

SHULTZ SAYS NIXON GAVE MILK ORDER

Asserts White House Feared
Congress Would Approve
an Even Bigger Increase

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WASHINGTON, Nov. 2 —

Secretary of the Treasury George P. Shultz said today that the Nixon Administration had reversed its own experts, in 1971, and ordered a large increase in the support price for milk because the Administration was afraid Congress would legislate an even bigger increase.

It was clear that Congress would act, he said, because the milk industry had mounted a tremendous lobbying effort on the issue.

The increase in the support price for milk that is paid by the Government has been estimated to have added more than \$500-million to the income of dairy farmers and the prices paid by consumers.

Lawsuits and internal White House memorandums have linked the grant of the increase to pledges of campaign contributions from the milk producers of as much as \$2-million.

Mr. Shultz said he was sure that the milk producers had

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given a lot of money in the form of campaign contributions but that he had, himself, never been involved in any discussion of it.

The Treasury Secretary commented on the issue at a breakfast with reporters. He barred direct quotation of his words though he authorized indirect quotation, a practice he has followed with the press at times in the past.

Mr. Shultz and his predecessor at the Treasury, John Connally, will apparently be required to tell their versions of the milk story in public soon. Subpoenas were signed yesterday by Senator Sam J. Ervin Jr., Democrat of North Carolina, ordering them to appear before the special Senate committee investigating the Watergate break-in and other scandals.

It was expected that both men would be asked by the committee about circumstances leading to the increase in price supports and also about a separate decision reducing the permissible level of imports of certain cheeses and other food containing dairy products, which was also desired by United States milk producers.

In the latter case, the White House action followed the recommendations of experts at the Tariff Commission.

In the case of the support

prices, however, the Administration overturned a unanimous finding by experts in the Agriculture and Treasury Departments, the Council of Economic Advisers and the Office of Management and Budget, Secretary Shultz said.

The then Secretary of Agriculture, Clifford M. Hardin, warned the rest of the Administration from the start, Mr. Shultz said, that the milk industry would mount a terrific onslaught to get the price support increased.

Mr. Shultz confirmed previous reports that a meeting of officials with a group of milk-producers, was held in the Cabinet Room of the White House to discuss the price-support increase. Others have put the date of the meeting as

March 23, and have said that President Nixon was present, at least part of the time.

Before this meeting, Mr. Shultz said, he had been 80 per cent sure he was right in opposing the increase in support prices, but afterward, while he still thought he was right, he dropped to 60 per cent sure.

After he received telephone calls from some very powerful people in Congress, Mr. Shultz said, he withdrew his opposition to the increase in the support price. It was clear, he said, that a lot of lobbying was going on and Congress was ready to increase support prices by more than the 27 cents a hundredweight—a little less than 3 cents a gallon—that the Administration ordered.