White House:

In the thousands of pages of testimony and analysis regarding the I.T.T. case since 1971, the only major charge that has been publicly made against President Nixon is that in return for a promise of a political contribution from a subsidiary of I.T.T., the President directed the Justice Department to settle antitrust suits against the corporation.

That charge is totally without foundation:—The President originally acted in the case because he wanted to avoid a Supreme Court ruling that would permit antitrust suits to be brought against large American companies simply on the basis of their size. He did not direct the settlement or participate in the settlement negotiations directly or indirectly. The only action taken by the President was a telephoned instruction on April 19, 1971 to drop a pending appeal in one of the I.T.T. cases. He rescinded that instruction two days later.

—The actual settlement of the I.T.T. case, while avoiding a Supreme Court ruling, caused the corporation to undertake the largest single divestiture in corporate history. The company was forced to divest itself of subsidiaries with some $1-billion in annual sales, and its acquisitions were restricted for a period of 10 years.

—The President was unaware of any commitment of I.T.T. to make a contribution toward expenses of the Republican National Convention at the time he took action on the antitrust case. In fact, the President's antitrust actions took place entirely in April of 1971—several weeks before the I.T.T. pledge was even made.

[I]

President's Interest in Antitrust Policy

Mr. Nixon made it clear during his 1968 campaign for the Presidency that he stood for an antitrust policy which would balance the goals of free competition in the marketplace against the avoidance of unnecessary Government interference with free enterprise. One of Mr. Nixon's major antitrust concerns in that campaign was the Government's treatment of conglomerate mergers. Conglomerates had become an important factor in the American economy during

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United Press International
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the 1960's, and despite public fears that they were threatening free competition in the marketplace, the Administrations of those years—in Mr. Nixon's opinion—had not been clear in their attitude toward them.

A second major concern of the President and his advisors was their fear that the ability of United States companies to compete in the world market might be threatened by antitrust actions agains conglomerates. The United States faced a shrinking balance of trade surplus and the President and many of his advisors felt that United States multinational companies could play an important role in improving the balance.

II

Background on the I.T.T. Litigation

The Justice Department in 1969 initiated civil litigation against the International Telephone and Telegraph Corporation, a major "conglomerate," for alleged violations of the antitrust laws. The allegations involved acquisitions by I.T.T. of the Grinnell Corporation, the Hartford Fire Insurance Company, and the Canteen Corporation. The antitrust division of the Justice Department was concerned with the implementation of an antitrust policy which attacked the general merger trend not only because the effect of the corporate growth may be substantially to lessen competition, conduct clearly proscribed by the antitrust laws but also because of the economic concentration itself.

Other experts, including many of the President's advisors, did not see the role of antitrust laws in such all-encompassing terms.

Executives of I.T.T. were also concerned about the Justice Department action, and talked with various Administration officials to learn their views. The chief executive office of I.T.T., Harold Geneen, was sufficiently concerned that he attempted to talk to the President personally about these issues in the summer of 1969. The President's advisors thought that such a meeting was not appropriate, and the meeting was not held.

Other White House officials, however, did talk to various representatives of I.T.T. about antitrust policy. Those discussions invariably focused on the legal and economic issues of whether antitrust suits should be pursued simply because companies are large or rather because they are actually restraining trade in a tangible way. Papers relating to those conversations have been voluntarily turned over to the special prosecutor.

[III]

Making the I.T.T. Cases Consistent With Administration Policy on Antitrust

During the latter part of 1970, there was a question among White House

Involving I.T.T. and the Administration

George E. Joseph
Harold S. Geneen
Head of I.T.T.

advisers about whether the antitrust actions against the I.T.T. were consistent with the notion of keeping hands off companies unless they had committed some clear restraint of trade rather than simply becoming large in size, and generally whether the I.T.T. suits were consistent with Administration policy on antitrust.

A trial of the Grinnell case on the merits was held on Sept. 15, 1970, and concluded on Oct. 30, 1970. The court again refused to find that I.T.T. had violated the antitrust laws.

By the spring of 1971, the President, based on the information and advice he had received, had concluded that the I.T.T. litigation was inconsistent with his own views on antitrust policy. The Department of Justice and some of the President's advisors continued to maintain, however, that the cases were not an attack on bigness and were based on clear anti-competitive effects of the acquisitions.

On April 19, 1971, in a meeting with John Ehrlichman and George Shultz, then Director of the Office of Management and Budget, the President was told by Mr. Ehrlichman that the Justice Department had filed an appeal with the Supreme Court in the Grinnell case which Mr. Ehrlichman described as an "attack on a conglomerate." Mr. Ehrlichman further told the President that he believed that prosecution of the case was contrary to the President's antitrust policy and that, as a result, he had tried to persuade the Justice Department not to file a jurisdictional statement (due the following day) so as to terminate the appeal. He indicated, however, that he had been unsuccessful with the Justice Department.

The President expressed irritation with the failure of the head of the Antitrust Division, Mr. McLaren, to follow his policy. He then placed a telephone call to Deputy Attorney General Kleindienst and ordered that the appeal not be filed. The meeting continued with a further discussion of antitrust policy during which Mr. Shultz expressed the view that conglomerates had been unfairly criticized.

The Justice Department, on April 20, 1971, requested and was granted a delay in filing the appeal, which was due that day. On the following day, April 21, 1971, Mr. John N. Mitchell, the Attorney General, advised the President that in his judgment it was inadvisable for the President to order no appeal to the Supreme Court in the Grinnell case. The Attorney General reasoned that, as a personal matter, Mr. Erwin N. Griswold, Solicitor General of the United States, had prepared his brief for appeal and would resign were the appeal not to proceed.

The Attorney General further feared legislative repercussions if the matter were dropped entirely. Based upon the Attorney General's recommendations, the President reversed his decision of April 19, 1971, and authorized the Department of Justice to proceed with the case in accordance with its own determinations. He said that he did not care about I.T.T. as such, but that he wanted the Attorney General to see that his antitrust policy was carried out.

On April 29, 1971, a meeting of I.T.T. representatives, Department of Justice and Department of Treasury officials was held at the Department of Justice wherein I.T.T. made a presentation concerning the financial ramifications of the proposed divestiture actions. Following the meeting, the Department of Justice requested that the Treasury Department and an outside consultant specializing in financial analysis evaluate the I.T.T. claims. These evaluations were made in addition to the Justice Department's own analysis of competitive effect.

Based on the completed assessment, Assistant Attorney General McLaren, on June 17, 1971, sent a memorandum to the Deputy Attorney General outlining a proposed settlement. This proposal was subsequently communicated to I.T.T. representatives and after further negotiations a final settlement, extremely similar to Mr. McLaren's June 17 proposal, was agreed upon in principle on July 31, 1971, and final consent judgments were entered by the United States District Court on Sept. 24, 1971.

[IV]

Selection of San Diego for Republican National Convention

In the 1971 selection process, six cities were seriously considered for the 1972 convention, and were being considered seriously by the Site Selection Committee.

On June 29, 1971, the San Diego City Council adopted a resolution authorizing the Mayor of the city of San Diego to submit a bid on the Republican National Convention to be held in San Diego, and to offer financial support of $1.5-million.

A large part of the cash portion of the bid was committed by the Sheraton Hotel Corporation, a subsidiary of I.T.T., about June 1, 1971, and subsequently confirmed on July 21, 1971. A new Sheraton hotel was under construction in San Diego, and Sheraton apparently felt that television publicity for the hotel and the chain would be a worthwhile business investment. The exact provisions of the donation were and are unclear. Apparently I.T.T.-Sheraton offered $200,000 with some requirement of matching by other San Diego businessmen as to one-half of the commitment. In any event, a payment of $100,000 to the San Diego Convention and Visitors' bureau was returned when the convention site was changed.

The White House staff report to chief of staff H. R. Haldeman on possible convention sites made no mention of I.T.T. Rather, it recommended San Diego because of California's Republican Governor, San Diego's Republican Congressman, its proximity to the Western White House, its outstanding climate, its relatively large bid in money and services, the importance of California in the electoral tally, the attractive outdoors atmosphere of the town, and the excellent security which could be offered.

The President, himself, informed Senator Robert Dole, chairman of the Republican National Committee, that whatever Senator Dole and the Site Selection Committee decided was agreeable to him. Subsequently, the President approved the selection of San Diego by the Site Selection Committee.