

IMPEACHMENT

SATURDAY

Selected Judiciary

Statement of Information Submitted on Behalf of President Nixon—Political Contributions by Milk Producers Cooperatives: The 1971 Milk Price Support Decision.

1. The President was invited to address the Associated Milk Producers, Inc. (AMPI) annual convention in Chicago in September of 1970. The President was unable to accept the invitation, and Secretary Hardin spoke in his place.

The President 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 dairy leaders at a later date.

2. Harold S. Nelson and his special assistant, David L. Parr, paid a brief call on the President on Sept. 9, 1970, during a presidential "open hour." During the Open Hour of Sept. 9, 25 other people, in addition to the AMPI representatives, visited the President, including a group to encourage servicemen to exercise their votes, a group of concerned citizens from the state of South Dakota and a contingent of Gold Star mothers. Mr. Nelson's and Mr. Parr's pictures were taken and the President told them he understood they had had a successful annual meeting and that he would like to attend their next one in 1971. They had what Mr. Parr described as a "very light-veined" discussion of their organization and activities. There is no evidence that campaign contributions were discussed.

3. Harold S. Nelson and David L. Parr have testified that the figures of 1 million and 2 million were tossed around, not that any specific pledge was made. Mr. Parr testified that the figures were used in a jesting manner.

4. On March 5, 1970, Secretary of Agriculture Hardin requested the President to direct the Tariff Commission to investigate and report on the necessity for import controls on four new dairy products which had been developed to evade import controls previously established on recognized articles of commerce. The Tariff Commission by Report 338 found unanimously that imports of the four products were interfering with the dairy price program and recommended zero quotas for 3 of the items and an annual quota of 100,000 pounds for the fourth.

5. On Oct. 19, 1970, Secretary Hardin recommended that the Tariff Commission's recommendations be implemented. The Task Force on Agriculture Trade of the Council of Economic Advisers disagreed with Secretary Hardin and unanimously recommended to the President, on Nov. 7, 1970, that imports of these items should not be cut off. Thus CEA did not forward Secretary Hardin's recommendation to the President. On Nov. 30, 1970, Secretary Hardin in a memo to Bryce N. Harlow, assistant to the President, again pushed for a zero quota on one of the items.

6. On Dec. 16, 1970, Patrick J. Hillings of the Washington, D.C., law firm of Reeves and Harrison gave Roger Johnson a letter addressed to the President. It requested, on behalf of AMPI, that the Tariff Commission's recommendation of strict import restriction be adopted. The letter referred to contributions to Republican candidates in the 1970 congressional election and to plans to contribute \$2,000,000 to the re-election campaign. Attached to the letter was an extensive economic and political analysis of dairy import quotas. Roger Johnson referred the matter to H.R. Haldeman. An undated memorandum from John Brown referred it to "J.C.," who was to check with Ehrlichman and Colson regarding whether the letter should be sent to the President. The letter ended up in Charles Colson's safe and Colson criticized Hillings for sending such a letter. Hillings had not intended or expected that the President see it in the first place and does not believe that the President did see it. There is no evidence that the President ever saw it.

7. The President, on Dec. 31, 1970, by Proclamation Number 4026 established quotas totaling in excess of 25,000,000 pounds for three of the products and in excess of 400,000 gallons for the fourth. It had been previously reported to the White House that any modification from the Tariff Commission's recommendation of zero quotas on three items and 100,000 pounds on another would be viewed on the Hill as a "slap in the face" by the dairy people.

8. During late 1970 and early 1971, the dairy industry actively sought congressional support and action in its effort to obtain an increase in the milk price support level. In February and March of 1971 approximately 100 senators and congressmen wrote the Secretary of Agriculture to urge that the support price be increased. Most wanted the price raised to 90 per cent of parity. Some asked that the price be raised to at least 85 per cent of parity.

9. Congressional leaders made their views known to administration officials in several private conversations. Congressman Mills urged Clark MacGregor on at least six occasions in late February and early March to urge the President to raise the support price. Congressman Mills telephoned the Director of the Office of Management and Budget, George Shultz, with the same request. Mr. Shultz sent a memorandum to John Ehrlichman indicating the substance of Congressman Mills request for a rise in the support level.

10. Following Secretary Hardin's announcement, March 12, 1971, that the support level would not be raised for the 1971-72 marketing year, intense lobbying began. On March 16, 1971, Richard T. Burress reported to John Ehrlichman that the decision had been hit by partisan attacks and that legislation

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would be introduced which would require that the price support level for milk be raised to 85 per cent of parity, that it would have the support of Speaker Carl Albert and Wilbur Mills and that it would likely pass.

11. In the House, 28 separate bills were introduced between March 16 and March 25 to set the support price at a minimum of 85 per cent and a maximum of 90 per cent of parity. Twenty nine Republican and 96 Democratic members introduced or co-sponsored this legislation. In the Senate, 28 senators introduced legislation on March 16, 1971, that would have required support levels at a minimum of 85 per cent of parity. Of the bill's sponsors, one was a Republican and 27 were Democrats. Three days later, Sen. Hubert Humphrey sponsored his own bill seeking higher parity.

12. On March 19, 1971, John Whitaker reported to John Ehrlichman that contrary to a vote count of the previous night, Secretary Hardin is convinced there is a 90 per cent chance that an 85 per cent of parity support bill will pass Congress and that the President should allow himself to be won over to an increase to 85 per cent of parity.

13. On the morning of March 23, 1971, the President called Secretary of the Treasury Connally. The primary subject of the conversation was an unrelated matter. The latter part of their conversation touched on the fact that the President would be meeting later that morning with the dairymen, the potential effect of a support level increase on consumer prices and that the President wanted a decision that day.

14. The meeting had been planned and scheduled some months in advance. The President originally invited the dairy leaders during a courtesy telephone call on Sept. 4, 1970, and a meeting on Sept. 9, 1970. Specific arrangements were begun in January, 1971. The Department of Agriculture obtained a list of the officers and representatives of the major dairy industry groups. A list of potential invitees was forwarded to the White House by Secretary Hardin on Jan. 26, 1971, with his recommendation that a meeting be scheduled. On Feb. 25, 1971, Secretary Hardin was informed that the President had approved the meeting for 10:30 a.m., March 23, 1970.

15. The President opened the meeting by thanking the dairy leaders for their non-partisan support of administration policies. Secretary Hardin then briefly outlined the problems facing the dairymen and asked for their views. The remainder of the meeting was taken up by the dairy leaders pleading their case for a higher support price and discussion among the President, administration officials and the dairymen regarding the economics of a milk price support increase. No conclusions were reached about the support price. Campaign contributions were not mentioned.

16. On the afternoon of March 23, 1971, the President held a meeting with seven administration officials to discuss the dairy price support problem. The meeting opened with Secretary Connally, at the President's request, outlining the situation. He pointed out that politically the President was going to have to be strong in rural America and that the farmers had many problems and that this was one of the few which the President could do anything about; second, the major dairy groups represent some 100,000 dairymen who are being tapped, labor union, style, to amass an enormous amount of money which they were going to use in various congressional and senatorial races all over the country to the President's political detriment. Secretary Connally also advised the



President twice that he believed a support level increase to be economically sound.

17. The discussion then centered on the pending legislation which would require a support level increase. The President stated that he believed such a bill would pass. Secretary Hardin expressed the view that a bill forcing an increase was almost certain to pass were on the bill and that Carl Albert supported it. Secretary Connally stated that Wilbur Mills also supported it and that it would pass the House beyond any question. Secretary Connally said the move would gain liberal support as it would embarrass the President.

18. Vetoing such a bill was then discussed. Connally said the dairymen were arguing on Capital Hill such a veto would cost the President Missouri, Wisconsin, South Dakota, Ohio, Kentucky and Iowa in the 1972 election. Hardin said the President would not have any choice but to sign it.

The President then made the judgment that Congress was going to pass the bill and that he could not veto it. The President then adopted a proposal by Connally that a trade-off be made, giving the dairymen an increase in

1971 in return for a promise not to seek an increase in 1972.

(Note: Objection has been raised by Congressman Seiberling that the second paragraph is a conclusion rather than a statement of information within the rules of procedure of the committee.)

19. Secretary Hardin then raised the question of the administration getting credit for the increase. Secretary Connally suggested rather that first the Speaker, Carl Albert, Congressman Wilbur Mills and other be contacted in order to obtain their support, in return, on other legislation. The problem was discussed of how to keep the dairymen from learning of the decision until Congressmen Albert and Mills could be approached but still obtain a promise from the dairymen not to push for an increase in 1972.

20. At the end of the meeting the President outlined who was to contact Speaker Albert and Congressman Mills and that he understood J. Phil Campbell would contact the dairymen about not seeking an increase in 1972.

Note: Objection has been raised by Congressman Seiberling that the entire paragraph is a conclusion rather than a statement of information within the rules of procedure of the committee.

21. J. Phil Campbell called Harold Nelson after the meeting and asked him if the administration did raise the support level would be and the other dairymen "get off our backs" and not ask for more increases, to which Mr. Nelson agreed. Campbell did not tell him of the meeting with the President; and did not discuss anything else; and did not tell him not to boycott a Republican fund raising dinner.

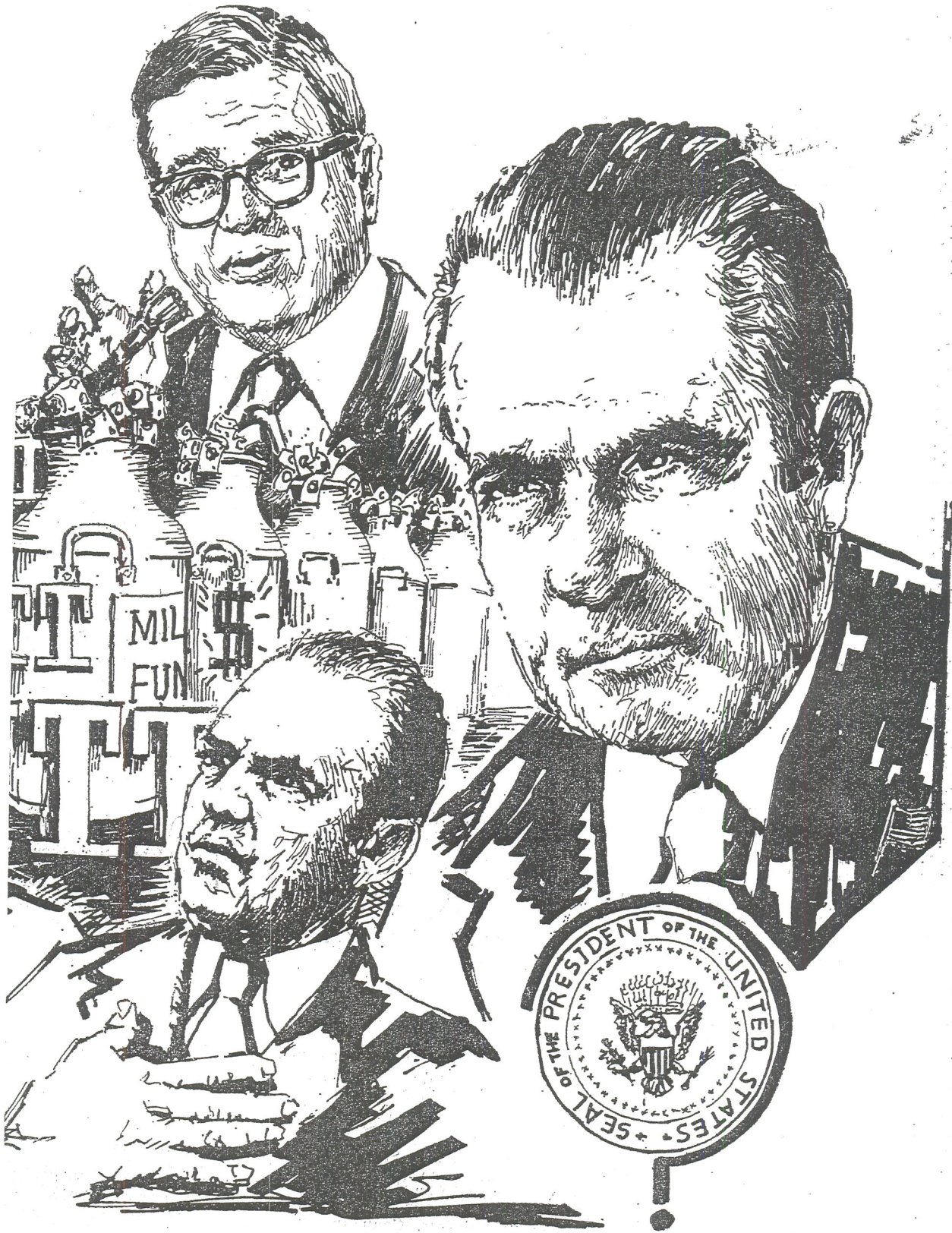
22. Murray M. Chotiner stated in his deposition he did not know in advance of the decision to increase support levels, did not discuss campaign contributions in seeking a support level increase on behalf of the dairymen and did not talk to the dairymen in the context of contributions in return for favorable action.

23. Herbert W. Kalmbach has testified that as of March 25, 1971, he was unaware of any price support matter

and that he does not recall any suggestion or indirect suggestion of a relationship between campaign contributions and governmental actions affecting the dairy industry by members of the dairy industry or their representatives or members of the White House staff. Harold S. Nelson, David L. Parr and Marion Edwyn-Harrison have all testified to the effect that there was no quid pro quo relationship between a milk price support increase and campaign contributions.

24. Economic and traditional political considerations were the only basis of the decision to increase the price support level. Increased costs and other economic factors raised by dairymen, the political pressure which precluded a veto of a bill which would set partly at a minimum of 85 per cent and possibly as high as 90 per cent, the potential threat of production controls which decrease the milk supply and the need for an increased supply of cheese were factors which caused Secretary Hardin to change his earlier decision.

(NOTE: Objection has been raised by Congressman Seiberling that the entire paragraph is a conclusion rather than a statement of information within the rules of procedure of the committee.)



Sketch by Harold Hoover—The Washington Post

**Statement of Information—Political Contributions by Milk
Producers Cooperatives: The 1971 Milk Price Support
Decision.**

1. Prior to Aug. 2, 1969, Milton Semer, a lawyer for the predecessor organization of Associated Milk Producers, Inc. (AMPI), a large milk producer's cooperative, told Herbert W. Kalmbach, the President's personal attorney and political fundraiser, that Semer's client wanted to make a political contribution. Semer told Kalmbach that his client had three goals: (1) milk price supports at a level of 90 per cent of parity; (2) a presidential address to the AMPI convention the following year; and (3) some identity or audience with the President, such as picture taking and the ability to talk to various people within the White House. Kalmbach has testified that he informed Haldeman of AMPI's goals and its desire to make contributions and that Haldeman authorized Kalmbach to accept the contribution. Haldeman has stated that Kalmbach reported to him generally on fundraising activities but that he does not recall Kalmbach's reporting on the milk producers' contribution.

2. On Aug. 2, 1969, Semer on behalf of AMPI delivered \$100,000 in cash to Kalmbach. Kalmbach added the cash to the surplus funds from the President's 1968 campaign which were in Kalmbach's custody. Kalmbach used

this fund on behalf of the White House for, among other things, making payments to Tony Ulasewicz and to the Albert Brewer campaign against George Wallace for Governor of Alabama in 1970.

3. Kalmbach has testified that between Aug. 2, 1969, and Aug. 9, 1969, he reported to Haldeman that he had received the \$100,000 and again stated to Haldeman the objectives Semer had given. Kalmbach also informed John Ehrlichman, Maurice Stans, Jack Gleason (then an aide to Maurice Stans and later a White House aide), and assistants to the President Peter Flanigan and Harry Dent of the contribution, and he telephoned one or more of them to arrange for meetings between AMPI representatives and White House aides. On Aug. 19, 1969, Semer, AMPI General Manager Harold Nelson and AMPI special counsel David Parr met with Dent at the White House to discuss dairy industry problems and to invite the President to address an AMPI annual meeting.

4. By memorandum dated June 24, 1970, White House aide Jack Gleason turned over most of the responsibilities with regard to the milk producers to Special Counsel to the President Charles Colson. Gleason stated that Colson would handle outstanding

These are the narratives of evidence from the House Judiciary Committee's impeachment inquiry on President Nixon and selected portions of the committee's supporting evidence.

The first section deals with campaign contributions from the dairy cooperatives and the 1971 decision to increase milk price supports. The second section deals with the Department of Justice's settlement in the

International Telephone and Telegraph Corp. antitrust case and the hearings on the nomination of Richard G. Kleindienst to be Attorney General.

Each section begins with a presentation on behalf of President Nixon that was made to the committee by counsel James D. St. Clair. That is followed by the committee's summary of evidence and selected portions of the supporting evidence.

items including the possibility of the President speaking in September at the AMPI annual meeting in Chicago and the possibility of the President making an emergency reduction of import quotas on dairy products. Attached to the memorandum was a draft letter prepared by Parr that could be used by the Secretary of Agriculture to recommend that the President take immediate action imposing limitations on imports of certain cheeses and other dairy products.

5. In the June 24, 1970, memorandum from Gleason to Colson referred to in the preceding paragraph, Gleason stated that AMPI special counsel Parr would coordinate directly with Gleason on collection and distribution of support. During 1970, AMPI and other dairy organizations pledged or contributed approximately \$135,000 to a special White House project administered by Gleason and Kalmbach which both distributed contributions and designated certain congressional candidates to receive contributions.

6. Before Sept. 9, 1970, AMPI representatives stated to Colson that AMPI would arrange for \$2 million to be contributed to the President's 1972 re-election campaign.

7. On Sept. 4, 1970, the President telephoned AMPI General Manager Nelson at the AMPI convention in Chicago, expressed his regret at being unable to attend the AMPI convention and invited Nelson to meet with him in Washington to arrange a meeting with a larger delegation of dairy leaders at a later date. On Sept. 9, 1970, Parr and Nelson had a nine-minute "photo opportunity" meeting with the President and Colson at the White House. In preparing for the meeting, the President reviewed a memorandum by Colson which stated that the milk producers had pledged \$2 million to the 1972 campaign. Colson said in the memorandum that it would be most helpful if the President would tell Nelson and Parr that he was aware of their political support, what they had already done that year to assist and what they were committed to do in the future. Colson said that if the visitors realize that the President was aware of what they were doing, it would strengthen very much Colson's hand in dealing with them. Parr has testified that during the meeting, the President stated that he had heard some very good things about AMPI and that he wanted to address an AMPI convention.

8. On Sept. 16, 1970, Charles Colson wrote a memorandum to John Dean saying that a group that provides strong political and financial backing had asked for information regarding limitations on campaign contributions. Colson asked Dean to get a quick reading from the Justice Department because Colson did not want to keep the group hanging and their funds were needed. At the bottom of the carbon copy of the memorandum is the handwritten name and telephone number of Bob Isham, the AMPI comptroller.

9. In the fall of 1970, at Haldeman's direction, Colson began coordinating outside funding activities for various White House projects including the use of a Washington, D.C., public relations firm to place advertisements and undertake other activities in support of administration policies. The project contemplated the use of "front" organizations. Colson stated that some friends had retained a public relations

outfit which gave them the financial resources to do things for the White House. Colson stated in a memorandum to Haldeman that once the project was fully set up, the White House would have available about \$100,000 per year through this resource. During 1971 and 1972 the Washington, D.C., public relations firm of Wagner & Baroody placed advertisements in the name of various private groups in support of administration policies.

10. On or about Nov. 3, 1970, Colson sent a memorandum to Murray Chotiner noting that AMPI's political trust had contributed to unopposed Democratic congressional candidates and asking Chotiner to tell AMPI's lawyer Marion Harrison that if he wanted to play both sides, that's one game, but if he wanted to play the administration's side, it was entirely different. Colson said that this would be a good way to condition Harrison before putting the screws to him on imports, which they were about to do.

11. In late November, 1970 Colson, Kalmbach, Nelson, Parr, AMPI lawyers Harrison and Patrick Hillings and presidential campaign fundraiser Tom Evans met in Kalmbach's hotel room in Washington, D.C., and discussed procedures whereby AMPI's contributions to the President's re-election campaign could meet statutory reporting requirements without resulting in publicity.

12. On Dec. 16 or 17, 1970, AMPI lawyer Hillings hand-delivered to the White House a letter to the President requesting that the President adopt a Tariff Commission recommendation to restrict imports of chocolate crumb and other dairy products. The letter stated that AMPI had contributed about \$135,000 to Republican candidates in the 1970 election, was now working with Tom Evans and Herb Kalmbach in setting up appropriate channels for AMI to contribute \$2 million for the president's re-election, and also was funding a special project. The letter was routed to Saldeman, Ehrlichman and Colson. According to the White House "White aper" on the milk price support decision, the resident did not see the letter.

13. By memorandum dated Dec. 18, 1970, Charles Colson complained to Murray Chotiner regarding the behavior of AMI lawyers Harrison and Hillings. Colson stated that they had so muddied up the present dairy import situation that he almost thought there was no way to help them. He also stated that they had refused to help recently in a matter of great importance.

14. On Dec. 31, 1970, the resident signed a proclamation lowering import quotas on certain chocolate and other dairy products. The action taken by the resident was less favorable than the steps recommended by the Tariff Commission.

15. In January, 1971 AMI began making payments of \$2,500 per month to the Washington, D.C. public relations firm of Wagner & Baroody. The January, 1971 payments totaled \$10,000 and were in response to statements from Wagner & Baroody dated Dec. 31, 1970 for counseling and public relations services in October, November and December of 1970 and January, 1971. AMI General Manager Nelson has testified that Wagner & Baroody was retained by AMI after repeated requests by Colson to AMI lawyer

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Harrison that shortly prior to AMPI's agreeing to retain Wagner & Baroody, AMI and Harrison had refused to retain the firm; that AMPI decided it had better hire the firm because Colson had requested it and because AMPI was afraid that it would lose favor or its efforts would be impeded if it did not; that AMPI considered the payments to Wagner & Baroody in the nature of contributions; and that Nelson was unaware of any activities undertaken by Wagner & Baroody on behalf of AMPI and knew of no AMPI employee who had ever met with or talked to anybody from the firm. The AMPI monthly payments to Wagner & Baroody continued from January, 1971, through January 1972.

16. Prior to February, 1971, Haldeman directed Kalmbach to begin raising early money for the 1972 presidential campaign. In early February, 1971, Haldeman gave Colson permission to proceed with finding an outside man for handling funds from certain groups that Kalmbach did not want to be involved with. In a Feb. 2, 1971, memorandum Haldeman told Colson to contact Republican National Committee Chairman Bob Dole regarding complaints that the milk producers were unable to work out a means of getting their activity going regarding their support. On Feb. 8, 1971, Colson sent a memorandum to Haldeman saying that the problem involved a person who could handle outside support, that Haldeman and Kalmbach had been working on the problem, and that it was terribly important that Colson and people at the White House not be personally involved. In or before March, 1971 Kalmbach with Haldeman's approval began to assist in the establishment of the Finance Committee to Re-Elect the President.

17. On Feb. 2, 1971, Colson sent a memorandum to Haldeman's assistant Lawrence Higby stating that the milk producers were prepared to contribute \$100,000 for tables at a Republican dinner and that the only trick would be to be certain that the White House got credit for this against the sums it was expected to raise. Higby noted on the memorandum, "OK."

18. Between Feb. 2, 1971, and Feb. 16, 1971, Haldeman, Ehrlichman, Colson and other White House officials approved plans for the President to meet with dairy industry leaders. On a memorandum approving the proposal for the meeting Colson stated that the President said he wanted to do this and should.

19. Beginning in early 1971 dairy cooperative representatives undertook intense lobbying efforts in Congress to enact legislation requiring a milk price support level of between 85 per cent and 90 per cent of parity. On Feb. 10, 1971, Speaker Carl Albert, Congressman Wilbur Mills, and ranking House Ways and Means Committee member John Byrnes met in Speaker Albert's office with AWI officials Harold Nelson and Dave arr, USDA congressional liaison head William Galbraith, and Counsel to the President for Congressional Relations Clark MacGregor. On March 4, 1971, Congressman Mills telephoned OMB Director George Shultz and on March 10, 1971, Speaker Albert telephoned Shultz to urge an increase in milk price supports. During late February and March, 87 members of Congress wrote or wired the Department of Agriculture urging an increase in milk price supports to 90 per cent of parity. Ten other members sought an increase to at least 85 per cent of parity, while 44 members forwarded constituent requests which sought increases to various levels. Between March 16 and

March 25, 1971, approximately 28 bills sponsored by 118 individual representatives were introduced in the House of Representatives and two bills sponsored by 29 senators were introduced in the Senate to increase the minimum level of milk price supports to at least 85 per cent of parity.

20. On or about March 3, 1971, the Department of Agriculture concluded that an increase in milk price supports above the then current level of \$4.66 per hundredweight (cwt) (approximately 79 per cent of parity) was not economically justified to assure an adequate supply of milk. Between March 3, 1971, and March 12, 1971, the President, Ehrlichman, Ehrlichman's assistant for agricultural matters John Whitaker, Counsel to the President for Congressional Relations Clark MacGregor, Office of Management and Budget Director George Shultz, and other White House, OMB, and Council of Economic Advisers officials discussed the Department of Agriculture's decision. On March 10, 1971, Colson sent Ehrlichman a memorandum stating that because of the obvious political support they had discussed, affirmative action should be taken on certain cheese imports in order to counteract the effect of the parity level announcement.

21. On March 12, 1971, Secretary of Agriculture Hardin, finding that the price support level of \$4.66 per cwt. would assure an adequate supply and otherwise fully meet the applicable statutory criteria, set the milk price support level for the marketing year April 1, 1971-March 31, 1972, at \$4.66 (approximately 79 per cent of parity). In the same press release announcing the price support decision, the Department of Agriculture noted that the President had ordered the Tariff Commission to conduct an immediate investigation on restricting cheese imports and it announced purchase of cheese for the USDA food program. According to a memorandum by Whitaker, the President approved this announcement on March 12, 1971, on the recommendation of Hardin, Shultz, Ehrlichman and Special Assistant to the President for International Economic Affairs Peter Peterson.

22. From early March, 1971, through March 25, 1971, dairy cooperative attorneys and representatives contacted administration officials to urge that the President increase milk supports above the level set by Secretary Hardin. Murray Chotiner, who resigned as Special Counsel to the President on March 4, 1971, and was retained by AMPI shortly thereafter, spoke with John Ehrlichman, John Whitaker, Charles Colson, and Colson's assistant Henry Cashen to urge that the milk price support level be increased. Jake Jacobsen, another AMPI attorney, met

with Secretary of the Treasury Connally. Bob Lilly, the secretary of AMPI's political trust, has testified that in March, 1971, Secretary Connally told him that an increase in milk price supports was "in the bag." Connally has denied making this statement or meeting with AMPI officials between March 12, 1971, and March 25, 1971. AMPI representatives Nelson, Parr and Harrison have testified that campaign contributions were not discussed as a quid pro quo to the price support increase.

23. On March 17, 1971, Colson sent a memorandum to Haldeman's aide Gordon Strachan attaching memoranda from Colson's file regarding the milk producers' political contributions and saying this is now in your department. On March 18, 1971, Dean sent to Kalmbach and other presidential campaign fundraisers a draft charter for a political committee to serve as a model to be used in connection with the milk producers' association. Haldeman has

stated that on an uncertain date he had a conversation with Connally regarding the establishment of mechanisms for receiving milk producer contributions.

24. On March 19, 1971, Ehrlichman, Shultz, Whitaker, Cashen, and other White House aides met in Ehrlichman's office with Campbell and Hardin and discussed the milk price support issue.

25. On March 19, 1971, Connally met with AMPI lawyer Jake Jacobsen. On March 20, 1971, and March 22, 1971, Connally and the President had telephone conversations.

26. Following the Secretary of Agriculture's announcement that the milk price support level would be maintained at \$4.66 per cwt., dairy cooperative leaders determined to cancel the plans they had made in February, 1971, to contribute between \$60,000 and \$100,000 at a Republican dinner scheduled for March 24, 1971. Prior to March 22, 1971, AMPI treasurer Bob Lilly drew checks totalling \$10,000 for tickets to the dinner. Lilly has testified that this was the usual amount that would normally have been contributed.

27. On March 22, 1971, Whitaker sent the President a memorandum for the President's meeting with AMPI officials scheduled for the following day. The memorandum stated that the dairy lobby had become very strong and lately had decided, like organized labor, to spend a lot of political money. The memorandum also stated that Ehrlichman, Shultz, Cashen, Assistant OMB Director Rice and other White House officials had met with Hardin and Under Secretary of Agriculture Campbell on the problem on March 19, 1971, and recommended that the President hold the line, listen to the dairymen's arguments, and await developments on the bill in the next two weeks to see if the Democrats could move on the bill.

28. At approximately 10:16 a.m. on the morning of March 23, 1971, Secretary Connally spoke by telephone with the President. According to a memorandum by Whitaker, Connally suggested that the President go along with the dairymen he was scheduled to meet at 10:30 a.m. and announce that he was ready to go to 85 per cent of parity (\$4.92).

29. On March 23, 1971, from 10:30 to 11:25 a.m. the President, Hardin, Shultz, Whitaker and other White House and Department of Agriculture officials met in the Cabinet Room of the White House with Nelson, Parr, Harrison and approximately 15 other representatives of AMPI and other dairy cooperatives. They discussed political support, price support levels and other matters.

30. On March 23, 1971, from approximately 12:18 p.m. to approximately 1:07 p.m. the President met with Ehrlichman and Shultz in the Oval Office. At an unspecified time on March 23, 1971, the President had a telephone conversation with Colson.

31. On March 23, 1971, from 5:05 to 5:35 p.m., the President met in his Oval Office with Ehrlichman, Connally, Hardin, Whitaker, Shultz, Campbell and Rice. They discussed changing the milk price support level.

32. On March 23, 1971, from 5:35 to 5:38 p.m. the President met with Connally in the Oval Office. At 5:50 p.m. Ehrlichman met with Colson and at approximately 6:00 p.m. Colson met with AMPI lawyer Chotiner. During the afternoon or evening of March 23, 1971, Under Secretary of Agriculture Campbell had a telephone conversation with Nelson. At some time on March 23, 1971, Connally had a telephone conversation with AMPI lawyer Jacobsen.

33. During the night of March 23, 1971, AMPI officials flew to Louisville,

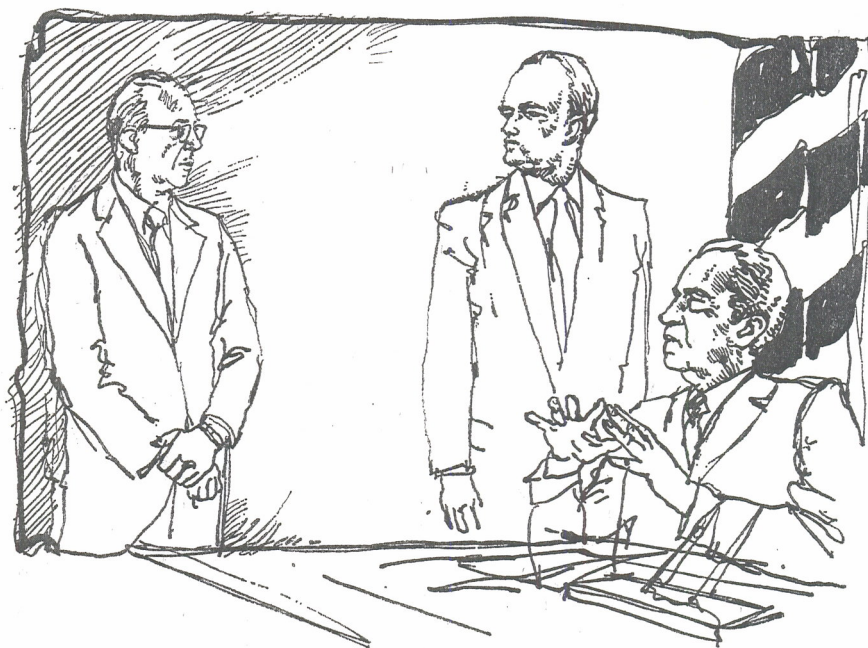
Kentucky, the home of Dairymen, Inc. (DI), another large milk producers cooperative and met at about 4:00 a.m. on March 24, 1971, with Paul Alagia, an official of DI who had attended the March 23, 1971, morning meeting with the President. They discussed political contributions including the possibility of an immediate contribution to purchase tickets to a Republican fundraising dinner to be held that evening. They also discussed loans among their organizations for the purpose of making contributions. During the afternoon of March 24, 1971, a DI contribution of \$25,000 was flown to Washington and given to several Republican committees to buy seats to the dinner.

34. Kalmbach has testified that pursuant to a telephone call he received from Ehrlichman on March 23, 1971, Kalmbach met with Ehrlichman at 5:30 p.m. on March 24, 1971, and was told by Ehrlichman that he would be meeting with Chotiner later that evening to receive a reaffirmation of the \$2 million pledge. During the night of March 24, 1971, following the Republican fundraising dinner, Chotiner, Kalmbach and AMPI General Manager Nelson met in Washington, D.C., in Kalmbach's hotel room. Kalmbach has testified that Chotiner said that in view of the price support decision to be announced the next day the milk producers were reaffirming to Kalmbach their pledge of \$2 million to the 1971 campaign. Chotiner has stated that as a result of a conversation with Ehrlichman he met with Nelson and Kalmbach and discussed contributions but they did not discuss price supports or a definite amount to be contributed. Nelson has testified that they met and discussed contributions. Kalmbach has testified that on March 25, 1971, he reported to Ehrlichman that Chotiner

and Nelson had reaffirmed their \$2 million pledge to the campaign.

35. On March 24, 1971, Campbell sent to Rice a draft press release announcing an increase in milk price supports for use when action was completed on the subject. On March 25, 1971, the Secretary of Agriculture officially announced that the milk price support level for the 1971-72 marketing year would be \$4.93 per cwt. (approximately 85 per cent of parity). Hardin has testified in an affidavit filed in civil litigation challenging the milk price support increase that he reevaluated the evidence regarding the milk price-support level and that the decision to set the price support level at \$4.93 was based entirely on a reconsideration of the evidence on the basis of the statutory criteria.

36. Between March 0, 1971, and August 5, 1971, Harrison and Chotiner transmitted to AMPI the names of 100 political committees to receive contributions and over spring and summer of 1971 AMPI and the other dairy cooperatives made contributions of \$2,500 each to the committees. The names and charters of the committees were prepared by presidential campaign fundraisers Bob Bennett and Hugh Sloan with the assistance of John Dean. Haldeman received reports from Dean and Strachan regarding the collection and handling of the milk money. On Sept. 11, 1971, Strachan sent a memorandum to Haldeman stating that fundraiser Lee Nunn reported that \$232,500 of the milk money had been realized. Strachan stated that this was slightly more than one-half of the amount that should have been realized by the commitment (\$90,000 per month). Throughout this period dairy cooperative representatives referred to the commitment to make contributions



Sketch by David Suter for The Washington Post

to the President's reelection campaign.

37. In August, 1971, Colson asked that AMPI make a contribution to People United for Good Government, a political committee, without specifying the purpose of the contribution. On Sept. 2, 1971 AMPI contribute \$5,000 to People United for Good Government. Without the knowledge of AMPI officials, this money was later used to reimburse Joseph Baroody of Wagner & Baroody for funds he had loaned to Colson. The loan had been used to pay expenses incurred by the White House Special Investigations Unit (the "Plumbers") in connection with the break-in of the offices of Daniel Ellsberg's psychiatrist.

38. On Sept. , 1971, 3The President delivered a speech to the AMI convention in Chicago, Illinois.

39. In mid-September, 1971, newspaper articles were published about AMPI's contributions suggesting they influenced the March 1971 milk price support decision. According to reports filed with the Clerk of the House of Representatives, AMPI made no direct contributions to the President's reelection campaign after Sept. 10, 1971.

40. On Nov. 22, 1971, Deputy Assistant to the President John Whitaker prepared and signed a "Memorandum to the President's File" dated that day regarding the President's afternoon meeting of March 23, 1971, on milk price supports. Thereafter the memorandum was re-dated to March 23, 1971. On July 11, 1973, the file copy of 1971 was listed under claim of executive privilege in civil litigation in United States District Court challenging the March, 1971, milk price support decision as being unlawfully based on political considerations. On Nov. 16, 1973, Special Counsel to the President J. Fred Buzhardt filed the affidavit informing the court of the fact that the memorandum had been re-dated. Buzhardt stated in the affidavit that it had been informally ascertained from the originator of the memorandum that the date on the original was apparently changed by persons unknown.

41. On Jan. 24, 1972, a civil suit was filed in United States District Court for the District of Columbia challenging the March, 1971, milk price support increase as unlawfully based on political considerations and campaign contributions. After Feb. 1, 1972, Counsel to the President John Dean reported regularly on the litigation to Haldeman and Ehrlichman.

42. In January and February, 1972, Kalmbach and AMPI representatives discussed procedures whereby AMPI could resume making political contributions without the contributions being made public. In March or early April 1972, following attempts by AMPI to get the Department of Justice to drop an antitrust suit against AMPI, Kalmbach told AMPI representatives that he would not accept additional AMPI contributions.

43. On the list of pre-April 7, 1972, contributions prepared by the Finance Committee to Re-elect the President and sent to the President's personal secretary, Rose Mary Woods, contributions by the dairy organizations are listed separately under the heading: "house account."

44. On Oct. 21, 1972, Lee Nunn who had taken over Kalmbach's responsibilities as a major presidential campaign

fundraiser, met with AMPI General Manager George Mehren and asked AMPI to make an additional substantial contribution to the President's reelection campaign. Nunn has testified that when Mehren stated AMPI could not make additional contributions to presidential candidates, Nunn suggested that AMPI make a contribution to the Republican congressional and senatorial campaign committees. Nunn has testified that he reported to Maurice Stans, chairman of both the Republican National Finance Committee and the Finance Committee to Re-elect the President, that AMPI could not contribute to the presidential campaign but would probably contribute to the congressional campaigns and the Stans told Nunn to contact the two Republican congressional campaign committees and see if they could not make some repayment on loans that had been advanced.

45. On Oct. 27, 1972, AMPI contributed over \$300,000 to the Republican senatorial and congressional campaign committees. Thereafter \$200,000 was used by the congressional and senatorial campaign committees to repay loans from the Republican National Finance Committee. On Nov. 6, 1972, and Nov. 13, 1972, \$200,000 was transferred by the Republican National Finance Committee and its subsidiary Republican Campaign Committee to the Finance Committee to Re-elect the President.

Memorandum from Jack A. Gleason
to Charles Colson, June 24, 1970

Re: Milk Producers

Chuck,

As we discussed yesterday, it seems logical to me to turn over to you most of the responsibilities for handling the Milk Producers, as they would normally belong in your area anyway. The mechanics on their support to us this year have been straightened out so that Dave Parr will coordinate directly with me on collection and distribution of support.

In the meantime, there are a few outstanding items that need to go into your pending problem category;

(A) First, Milk Producers for some time have been seeking to have the boss appear at one of their national meetings. This has been discussed and has gone around and around in the White House for some time without result as yet. However, you should know that they have now scheduled their annual meeting for early September to be held in Chicago. As I understand it from Dave Parr, this meeting would include at least 15,000 of their members.

(B) The next question is that of the possibility of having the President request that the Tariff Commission take emergency action on dairy imports in a similar fashion to that which Johnson did in July of '67 following the March 30, 1967, request for a Tariff Commission investigation. I am attaching to this memo a copy of a letter Parr prepared which spells out in some detail exactly what they are looking for. The problem evidently is that since we recommended the Tariff Commission begin an investigation of dairy imports again, the European importers have begun to dump increased quantities of their product on our market. Parr is cognizant of the line of the President's last address on the state of the economy regarding the possible need for increasing all imports to offset inflationary pressures, but that, of course, in no way lessens his interest in achieving the above. I mentioned this to John Whitaker yesterday, but he is not familiar with the problem and I therefore assume that at this stage of the game neither Agriculture nor Whitaker is seriously contemplating the request for emergency action.

In any event, I would believe it advisable for you and I and Dave Parr to get together at some point in the near future to go over these and a few other smaller items.

Over to you.

cc: Harry S. Dent

Undated confidential memorandum
from Charles Colson to President
Nixon:

Subject: Meeting with officers of the
Associated Milk Producers, Incorporated
September 9, 1970 12:25 p.m. (10
minutes) Oval Office.

I. Purpose: Photo opportunity.

II. A. Background: This open hour meeting was scheduled so that a photograph could be taken for publicity purposes. The Milk Producers had convention last weekend in Chicago. Secretary Hardin represented you and very much hoped to have you at their I understand that you talked by phone with the Chief Executive, Mr. Harold Nelson.

The Milk Producers have made very significant contributions to various key Senate races in which we are interested this Fall (approximately \$150,000 in total. They have also pledged \$2 million to the 1972 campaign.

B. Participants: Mr. Harold S. Nelson, General Manager and David L. Parr, Special Assistant to the General Manager, Associated Milk Producers, Incorporated, and Charles Colson.

C. Press Plan: Ollie Atkins will take quick photographs.

Testimony by David Parr before the
Senate Watergate committee, execu-
tive session, Dec. 21, 1973:

Mr. Weitz. Did Mr. Colson bring you in to meet the President?

Mr. Parr. I believe that would be correct.

Mr. Weitz. This was the first time that you met with the President?

Mr. Parr. President Nixon, yes.

Mr. Weitz. Yes?

Mr. Parr. (Nods in the affirmative.)

Mr. Weitz. What discussed?

Mr. Parr. Well, Mr. Nixon—Do you mean to tell you the discussion?

Mr. Weitz. Yes. Who said what?

Mr. Parr. Well, Mr. Nixon said—the first thing we did was got our picture taken with him.

Mr. Weitz. Just the three of you?

Mr. Parr. Yes.

Mr. Weitz. Not Mr. Colson?

Mr. Parr. No.

And the second thing that happened, he got on his yellow cabinet [sic] and we all sat down and he said, you people must have real good organization. I have heard some very good things about it. I know that you tried every way in the world to get met to come, and I understand that you had a successful meeting. And when is your next one? I want to be there. I believe was the right word.

And I believe we told him that our next one would of course be 1971, and that we did not really want him to come.

Then he said, well, I do not understand that.

We said, we want you to come in 1972, and we will have it in Los Angeles, and we will have it in the Coliseum and we will have 100,000 people. And if you don't come we'll get the Democrat.

And that's when he said, no, I want to come in '71.

Now, we were sort of joshing with him then.

Mr. Weitz. In fact, you hoped he would come to your '71 convention, did you not?

Mr. Parr. Well—

Mr. Weitz. You would have taken him any time, would you not have?

Mr. Parr. Certainly. Oh, certainly. And in '72 we could have had quite a number of people at our meeting.

Mr. Weitz. You mentioned that because you were trying to impress him with the growth of the organization?

Mr. Parr. Yes.

Of course, we were not thinking about California, really, we want you to know we want to support you?

Mr. Parr. Yes, I am sure we did that, because we faced up to the facts that he was very popular out in the Midwest.

Mr. Weitz. Did you discuss any problems or substantive policies with him, dairy policies, dairy problems?

Mr. Parr. Well, I think we were there about 15 or 20 minutes, and we tried to give him a bird's eye view of the cooperative, of what milk was. And I just do not remember all of the discussion we had. In other words, it was a very light-veined type of discussion. It was the first time we had ever seen him, the first time I had ever seen him.

Mr. Weitz. He appeared knowledgeable, though, about your organization and activities?

Mr. Parr. He complimented us on the type of organization we had.

Mr. Weitz. So apparently he had been informed of what you were doing and what the organization was?

Mr. Parr. Yes, sir. I guess so.

Testimony by Marion Harrison before
the Senate Watergate committee, Dec. 4,
1973.

Mr. Harrison . . . in due course, the meeting came to pass. It was in November of 1970; it was in the Madison Hotel, in somebody's suite, I do not remember whose.

And as I arrived, Mr. Colson was leaving. He had his hat and coat on. He may have hung around five or ten minutes with his hat and coat on. He did not stay very long.

Sen. Montoya. Who was at that meeting? Was Secretary Connally there?

Mr. Harrison. I never met Mr. Connally.

For five or ten minutes or less, Charles Colson was there; of course I was there; Pat Hillings was there; Harold Nelson; David Parr; Herbert Kalmbach and a lawyer from New York who at that time was a partner, probably still is, in the Mudge law firm from which the President and former Attorney General came.

Mr. Weitz. Was that Tom Evans?

Mr. Harrison. Yes. There are two Tom Evans; one from Delaware and one from New York. This is the New York Tom Evans.

The purpose of the meeting, I learned — and I actually learned it earlier that morning. Because I had never met Evans—Hillings had—I was a little unhappy about going into a meeting where there was some lawyer I had never met before, and I am taking clients in there. Why are we meeting? This is not the way things normally are done. And Hillings said, oh, he is a great old guy, I have known him for years and so forth.

As I recall we had breakfast that morning before the meeting.

Anyway, the purpose of the meeting was stated to be to set up mechanics whereby the dairy industry could contribute money to the Presidential campaign.

I guess I would be indulging in a little hyperbole if I said it was an ineffective meeting. But it was not effective because it struck me that was not very complicated. It still does not strike me as being very complicated as to how a trust fund which is a reporting body and which publicly discloses not only to the clerk of the House, but to its members what it is doing, how it contributes — that is, somebody gives us a name of the committee and the address and the name of a real live treasurer—who contributes not to exceed \$5,000 to that committee per calendar year. And it seemed to me that there was no mechanical problem, legal problem as far as the client was concerned.

If there was a mechanical problem, the mechanical problem was on the part of the donees. They either had committees or they did not. They had their internal structure so organized that they could funnel money where they wanted to or they could not.

We spent what seemed to me, in

terms of the time, an hour or so discussing what then, as now, does not seem to me to need much discussion.

It was left that Tom Evans, who was going to set up some committees and find what committees already existed, and then he would brush them by me for approval. Of course there was not really much approval for me to give or not to give . . .

Dear Harold:

The enclosed article appeared in the WASHINGTON POST on Saturday, October 31, I am dictating this letter Saturday afternoon so truthfully I can say nobody has called me to complain about the article. However, I have little doubt that sooner or later I will get complaints. Fortunately most political types are out of town and will not see the October 31 issue of the POST.

You have not solicited my opinion concerning all the activities of TAPE but in the spirit of attempting to be of some value to AMPI, let me offer

some comments which I hope will be helpful.

1. Publicity in general is undesirable. If a newshound gets on Mr. Isham's back or on the back of somebody else knowledgeable, some publicity is unavoidable. However, the less said, the better. A statement like the last one in the article—the very last paragraph is realistic to the sophisticated but does not look good in print.

2. The contributions to the two incumbents mentioned in the penultimate paragraph strike me as unwise because I believe the general practice of hedging a bet is unwise. Maybe one reason I always louse up on the stock market is because I do not understand the basic principle that there are two ways to sell and make a profit—either long or short, depending upon whether the market is going up or down. Nevertheless, in politics, I think the safer thing to do is determine in one particular race which the two candidates for various reasons is the preferred and then contribute only to that one candidate. It may be that the wiser decision will be to contribute to both just undermines the value of both contributions if the fact of hedging gets known to the wrong people. In particular, I am afraid the contribution on one side of the fence in Indiana will cause some trouble even if that gentleman is reelected. There are some considerations with regard to that which we can discuss some time when we are together.

3. The biggest problem of all I see stemming from this article is disclosure of the fact—which I certainly did not know—that there was a sizable contribution to Page's opponent. No single person was of more help to us concerning certain events last March than Page. It is possible that the decision that was made would have been made without his help. We never can know. However, he was a great help and never once when I asked him to do something in connection with that matter did he fail to do it. He also spoke on one occasion directly and personally to the President. I really don't think that conversation was what effected the final outcome but it was marvelous offensive running for us. Page is getting old and he might just be very upset if ever he learns about a hedging contribution.

4. It seems to me a contribution to a candidate who is unopposed inherently is risky. Anybody who knows anything about the practicalities of politics knows that an incumbent must get out newsletters and would need some contributions. However, it is hard as the devil to explain to people unsophisticated in matters political why it is that a fellow who is unopposed needs a campaign contribution. Consequently, it would be my strong recommendation that TAPE and our other like organizations contribute only to candidates who are opposed and let sources which can contribute in cash and without the risk of publicity do the contributing to those candidates who are unopposed.

We are all going to be meeting here on November 19, if not sooner. May I suggest at that time, or sooner, we get together and discuss this whole subject of who gets what contribution.

Pat and I probably should know who has gotten what in case somebody jumps us. We also want to know what our strategy will be if Page jumps us. We must remember, allowing for some difference in age, he has been a very good friend of mine and of Pat's for 19 years. During all those years, I have never asked him to do anything for me or for a client, until Pat and I were retained by AMPI. Since then, to the limit of his ability, he has done

what I have asked.

There is much more we could discuss on this general subject but it would not be the best to try to do it by correspondence.

Sincerely,

Marion Edwyn Harrison

cc: Mr. David L. Parr

Testimony by Harold Nelson, before the Senate Watergate committee, executive session, Dec. 19, 1973:

Mr. Weitz. What does Wagner and Baroody do? What type of firm is it?

Mr. Nelson. I think it is—I am under the impression that it is a public relations firm.

Mr. Weitz. You are under the impression? You do not know yourself?

Mr. Nelson. I have no experience with them at all.

Mr. Weitz. You said that it was an employee of AMPI, and as general manager you have responsibility for hiring and firing employees, consultants and so forth. Did you hire Wagner and Baroody?

Mr. Nelson. Yes sir.

Mr. Weitz. Did you talk with them?

Mr. Nelson. No, sir.

Mr. Weitz. Who recommended — I will tell you frankly I have no independent recollection of this, but I talked to Marion Harrison, and he did not have any independent recollection of it until he talked to some attorney, he told me, who said, and refreshed his memory on it, and then he talked to me about it, that is was recommended that Wagner and Baroody be employed by AMPI as a public relations representative in Washington because we needed someone, and the recommendation was made by Mr. Colson.

Continued on Next Page

Continued From Preceding Page

Mr. Weitz. To Mr. Harrison?

Mr. Nelson. Yes.

Mr. Weitz. And Mr. Harrison told you of Mr. Colson's recommendation.

Mr. Nelson. Yes. And Mr. Harrison and I discussed it and said, well, you know, what are they going to do for us, and did not do anything about it.

Mr. Weitz. You did not do anything about it?

Mr. Nelson. That is right.

Mr. Weitz. You did not hire them?

Mr. Nelson. Not then.

Mr. Weitz. When was this recommendation?

Mr. Nelson. I cannot tell you. I cannot tell you when we had this.

Mr. Weitz. Let me tell you this. If the records of AMPI showing billings from Wagner and Baroody covering the period beginning in October of 1970, does that refresh your recollection as to when they were first hired?

Mr. Nelson. I would say shortly before that.

Mr. Weitz. Does that refresh your recollection as to how much before that time you had this discussion with Mr. Harrison?

Mr. Nelson. No.

Mr. Weitz. Sometime that year?

Mr. Nelson. Oh, yes. It would have been reasonably close to that.

Mr. Weitz. Would it have been in the time in 1970 that you were also meeting with Mr. Colson from time to time?

Mr. Nelson. Sure, I'm sure it was.

Mr. Weitz. You never talked to him directly about Wagner and Baroody?

Mr. Nelson. I do not believe so.

Mr. Weitz. Did you talk to him in general about public relations firms or the need for public relations firms by AMPI?

Mr. Nelson. No, I think all this was handled by him talking to Mr. Harrison.

Mr. Weitz. Why didn't you follow his recommendation at the outset when it was first made to you?

Mr. Nelson. We did not see what they were going to do for us.

Mr. Weitz. Did Mr. Colson or Mr. Harrison indicate how much they thought Wagner and Baroody should be paid or would ask for their services?

Mr. Nelson. As I recall, it was \$25,000.

Mr. Weitz. \$25,000 a year?

Mr. Nelson. I think that is what it was. I might be wrong, but that is the figure that kind of sticks in my mind.

Mr. Weitz. Was it ever indicated to you that Mr. Colson wanted you to hire them because they were friends of his or he had some other projects for them?

Mr. Nelson. No it was not. It was just suggested that we hire them.

Mr. Weitz. Did they make any other suggestions with respect to hiring firms or consulting firms or [sic] any sort?

Mr. Nelson. Not that I recall.

Mr. Weitz. This was the only recommendation that Mr. Colson ever made through Mr. Harrison to you?

Mr. Nelson. (Nods in the affirmative.)

Mr. Weitz. This is the only recom-

mendation that anyone made to you about hiring firms?

Mr. Nelson. As far as I know.

Mr. Weitz. At a later time did Mr. Harrison ask you again about hiring firms?

Mr. Nelson. Well, at a later time, yes. Mr. Colson —

Mr. Weitz. Insisted?

Mr. Nelson. Well, let's say — that might be a strong way to put it, but urged. Repeated the request in a better way.

Mr. Weitz. Again to Mr. Harrison?

Mr. Nelson. Yes.

Mr. Weitz. Mr. Harrison again relayed that to you?

Mr. Nelson. And we decided that we had better do it.

Mr. Weitz. Why?

Mr. Nelson. Well, because it had been suggested by Mr. Colson was the only reason.

Mr. Weitz. Did you feel if you did not hire the firm at Mr. Colson's repeated request that you somehow might lose some favor or it might impede your efforts with Mr. Colson?

Mr. Nelson. Yes.

Mr. Weitz. Was there anything stronger to it than that?

Mr. Nelson. No.

Mr. Weitz. Did you then contact the Wagner firm?

Mr. Nelson. I do not believe I did.

Mr. Weitz. You said you never talked to them?

Mr. Nelson. I don't believe I've ever talked to them.

Mr. Weitz. Either Mr. Wagner or Mr. Baroody?

Mr. Nelson. If I have, I draw a total blank on that.

Mr. Weitz. Who hired them? Who talked to them?

Mr. Nelson. I assume Mr. Harrison did. I have not asked him that, but I assume that's the way it was done.

Mr. Weitz. Did he indicate that he knew the firm or any of the gentlemen in the firm?

Mr. Nelson. I believe — I don't think — Mr. Harrison?

Mr. Weitz. Yes.

Mr. Nelson. I believe Mr. Harrison indicated that he did not know them. Mr. Harrison was not urging that this be done until the second —

Mr. Weitz. Until the second message?

Mr. Nelson. Then after the second time —

Mr. Weitz. He advised you to do so?

Mr. Nelson. Yes. Well, yes, that's right.

Mr. Weitz. At the second conversation, was it explained to you or did you discuss what the firm would do for

their fee?

Mr. Nelson. No.

Mr. Weitz. And to your knowledge they were hired for AMPI?

Mr. Nelson. Yes. We paid them. I know that.

Mr. Weitz. And if the billings for AMPI indicate a fee from October '70 through January 1972 of \$2500 a month, is that consistent with your recollection?

Mr. Nelson. Let's see, that would be—

Mr. Weitz. That would be \$30,000 a year.

Mr. Nelson. That's close enough.

Mr. Weitz. To your knowledge, did any employee at AMPI ever meet with or talk to anybody from the Wagner and Baroody firm?

Mr. Nelson. Not to my knowledge.

Mr. Weitz. What did they do for their fee?

(No response)

Mr. Weitz. Nothing to your knowledge?

Mr. Nelson. I have said that repeatedly, nothing that I know of.

Mr. Weitz. Do you know whether they did anything for Mr. Colson?

Mr. Nelson. No, I do not.

Mr. Weitz. Do you know whether they did anything for Mr. Harrison?

Mr. Nelson. I do not know that they did.

Mr. Weitz. Did you consider this in the nature of a contribution or gift of the firm to keep the favor of Mr. Colson?

Mr. Nelson. Well, I guess contribution is a better word.

Mr. Weitz. Did this have anything, to your knowledge, to do with the special projects referred to in the Hillings letter?

Mr. Nelson. I don't think, so at all.

Mr. Weitz. Not to your knowledge?

Mr. Nelson. No.

Mr. Weitz. Was the firm of Wagner and Baroody or any of their principals ever mentioned to you in connection with the contribution? you (sic) have talked about the \$5,000 contribution that was made at Mr. Harrison's request.

Mr. Nelson. No.

Mr. Weitz. Did you know whether Mr. Colson had made that request, by the way, or was this just another request from Mr. Harrison?

Mr. Nelson. It was just another request. To my recollection, it was just another request. I have no independent recollection of it.

Mr. Weitz. Mr. Colson's name was never recommended in that connection?

Mr. Nelson. No.

Mr. Weitz. Did Mr. Colson to your knowledge ever make any recommendation to you or to anyone representing AMPI about political contributions?

Mr. Nelson. I think he did. I can not tell you which ones or what I think he did—maybe to Mr. Harrison, suggested some committees or something.

Mr. Weitz. Committees or candidates?

Mr. Nelson. Maybe candidates.

Mr. Weitz. Was this in connection with the 1970 senatorial campaign?

Mr. Nelson. I am not sure about that, but I believe he did.

Mr. Weitz. Were you not present at that meeting in his office in the White House?

Mr. Nelson. What meeting?

Mr. Weitz. Mr. Colson and Mr. Harrison, where Mr. Colson made particular suggestions about particular contributions.

Mr. Nelson. That's what I'm saying. I think he did. I cannot tell you what candidates and so forth.

Mr. Weitz. But other than that, were there any other instances in which you were aware that Mr. Colson made recommendations, for political contributions to either you, Mr. Harrison, or anyone else at AMPI?

Mr. Nelson. I assume that he had a lot to do with the getting of these committees.

Mr. Weitz. The committees in 1971 for the president?

Mr. Nelson. (Nods in the affirmative.)

Mr. Weitz. Has Mr. Harrison ever told you what was done with the \$5,000 contribution?

Mr. Nelson. He has told me what he has been told and what he has been asked about it, yes.

Mr. Weitz. Did he tell you what he did?

Mr. Nelson. Yes, he told me what he had done.

Mr. Weitz. What did he do with the contribution?

Mr. Nelson. I may even remember what he told me wrong, but it seems to me that he took it to George Webster's office, or whatever Webster's first name is.

Mr. Weitz. Did he mention the relationship to Wagner and Baroody of that contribution?

Mr. Nelson. No.

Mr. Weitz. Or to Mr. Colson?

Mr. Nelson. Well, that was in the newspapers.

Mr. Weitz. But other than what you've read in the newspapers?

Mr. Nelson. No, he told me how he took the check to George Webster.

Mr. Weitz. Off the record.

(Discussion off the record.)

Mr. Weitz. Let's recess for lunch.

(Whereupon at 12:46 o'clock p.m., the Committee recessed, to be reconvened at 1:30 o'clock p.m. the same day.)

Mr. Weitz. Was there any connection, to your knowledge, between the contributions in September of 1971, and the appearance of the President at the annual convention?

Mr. Parr. Not that I know.

Mr. Weitz. At the same time, however, you really have to— you stated you have no understanding or information as to the background of that \$62,500 contribution?

Mr. Parr. I do not remember any September contribution.

Mr. Weitz. So therefore, the fact that you knew of no connection between the two does not surprise you if there is any connection?

Mr. Parr. I cannot imagine that there is any connection, but—

Mr. Weitz. Do you know the firm of Wagner and Baroody?

Mr. Parr. No, sir.

Mr. Weitz. Were they ever retained or employed by AMPI?

Mr. Parr. I do not know anything about Wagner and Baroody.

Mr. Weitz. Were you generally familiar with the public relations firms in Washington that were hired by AMPI, at least to the extent that you knew which public relations firms they had hired?

Mr. Parr. I do not know that we had any.

Mr. Weitz. You did not know of any public relations firms they had hired?

Mr. Parr. Well, Mr. Van Dyk—they were not public relations.

Mr. Weitz. Consultants of sorts?

Mr. Parr. Yes, sir. I do not know of any; maybe there were some, but I do not know of them. I have never heard of Wagner and Baroody.

Mr. Weitz. Do you recall any instance in which Mr. Harrison or Mr. Colson, mentioned either a Mr. Baroody, or the firm of Wagner and Baroody?

Mr. Parr. No, sir.

Testimony by Harold Nelson before the Senate Watergate committee, executive session, Dec. 18, 1973:

Mr. Weitz. And did you, during this period late 1970, the first several

months of 1973, mount an effort or organize to obtain Congressional support?

Mr. Nelson. Yes, we did.

Mr. Weitz. How did you go about doing that?

Mr. Nelson. Well, the Congressional effort, you understand, wasn't an AMPI effort alone. This was an effort that I would say the nearest thing to what you might call at least figuratively speaking, the head of this was the National Milk Producers Federation which enlisted the aid of its—or attempted to enlist the aid of all of its members.

The prime movers in this effort, I would say, were AMPI, Mid-America, and Dairymen, Inc. Those were the prime movers. We also had, as I recall, one prime opponent to it, initially, and that was another cooperative Land-O-Lakes, which is legally a cooperative, but has a different philosophical approach to the whole thing than these other marketing groups. And so this support was pretty wide-spread throughout the United States, as far as dairy cooperatives were concerned.

And their members, or representatives, would call on their respective Congressmen and Senators asking them to co-author a bill setting the supports at 90 percent

Mr. Weitz. Now what time period are we talking about? The first decision by the Secretary of Agriculture, not raising price supports, was March 12. Would you have begun this effort let's say a month or two months before that time?

Mr. Nelson. I would say at least that.

Mr. Weitz. At least a month or two months?

Mr. Nelson. At least that.

Mr. Weitz. So it would be fair to say that throughout the early part of 1971, the first two and a half, three months of 1971, you were meeting both with representatives of the Administration, and also with the various Congressmen, and so forth, to obtain their support, in contacting whoever they felt was appropriate in order to try to obtain an increase, and also to perhaps solicit their support for a bill to raise the support level?

Mr. Nelson. You're talking about "you", you're not using the personal pronoun, you're using the whole collective effort? Yes, that's right.

Mr. Weitz. Was it contemplated, let's say, in February or March of 1971, that a bill would be, or you hoped, would be introduced into Congress to raise the support level?

Mr. Nelson. I believe it was before that.

Mr. Weitz. So part of this whole strategy was both to approach the Administration pretty much from the outset in obtaining an Administrative increase if possible, but also to obtain Congressional support and possibly Congressional action?

Mr. Nelson. Yes.

Mr. Weitz. Did you communicate your information, or the fact that you were making this effort, this Congressional effort to anyone in the administration?

Mr. Nelson. I don't recall any specific communication, but it was no secret. There wasn't anything furtive about the effort with Congress. It was a well-known, well-publicized fact.

Testimony by John Connally before the Senate Watergate committee, executive session, Nov. 15, 1973:

Mr. Weitz. Now, did there come a time in March of 1971 when on one or more occasions you met with representatives of AMPI in connection with the milk price support decision that was then in dispute.

Mr. Connally. Mr. Weitz, as I recall,



Sketch by David Suter for The Washington Post

either in the latter part of February or early March I had a communication with Mr. Jacobsen who is the only man I have talked to. He was in the private practice of law, as you know, representing AMPI prior to the time, and I don't remember the precise date, but it was prior to the time that the administration's decision was made on the milk price support program, which I believe was March the 12th.

Mr. Weitz. That would be the first decision by the Secretary of Agriculture?

Mr. Connally. That is correct. Mr. Jacobsen either called me or came by to see me. I am not sure whether it was a personal visit or a telephone call but in effect saying to me that the milk people were very distressed, very disturbed that they thought that Secretary

Hardin was going to recommend a very low parity support price or a very low support price which represented about 80 per cent of parity and that they thought this was a very great mistake. They thought it was unfair, unwarranted and that under the circumstances, with the decreasing dairy herds and the rising cost of the dairy men that indeed they thought a higher support price was warranted and should be granted. He expressed the hope that I would acquaint myself with the facts on the assumption that I would be consulted and if, indeed, I agreed with their position, he hoped I would give them some support. That was the substance of the conversation.

Sen. Weicker. When was that conversation?

Mr. Connally. Senator, I do not recall precisely. As I say, it was the early part of March or the very last part of February because it was just not too long before March the 12th because they obviously in their communication with the Department of Agriculture realized that they were going to have some difficulty in persuading the Secretary to go as high in setting the support price as they thought the facts justified.

Mr. Weitz. In that connection, do you keep or did you keep at that time any records of either meetings or a calendar of some sort to record meetings and phone calls.

Mr. Connally. Yes, I did.

Mr. Weitz. Have you brought those records with you?

Mr. Connally. I have brought those that you asked me to bring that relate to this subject insofar as I could determine what they are, yes.

Mr. Eckhardt. Let me stated that we have here all of the records which were in Governor Connally's possession that came within the category mentioned in the subpoena, and in that connection we have found only two pages that we thought might possibly apply and we brought those two pages out of his records. And, of course, there are other records here in other categories and at this time I would be happy to make these it and I simply said and in subsequent conversation that the farmer, the dairy farmer was probably in about the lowest income group in the country and under the circumstances, since the ohnson Administration had always maintained the parity on milk prices at about 89 per cent, that I thought it was totally unrealistic and unjustified for us to drop it to 81 per cent.

Mr. Weitz. Would you have said all this to Mr. Jacobsen, a longtime friend of Texas?

Mr. Connally. Would I?

Mr. Weitz. Would you have?

Mr. Connally. I do not know that I did that at that point in time but, sure, I would have.

Mr. Weitz. I see. So you are recounting your views on the matter as op-

posed to exactly what you may have told Mr. Jacobsen?

Mr. Connally. Yes, I am just recounting my views on it, not what I told him.

Mr. Weitz. Did he discuss how their AMPI's political arm had progressed since they last talked to you?

Mr. Connally. No, he did not.

Mr. Weitz. He had not talked with you about it, I take it, in the interim between early '69 and early '71?

Mr. Connally. No.

Mr. Weitz. Now you have mentioned other conversations. Did there come a time when you spoke to Mr. Jacobsen again about this matter?

Mr. Connally. Yes.

Mr. Weitz. Could you tell us about this?

Mr. Connally. This was after the order was issued on March the 12th and it was a few days thereafter and maybe it was the day of the 23rd. I see his name is on here again. I am guessing about the subject matter, but the reason I assume that and the reason I guess that is because we did indeed have a meeting that day as reflected on my calendar at the White House on milk.

Now, in the subsequent conversation Mr. Jacobsen said to me that he wanted me to know that when the order came out on March the 12th that they were bitterly disappointed, that they thought it was going to create chaos in the milk industry where they were already losing tremendous numbers of cattle and herd and a great many of them going out of business and that they were frankly going to turn to Congress for relief and they had done so, and that they

had enormous support and that they frankly were going to push for their 85 or 90 percent of parity. And he told me then the relative success that they had had in the intervening few days, and I might point out that on one bill in the House of Representatives pending at that time they had been able to secure 102 sponsors for 90 percent of parity and in the Senate, as I recall, they had about 33 members of the Senate already sponsoring a bill calling for 85 percent of parity. But he said I want you to know this is going on because we are not trying to undercut the Administration, we are not trying to create problems for you, but we do not think we have been treated fairly and we don't have any recourse except to proceed to try to get congressional relief. We think beyond any question we are going to be successful and we just want you to know this.

That was the essence of the conversation. I said thank you very much. I don't have any argument with what you are doing and I understand your position clearly.

Mr. Weitz. Did he discuss anything else with you at that time?

Mr. Connally. No. I do not recall that he did.

Mr. Weitz. He did not mention any matters concerning political contributions?

Mr. Connally. No.

Mr. Weitz. This is, to the best of your recollection, on March the 23rd?

Mr. Connally. Yes, and again I am guessing because I do have a telephone call from him logged here so I guess that is correct.

Mr. Weitz. Do you recall any meetings between the time that you first talked to Mr. Jacobsen on the phone or in person briefly in late February or early March and this conversation on the 23rd?

Was there some other conversation that you may have had with him and/or others from AMPI in connection with the milk price support matter?

Mr. Connally. No, I do not recall any.

Mr. Weitz. Do you recall a meeting with Mr. Nelson and a Dr. George Mehren during that time?

Mr. Connally. No, I do not.

So far as I know the first time I ever met Dr. Mehren was almost a year later.

Mr. Weitz. In 1972?

Mr. Connally. In 1972.

Mr. Weitz. During this period you do not remember a meeting in your office with Mr. Nelson, Mr. Jacobsen and Dr. Mehren?

Mr. Connally. No, I do not.

Mr. Weitz. If they were to recall such a meeting, would you just take it to be that your memory was faulty on that point?

Mr. Connally. I could be but, indeed, if I had a meeting in my office during that period of time it would certainly reflect that I met with them and we did go through the logs of these meetings in my office as well as the telephone calls, and if, indeed, I had seen Dr. Mehren, Nelson, and Jacobsen, I certainly would have submitted that because that, obviously, would have been the subject matter.

Mr. Weitz. For example, if Mr. Jacobsen's name had and we would sign bills and do all kinds of honors to people. We would give awards, we would recognize every type of day, we would recognize every type of queen, and we would be photographed we would have the room packed with people. It is entirely possible that he could have been in the office or in a group like that on several occasions without me having the faintest memory of it. But so far as meeting with him about any particular legislation, I have no memory of it.

Mr. Weitz. And if this happened, if he were to of met with you several times a week, or several times a month, on a repeated basis over a number of months, over a number of years in a fairly small group or even just the two of you, you would probably recollect that?

Mr. Connally. Oh, I think I would.

Mr. Weitz. Now during the time between March 12th and March 25th, do you recall meeting Mr. Lilly at Page Airways in Washington, in the Washington Airport?

Mr. Connally. No, I do not.

Mr. Weitz. Do you recall, would your records show, where you were either on the day of March 19th or March 20th of 1971?

Mr. Connally. Yes, I guess it would.

Mr. Weitz. Would you provide those two, that would be part of the segment in late February. I think it would be useful to see all of March.

Mr. Connally. All right, we will give you all of it . . .

Mr. Weitz. You would recognize Mr. Nelson over and perhaps speak to him in a chance meeting, ahead of Mr. Lilly you think?

Mr. Connally. Oh, yes.

Mr. Weitz. And you do not recall any such meeting held ever at Page Airways during this period of time?

Mr. Connally. No, I do not.

Mr. Weitz. Did you ever, between the period of the 12th and the 25th—between the first decision and the second decision—ever communicate to any representative of AMPI your assessment that you thought this decision would in fact change, and a new decision would be made to raise supports by the Administration?

Mr. Connally. I don't recall that I did, no. As a matter of fact, I do not think I talked to anybody except Mr. Jacobsen in the communication that we have already talked about and during the period between the 12th

and the 25th, I frankly had no real reason to be optimistic about a change as far as the Administration was concerned, because we had been down this road and the decision was made on the 12th to set the level at 81 percent, and I frankly felt that if it was changed at all it was going to have to be changed by the Congress at that point.

Testimony by Bob Lilly before the Senate Watergate committee, executive session, Nov. 14, 1973:

Mr. Lilly. Yes. If I might, I have a short brief here that more or less describes it.

Mr. Weitz. Is that a statement you have?

Mr. Lilly. Yes, I might read it as far as I am concerned.

Mr. Weitz. Fine.

Mr. Lilly. My name is Bob Lilly. I reside at 130 Paloma, San Antonio, Texas 73212. I am employed by Associated Milk Producers, Inc. and National Dairymen's Cooperative with approximately 40,000 producers in 21 states, headquartered in San Antonio, Texas.

My title is Secretary of the Committee for Thorough Agricultural, Political Education, abbreviated as TAPE, and Legislative Director for AMPI, abbreviation for Associated Milk Producers.

As Secretary of the Committee for TAPE, I am responsible for records of contributions, receipts, expenditures, reports and correspondence relating to the Committee for TAPE. As Legislative Director, I work with state legislators as well as employees in the AMPI regions charged with similar responsibilities; state regulatory agencies, such as health authorities, animal health authorities, pollution prevention agencies, as well as comparable Federal regulatory agencies. And I also work on national legislation.

I have been associated with the dairy industry since early 1965. In 1965, I was employed by North Texas Producer's Association, a dairy cooperative headquarters at Arlington, Texas. In 1967, at the formation of Milk Producers, Inc., the North Texas Producers Co-operative became a part of AMPI, along with other co-operatives in Texas, Oklahoma, Kansas, Arkansas, Tennessee and New Mexico with approximately 12,000 members.

Later in 1968, Associated Milk Producers, Inc., AMPI, was formed with approximately 30,000 members, and in time grew through consolidation to its present size of about 40,000 members. I served as an Assistant to the General Manager of MPI and AMPI until early 1972, when there was a change in management.

Since that time, I have served in my present capacity.

Mr. Weitz. Now, after this meeting between you, Nelson, Jacobsen, Parr, and Harrison, was there a subsequent meeting, to your knowledge, with some representatives of AMPI and the Secretary before the new price support decision?

Mr. Lilly. Yes. As a matter of fact, according to my diary, and according to the day I left Washington, D. C., on that weekend of March 19, we were in the company jet, private plane, here at Page Airways at National Airport. I know that Mr. Nelson and Mr. Parr, Mr. Keiffer Howard, Mr. Tom Town-

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send—all employees of AMPI, and possibly others, these are the ones that I can recall were present.

We were waiting for the plane to be brought around, so that we could—this was after dark, and the Secretary walked into Page Airways, Secretary Connally, and he acknowledged the

presence by waving his hand. And then he called me aside and talked with me for just a short time, and told me that he had made contact on our problem, and that it looked good. He thought it was going to be all right, or he said something to the effect, as I remember it, that, "it is in the bag for us."

Mr. Weitz. Did he indicate who he had made contact with?

Mr. Lilly. No. I certainly would just have to assume, what he said and the way he said it, that he had personally talked with the President.

Mr. Weitz. He did not say so explicitly, though?

Mr. Lilly. No, he did not say that, but certainly, he did not indicate that it would have been the Secretary of Agriculture that he had talked with, and I would not think that he would.

Mr. Weitz. Between the meeting you had with Nelson and the others after the first Connally meeting and the time that you saw the Secretary in the airport, were you aware whether any of them had recontacted the Secretary, or had met with him?

Mr. Weitz. (si) No, I am not aware of any further meeting or contact with him.

Mr. Weitz. Did he tell you to tell the others at that time?

Mr. Lilly. Yes, he did. He said, you can pass the word along to your other co-workers, or the other people with you, or whatever he might have said. And when we were aboard the plane, and headed back, I did tell them, and they were quite elated about the situation, being Friday. The first part of the week we had felt rather downcast and defeated on this thing, and then, it looked like we were going to be successful in what we were trying to do.

Mr. Weitz. Who was on the flight back with you? Do you recall?

Mr. Lilly. Well, I named Harold Nelson, Dave Parr, Tom Townsend, Keiffer Howard. It seems the plane holds ten or twelve people, and it was near full, but this is all I can recall at this time.

Mr. Weitz. Why did he pull you over? He had met that week with at least Nelson of this group. How long have you known the Secretary?

Mr. Lilly. Well, of course, I had known Connally prior to the time that he was Governor of Texas. He was governor for six years, and he has had what, four years since that time, and the present governor that we have now, I have known him prior to that. So I have known him probably 12 or 15 years. I knew him much closer than any of the other people. Tom Townsend was originally from Kansas, Dave Parr from Arkansas, Harold Nelson from Texas, but he did not work in state politics like I did. But I lived in Austin. I knew Connally from a number of years back, so I think it would be logical that he would talk to me, because I knew him better than anyone present.

Mr. Weitz. Had you ever worked on a campaign of his, or anything?

Mr. Lilly. No, I had never worked on a campaign of his. I had lobbied for the Texas Farm Bureau for a number of years. While Mr. Connally was governor. He vetoed a number of bills. I was not successful in overriding any. We did pass some, after he vetoed them, the next year. It was strictly an above-board type thing. He was a hard scrapper, but it was a working relationship.

Testimony by David Parr before the Senate Watergate committee, executive session, Dec. 21, 1973:

Mr. Weitz. Do you know of any contact between Bob Lilly and Mr. Connally during this period?

Mr. Parr. Again, I have read in the newspaper where they met.

Mr. Weitz. Do you have any knowl-

edge; personal knowledge, either from what you yourself know or what you have been told by others?

Mr. Parr. No.

Mr. Weitz. Do you recall a brief meeting between Mr. Lilly and Mr. Connally at Page Airways in Washington, D.C.?

Mr. Parr. Yes.

Mr. Weitz. Do you remember any particulars with regard to that meeting; how they came to meet there? First, let me ask you how they came to meet there. Were you there?

Mr. Parr. Yes.

Mr. Weitz. You were at Page Airways?

Mr. Parr. Yes.

Mr. Weitz. Did you meet with Mr. Connally also?

Mr. Parr. No.

Mr. Weitz. Was Mr. Nelson there?

Mr. Parr. es.

Mr. Weitz. Who else was there that you can recall from AMPI?

Mr. Parr. I believe Mr. Townsend.

Mr. Weitz. Tom Townsend.

Mr. Parr. Yes.

Mr. Weitz. Anyone else that you recall?

Mr. Parr. I do not recall anyone else.

Mr. Weitz. What about Lynn Elrod, was he there?

Mr. Parr. He could have been. I just do not know, Mr. Weitz.

Mr. Weitz. Was that the first time? Do you remember when this meeting took place?

Mr. Parr. No, sir. I do not.

Mr. Weitz. Was it before or after the first decision? Can you place it that way for us?

Mr. Parr. No, sir. I do not recall which way it was.

Mr. Weitz. Was it during the time when you were working on obtaining an increase?

Mr. Parr. Yes, sir. It was during the time somewhere in March of 1971, I mean March of 1971, I know that.

Mr. Weitz. What were you doing at Page Airways?

Mr. Parr. We were going home.

Mr. Weitz. For the weekends?

Mr. Parr. I do not remember.

Mr. Weitz. Or were you finished in Washington?

Mr. Parr. Well, we were going home. I guess it was the weekend. I don't know.

Mr. Weitz. You were flying home by the company jet?

Mr. Parr. Yes, sir.

Mr. Weitz. Had you seen Mr. Connally earlier that day before the meeting at the airport?

Mr. Parr. Had I seen him?

Mr. Weitz. Yes.

Mr. Parr. Not that I recall.

Mr. Weitz. Were you in a car being driven to Page Airways when you saw Mr. Connally pass in his government limousine?

Mr. Parr. Yes.

Mr. Weitz. When you got into the car where did you leave from to go to the airport that day?

Mr. Parr. I suppose we left from the Madison Hotel.

Mr. Weitz. Did you all leave together, the four of you in the car?

Mr. Parr. I believe so.

Mr. Weitz. Do you remember leaving from Mr. Harrison's office at 1701 Pennsylvania Avenue?

Mr. Parr. I do not know where we left from.

Mr. Weitz. Do you remember when you got in the car and someone told the driver to try to get to the airport to catch John Connally before he left?

Mr. Parr. No.

Mr. Weitz. To your recollection you did not know that Mr. Connally would be at the airport when you were there or would be leaving that day from the

airport?

Mr. Parr. No.

Mr. Weitz. When someone saw Mr. Connally's car passing on the way to the airport, was there any discussion about trying to talk to him at all, at any time?

Mr. Parr. Yes. I would think there probably was discussion about that.

Mr. Weitz. To talk to him about the milk price support decision?

Mr. Weitz. To try to gain his assistance.

Mr. Parr. Yes. I would say so, yes.

Mr. Weitz. Do you know at that point whether Mr. Jacobsen had already talked to him about that?

Mr. Parr. If I knew the time—I know that Mr. Jacobsen may have talked to Mr. Connally but I do not know—

Mr. Weitz. And when you got to the airport Mr. Connally was still there or was there—

Mr. Parr. I do not know who got there first, whether he passed us or we passed him.

Mr. Weitz. But both of you were at the airport, your group and Mr. Connally for some period at the same time that day?

Mr. Parr. I do not know how long a period, but we were there, yes, sir.

Mr. Weitz. How did it come about that Mr. Lilly met with Mr. Connally?

Mr. Parr. I do not know exactly how that was done. I do recall that Mr. Lilly—that is the only one I recall—they were at one end of the airport.

Mr. Weitz. Who? Mr. Connally?

Mr. Parr. And Mr. Lilly, yes. . . .

Mr. Weitz. Do you recall Mr. Nelson's saying to you, don't go, let Bob talk to him; Bob knows him?

Do you recall that?

Mr. Parr. Something like that. I believe something like that makes sense.

Mr. Weitz. You do not specifically recall it?

Mr. Parr. I just recall, Mr. Weitz, that there was a discussion.

There was something—I believe that is correct. I believe that is correct.

(pause.)

Mr. Weitz. How long did the discussion between Mr. Lilly and Mr. Connally take?

Mr. Parr. To the best of my recollection not very long.

Mr. Weitz. A couple of minutes?

Mr. Parr. A few minutes, yes.

Mr. Weitz. And what happened when Mr. Lilly returned? Did he come back to the group?

Mr. Parr. Yes.

Mr. Weitz. Did he tell you what he had talked about with his (sic) secretary?

Mr. Parr. I do not recall any specific—

Mr. Weitz. Do you have a general recollection of the substance of what he said or the impression he gave you about his meeting with the Secretary?

Mr. Parr. No, sir.

Mr. Weitz. Did he talk to Mr. Connally about price supports?

Mr. Parr. I suppose so. That is what we were working on.

Testimony of Harold Nelson before the Senate Watergate committee, Dec. 18, 1973.

Mr. Weitz. Did he report back to you about his meetings with Secretary Connally?

Mr. Nelson. I knew that he was having them. He told me that he was having the meetings with Secretary Connally.

Mr. Weitz. Did anyone accompany him on those meetings?

Mr. Nelson. Not to my knowledge.

Mr. Weitz. Did you ever have an opportunity, or did you ever discuss during February or March of 1971 with Mr. Jacobsen and others the desirability of committing or contributing additional monies in order to secure Mr. Connally's assistance with regard to the milk price support decision?

ly's assistance with regard to the milk price support decision.

Mr. Nelson. I don't think that was a condition of securing his assistance. We were in this position, you understand, of already having expressed our willingness, what I view as repeatedly, to make contributions in much greater amounts than we had made, and we were in—I know it's hard to believe, but this is an absolute fact. They wouldn't come up with the committees. We couldn't believe it ourselves. But that is the position we were constantly in with these people.

Mr. Weitz. Well, then, let me ask you this. Did you have any discussion with Mr. Jacobsen with respect to making additional contributions, whether or not—and at the same time you had discussed a meeting he had had with Mr. Connally, quite apart from whether one was antecedent or dependent on the other?

In other words, did you have discussions in which you discussed Mr. Connally's assistance, and in the same discussion discussed the need for or the desirability of making additional contributions?

Mr. Nelson. I don't recall that. Mr. Jacobsen was well aware of the fact that we had made these offers of contributions and had asked for names of committees, and that we didn't have them.

Mr. Weitz. How was he aware of that?

Mr. Nelson. Because I had told him.

Mr. Weitz. You told him specifically about the attempts in 1970 to obtain

committee names, the attempt to contribute perhaps even a million or two million dollars?

Mr. Nelson. I don't recall that we had told him about specific amounts, but we probably did. But I do recall having mentioned to him that we couldn't get committees out of these people. We just couldn't understand why we couldn't get committees. And as a matter of fact, at the time I left the position of general manager we were still trying to get names of committees. . . .

Mr. Weitz. Mr. Nelson, I would like to return to the period of March 1971 in connection with the milk price support decision.

Now I believe you said yesterday that Mr. Jacobsen was in contact with Mr. Connally for AMPI (sic) during this period, is that correct?

Mr. Nelson. Yes.

Mr. Weitz. Do you know of anyone else who talked to Mr. Connally during that period relative to price supports or anyone else at AMPI?

Mr. Nelson. Are you talking about March 1971?

Mr. Weitz. February and March 1971, yes.

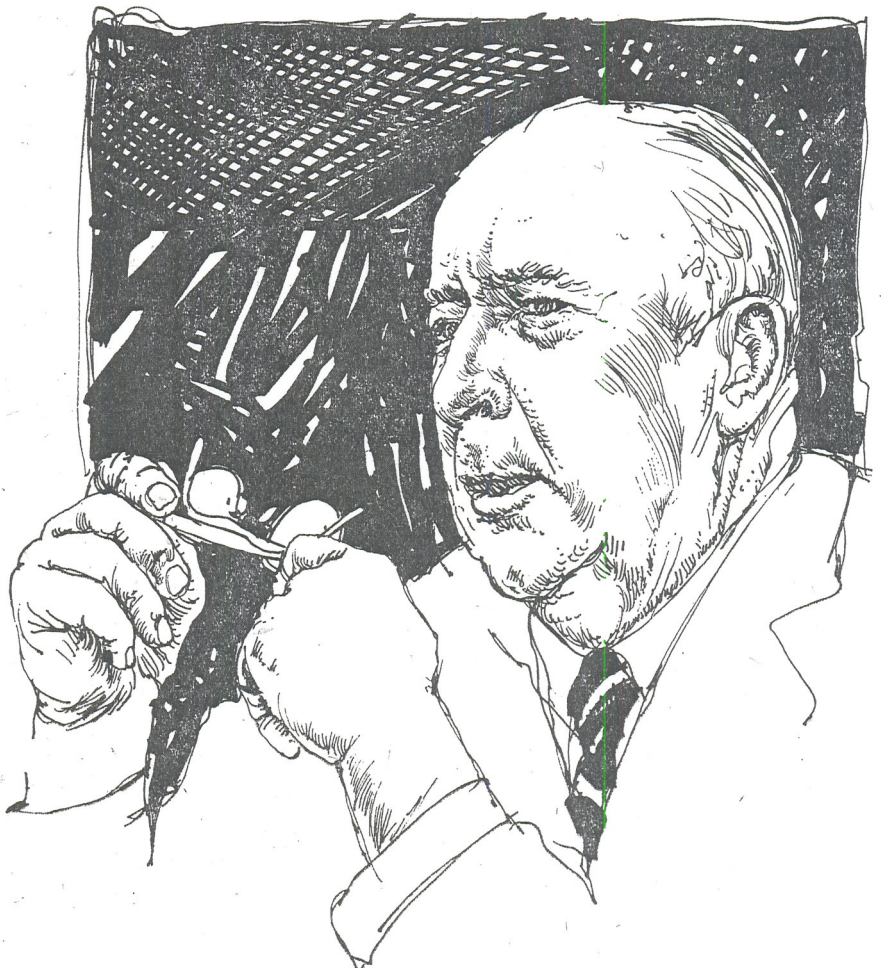
Mr. Nelson. Well, now I do not know. Are you referring to—the only one I know is Mr. Lilly, very briefly, outside the Washington airport if that is what you are referring to?

Mr. Weitz? Did you tell us about that?

Mr. Nelson. What?

Mr. Weitz. Did you know when that occurred? (sic)

Mr. Nelson. Well, yes and no. There seems to be confusion about when it occurred. I now think that it occurred on March the 5th, and the reason that I think is occurred on March 5, is that I checked with the pilot on the log and he says that on March the 5th we left Page Airways and flew to Little Rock



Sketch by David Suter for The Washington Post

and on to San Antonio, and I think it was March 5th.

Mr. Weitz. The contact between Mr. Lilly and Mr. Connally took place at Page Airways at National Airport?

Mr. Nelson. Yes, we were in a taxicab going to take our own plane at Page Airways and Secretary Connally's limousine passed us and he and his wife were in it, and they pulled up just ahead of us. By the time that they (sic) got there, they were already out of their limousine, as I recall, and Bob Lilly went over and talked to Mr. Connally very briefly, and then came back while the rest of us stood on the sidewalk to wait.

Mr. Weitz. Let me ask a few questions about that. Who, of AMPI was with you at the time?

Mr. Nelson. I know Mr. Parr was because he started to walk over and I told him, no, let Mr. Lilly go; and Mr. Townsend was on there, and I believe—I am not sure, but I believe Mr. Elred was on there. I have been told that he was on there, I really did not recall, until I started talking about this thing, who was on there.

Mr. Weitz. Who did you talk to about this meeting, other than your attorney?

Mr. Nelson. Oh, I have talked to Mr. Lilly about this meeting. I have talked to—well, other than my attorneys, I guess that is it.

Mr. Gallman. Well, obviously—

Mr. Nelson. I have talked to the Prosecutor.

Mr. Weitz. Was it in the last several months that you have talked to Mr. Lilly about the meeting?

Mr. Nelson. Yes.

Mr. Weitz. What did you understand by Mr. Lilly's comment that after talking to Mr. Connally he was optimistic—he meaning [g] (sic) Mr. Lilly—optimistic about what?

Mr. Nelson. About favorable action on the price support. That is what we were—

Mr. Weitz. By whom?

Mr. Nelson. By the President. That is the only person who can take a favorable action on the price support in my view. I have said that repeatedly.

Mr. Weiss. So you understood, therefore, that he was referring to administrative action by the President and the Secretary of Agriculture?

Mr. Nelson. Yes, that is what it meant to me.

Mr. Weitz. Did he indicate whether Mr. Connally had talked to anyone in the administration, including the President?

Mr. Nelson. No.

Mr. Weitz. Did he indicate what Mr. Connally or he based his optimism on?

Mr. Nelson. No, he did not go into details as I recall, he just said that he is optimistic.

Interview with H. R. Halderman, Senate Watergate committee executive session, Jan. 31, 1974:

Mr. Weitz. Your logs indicate that on December 14 you met with Mr. Connally. Do you recall ever discussing in 1970 before he became Treasury Secretary, or in early 1971 before he became Treasury Secretary, any mat-

ters in connection with the dairy co-ops or the dairy industry?

Mr. Halderman. I recall—and I am sorry to keep doing this, but I have got to, in the interest of accuracy—I recall talking with or listening to Mr. Connally on the subject of the dairy contribution. I cannot tell you whether it was before or after he became Treasury Secretary, nor can I tell you on a calendar basis when it was. I don't know. It obviously was before the mechanics were set up for receiving the money, because the point that Mr. Connally made to me was, as I recall it, simply that the dairy people want

to make a contribution, and they have been trying to work with the campaign people, or whoever is handling it, and they weren't getting the mechanics set up for them to do this.

And that is kind of stupid, why doesn't somebody get it set up.

Mr. Weitz. If the record shows that dairy industry committees were established and substantial contributions were made by the dairy, certain dairy trusts in the middle of 1971, presumably this conversation with Mr. Connally would have preceded that?

Mr. Halderman. That would be my feeling, that it was before the process was under way of the money actually being donated.

Mr. Weitz. In what connection did you discuss this with Mr. Connally? Or did he raise the matter with you?

Mr. Halderman. He simply told it to me. As I recall, it was after a meeting of some kind, and he and I were walking down the hall, that is sort of the recollection I have, walking down the hall, and I was near my office, and his saying in effect what I have just said . . .

Memorandum from John Whitaker to President Nixon, March 22, 1971:

SUBJECT: Meeting with 18 Key Dairy Industry Personnel (Associated Milk Producers, Inc.) Cabinet Room Tuesday, March 23 10:30 a.m.

I. PURPOSE: To hear their views on recent decisions by the Administration on dairy products.

II. BACKGROUND: The dairy lobby has become very strong—a very large cooperative running from Minnesota through Texas—which lately have decided, like organized labor, to spend a lot of political money. Pat Hillings and Murray Chotiner, for example, are involved.

By April 1 each year, the Department of Agriculture announces their decision on milk price supports. The lobbying (Senators Miller and Curtis, Speaker Carl Albert, Wilbur Mills, etc.) has been intense this year. On March 12, you approved the recommendation of Secretary Hardin, George Shultz, John Ehrlichman and Pete Peterson, and USDA announce a three-part package to:

1. Hold the support price for manufactured milk at \$1.66 per hundred weight for the 1971-72 marketing year beginning April 1, 1971, (this is now about 80% of parity). The lobby wanted \$5.05 per hundred weight which would be about 87.2% of parity. The Administration was concerned that further increases in the price of milk (increased \$38 or 9% last year) would result in over production, plus a possible penny-quart increase in the price of milk;

2. USDA announced purchase of cheese for the USDA food (school lunch) program;

3. USDA noted that you directed the Tariff Commission to conduct an immediate investigation under section 22 on the imports of cheese because of the sharp 1970 increase in cheese imports and the need to protect the price supports for milk in the face of these increasing imports.

Finally last week, Congress (at Carl Albert's instigation) started talk of introducing a bill to set milk prices at 85% of parity. Albert obviously sees AAa good thing." Page Belcher is concerned that the Democratic leadership, to embarrass you, could get enough liberal support for the bill (in spite of the penny-per-quart increase in the price of milk from the consumer viewpoint) combined with rural Republican Congressmen who don't want to take the heat to pass the bill and confront you

with a very tough veto situation.

John Ehrlichman, George Shultz, Don Rice, Henry Cashen and John Whitaker met with Secretary Hardin and Under Secretary Phil Campbell on this problem last Friday and recommended that you appear in this meeting to hold the line, listen to their arguments and then await developments on the bill in the next two weeks to see if the Democrats can move the bill.

III. ACTIONS REQUIRED: Enter the Cabinet Room, go around the table meeting them (Harold Nelson, General

Manager of Associated Milk Producers and David Parr are the tow key "movers" although the Association President, John Butterbrodt will also be there. See tab A for attendees). When you sit down, Secretary Hardin and Under Secretary Phil Campbell will be on your right and Mr. Butterbrodt on your left.

IV. POINTS OF DISCUSSION: You might wish to make an opening statement (see Tab B) and then toss the ball to Hardin. Tab C is a Fact Sheet on the group prepared by Under Secretary Campbell.

Committee-prepared transcript of telephone conversation between the President and John Connally, March 23, 1971, from 10:16 a.m. to 10:19 a.m.:

PRESIDENT: (Picks up telephone.) Secretary Connally please. (Hangs up.) (Telephone buzzes.)

BULL: Mr. President, Congressman (unintelligible) is here for five minutes.

PRESIDENT: Oh yeah. Tell Halderman not to come in until—I just wanted to call (unintelligible) told Halderman, I just, never—I just told Halderman to come in. Tell him to wait.

BULL: Oh, I didn't realize it, sir.

PRESIDENT: All right, hold him. I'll just be a minute.

BULL: Fine, sir.

PRESIDENT: Hello. ("Yeah" in background.)

Yeah, I thought it was, uh, was very, very helpful for, uh, you to give those guys a good shot like that this morning. And as I, and I am sure you could see I was, uh, trying to shame a few of them a bit because—

Yeah.

Yeah. Well, uh, I tell you that it's very tight in the Senate. It looks like we're about two votes short. Isn't that something?

Yeah. But it's, but for this country and what it is, it's, uh, almost a death wish isn't it? It's a death wish. They, uh, we, uh, we're afraid to do this or that because of, uh—Well, it's a—as the country gets more and more intelligent, they get, uh, more and more fearful; and that's, and that's what happened to the Greeks, and what happened to the Romans, it's what's happened to the British, it's happened, you know—That's what happens.

Yeah. Hugh, well, it's a retreat from leadership. Retreat from leader—but anyway, we're on the side of the angels, and, uh, and I appreciated your picking up and pitching. That's the way to do it, slug it right to them.

Um hm.

Yeah.

Yeah. Well, you've handled it all extremely well.

That's all right. (Laughs.)

Yeah. Yeah, the—don't worry. They, uh, they'll remember it. (Laughs.)

Yeah, at 10:30. (Telephone rings.)

Yeah. Yeah. They're quite a, quite a group.

Um hm.

You're, you're, you leaning to, to

the, (telephone rings) to do it this year?

Uh hm. Uh hm.

Huh.

Yeah.

Get out the argument that if you do it this year, you raise the price and all that sort of thing.

Right.

Well, I'll try to, uh, be equipped for other things. He's going to, uh, meet with 'em at 10:30, and I'm going to try to keep—

Yeah. Yeah, but I want to be sure I don't, don't, don't cross the bridge today, that's what I mean, and I'm glad to talk to you about it. I didn't know that—Okay.

Got it.

Um hm. Um hm.

Yeah. All right.

Okay.

We'll (unintelligible) in there.

(Hangs up.)

John Whitaker memorandum for the record, March 25, 1971, marked "Confidential."

SUBJECT: President's Meeting with 20 Key Dairy Industry Personnel (Associated Milk Producers, Inc.)

Cabinet Room

Tuesday, March 23, 1971

10:35-11:25 a.m.

With Secretary Hardin and Under Secretary Phil Campbell, you met a 20-man delegation of dairy industry personnel because you had decided not to increase milk price supports from about 80% to 85% of parity, and you wanted to hear their case for milk supports up to 85% of parity. You made a brief speech about appreciation of their support and how they were solid, patriotic people representing the heartland.

They made the point that they felt a price support of about \$30-35 million would produce \$500 million in revenue for the dairy farmers. With the taxes on this, it would cost the Government nothing. They also talked about high labor and capital costs putting the dairy farmer in a real price squeeze. Finally, there was much give and take about the question of whether this Cooperative (which represents about 30-40% of the milk industry) could, in effect, control their own production so as not to overproduce.

Hardin and Campbell dwelled on the point that they were not at all sure if prices were increased that production would go up so high that the market would tumble.

Just before the meeting, Secretary Connally called to suggest that you go along and announce you were ready to go to 85% of parity. Hardin was against this, as it turned out, and you made no commitment one way or the other in the meeting. The meeting was held in the background of the possibility that the Democrats are trying to ram through a bill, with Carl Albert leading the troops, for a mandatory 85% price support, which if passed, would put you in a tough spot to veto it with next year's elections coming up.

You promised that although you had missed their meeting last year in Chicago, you would do your very best to come to their next annual meeting (September 3-4, 1971, probably in Chicago again).

Later the same day, you convened Secretary Connally, Secretary Hardin, George Shultz, John Ehrlichman, Don Rice and I to map out strategy on this problem.*

Committee-staff-prepared transcript of a recording of a meeting between the President and leaders of the dairy industry, March 23, 1971, from 10:35 a.m. to 11:25 a.m.:

UNIDENTIFIED: All right. (Laughter)

PRESIDENT: All fifty states. I know the answers (unintelligible)

UNIDENTIFIED: (Laughter) (Unintelligible)

PRESIDENT: Yeah, right. I know you've done a good—

UNIDENTIFIED: (Unintelligible) Mr. President.

PRESIDENT: All right. It's good to see you here.

WHITE: Frank White from Kansas.

PRESIDENT: It's good to see you.

UNIDENTIFIED: Jim (unintelligible)

GRIFFIN: (Unintelligible) Griffin from Oklahoma.

UNIDENTIFIED: Mr. President, Mr. President, right back here are a couple of—

PRESIDENT: Oh yeah, yeah. Didn't mean to walk by you.

HANSON: Carlyle Hanson, Minnesota.

PRESIDENT: Right, right. Boy, I know those two states.

(Laughter)

UNIDENTIFIED: (Unintelligible) from California.

PRESIDENT: You drink milk don't you?

UNIDENTIFIED: Oh sure.

(Laughter)

PRESIDENT: Well, good. (Unintelligible). Wonderful time to leave, uh, you know, for that funeral for that, uh, UNIDENTIFIED: Oh, yes, yes.

PRESIDENT: fellow, uh, Whitney Young. Great fellow.

UNIDENTIFIED: All the way from Kentucky.

UNIDENTIFIED: Yes, Mr. President.

PRESIDENT: Good to see you here. Good to see you.

BESSEN: Melvin Bessen from Minnesota.

PRESIDENT: Yeah. Minnesota, (unintelligible). I can tell the way you pronounce it.

UNIDENTIFIED: Right.

UNIDENTIFIED: (Unintelligible) of Texas.

UNIDENTIFIED: How are you?

UNIDENTIFIED: How are you? Good to see you.

PRESIDENT: You're one of our fellows.

BUTTERBRODT: John Butterbrodt, Wisconsin.

PRESIDENT: Yes, glad to know you. Good to see you. (Unintelligible)

UNIDENTIFIED: (Unintelligible) Illinois.

PRESIDENT: Yeah, Illinois.

UNIDENTIFIED: Yeah.

PRESIDENT: Les Arends' state. We just introduced (unintelligible)

UNIDENTIFIED: Unless you—

PRESIDENT: Have you got any farmers in your district? Are you kidding?

(Laughter)

AFFELDT: Paul Affeldt (unintelligible)

PRESIDENT: Yeah.

BISHOP: John Bishop, Mr. President. Iowa.

PRESIDENT: Right, s—, good to see you. Well, we're delighted to have you all here. Would you all sit down. Sorry to have kept you waiting, but I had the Secretary of the Treasury on the phone, and, uh, Secretary Hardin and I had to talk to him about a matter that might involve agriculture in any way, you know. Consider some of those (unintelligible) and the rest, where you're fighting the good battle in the United States and for the

ag—, agriculture community. Let me, let me start this meeting with, uh, with uh, with one, uh, one, announcement that may be of some interest to you. I, uh, first wanted to say that I have been very grateful for this, the support that, uh, we have had in this administration, uh, from this, this group. Uh, uh, I know that, uh, in American agriculture this is the most, uh, widely, uh, recognized—it cuts across all of the farm organizations. It's representative of all the states. Uh, I know, too, that, uh, you are a group that are politically very conscious. Not in any partisan sense, but that you realize that what happens in Washington, not only affecting your business, but, affecting the economy, our foreign policy and the rest, affects you. And you're willing to do something about it. And, I must say a lot of businessmen and others that I get around this table, they'll yammer and tal ka lot but they don't do anything about it. And you do, and I appreciate that. And, I don't have to spell it out. Uh, my friend, uh, (unintelligible) and some others keep me posted as to what you do. The other thing I would like to say is that, that I, uh, I appreciate the fact that this group—definite Republicans, Democrats, in this, is, uh—and this may sound somewhat—The, uh—Oh, in these days it is sort of unfashionable to talk patriotism and the rest, but I still do. Now this group is, uh, uh, is uh—coming as it does—being sort of a bedrock, the heartland, as we call this America. The heartland exists al over American, not just in the Midwest. Uh, but, uh, that you, that you, have such a strong, deep, uh, commitment to this country for what, what it stands for. Uh, that and, and, and, the thing that—In many, many ways, all this I appreciate. That's a part of it, in fact, that, that, uh, we, we have s—, immediate problems of great concern to you. But (unintelligible) I've been trying to say in a nutshell is this; That, uh, a great segment of agri—, agriculture has done an enormously effective job. Its, its productivity, and, and the quality of its product, etcetera, for America, for American consumers. And for that matter, for the world. But beyond that, uh, this group also has done a job far, uh, uh—going far beyond it. Uh, it's done—You, you've stood for those things that, uh, are deeply needed in this country today. And, uh, you may next, perhaps, uh, you are a relatively small group—I just want you to know that in this, in this office, that kind of commitment, that kind of support above partisanship, this is something that I am deeply grateful for. Uh, now, with regard to another thing, I, I, uh, missed your meeting in Chicago last year, as you are aware. In fact, uh, the Secretary gave a message. But, uh, I want you to know that I have talked to our—

Continued on Next Page

Continued From Preceding Page

UNIDENTIFIED: Mr. President?

PRESIDENT: Infact, that's the Vice-President's chair. That's the hot seat. [Laughter] And, uh, you're in — the Secretary of, uh, Defense, uh, belongs here. Attorney General, uh let's see —That's as far as we better go. We don't want to get into that. Anyway, uh; I missed your meeting in Chicago but, uh, Cliff, uh [unintelligible] about the possibility of your next meeting. And, I want you to know that, uh, at your next annual meeting, since I missed the other one, that I, uh, I'm going to do the very best I can, lacking some kind of a foreign trip, or something, to come to it. I'd like to —I think that, one, you can't do each of these meetings each year, but, uh, one of the years while I'm in this office—This would be a pretty good

year since it's a non-election year. And, uh, I'd like to, uh, meet with you [unintelligible] made regarding imports, with regard to the, uh, price supports, and all the rest. And [coughs] so, uh—

HARDIN Well, maybe I should just make a statement, Mr. President.

PRESIDENT: Yes.

HARDIN: That, that kind of shows you where our, our differences are. We do have a couple, uh—I don't think there's any quarrel at all in what the facts are, uh, where we are on milk production, and, uh, consumption—these sorts of things. The situation needs to be resolved. I am told they did raise the support price of milk, uh, uh, on a more conservative range before, at one time, and you did so at that time for good reason. Uh, production was dropping; uh, it looked as though consumption might pick up a bit. And, knowing that the dairy industry is a business in which it is hard to get in and out, uh, quickly uh we were a little concerned that we might be short of milk by the middle seventies and that we'd better move. Well, it did work, uh, or something worked. Uh, milk production did increase a bit. Uh, I understand it is too soon to tell whether this is a new trend or, uh, how long it will last, but the facts are that milk production is running ahead of a year ago. Uh, total consumption last year was up a little, uh, per capita consumption down a bit. And the, uh, [unintelligible] had to buy to support the price. The cost of that is a little higher this past year than the year before. Now, that's not the real issue. The real issue is, in my mind, uh, whether we dare to raise the prices, uh, which eventually results in some increase in the retail level. Uh, maybe not immediately, uh, because they're, they're drafted at market price above supports now, uh, just a bit. Uh, but, uh, there is a point in these agricultural commodities where we don't control supply. Uh, where you can push over the hill. Where total returns start reducing if you boost the price up. And, uh, no one can prove whether we're at that point or not. It's a matter of judgment. And I think that's

ter of judgment. And I think that's where our differences have, uh, come. We have talked to these men, that, uh, —this is time when I think we have to be statesmen. We have to look at what's best for the man that's pulling the teats out on the farm, if I can use that old expression.

UNIDENTIFIED: You do it with machines.

HARDIN: And, us—

[Laughter]

PRESIDENT: I know something about that.

[Laughter]

UNIDENTIFIED: [Unintelligible]

HARDIN: Bt, uh, that, that's, that's the issue. I think we'd, I'd like to hear these men

PRESIDENT: Right.

HARDIN: Speak up, uh, to us on, on the point.

UNIDENTIFIED: Let me say that I, Harold and I stated this earlier, so—

PRESIDENT: That's, that's really it, that's where—Cliff's really trying to get to do the right thing. In other words, the point is, the, you can get, uh, if you can get the, uh [unintelligible] come up with, you get the, uh, price too high, you get a situation there, you're—It's down, it's—Drop off something drastic, and, and, and, uh, so we'd like to know your views.

NELSON: All right.

PRESIDENT: We will go around the table and tell us what you want.

NELSON: First, Mr. President, uh,

on behalf of all these gentlemen, I want to, uh, thank you for the opportunity. We're honored to, uh, to be here, and we know how busy you are, and, uh, we're deeply appreciative of the opportunity to be heard by you. Uh, these gentlemen all know, uh, while, uh, many people in agriculture don't think of you as having, uh, agricultural background, they all heard, uh, what you told me on the telephone talking to me at our meeting about the fact where, uh, [unintelligible] Congressmen [unintelligible] problem agricultural area. That, uh, you're deeply aware of the, uh, economic, uh, importance of agriculture and that you have an unsullied track record in support of, of, uh [unintelligible] agriculture. They all know that.

PRESIDENT: My mother and father are both from Indian—, one from Indiana and one from Ohio.

UNIDENTIFIED: Oh.

PRESIDENT: And finally when they retired they went back to the farm and so I have a little bit of agriculture background.

NELSON: So at least you see— you have seen something of the farmer. Uh, and the Secretary has stated, he is, uh—We have no quarrel, uh, as to data, and, uh, it's, uh, strictly, uh, a matter of judgment. We have had an opportunity fully to discuss our views of—with the Secretary. Uh, some points, uh, we have tried to reach, the points with which we, uh, assume are of concern to you, uh, we wish to, uh, tie this case right up to them. Uh, number one: [clears throat] affect on, uh, consumer prices. Well, with response to that, it's different. Uh, the, uh, level of receipt is really, uh, a market level at this time. And, uh, in our view it wouldn't set, uh, involve any increase in consumer prices. Uh, although we know that it's inevitable there will be an, an—press even based on this, uh, existing immediate situation there have been some increases in consumer prices of milk. And, and, uh, of course, uh, we know some more of that'll be the involved,

uh, due to inflationary forces—which we are well aware are not your inflationary forces. Uh, number two is for the need, uh, insofar as farmers are concerned, uh, I, I think that's pretty well, uh, uh, irrefuted. The, uh, feeding-milk ratio is the lowest it's been in ten years. The cost of labor, machinery, uh, well—everything that farmers use to, uh, that is involved uh, in, uh, production of milk—uh, it's, uh, has increased, and is increasing and they are in a real, real bind. Uh, and it's our view that irreparable harm could result unless, uh, action is taken to at least try to maintain a status quo, uh, on this now. Mr. President, we know that, uh, all the—everybody here is your friend. And, and, uh, I know you know as we know that sometimes it's hard to convince a friend that what you're trying to get him to do is, uh, good for him, but that's the posture that, uh, we come here in. Uh, [clears throat] the, uh—not, not setting the support at, uh, approximately 85 per cent our figures, uh, show, would result in, uh, decrease in income to dairy farmers of a half billion dollars. And, uh, the, uh, cost to the Government [clears throat] of uh, setting at that figure would be an increase of thirty to thirty-five million dollars. So, the arithmetic we like to use on it is that if you take twenty percent of a half billion, you've got a half, uh, you've got a hundred million dollars. And so, uh, in that view we feel that the net cost to Government would be actually no cost, and, uh, a gain. Uh, another thing, uh, that, uh, is of concern to us, as your friends, is that, uh, the timeliness of the action. Uh, we all

know that some times if action is delayed, it's not appreciated as it would be if it's taken in a timely manner. And, uh, that pretty well, uh, sums the, uh, thing up, uh, as concisely as I know how, insofar as our position, uh—

PRESIDENT: Let me get this, uh— [coughing] this is, uh, this is, uh— The real point, the real point is this: what we put—say that the, uh, the raising the thing to eighty-five does not bother me a bit.

NELSON: Yes, sir. Yes, sir.

PRESIDENT: The question is, how are you going to look a year from now? Now, does anybody have any other view on this? Is this the unanimous view? I, us—See, that's the concern that, uh, has been expressed as to whether or not if you, you go that you are going to eighty-five [unintelligible] said that the figure in those terms would

UNIDENTIFIED: Yes, sir.

PRESIDENT: mean the budget probably work all at the same salary. That they're hard,

UNIDENTIFIED: Yes.

PRESIDENT: but it can be done. But the main point is, what is it going to do in terms of, uh, of encouraging overproduction? Isn't that really what you're talking about? And that produces uh, uh, uh—Phil, you want to say something?

CAMPBELL: Sure. The figures

actually show, of course Harold knows these figures, and I think most of the rest of them do around the table. And, this is of greatest, greatest concern to us, uh, to our office, because here and there for a year or so of Secretary Patterson, the price was raised, and then immediately it, it had to be reduced. It was reduced because of a big increase in production by about five billion pounds, and prices were reduced from three dollars and eighty-five cents a hundred in 1952 and three, down to three dollars and fifteen cents in 1954 and five, which is a seventy cent reduction. The same thing happened again, and, uh, when Secretary Freeman came in a few years later. The price was raised up to a high of three dollars and forty cents in 1961-62. The production was its very height of a hundred twenty-six billion pounds and then the support price had to be dropped back to a low of three dollars and eleven cents, which is a drop of twenty-nine cents a hundred. Well, now, this is the past history. This is what we look at. Uh, if we knew it wouldn't stimulate milk flow and it wouldn't go on back up to a hundred and twenty, twenty-two, twenty-three, twenty-four billion pounds, I don't think anybody would have any argument as to what would occur. But, and we don't know and we frankly don't think you people can know, either.

NELSON: All right.

CAMPBELL: [Unintelligible] because we think everybody is in a, in a, in a vacuum here as to the point the real situation is. Because we did have a turnaround. Now, I'm not convinced this is a true turnaround personally, although we have an increase of a billion pounds, because we did have a reduction in cow milk, still, last year and I don't think—

PRESIDENT: Uh, uh, a reduction?

CAMPBELL: A reduction not only in milk cows—

UNIDENTIFIED: [unintelligible] total numbers—

CAMPBELL: So we don't really, really—I think the increase is a result of, of, milder weather in the winter time which has quite a lot to do with production, Mr. President. Now mild winter you get much better milk flow than you do on a

very severe winter.

PRESIDENT: Yes.

CAMPBELL: Well, in the previous winter, there had been a very severe winter. Last winter was a mild one, and then the problems of forage and and feeding and so on.

PRESIDENT: So that, so there's, there's another thing we can focus on.

CAMPBELL: Yeah, Yeah, and, uh, but, uh, we don't know that this is a real turnaround, because the conscious decision of dairymen to increase, uh [unintelligible]. The, uh, so that, that, really is, uh, is, uh, where we, uh, we're in the dark and we felt as though a little bit more time should be given to find out if this is a real turnaround, because if we were to raise the prices up to about five dollars from the present four sixty-six and we were to jump back up to a hundred and twenty, three, or four, five billion pounds, well, we would have—unless per capita consumption increased, unless increasing population took it up in the marketplace, the same amount of milk that cost six hundred million dollars in 19, uh, 62, would cost close to a billion dollars because of the difference in price was just about five dollars instead of just over three dollars. Uh, and, uh, this is, this is, a matter of real con-

cern that, that we have. We are just in the dark. If this is not a real turnaround, well, we still got room to raise prices.

PRESIDENT: All right. Who'd like to talk?

HARRISON: Mr. President, these organizations which are, have discussed with my clients, represent about eighty-thousand dairy producers. First thing I had to learn when they came to us was that the producer is not the cow, but the farmer, so I've had to learn a lot since then. We think that under the base plans which your administration has been so helpful and the Secretary of Agriculture so helpful to promote it, plus the new promotional legislation which permits money to be spent for certain types of promotion, which your administration also has enthusiastically supported. That so far, except the last week or two, there has been almost nothing that the dairy industry has wanted that this administration has not been pretty enthusiastically for. Uh, the combination of those factors plus the turnaround the last two quarters for last year—putting the two together, the dairy industry is doing a more effective job than it's ever done before in controlling production. But, I suppose as a lawyer and sitting in the Attorney General's seat I'd have to say that there, that, uh, Secretary Campbell is right to this extent, there's nobody that can absolutely swear on a stack of Bibles and absolutely guarantee that this turnaround might not be permanent, because—

PRESIDENT: [Unintelligible]

UNIDENTIFIED: We don't know absolutely for sure.

HARRISON: That's right.

UNIDENTIFIED: No—

HARRISON: But, uh, Mr. President, the odds are that it will.

CAMPBELL: But the weath—Mr. President, the weather will even out. The weather is not—that's the great factor.

PRESIDENT: Yes.

CAMPBELL: It will not stimulate total overproduction.

PRESIDENT: That's just—check first.

NELSON: But, uh ([clears throat]) the analysis being made are the same people who've been right now, seven years in a row. Uh, in any case that, uh, that, this is not a turnaround. That's their projections. And, uh, we have been right—I mean they've got an enviable track record, that this is not, uh, a turnaround. And, uh, as they, uh, I forget whether it was Secretary Hardin or Secretary Campbell, I believe it was Secretary Campbell, pointed out that, uh, there has been a turnaround in total, uh, con-

sumption. I mean there has been, uh,

PRESIDENT: Right.

NELSON: a change for the better.

PRESIDENT: Yeah.

[Several voices]: Yeah.

NELSON: There is—now, I don't say that's a turnaround, either.

PRESIDENT: More, more consumption.

NELSON: Yes sir, and, uh, as Mr., uh, Harrison pointed out, uh, we, uh, we do have, the means now to do more about controlling consumption with, uh, production, with this base-plan legislation, under this [unintelligible] legislation. Over a six state area of this organization, we have voluntarily invoked base plans which have demonstrated the ability to tailor production to the consumers it meets. Now, this new legislation we feel we can spread to these other areas so we have that going for us that we hadn't had before. We have, one additional item, which is very close to the Secretary's, uh, heart—I'll use a more better term, which will be acceptable to him, and that is, this promotion legislation. Uh, this route has demonstrated this. He says eighty-thousand dairy farmers representing thirty billion pounds of milk, is willing to spend money for promotion. And we're now embarked upon a program developing a promotional and marketing program that are tied together which is the first time this has ever happened. But, if we're going to be able to take the money to do this, we've got to get it at a time when we are at least holding our own, and not in a time of falling, uh, uh, regarding land prices.

PRESIDENT: Yeah, one thing about that I insisted—a little aside—is that, uh, the, uh, the, to get the, uh, I don't know what, what can be done about it, but the medical profession don't really know much about cholesterol. Uh, that you're being a little more cooperative, talking about it. I mean that's—if you fix a glass of milk and have a heart attack; well, I can think of a lot of other things that's going to give you a heart attack. A lot sooner, too.

(Laughter)

PRESIDENT: But, uh, incidentally, I, uh, do happen to drink a lot of milk. Well, but, uh, uh,—What, what's the medical profession doing in that respect?

NELSON: Uh—

PRESIDENT: There is cholesterol that goes up and down, you know. They say, "No ggs, no milk, no [unintelligible]."

UNIDENTIFIED: Now—

PRESIDENT: They're ot sure

UNIDENTIFIED: Yes.

PRESIDENT: Cholesterol, as you know, is related to stress, it's related to—You, you'll have a test made one, uh, one week, or, uh, above normal, and next week, uh, (unintelligible) be below, which, uh, uh, maybe you were drinking the things that were, other people drink here, uh—

(Laughter)

NELSON: We've had some breakthroughs on research in the last six months. It, uh—For the first time it appears to be, uh, uh, favorable (unintelligible) reports and so on. And I've just formed a new organization that has, uh, wide-spread support among the producer organizations, that is, uh, providing research money. And we're talking about basic research, pure research, uh, for the first time, which we—

PRESIDENT: You are?

NELSON: Yes sir, yes sir, yes sir; we are. For pure research. And, uh we feel that this can't help but, uh (unintelligible) and good results.

PRESIDENT: You've got one point. It's simply not to get into your business at all, but, uh, in your promotion, every—, everybody is going for gimmicks these days, you know.

NELSON: Yes, sir.

PRESIDENT: TAKE, take sleep inducers. Now, uh, uh, an article in Reader's Digest a couple of months ago in regard to sleeping pills—enormous use of them—But, but almost any, any, uh, person who really studies sleep will tell you probably that, that, that lacking a pill—I mean which

some, which has side effects, which many times are not (unintelligible)—the best thing you can do is milk. Any kind of thing, you can just, just a glass of milk. You don't have to talk with it or anything like that. It could be warm. It could be, uh, tepid, or it could be cold, but, uh, but it has a certain soothing effect. Uh, you get people started on that.

UNIDENTIFIED: Well, that's—

PRESIDENT: And that's, that's my marketing picture.

(Laughter)

UNIDENTIFIED: It didn't help sleep yesterday.

PRESIDENT: I already got that (Laughter). Look, but let me tell you that the sleep problem is of course the, it's, uh, it's, uh, an American psychosis at the moment. In all advanced societies, over fifty per cent of the American people that are adults, uh, at this time take some form of sedative. Uh, now, here's, here, here's, here's the mountain. You can go to work all the time, maybe—if some—sometimes you've just got so many problems you're not going to sleep. But, that's all psychological, too. If you get people hinking that a glass of milk is going to make them sleep, I mean, it'll do just as well as a sleeping pill. It's all in the head.

GRIFFIN: Mr. President?

PRESIDENT: Yeah.

GRIFFIN: Speaking as a dairy farmer, the difference in his four dollars and sixty-five cents and the five dollars is just about your breaking point as to whether the average dairy farmer in Oklahoma makes it or doesn't make it. Now, uh, I believe that I'm as familiar with dairy operations as anybody in the state of Oklahoma. Uh, in fact, all of the farm programs we've had over all these years. But, we're a unique bunch of people, the dairy farmers are, uh—we started out back when we could just use ten gallon cans and an old cooler and get by. Mr. President, that doesn't exist today. The, the inspectors say you have to have tile walls. You got to have the latest equipment. Uh, you're talking about, uh, in our loan corporation—I was looking the other day, —in our average size loan to dairy farmers today is about thirty-nine thousand dollars loan. (Unintelligible)

Harrison: (Unintelligible). That's a loan corporation that's owned by the farmers.

President: Sure.

Griffin: Look, those, those farmers can't—

Unidentified: Co-op.

Griffin: Mr. President, but, but, we're — I'm, I'm really conscious of this thing because I'm the fellow hat, that approves those loans and I can see this gradually growing. And, uh, I, I, can see the Mr. Secretary's, uh, problem here of, if you just knuckle down with it — cost us — and not make us any money. If we had bigger farmers that has to make "x" amount of dollars, and if he gets a higher price, he'll take those dollars or if he doesn't get a higher price he's going to

fix you enough milk out were to get them anyway. So it helps both ways. But, I, I can see his point, but you can, if you get to have so many dollars and it takes more pounds to get it, why, he's going to produce those pounds, Mr. President. And that, and that's—

Unidentified: Based on a short (unintelligible) basis.

Griffin: Right, but I'm talking from a — You've heard these professional people, but I'm talking from, uh, from a dairy farmer because that's exactly what I am.

Unidentified: Would you say you would not milk any more cows than necessary. In other words, you don't milk an extra cow just because you like to.

Griffin: You, you would, you don't, you're not looking for a job, I'll tell you.

Unidentified: I think that's the point. What is honest.

Unidentified: Yeah, what could they do

Unidentified: Make it again.—You mean that, uh

Unidentified: I think the whole point in this is that dairymen, because of inflation, a necessity of certain return of income — he's looking for so much.

Unidentified: Gross.

Unidentified: He's not milking gross. He's not milking additional heads of cow just because he has a love for the dairy industry cow.

President: Okay.

Unidentified: Although he does have a ove.

President: But, uh, so you're — Are you suggesting then that a raise in the price in, in the support is not going to mean, uh, necessarily —

Unidentified: We don't think it'll mean necessary to the increase, because he has judgment. President: Yeah.

Unidentified: And I'm—

President: Sure, sure, sure.

Griffin: But, uh—

President: Really, what we'll really get down to here is psycho — is, is psychology.

Unidentified: Psychology of it.

President: Isn't it? And that's something

Unidentified: The dairyman today has changed.

President: You fellows know more about than we do.

Unidentified: The diaryman—today has changed over years ago.

President: Your, your judgment on the psychology is that he is likely not to, to yield production.

Unidentified: Absolutely.

Unidentified: Yeah. He isn't one of them.

Parr: People around the group — we're in about a hundred and twenty different organizations

President: Uh hm.

Parr: They consolidated now just recently. I mean, this is the last two, three years.

President: Yeah.

Parr: This eighty-thousand are now — we're at one time a hundred-twenty different board of directors.

President: Yeah.

Parr: We just got together. Now, uh, as, as you say, uh, as somebody said — as Marion said a while ago that, uh, this administration has been, uh — We publicized this, uh, uh — You've been one of the best administrations we've had. Just put it plain. I come from long roots Democrats, as, you well know, from Arkansas. I'm just being

very frank about it. But, uh, this, uh, we got, uh, more —

Unidentified: There's ome hope for him, Mr. President.

[Laughter]

Unidentified: Not much.

Parr: I was also campaign manager for John Paul Hammerschmidt.

Unidentified: Yeah.

President: That's right.

Parr: In the third dis—, district. And the point here is that all of a sudden we get together and ride them real good, and, uh, boy, this, this should be a real terrific blow. We're trying to get in a position of self-help.

President: Um hm.

Parr: Which we're doing.

Unidentified: We're close to it.

Parr: We're closer to it than we've ever been.

President: Self-help.

Parr: Self-help it is. We, we eliminate the, uh, our, our dogmatic type of position of fighting one another.

President: That seems important.

Parr: And, and the, and the

President: Yeah.

Parr: support program we want to get in position so we can run our own self-help program.

Unidentified: Right.

Parr: [Unintelligible] sit there and get it now, that we talked about it before. And, uh, so we get all these organizations together and, and here we are. And costs are still going up, and, and all of a sudden our—starts with these people start looking up, says, "Well, what happened to your—what happened?"

President: Um hm.

Parr: Then we're, then our organization structure, an organization structure, we cannot get it all, uh—we can't keep on moving towards it, see, by consolidating, getting ourselves—eliminating our inefficient plants like we're doing right now.

Unidentified: [Unintelligible]

Unidentified: Right.

President: When you say eliminate your, uh—tell me about that. Do you—How do you do that?

Parr: Well, see you've got—

President: How do you get—Do you, your members do that,

Parr: No.

President: or—You can't tell a guy to—

Parr: Oh, no, no. What I'm talking about is a milk plant, say, in Minnesota. You got one every seven miles.

Unidentified: Manufacturing plant.

Parr: Manufacturing—

Unidentified: Owned by processors.

Parr: Owned by processors.

Unidentified: They're owned, they were owned by co-ops.

Unidentified: Co-ops.

Unidentified: Farmer owned.

President: I see.

Nelson: And it's a very inefficient thing, see, because they don't have volume, uh, to do it.

President: So how do you, how you do get that done?

Parr: We, we, we put those consolidations together. We say, "Okay, you were 'X' cooperative and you [unintelligible] percent to this plant.

and now we're all together, so there's no use of having that plant anymore. Let's cut that volume over here at another town."

President: Um hm.

Parr: And make it—So we do that, then we raise the productivity.

President: Um hm.

Parr: of our own opera—uh, ability to pay in a cooperative, see.

President: Wha—why—are — You're able to do that now because you've brought the organization together.

Parr: Right.

Unidentified: Efficiency.

President: When did the organizations—when were they brought together.

Parr: Last years.

President: The last—

Unidentified: —two years.

President: That's quite an achievement.

Parr: It's not an experiment.

Unidentified: [Unintelligible]

Unidentified: Don't say that while I'm sitting here.

President: Oh, I won't go that far. [Laughter] Matter of fact, the room is not tapped. [Laughter] Forgot to do that. [Laughter]

Griffin: Mr. President, we have in Texas, Oklahoma, Arkansas and part of New Mexico base-plan now (unintelligible) the total net transaction in Kansas is total net (unintelligible)

President: Yeah.

Griffin: But, but it's, uh, doing an excellent job and, and that's the point that we are getting over when we get over this hump, that's exactly what — We don't want no hand out, uh, we want to control exactly what the consumer needs and that's all.

Nelson: And, it'll give good — hU, I think it's utterly, uh, uh, I think everybody would have to agree it's utterly impossible to, or, uh, unthinkable that production would turnaround so dramatically as, uh, to create a problems by next year.

President: Let me ask — Uh, uh, (intelligible) the problems create (unintelligible) next year. I wondered what process were, was available. Uh, you, you really mean that your organization—, that you were so well organized that you think you might be able to, uh, do something.

(Several Voices: Yes, sir. Yes, sir.)

President: And you couldn't have done that, say, when, uh, Ezra Benson (unintelligible)

Unidentified: (Unintelligible)

Unidentified: No, not, uh, when Ezra Benson or (unintelligible) Orville Freeman.

Unidentified: (Unintelligible)

President: Why, this is very important, that's why — What are y— Uh, this, this is, uh, this means, uh, uh, a new back to the, uh (unintelligible) did not have before.

Unidentified: Yes, that's correct.

Unidentified: Uh —

Griffin: Mr. Secretary, I'd like to say that this — What you just said (unintelligible)

Unidentified: (Unintelligible) not the Secretary (unintelligible)

Unidentified: I'm sorry.

President: (Unintelligible) Yeah. Excuse me. Go ahead.

Unidentified: No, that's, that's, uh, uh —

President: You did — I did — I didn't realize though that you — You really think you can —

Unidentified: Yes.

Unidentified: They demonstrated in, uh—

Unidentified: (Unintelligible)

President: Go ahead.

Unidentified: No, I was just going to say, you talk about this psychology —

President: Yeah, that's really it.

nUnidentified: Yes. We've got the rrsponse —

President: The individual person, who is the free enterprize system,

Unidentified: Right.

President: They guy (unintelligible). He's going to go breakingo ut there. Uh, like, for example, I've been — Well, uh, I tell you we're talking about inflation out there, you know. You know, one of the basic causes, one of the major, uh, uh, leaders of the inflation — the construction trade. I had to take a very hard decision

(unintelligible)

Unidentified: Right.

Unidentified: Yes, of course.

Griffin: Right.

President: The other day. All right, it had to be done, because they had a twenty-two per cent increase since last year. And so, uh, these are my good friends, too, believe me — those construction trade. My, my o-, my old man was a carpenter — I, I respect those guys. They're, they're carpenters, and the painters and all those — They're good Americans, and decent people, but some of their leaders went too far in this thing, and now they priced themselves out of the market. So, now we're getting them together. We're saying, "Look here." Because what this, this Davis-Bacon thing in effect said to them that as far as the government's fourteen million dollars worth of contracts are concerned, that we will not be bound by a law passed in 1933 that requires us to go to a union contractor. We will go to a non-union contractor because the union contractor has priced himself out of the market. Now, so therefore, it has an enormous wobble. Now, the — So, what happens is these guys are all sitting down. The problem they've got, the problem they've got gets back to the psychological. The problem they've got — It's not — And, uh, I sit, I sit around with their national leaders here, but they got local leaders, and others that say, "Well, gee, I can't speak for that fellow — Oh, oh, that guy up in New York is too tough. That fellow in Kansas City, Kansas City one was too tough" — the Chicago one, the Omaha one. Now, the real question that I am asking here is quite fundamental is whether you fellows will be that, that, I mean, you've got that kind of cooperation.

Unidentified: Well —

President: Do you want to talk about that?

Unidentified: Yes, I, I, uh, we're, uh — What you're looking at here is, uh, in this group, uh, dairy farmers, about twenty states, and most of the heavy, heavy milk production areas, I guess, except out on the West Coast.

President: They're in part of your organization, aren't they? The West Coast?

Unidentified: No, no.

President: They're not?

Unidentified: Not yet.

(Laughter)

President: Why do they keep you, I mean [unintelligible] get lawyers from the Midwest.

Unidentified: We're working on it, Mr. President. Two year, uh, profits, the two year profits of California that, uh, make it difficult at this stage to bring them in.

[Laughter.]

Unidentified: Mr. President.

Unidentified: I don't think he bought that.

President: Oh, I understand. Oh, that's right. California—there is a problem. I know Land-o-Lakes. Go ahead.

Unidentified: Yes, they do.

President: I know, I know the difference.

[Laughter.]

President: Let's get your view.

Unidentified: But, but I think the psychology that you're talking about, uh, is important.

President: Yeah.

Unidentified: And I think it needs the organizational structure that we now have, plus what is on the drawing board for continuing this consolidation move. Uh, that we can be, uh the spreader of this psychology as far as dairy farmers are concerned. Uh, there's, uh—We have this authority as far as the classical need for it, you give us. The other thing that's going on in the, uh, non-Grade-A statement-

of this dairy industry is that we have, uh, standards that are being imposed on these dairy farmers at the farm where they're not going to be able to produce milk in the barn yard, under a shade tree. Going to have to have facilities. So, they're going to have to make a decision, many of these ten cow, fifteen cow operations, as to whether they're going to be a dairyman or not when these standards are imposed. And many of them are going to get out. They're going to say my age is such, the average age is about fifty-six—He's, he's just going to get out of it.

President: Sure.

Unidentified: Mr. President, here's what the real catch to it is. You ask the question: "Can—Do we have the organization to put base-plans in?" Uh, uh, the big challenge here is, if you challenge us, you say "Yes," but you reconsider this idea of proprietorship and at the same time you've got to be told that production, that we don't want to drop—doesn't do much in '72. The answer is an unqualified "yes." If we move it up to a hearing immediately the cooperation of the administration and [unintelligible] from the Canadian border to the Gulf of Mexico right down through the, the middle part of this country plus the Southeast. That, we got the capability of doing.

Nelson: That's demonstrated, uh, Mr. President, uh, I want to repeat. Uh, we demonstrated our ability to do this and in six states plus the states

Unidentified: Right.

Nelson: that he just referred to. And you may wonder, well, you sold farmers on this, uh, uh, idea, number one, because it works in their best interests. But number two, this base immediately becomes worth money to them. The base that they hold. They, they increase their capital, uh, worth, by many cows. To do this—

Hardin: Uh, there's a little problem there. It's, it's—you create a value by government order.

Nelson: Well—

Hardin: And, uh, in a sense.

Continued on Next Page

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Nelson: Yeah. Well, not when you, uh, uh, well, you may say that, but of course, we've had them, you know, on these states we're talking about now without government orders within regulated areas for the government, uh, uh, where you have federal orders. And, uh, uh—

Hardin: Yeah. We, we, we do have some protection in the law

Unidentified: Yes.

Hardin: on them against this [unintelligible] risk.

Campbell: Yes, you might get it.

Unidentified: Right.

Nelson: Yes, there's, uh, so, uh, I, I, I really don't view that as a problem. I'd say that the, uh—illegally—we think, that, uh, we represent a rather significant geographical area, where there's sufficient cohesion among dairy producers to put in these base-plans. And, uh, one of the names that you mentioned, Lend-O-Lakes, that's not a part of our controlled organization, but I think they'd have to follow us, on this. If you really got into this base thing.

Unidentified: Mr. President, uh, I'd like to make a point. I think you have some [unintelligible] here with regards to the relationship of the Fifties, uh, during the Benson Administration, and the situation then as compared to today. At that time, there was quite a potential of milk in the country that wasn't being marketed and that potential is almost nil today. So that the,

the, the price structure will not have the same reflection as it did at that time, because there was a lot of non-marketed milk that came to market with that price situation at that time. And the cow numbers today are the lowest in almost a century.

Unidentified: [unintelligible.]

Unidentified: Do you want to move that production up—takes cows—

Unidentified: And its more important than that if you go back and look at the [unintelligible] interest and the calves are not there.

Unidentified: There—that's right. There, the, uh—

Unidentified: Reflects the country.

President: Tell me about this going into the dairy business. Uh, how big an operation is it?

Unidentified: It's a high capital item.

Unidentified: That's, uh—

Unidentified: But, but, well I'm going to let one of these dairy farmers talk to that [unintelligible].

President: What about that?

Unidentified: Well, Mr. President, it's a very expensive business to get in any more.

President: In other words if somebody's going to—First of all, you've got people in the business. Uh, the question is what can they do to prevent—The question, what about somebody going into the business. What does it cost? Is it a big deal? A hundred thousand dollars?

Unidentified: At least that.

Unidentified: A hundred thousand won't do it. It takes more than a hundred thousand dollars.

President: It does?

Unidentified: It takes—

President: In other words, it's not a business that can be expandable particularly by new people coming in.

[Several voices]. [Unintelligible].

Gregg: Mr. President, back in the Fifties, uh, uh, when the costs weren't such, it wasn't anything for a man with a few cows, to, to [unintelligible] and go into business. This no longer exists.

President: Um hm.

Unidentified: And you see, and they say it costs—

[Several voices]. [Unintelligible].

Gregg: Mr. President, one more point that I would like to bring out. It affects what you said at the very beginning when you came to the room. And that this is the philosophy of living in our rural communities. Basically, Mr. President, I'm from Iowa, and, as you drive along the road, you see farmstead after farmstead empty, falling into disrepair, in the, these changing times. And the exodus from the farm sphere has been to the urban areas. We want, not from subsidies or anything else, uh, but invested with our own self-help, to preserve this way of life out there, because this is really where the, as you said, the rock-rib heritage, the religious heritage, is there. And, uh, I live in that country and I love it and I wouldn't want to live anywhere else, but we want to preserve it, and we need this help.

Unidentified: [Unintelligible].

Gregg: This is, this is, uh, very, very important at this time.

President: Well, I want to preserve it, because that—It's, uh, not only important economically to the country, that's important everywhere. It's far more important spiritually, in fact.

Gregg: Right.

President: I refer to spiritually in the broadest sense of the—And I [unintelligible] mean by that, the cities are all corrupt. People placed in there are not—But I do mean that you, you, show me a country that loses its rural heartland. It sometimes, inevitably, it almost always follows that it loses its character. And, uh, and, uh, it's funny, this afternoon, in my view, a, a, uh, the, this, this solid, uh—Well, the new

frontier basically is now in the center of the country, not on either coast. Closer though, because in a sense, uh, because the center is emptied out, and now we have to find a way of not only to see that that—We have all the farmers out there, but ways that you can have your rural communities keep up with us there, and so forth so that people who live in that part of the country and find the schools, the doctors and all the other things that make life worthwhile—that's what we're all for. On that point, I think we'll have very good—Well, I, I appreciate this, uh, chance to talk to you and we, uh, I always try to, uh, a distinguished group comes up here to give you a little, uh, momento. Today, uh, you're going, you're going to get the press, uh. [Laughter]. Uh, all kidding aside, I have some presidential cufflinks for everyone here and, uh, with the presidential seal. And, uh, doesn't have anybody, any President's name on it, so you can wear it whatever you are. [Laughter]. And this, since your wives will wonder where you really were today, uh, you can, uh—it's a little bow that she can wear if she likes, and the presidential seal. Uh, they're, uh, they're rather nice little trinkets. The, uh, the, I think the, the main, the main

point about them is that they look more expensive than they are. Uh, you know the old story is that your children will tell you when they go to school, that kings and emperors are—only give gifts of gold. Well, these are not gold, but only Presidents can give them. [Laughter]. Thank you very much.

Unidentified. Thank you.

Nelson. Mr. President, one thing you didn't respond to was, uh, your statement that you'd said privately, uh, considerably earlier at today's meeting, that you wanted to attend our next meeting. We're looking forward to your being there, and we'll tell you now we'll have thirty-five thousand dairy farmers with their wives and families.

President. Who's going to milk the cows?

[Laughter].

Nelson. Well, the cows are going to [unintelligible].

[Laughter].

Unidentified. Harold should have told you last Monday: we're going to cut production. [Laughter]. We're not going to milk them.

Unidentified. Mr. Secretary—

Committee staff-prepared transcript of meeting among the President, John Connally, George Shultz, Clifford Hardin, John Ehrlichman, John Whitaker, Phil Campbell, and Donald Rice, on March 23, 1971, from 5:05 p.m. to 5:35 p.m.:

President. Hi, Phil, how are you?

Campbell. Mr. President.

President. Sorry to keep you waiting.

Campbell. That's all right.

President. I suggest that we sit over here everybody. More room and, uh— [coughing]. Sit down.

Unidentified. Yeah, this—

Unidentified. But—

Unidentified. Oh, that's all right.

Unidentified. I had that senator [unintelligible].

Unidentified. Came in and got me nervous, uh, he—

Unidentified. If he'll go with you, well, that's great.

Unidentified. Very clever.

Unidentified. Phil, uh, [unintelligible].

President. They're counting on Hubert.

Unidentified. Concentrate on Hubert.

President. Hubert is supposed to have told Meany that I, uh—

Shultz. I don't know that you've met Don Rice, and you've obviously met—

President. Yes.

Shultz. Don Rice.

[Several voices]. [Unintelligible].

Rice. How are you?

Shultz. I talked with Meany this afternoon about the SST.

President. What'd he say?

Shultz. He said he was all out on it. If there was anything we wanted him to do, he wanted to do it. He'd be ready to do it. They—

President. Well, could you ask him to, could you ask him, could you phone him back after this meeting and ask



Sketch by David Suter for The Washington Post

him to call Hubert Humphrey, with the understanding he, uh—

Shultz. Yeah.

President. Hubert Humphrey has told everybody that he was going to be for it. And he understood—only because Meany was for it.

Shultz. That's right.

President. Because labor was for it. And, now that we understand he's wavering in it, he's breaking. And that Hubert Humphrey vote may make the difference.

Shultz. All right. I'll call him. He said he—he had been calling me and that he had quite a few disappointments, he said. But, anyway, I think we're working on it and we will continue to work on it.

President. And he, however, is apparently not doing much.

Shultz. That's right.

President. Uh, uh, uh, tell him we ought to review this, this situation. [Unintelligible]. Now, uh, John, would you express your views, uh, to us all—you expressed them to me this morning. [Coughs] I had a [unintelligible] you fellows heard their story today.

Ehrlichman. It's dead. It's—

Connally. Well, Mr. President, I don't—I understand you did meet with 'em—But I don't want to try to go back over the economics of it, uh, I'm not—

President. How about the politics? Can you—

Connally. Uh, I'm not trying to talk about it or discuss at any great length the, the economics of it, but as far as the politics are concerned—looking to 1972, it, uh, it appears very clear to me that you're going to have to move, uh, strong in the Midwest. You're going to have to be strong in rural America, uh, and particularly that part of the country. Now, there are a lot of things that you can't do, uh, with respect to farmers. They're almost, uh, beyond help at

this point. Uh, they feel like they are. They don't feel like anybody's trying to help them. Uh, every time they turn around, they hear somebody talking about, wanting to increase imports on beef from Australia to, to—in behalf of the consumer. Hog prices are down what, uh, fifty-seventeen dollars—

Hardin. [Unintelligible] dollars from twenty-nine.

Connally. They were, they were twenty-nine a year ago.

Unidentified. It's because they grew so many.

Connally. Well, we had, there's, there's lots of problems and they're responsible for a lot of them. Fortunately, beef prices have held up fairly well but, uh, grain is an insoluble problem so far as I can tell. Uh, it, it, it—working with it for years, so I, I just don't know many areas that you can do many things—that's the net of what I'm saying—to help, uh, the farmers uh, and the dairy people now. These dairymen are organized; they're adamant; they're militant. This particular group, AMPI, which is the American Milk Producers Institute or something, uh, represents about forty thousand people. The one that parallels them on the East, uh, Mid-Con, or something—

Hardin. Mid-American.

Connally. Mid-American group represents about forty thousand. The Southeastern group, uh, Dairymen Incorporated, whatever their name is, represents a lesser number, but probably in the range of twenty thousand members. They, uh, very frankly, they tap these fellows—I believe it's one-third of one percent of their total sales or ninety-nine dollars a year whichever is—

President. Like a union.

Connally. Oh, it's a check-off. No question about it. And they're meeting, and they're having meetings. They have them a Sabine airplane, and they just travel from one part of the country to another part of the country to get these fellows in and they sign them up and it's a pure check-off deal. And they, they're amassing an enormous amount of money that they're going to put into political activities, very frankly. And, uh, uh, I think, the purpose—I think they've got, uh, a legitimate cause. I wouldn't, I wouldn't recommend that you do, you do that if it didn't have any merit to it. They're asking for, for an increase in the cost, uh, in the price of a hundred-weight up to four—, 492. They originally started out at 505. And, uh, uh, I am sure that these fellows can all argue more convincingly than I can that on the basis of the merits, they ought not to get it, or he milk production will go up or something else, but the truth of the matter is, the price of milk is now pegged at 492. You're not going to raise the price of milk. Uh, they're supporting the price of milk themselves with their own money by buying cheese. Right today. Now, if they, if you don't support the price, let them support it at 492, they're going to have to drop it because their, their resources are not such that, that they can continue to pay the difference between, what, 466 and the, and the 492. So they'll drop the price.

Hardin. Now they're, they're in trouble. They've already spent more money than they have, and they're going to drop the price of milk about fifty cents a hundred, on, uh, April one. [Unintelligible] lost to the Treasury. This is why the deficit—

Unidentified. They're not, they are not simply involved with low resources.

Connally. They, they may well have.

Now, there's some talk that, uh, that if the management of it's in trouble and so forth — I don't believe it, I don't believe it.

Unidentified: I'll, I'll —

Connally: They just raised to pay twenty thousand for a meeting in Brownsville not too long ago. And this means they've got security. And, uh, they're doing some things that I think are a little strong-armed tactics, perhaps, in, uh, the organizing, uh. But, uh, I don't criticize that unless we are prepared to take on business and labor and all at the same time. There's no point in denying the farmer what's the practice for the laborer. And, uh, so I'm not, I wouldn't judge it on a moral basis. I judge it on the basis of, uh —

Hardin: You've heard all the rest of it —

Connally: I'm addressing myself to the narrow aspects, to the political aspects of it. I don't think there's a better organization in the United States. If you can get it, uh, if you can get more help for 'em, that, uh, will be, uh, be more loyal to you. And, uh, and I think they've got a worthy case to begin with. And, uh, that being true, I just think you ought to stretch the point. I wouldn't wait till next year, so that — I know that there's been some advice given to you, to wait till next year. Uh, that's — I will differ with that, simply because they're going to make their association and their alliances this year and they're going to spend a lot of money this year in various congressional and senatorial races all over the United States. And, you don't want to be in a position — as you well know better than I — you got no questions when people think [unintelligible] you're doing something for them. And they're not lined up in position. If, if you do something for them this year, they think you've done it because they got a good case and because you're their friend. If you wait till next year, I don't care what you do for them. They're going to say, "Well, we put enough pressure on them this election year, they had to do it." And you, you get no credit for it. So it's still going to cost you an enormous amount of money next year, and you get no political advantage out of it. And, I just think that, uh, that unless you just, uh — the economics of it are just beyond question that, uh, if you ought to really seriously think about doing it this year.

President: That's the problem. I have two problems — is that you have it in the House and the Senate.

Connally: What you are going to do on that?

Unidentified: [Unintelligible]

President: What I mean is, that if you don't do it, they're going to do it anyway.

Connally: I think if you don't do it

President: If they do, —

Connally: they're going to pass it.

President: I think they do.

Hardin: I think it's —

President: We have a damn near insoluble problem.

Hardin: I think it's, as it stands today, it's almost certain to pass.

Connally: Uh, I think that's right.

Ehrlichman: Is that what Belcher told you?

Hardin: Yes, yes, I think they got a hundred and fifty names on the bill.

Unidentified: You sure?

Hardin: And, uh,

Unidentified: What is it?

Hardin: And, uh, the Speaker's all out for it.

Connally: Absolutely. Wilbur's all out for it.

Unidentified: Yeah.

Connally: Well, they're going to pass

it through the House Beyond any question in the world.

Hardin: And, uh, and, uh, they'll pull the liberals on this one, uh, because they're, they'll say they're going to embarrass the President.

President: That's right.

Hardin: Uh, the liberals might attract the consumers in any other situation. But they won't do it now.

President: That'll raise the price, you see. I mean, that's the way they'll cut the liberals off. They'll say: No, they're going to—we guarantee, we won't—like they told us this morning, we won't raise the price; well cut back on production—we'll have a voluntary—

Hardin: Uh, I spoke, I spoke a little bit with them this morning, uh, but I just don't quite know—

Unidentified: (Unintelligible)

Connally: Now they've already figured out and how — They're circulating — I've had it for days — they're circulating how they're going to cut you up this year. And that's what they're going to do. They got it all figured out. They're passing this out on the Hill, just exactly how many electoral votes they're going cost you if you veto the 85 per cent bill — which they think they're going to pass. And I think they're going to pass it. And they say that it'll cost you Missouri, Wisconsin, South Dakota for sure. Veto will probably cost you Ohio, Kentucky and Iowa. And, then they go on down and they take the states and they figure what percentage of the states it's going to cost you and they're going to (unintelligible)

Hardin: Well, if it does pass, I don't think the President has any choice but to sign it.

President: Well, all right.

Connally: Well, then, what do you do? If you do, you've cost yourself the money — you've lost our political advantage. You, you're, you're infinitely worse off.

President: Probably.

Connally: That's where you are.

Hardin: I think so.

President: What's the cost?

Hardin: Oh, it's just a wild guess. They said thirty-five million and I would suggest that it's, uh, nearer a hundred.

President: You would?

Hardin: Now if they could get, if they need to — we had a little talk after you left and

Unidentified: Right.

Hardin: Uh, about whether they really could influence production. And they could, if they went all out to do it. And what they would do, a year from now, would be end up with a hundred and twenty million — billion pounds of milk produced. Uh, they'd be a mature enough organization that they could, uh, recognize that they had made a mistake and could go out and tell their members they had to survive. Uh, well, they're — maybe we won't talk about that. Uh, it's a fact of life. Uh—

President: Uh, it seems to me that the problem we have, Cliff, is this. That, uh, and as you know we have decided on a different course of action in the cheese business and all the other —

Hardin: Well that has to be done. That has, has to be done anyhow.

President: Oh, what I mean isn't that what we decided that, and that was all we could do.

Unidentified: Yeah.

Shultz: The higher you raise the price, the more certain it is that you have to be strict about the imports. Otherwise, all we're doing is paying the money to the foreigners.

Unidentified: Yeah.

Shultz: You have to admit in connection with our business.

Unidentified: Yeah

President: Uh, I see your —

Shultz: See that high price here throughout the —

President: Uh, uh —

(Several Voices) (Unintelligible)

Unidentified: Yeah Uh.

Unidentified: (Unintelligible)

President: the high interest rates.

Unidentified: That's right.

Unidentified: (Unintelligible). Yeah.

President: Well, it's one of those things where with all you experts sitting around where you have to make a political judgment. My political judgment is that the Congress is going to pass it. I could not veto it. Not because they're milkers, but because they're farmers. And it would be just turning down the whole damn middle America. Uh, where, uh, we, uh, where we, uh, need support. And under the circumstances, I think the best thing to do is to just, uh, relax and enjoy it.

Unidentified: The legal —

Connally: Mr. President, trade for both years, if you do it. Trade for this year and next year, if you possibly can.

President: With these people?

Connally: Yes, sir.

President: Well,

Connally: Yes, sir.

President: can that be done? I, uh, that's what I, uh—

Connally: Yes, sir.

President: That would be great.

Connally: Yes, sir.

Ehrlichman: If you could make a deal for the two years—

Connally: Yes, sir. It can be done.

Hardin: They will do that.

Unidentified: You bet.

Connally: Won't they Phil?

Campbell: Yes.

Unidentified: Yeah, I would—

Unidentified: Well, I would say the price is stable.

President: Yes, that's correct.

Unidentified: Yeah.

Hardin: The other thing Mr. President, so they're not asking

Unidentified: And, uh

Hardin: that, uh, on grounds that it would be just hard to answer. These fellows have a tendency to say, "Well, now look, uh, look at the construction industry. Look at labor. Uh, and then why be so chintzy with us? Uh, all, all, all evidence is our costs keep rising, and that we're under the freeze, and, uh, you take it out on us not, not the people who are really causing the problem." And, this is hard to answer. Uh, when it's a challenge put that way—

Campbell: Well I think we can settle for a—

Unidentified: We've got this other consid —

President: All right, make the best deal you can.

Unidentified: Yeah.

President: Do it for two years and, uh, we, uh, we, uh, we know that, uh, and as I say, I appreciate the, the very fine judgement to the contrary which, which you can't do as, uh—

Hardin: Now, we must do one other thing, uh—

Unidentified: (Unintelligible)

President: Let's let them know what we're doing. That, uh—

Ehrlichman: Let's get credit.

Unidentified: Oh God, if we're going to do this—

Connally: Mr. President—

President: Let's

Connally: Please, may I interject a suggestion?

President: Uh, uh—

Unidentified: (Sighs)

Connally: Uh—

President: Anything you like.

Connally: Well, let's don't, let's don't trade the, uh, uh, through Agriculture, uh, on the merits

President: Yeah.

Connally: Until, uh, some other conversations are had.

President: Yeah. Yeah.

Connally: Uh—

Hardin: (Unintelligible) we've got a little work to do. We've got to let Page,

that, uh—

Unidentified: What?

Hardin: I mean—Bob Dole.

Connally: All I'm saying is you—

Ehrlichman: No. Later, because they're —

Connally: You're in this thing for everything, you, you can get out of it. (Unintelligible)

Unintfied: Yeah.

Erllichman: You either hold your position now till you get the green light, couldn't you?

Connally: Oh, sure.

President: What?

Ehrlichman: Yeah, as I say, that Agriculture doesn't need to do anything right away.

Unidentified: He—

President: You, you're now thinking of the political offer?

Ehrlichman: In a day or so.

[Several voices]: [Unintelligible].

Schultz: The sooner you do it, the better off you're going to be, aren't you?

Hardin: Uh, yeah. Possibly, uh— Page,

Schultz: In a day or so.

Hardin: now, Page knows Dole. I wish he hadn't done it quite this way, but one of his little talks to the Speaker, and Wilbur—He got them to agree to hold the bill until he could talk to the White House.

President: Well—

Connally: He, he could make, Mr. President, I suggest to you that somebody make a little capital with the Speaker and with Wilbur. That you'll do this. And somebody can do it. Now, they'll, they'll say, well, you, you know, they'll say, well, "You did it because

President: Yeah.

Connally: we've introduced a bill."

President: All right.

Connally: But I know somebody down here can make a little time with them. How much, how much I don't know. But it's worth trying, obviously, because they're both extremely interested in it.

Ehrlichman: Phil, move over there, would you. We'd like to get the picture of some of the House groups that are [unintelligible]. All together now.

Hardin: Wilbur, uh—

Unidentified: Shouldn't happen [unintelligible].

Schultz: As an aside on this: Wilbur passed the message to me via Bill Gifford to thank you very much. Apparently his family was—

Unidentified: Yeah, he got around to the White House.

Schultz: And, uh, he spoke with—and the grand—, and he said the grandchildren loved it. Wilbur says it's the nicest thing that's happened to him in years.

President: Hah.

Schultz: And, I just wanted you to know [unintelligible] he apprecia—, he really had a very pleasant evening.

Connally: Let me tell you how important I think it is to Wilbur. Now I don't—I can't vouch for this. I haven't pursued it. I haven't followed it up. I don't want to. But, I was told that you could almost name your price with Wilbur short of all-out support of revenue sharing if you did it.

Ehrlichman: You know him?

Connally: Yes, sir.

Campbell: You that close to him?

Conaally: That's correct.

Campbell: And he knows this bill intimately.

Connally: That's correct.

Campbell: And he can explain it to you better than the dairymen.

Connally: That's correct.

President: Yeah. Yeah.

Connally: He sure can.

President: I noticed they had a strong man from Arkansas in there, didn't they?

Ehrlichman: Well, uh, let me ask this. Uh, who's the guy that told? Uh—

President: What my point is: This is

something where I would not have it done by you, Cliff, in Agriculture. Let's have it done in a way by somebody who has to get something out of it. Uh, like George. You see my point?

Hardin: Uh hm. Sure.

President: On Wilbur.

Hardin: Sure.

President: How would that be? Does that sound all right to you, John? Or should you tell him?

Connally: No. I think somebody other than me, sir.

President: Yeah.

Connally: I think George, or

President: Yeah.

Connally: whoever—

President: You see my point?

Schultz: Yeah, maybe John and I.

President: Maybe John Ehrlichman and George.

Connally: And don't overlook the Speaker, Mr. President.

President: And do the same with the Speaker. But, I mean the point is, when you do something for these fellows, remember, don't just let them think that what we're doing it for, uh, turning our back on policy. Get a picture to them.

Unidentified: True. Right.

Unidentified: (Unintelligible)

President: You have that point, now.

Unidentified: Yes, sir.

President: Fine.

Connally: I could maybe suggest a better way. If you tie it in uh, keep in

mind that Wilbur called me twice about this.

President: hU huh.

Connally: And I think Jerry called him about this.

Hardin: Did he call you about it?

Connally: The Speaker called me, which is very unusual, and he just normally doesn't do that.

Unidentified: Well, that's fine Dick, both talked to you about it.

PRESIDENT: All right. Fine. Well, all right.

Ehrlichman: There is—

President: I think that, I think that, I think what our play should be here is basically, uh, uh, I think maybe it's, uh, George and John—What do you think? Joh Ehrlichman.

Ehrlichman: I think that would be great.

President: They, they're going to have to deal with them on revenue sharing and all these other programs. And, and you, uh, pass the word to—you of course handle all the—Page and all that.

Unidentified: Heh, heh.

Unidentified: If you give them cookies they, they'll love it.

Hardin: Now look there, there are a few of those, fellows—Let's take them home with us.

(Sevral voices): Oh, yeah.

Hardin: There are only a few. And, uh, I think we got to give them a chance to hollar back.

Ehrlichman: Ill agree.

Unidentified: Now—I'll agree.

President: That's right. That's right.

Hardin: We may need them again.

President: Yes, sir. They've been wonderful.

Unidentified: Wonderful.

Hardin: We're going to let you time the (unintelligible) and see what we can (unintelligible)

Unidentified: We may need some hands.

Unidentified: (Unintelligible)

President: What would you like to do with the timing, Cliff? I mean—What are you suggesting?

Hardin: Well, I think it depends on George. Yh, you know, uh, uh, we've got to accommodate—I think we ought to go this week.

President: Goo, I think the sooner

the better.

Hardin: And, uh—

President: because, uh, let's don't have, let's don't do it under pressure.

Hardin: And, uh, uh, uh, I think that if you can get Wilbur and, uh, uh, the Speaker quickly,

Unidentified: Yeah.

Hardin: uh, then, uh, uh, you get a hold of Page and these other fellows, uh, also, but, as soon as they know what we are thinking about, uh, it will leak out pretty fast.

Schultz: Well, I don't think that there's any problems about the thing and, uh—

President: But be sure you get to Page Belcher.

Unidentified: (Unintelligible)

President: He could get Wilbur.

Unidentified: But you're going to have to (unintelligible)

Unidentified: Yeah.

Unidentified: (Unintelligible)

Schultz: If you wanted to, you could do it. At the same time, of course, you get different people doing it so they don't get crossed up.

Unidentified: All right.

Campbell: It, it, it—It's going to have to almost be done simultaneously because just as soon as they've talked, it's so important, everybody is going to know it. The first one that knows is going to get on the phone and call the dairymen,

Unidentified: You, uh—

Campbell: and soon as one of the dairymen knows, all of them will.

President: I'll say.

Schultz: Uh, but aren't you and somebody going to want to talk to the dairymen about it so you can set up a

Ehrlichman: Make a two-year deal.

Unidentified: A two-year deal.

Schultz: two-year deal.

President: I think first you have got to—Well, then and they're going to know—They're, they're—

Campbell: But no, Mr. President, you could ask, you could ask if we're able to do anything would you be satisfied to leave this alone next year. They'll come back promptly—and you'll get a way out if you do. They'll never, never listen to the Secretary. We've found that—

Unidentified: Um huh.

Campbell: But I can tell you—

Unidentified: (Unintelligible)

Unidentified: (Unintelligible)

Connally: May I suggest?

Unidentified: And I know—

Campbell: I suggest just as quick I can get them on the telephone.

President: All right.

Connally: May I also suggest—

President: Make sure you got the deal to present to me. And, uh—

Unidentified: (Unintelligible)

Campbell: No. I'm not notifying them anyway.

President: No, no, no, no, no. (Unintelligible)

Ehrlichman: His idea is that he'll say, "Look we were able to do this. Will you pledge this." See?

President: Uh huh.

Campbell: No, no problem.

Ehrlichman: Still hypothetical.

President: Yeah, yeah. Then that way the decision is still open. And then, boom.

Connally: And you can pretty well seal this, John and George, uh, when you talk to Wilbur and the Speaker. The two-year aspect.

Unidentified: You handle it.

Connally: You should hear that out and we'll talk about it.

Whitaker: I just want to raise one point. The thing that got that started is the concern of over-production. If you don't think down the line with me it will be more trouble in the end.

Campbell: This—if, if we do it'll be two years off and not next year.

Unidentified: That's it.

President: And John, what other problems does that involve? Uh, uh

(unintelligible)

(Several voices): (Unintelligible)

Hardin: (Unintelligible) you may have over-production next year. And we may blame it on this. But it will be for other reasons.

President: Yeah.

Ehrlichman: Actually it takes more—takes longer than that.

President: There's one thing about this, it's one thing about this industry that is, uh, quite interesting. It's that, uh, it's, uh, it's a big business. From

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the standpoint—you know, they go into this business, you know, and people say—It—As a matter of fact, I get the impression, Cliff, and I'm not too much of an expert on the farmer, but I get the impression that—For example, with regard, uh, uh, regarding, regarding the price of hogs. People who go into that business, from what I gather—it's pretty easy, isn't it?

Hardin: Changing the par—, went for parity?

President: The dairy business, on the other hand, requires an enormous net invest—, investment. You know, you can raise more pigs, right?

Hardin: Yes. And the, and the times get—

President: Fast. Fast. And that's why the pig, po—, the corn-hog ratio, uh—that business goes up and down almost like an escalator, doesn't it?

Unidentified: Right.

Connally: Mr. President, two litters per year and he average now is running better than seven pigs per litter, isn't it?

Campbell: Mr. President, there has been some studies run on this and the cost is approximately, it approaches two thousand dollars per cow. So you just multiply fifty cows, a hundred cows, a hundred-fifty cows by two, two thousand dollars. You've got a pretty good investment.

President: Well, you have an enormous—so somebody is going to go into that business.

Unidentified: Yeah.

President: I mean, uh, there are added things; it's, it's a big, uh—

Campbell: Big chunk of cash. Can't go less than fifty cows,

President: I know. Yeah.

Campbell: seventy or eighty.

President: Yeah. Yeah.

Hardin: But, uh, we had, what, a million dairy farmers, uh, ten years ago and down four hundred thousand from what you were.

Shultz: We have a, uh, we have a problem to, to, uh, think about here on the antitrust side of this thing. Or, uh, they're going to wind up in trouble.

Hardin: Yes, they may have—

Shultz: If they try to control production,

Hardin: Yeah, they, they

Shultz: they're over—they're, very eager.

Unidentified: (Unintelligible)

Hardin: may have already done it. But, uh, uh—

Connally: The significant thing is they have legal counsel and they're following their advice.

Hardin: Well—

President: Good.

Shultz: They do have a good legal counsel.

Ehrlichman: They have a good one.

President: They've got them all over the country.

Connally: Uh, there are many folks (unintelligible) but I don't know Cliff what you're talking about.

Hardin: Uh, well, they're, they're sure, they're sure awfully close to the line. They are not the first group in the economy, that's done that.

Unidentified: Oh, I'll say. (Laughing)

President: Well, we won't prosecute the farmers.

Hardin: Could I bring up just one other thing?

President: Sure.

Hardin: It's a somewhat related subject, Mr. President.

President: Sure.

Hardin: It doesn't have anything to do with this matter; but, uh,—

President: Britain?

Hardin: No.

President: No.

Hardin: Uh? Meat, meat imports. Uh

President: Oh, that. I thought we decided that.

Hardin: We did.

President: We're going to import aren't we?

Hardin: Uh, a little, uh, as little as possible. But Mr. Houthaker called me yesterday—He's convening a meeting now, and, uh, he thinks we ought to force the price of beef down. And let in more imports. And he's, he wants a interdepartmental meeting. I think it's next Tue—Monday or Tuesday. And this is just going to, uh, raise havoc with the cattlemen all over again. When we just got them all quieted down. They've all written articles; they're just bleeding about what the President did.

President: What would I do, if, if—and didn't—I imported not too much, and meanwhile hold that middle, middle options?

Hardin: Yes. And, uh, they're, and uh, so I called Ed and I said, "Now, I want to see you bleed in your publications. I want you to post all the—and support the President." He went all out with me on this. "Well," he said, "we [unintelligible] just a little." And I said, "If I see one word [unintelligible] not one damned one of you is ever going to get in my office again. Do I make myself clear?" And they did say it in their publications. They did go all out.

President: Um huh.

Hardin: Uh, so uh, uh, to open this up again now, it just would be terrible. There's no—In fact, it'll change a bit. It's just a—George, can you, can you collar that guy? And, uh

Shultz: No, I, I—

Hardin: He's, he's the one that's given the Nixon administration the reputation for being for low farm prices. He just—Every one in a while he comes out with something.

President: Sure never gets reflected in the CPI. Except, uh—

Hardin: No.

President: Not this last month.

Unidentified: Oh.

President: It was for six months before that, though.

Unidentified: Oh.

President: So we've got to get credit for that.

Shultz: The last few months the wholesale price index has skyrocketed.

President: Yeah. That's what I mean—food.

Shultz: Well, and the Consumer Price Index would have actually been, uh, left no change, if it hadn't been for the big increase in food prices.

President: Yeah.

Shultz: And I'm saying that that—food is going to follow wholesale prices. Business. But, uh, the meat, the meat area is going to be a problem for us. If we're going to get into that, uh—

Hardin: Well, from the consumer's side, it'll be great; it'll be, uh—

President: You, you—

Hardin: You've got to get them [un-

intelligible]. But the poor customer then [unintelligible]

Shultz: Uh, uh, the, I think the—

Unidentified: [Unintelligible]

Shultz: Well, I understand we're heading into some real problems there, but I—

President: You mean—

Shultz: Not that I've studied it, yes.

Connally: Yeah. Go on.

President: I would too.

Shultz: Yeah, of course, we're going to import less than we did last year.

Hardin: Possibly.

Shultz: Profit rising.

Unidentified: Yeah.

Hardin: But, I think I'll probably import within ten million pounds of this thing. Isn't that something?

Shultz: But all, all of these things. It's just that, uh, it's the same, it's the same thing when we discuss steel imports or, uh, bunch of these other things—shoes or what have you, and meat. And on the one hand, there is the, the groups that is pushing it; on the other hand there's the consumer. It, uh—as much as—

Hardin: Everybody have one of these dairy departmental committees studying something you can favor.

Shultz: Well that's, well, Houthaker is particularly good at getting it, uh—

Hardin: Yes.

Shultz: [Laughter] These and, uh, I agree with making a speech or something.

Hardin: I don't care if you study it if you can keep the trash out. But, uh, if he passes us by, okay.

President: Let's have nothing said about it. Is that fair enough? That is if we're going to have to do it.

Shultz: He has to call up and put his hand on that.

President: Will you tell him all about the increase?

Shultz: Study it and, uh, follow up on that.

Hardin: You can't, you can't convene an interdepartmental committee in this government and not—and then keep it out of the papers.

Ehrlichman: Oh, sure you can.

Unidentified: Um?

Ehrlichman: Sure you can. Yeah. Threaten them a lot.

[Laughter]

President: The cattlemen have been pretty good friends for us, too.

Connally: Well, cattle prices are down. How much are they down uh, in the past—

Unidentified: Not too much.

Connally: Few months?

Hardin: They're going back up again, John, a little bit.

Unidentified: But, uh—

Hardin: There are not so high, and so forth.

Connally: No, they're not their highest.

Shultz: Same statement.

Hardin: There is kind of—

Connally: Oh, if they're falling some, George, my [unintelligible] two or three [unintelligible] do a study Agriculture [unintelligible] study [unintelligible].

[Several Voices]: [Unintelligible]

Connally: Um, hm, cattle prices. It'll shock you. And just remember when you talk about food prices, now, and,

and bleed for the consumer, that today, food prices in the United States are cheaper than they've ever been in the history of this nation. In terms of what it takes for, well, uh, hours of work to feed a family. Sixteen per cent. That's the lowest in the history of the world. And—

Shultz: So that—

Unidentified: He's my favorite secretary [unintelligible].

[Several Voices]: [Unintelligible]

Shultz: You might study the [unintelligible] crisis awhile. [Unintelligible] of all the things that—

Unidentified: Where are they?

President: Well, we'll try to keep the cattlemen from getting on our necks for the moment.

Rice: We've got a, one loose end left on the, uh,

President: Yeah.

Rice: the rate,

President: Uh huh.

Rice: and it seems to be one other thing we are going to have to do is coordinate the timing of the announcement—which we have to make, uh, very closely with these contacts. And—

Ehrlichman: Yeah. Well, right after this—

Rice: However, there is someone to contact that doesn't—

Ehrlichman: We'll coordinate that, Don. Uh, I think we'll have to get the group together. Uh, we'll have to get Colson and Bob Dole in this, too. And, uh, so—

President: Well, because Colson dealing with the, uh—Well, in any event, I think you got a good game plan. You, you'd, uh, you know what to commit your, your friends and our friends and so on. For political reasons you do, uh, Mr. Mills, and Mr., uh, [sigh] Albert. And then, uh, I, uh, I understand Phil will get the dairy people and make the — and say, "All right, you don't bug us next year."

Unidentified: That's right.

Campbell: And you are going to do the same thing, George, with the Speaker.

Shultz: Yeah.

President: All right.

Shultz: What we're going to, is—

Unidentified: We're going to pressure this thing.

Shultz: eighty-five per cent of parity.

Unidentified: Pardon?

Unidentified: Is that right?

President: It's eighty-five.

Shultz: We're not suddenly going for 505, and I would guess 498.

Connally: No, we're going for 492.

Shultz: 492. [Unintelligible] decided the amount was right.

President: Fair enough.

Unidentified: All right.

Ehrlichman: Better go get a glass of milk.

[Laughter]

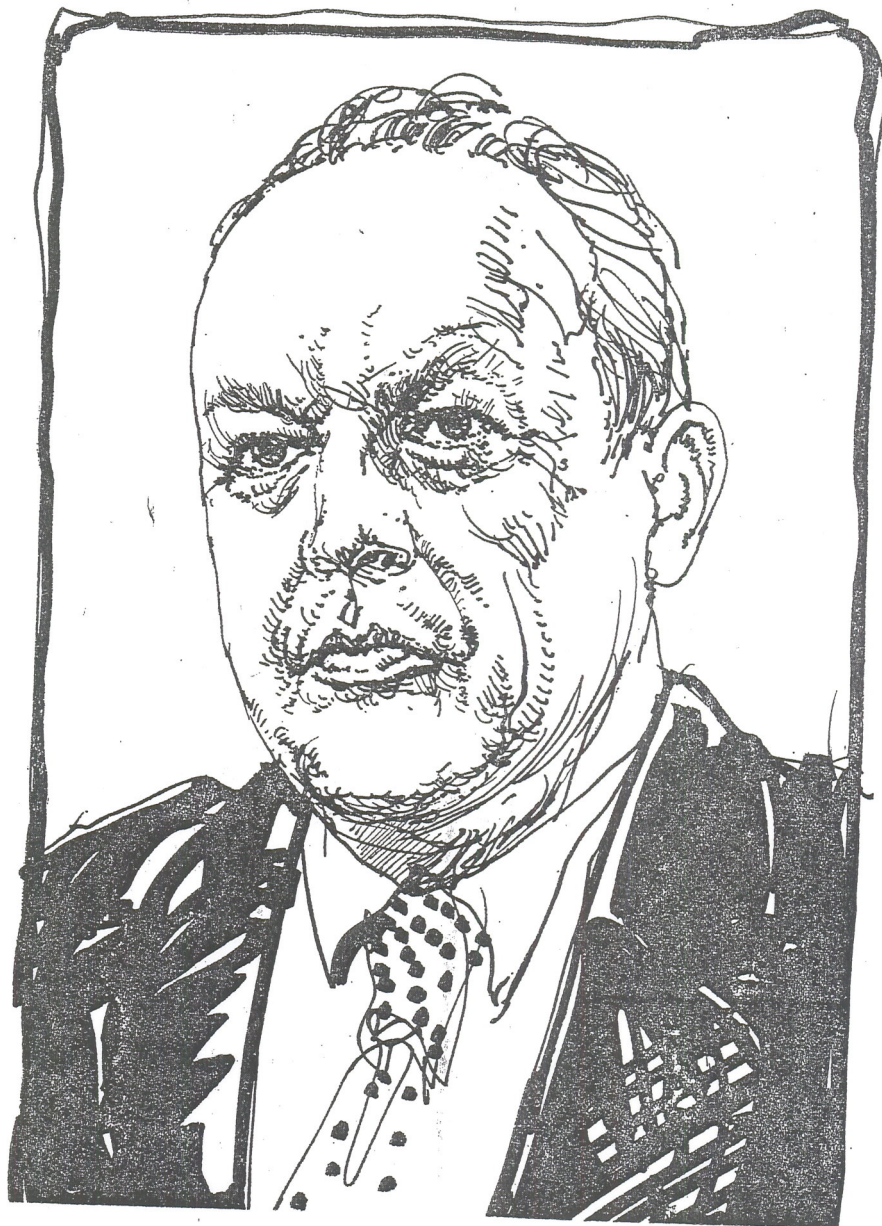
Ehrlichman: Drink it while it's cheap.

Unidentified: But you know—

Unidentified: That's really—

Unidentified: [Unintelligible] might work.

President: [Unintelligible] Yeah, I told them. I said, milk is a sedative. Milk is a sedative . . .



Sketch by David Suter for The Washington Post

*Statement of Information Submitted on Behalf of President
Nixon—Department of Justice-ITT Litigation.*

1. In December, 1968, Richard W. McLaren was interviewed for the position of Assistant Attorney General, Antitrust Division, Department of Justice, by John N. Mitchell and Richard G. Kleindienst. As a condition to his acceptance of that position, Mr. McLaren insisted that antitrust enforcement decisions would be based solely on the merits of any given situation.

2. In 1968, Mr. Nixon appointed a Task Force on Productivity and Competition to review antitrust policy and make recommendations. The task force, headed by Professor George Stigler of the University of Chicago, presented its report to President Nixon on February 18, 1969 and recommended against immediate legal action re: conglomerate mergers.

3. Apparently, in June of 1969, Mr. Geneen sought to meet with President Nixon about certain financial and economic concerns of ITT, including, but not limited to, the antitrust suits. John N. Mitchell, for one, thought the meeting would be inappropriate because of ITT's legal involvement with the Department of Justice. The meeting was not scheduled.

4. In March, 1971, the Solicitor General authorized an appeal to the Supreme Court from an adverse decision in the *United States v. ITT (Grinnell)* case because of practical difficulties in the future if the decision were left standing. The Solicitor General and his associates thought the case to be very hard; his chief deputy thought the government's chances of winning were minimal.

5. After the President's telephone call of April 19, 1971, to Kleindienst ordering him to drop the Grinnell appeal, Kleindienst met, in his office, with McLaren and the Solicitor General and requested the Solicitor General to apply for an extension. McLaren had no objection to the application for an additional extension of time.

6. On June 17, 1971, McLaren recommended to Kleindienst that the ITT suits be settled. Kleindienst approved the proposed settlement by writing: "approved, 6/17/71. RGK." In affixing his approval, Kleindienst relied on the expertise of McLaren.

7. Settlement initiations had taken place in late 1970. ITT's settlement posture advanced included its keeping the Hartford Fire Insurance Company. McLaren rejected any settlement talk along that line.

In early 1971, ITT began to formulate a plan, based on economic theory, of why it was important for ITT to retain Hartford. Eventually, on April 29, 1971, ITT made an economic presentation to the Department of Justice on national economic consequences if ITT were forced to divest itself of Hartford. As a result of that presentation, in combination with the Ransdem Report from his own independent financial expert, McLaren proposed a settlement offer enabling ITT to retain Hartford.

8. On July 31, 1971, the ITT cases were finally settled. Whether ITT

would have to divest itself completely of Grinnell was a principal matter of consideration between June 17, the date of McLaren's proposal, and July 31, and in ITT's eyes, a matter upon which any settlement hinged.

According to McLaren and Kleindienst, McLaren and his staff were responsible for the settlement. Kleindienst did not talk with McLaren about this matter at any time from June 17 until July 30. Mitchell and McLaren never talked with each other about the cases. There exists no testimonial or documentary evidence to indicate that the President had any part, directly or indirectly, in the settlement of the ITT antitrust case.

McLaren was unaware of any financial commitment by ITT in regard to San Diego's hosting of the Republican National Convention until long after the negotiations had terminated. McLaren has stated ITT's contribution had nothing to do with the settlement.

9. On July 23, 1971, the Republican National Committee selected San Diego as its selection site for the 1972 Republican National Convention. San Diego was the preferred site by William Timmons, who had investigated that city as a potential site and the Attorney General's convention task force, and was the highest regarded city for security purposes.

10. In response to a question at the Senate Select Committee, concerning Dita Beard's disappearance on the eve of the Kleindienst hearings, E. Howard Hunt stated that he was not aware of any role Gordon Liddy played in Mrs. Dita Beard's departure from Washington.

11. On June 2, 1974, *The New York Times*, page 15, carried a story in which Rep. Bob Wilson (R-Calif.) said the Special Prosecutor informed him that no legal action was being considered against him in relation to the ITT matter.

12. On April 4, 1972, the President met with H.R. Haldeman and Attorney General Mitchell in the Oval Office from 4:13 p.m. to 4:50 p.m. during which time the ITT matter was mentioned.

13. During the days following the publication of the "Dita Beard" memorandum on February 29, 1973, several of the top White House aides were involved in investigating the allegations contained in that memorandum.

The actual settlement of the ITT cases as a *quid pro quo* for an ITT commitment to the Republican National Convention was the focal point of the Kleindienst Confirmation Hearings which began on March 2, 1972. Peter Flanigan, a White House aide, was the object of considerable attention from the Senate Judiciary Committee and press during the coverage of these hearings.

14. The President left for an official visit to the People's Republic of China on February 17, 1972; he returned on February 28, 1972. He spent the weekend following his return at Key Biscayne, Florida. On May 20, 1972, the President went to Moscow, returning on June 1, 1972.

Statement of Information—Department of Justice-ITT Litigation—Richard Kleindienst Nomination Hearings.

1. By memorandum dated April 23, 1969 from Deputy Attorney General Richard Kleindienst, acting as Attorney General, and Assistant Attorney General Richard McLaren, head of the Antitrust Division, to John Ehrlichman, Counsel to the President, Kleindienst and McLaren urged approval of the commencement of an antitrust action against the International Telephone and Telegraph Corporation (ITT) challenging its acquisition of Canteen Corporation. Commencement of the suit was approved and on April 28, 1969 the suit was begun in the United States District Court for the Northern District of Illinois.

2. On August 1, 1969 two antitrust suits similar to the Canteen suit were commenced in the United States District Court for the District of Connecticut challenging ITT's acquisition of the Hartford Fire Insurance Company and Grinnell Corporation.

3. During 1969, 1970 and 1971, Harold S. Geneen, President of ITT, met

on numerous occasions with White House staff members, other Administration officials and members of both houses of Congress to discuss various matters, including international monetary policy, the Office of Foreign Direct Investment policy, antitrust policy, balance of payments, revenue sharing and expropriation by foreign governments. During the summer of 1969 Geneen sought a personal meeting with the President to discuss the ITT antitrust cases. His request was denied because the President's advisers thought that such a meeting was inappropriate.

4. During September 1969 Colonel James Hughes, Military Assistant to the President, spoke with Dita Beard, an ITT lobbyist, about the pending antitrust suit. Hughes reported on the conversation in a memorandum to Ehrlichman dated September 19, 1969.

5. In August 1970 officials and representatives of ITT held five meetings with Administration officials, includ-

ing Vice President Spiro Agnew, Secretary of Commerce Maurice Stans, Assistant Attorney General McLaren and White House counsel John Ehrlichman and Charles Colson to discuss antitrust matters in general and the ITT antitrust litigation in particular. In another meeting, Geneen and Attorney General Mitchell met to discuss overall antitrust policy with respect to conglomerates. At these meetings and in subsequent letters and memoranda ITT officials sought to persuade Administration officials that McLaren's antitrust views, as reflected in his conduct of the ITT litigation, were ill-advised and inconsistent with the Administration's antitrust policy.

6. On September 15, 1970 the trial in *ITT-Grinnell* began. In memoranda dated September 17, 1970 from Ehrlichman to Attorney General Mitchell and October 1, 1970 from Colson to Ehrlichman, the ITT litigation was discussed. Ehrlichman and Colson stated their concern that McLaren's conduct of the ITT cases constituted an attack on "bigness per se" contrary to the Administration's expressed antitrust policy.

7. The trial of *ITT-Grinnell* was completed on October 30, 1970 and the case was taken under advisement. A judgment for ITT on the merits was rendered on December 31, 1970. A notice of appeal was filed on March 1, 1971.

8. On March 3, 1971 at ITT's request Geneen and William Merriam, ITT Vice President and Director of Washington Relations, met with Ehrlichman to discuss antitrust matters.

9. On March 20, 1971, on the motion of Solicitor General Erwin Griswold, the time for the government to perfect its appeal in *ITT-Grinnell* by filing its jurisdictional statement was extended from March 31, 1971 to April 20, 1971.

10. On March 30, 1971, Merriam and Thomas Casey, ITT Director of Corporate Planning, met with Peter Peterson, Assistant to the President for International Economic Affairs, to discuss a wide range of subjects including antitrust matters.

11. At the request of Ehrlichman who said he spoke for the President, Peterson met with Geneen and Merriam on Friday, April 16, 1971. They discussed various subjects relating to economic policy, including overall antitrust policy related to bigness. At the end of the meeting, Geneen and Merriam discussed ITT's specific antitrust problems, including the fact that the deadline for the government to perfect the *ITT-Grinnell* appeal was the fol-

lowing Tuesday, April 20. After the meeting Peterson telephoned Ehrlichman and reported on the meeting including the discussion of the *ITT-Grinnell* appeal. Ehrlichman indicated to Peterson that action was under way to postpone the appeal. The following week Peterson reported to the President on the meeting and his subsequent telephone call to Ehrlichman.

12. Also on April 16, 1971, Lawrence Walsh, a member of a law firm that had long represented ITT, telephoned Deputy Attorney General Kleindienst. Pursuant to that telephone conversation Walsh caused to be delivered to Kleindienst a letter and memorandum urging that before the Department of Justice decided to pursue the *ITT-Grinnell* appeal to the Supreme Court it should undertake a review by all interested federal agencies of the economic consequences of a Supreme Court decision favorable to the government. Copies of the Walsh letter and memorandum were delivered later that day to Peterson and Ehrlichman.

13. On Monday morning, April 19, 1971, Kleindienst told Walsh by telephone that Kleindienst did not think the *ITT-Grinnell* appeal would be delayed. In a memorandum dated April 19, 1971 to Kleindienst, McLaren disputed the position taken by Walsh in his letter and memorandum of April 16 and urged that the *ITT-Grinnell* appeal not be delayed.

14. Beginning at 3:03 p.m. on the afternoon of April 19, 1971 the President met with Ehrlichman and George Shultz, Director of the Office of Management and Budget. The antitrust actions against ITT were among the subjects discussed. Ehrlichman said that the deadline for the *ITT-Grinnell* appeal was the following day and he reported that, despite his attempts to give the Justice Department "signals," the appeal was being pursued. The President then telephoned Kleindienst and ordered him to drop the appeal. After the telephone conversation the President expressed his concern that McLaren's actions with respect to conglomerates were contrary to the Administration's antitrust policy.

15. After the President's telephone call Kleindienst met with McLaren and Solicitor General Erwin Griswold and directed that the Solicitor General apply to the Supreme Court for another extension of time. At 4:30 p.m. Kleindienst telephoned Walsh and informed him that the Solicitor General was arranging for an extension of time for the government to perfect its appeal.

16. On Tuesday, 20, 1971, on the motion of Solicitor General Griswold, the time for the government to perfect its

appeal in *ITT-Grinnell* by filing its jurisdictional statement was extended from April 20, 1971 to May 20, 1971.

17. Also on April 20, 1971 Felix Rohatyn, an investment banker who was a director of ITT, met with Kleindienst to discuss the economic and financial ramifications of divestiture of the Hartford Fire Insurance Company by ITT. At the meeting Rohatyn asked to present these arguments to McLaren, and such a presentation was later arranged for April 29.

18. On April 21, 1971, the President met with Attorney General Mitchell and discussed, among other things, the *ITT-Grinnell* appeal. The President said that he did not care about the merits of the case but that the business community believed that the Administration was being even rougher on it in antitrust matters than had previous administrations. Mitchell argued that it was a political mistake to interfere with the appeal. The President agreed to heed Mitchell's advice to permit the appeal to be perfected.

19. During the last ten days of April 1971, Geneen and Merriam of ITT wrote four letters to Administration officials—one to Secretary of the Treasury John Connally and three to Peter Peterson—containing references to antitrust matters. Two of the letters commented favorably on the *ITT-Grinnell* appeal delay.

20. On April 28, 1971 Ehrlichman wrote a memorandum to the President criticizing McLaren for failure to fol-

low the Administration's antitrust policy, then under study by a Domestic Council Task Force, and recommending action to be taken. The President approved Ehrlichman's recommendations.

21. On April 29, 1971, Rohatyn accompanied by four ITT representatives met with Kleindienst, McLaren and Antitrust Division and Treasury Department staff members. The ITT representatives presented ITT's position that there would be adverse economic and financial consequences if the divestiture of Hartford were required. Following the meeting McLaren caused these arguments to be submitted to the Treasury Department and to Richard Ramsden, an independent financial consultant who had previously rendered advice to the Antitrust Division.

22. Beginning in April 1971 Mitchell, Haldeman, Lawrence Higy, Gordon Strachan, William Timmons, Jeb Magruder and Robert Odle participated in the initial planning of the 1972 Re-

Republican National Convention and began to consider San Diego as a possible site. A memorandum from Higby to Strachan dated April 29, 1971 states that Haldeman discussed the possibility of a San Diego convention with California's Lt. Governor Ed Reinecke. The memorandum states that Reinecke would, as a result of his discussion with Haldeman, cause a proposal for San Diego to be the convention site to be made to the Republican National Committee.

23. In a memorandum dated May 5, 1971 Ehrlichman informed Mitchell that he desired to meet with McLaren about the ITT cases to achieve the agreed-upon ends discussed by the President and Mitchell.

24. On May 12, 1971, ITT President Geneen discussed with Congressman Bob Wilson, whose district included part of San Diego, the possibility of ITT financial support for a San Diego convention bid.

25. On May 17, 1971 the government's appeal in ITT-Grinnell was perfected by the filing of a jurisdictional statement.

26. By report dated May 17, 1971 Richard Ramsden reported his findings on the ITT position with respect to the financial ramifications of divestiture of Hartford.

27. On June 17, 1971 McLaren recommended to Kleindienst that the ITT suits be settled. His proposed settlement included the requirement that ITT divest itself of Grinnell, Canteen, and certain other ITT subsidiaries, but permitted ITT to retain Hartford Fire Insurance Company. The basic terms of the settlement offer were put to ITT on a take it or leave it basis and were accepted. Details of the settlement were then negotiated among ITT and Antitrust Division lawyers.

28. San Diego's convention bid was authorized by the San Diego City Council on June 29, 1971. On July 21, 1971, ITT-Sheraton's President, Howard James, confirmed by telegram his company's commitment to the San Diego Convention and Tourist Bureau of \$100,000 for convention-related expenses plus an additional \$100,000 if and when \$200,000 was raised by the Bureau from other non-public sources. The pledge was subject to the condition that the Sheraton Harbor Island Hotel, then under construction, be used as Presidential convention headquarters. The decision for San Diego to be the convention site was made within the Administration and transmitted to the Republican National Committee. On July 23, 1971, the Republican National Committee selected San Diego as the 1972 convention site.

29. On July 31, 1971, after ITT and Antitrust Division lawyers had negotiated details of the settlement of the ITT litigation, the settlement was announced.

30. A Sheraton Harbor Island Corporation check for \$100,000 dated August 5, 1971 and representing the non-contingent portion of ITT's pledge was delivered to the San Diego Convention and Tourist Bureau.

31. On February 15, 1972 the President nominated Richard G. Kleindienst to be Attorney General to succeed John Mitchell, who was leaving the Department of Justice and who later became Campaigner Director of the Committee for the Re-election of the President. The Senate Committee on the Judiciary held hearings on the nomination and recommendation on February 24, 1972 that the nomination be confirmed.

32. On February 22, 1972 columnist Jack Anderson obtained from an ITT source a memorandum dated June 25, 1971 purportedly written by ITT lobbyist Dita Beard addressed to ITT Vice President Merriam regarding the ITT-

Sheraton convention pledge and settlement of the ITT antitrust cases. Anderson's investigative reporters contacted first Dita Beard to discuss and confirm the memorandum's validity and then ITT and Administration officials to discuss and attempt to confirm the events reported in the memorandum. On February 24, 1972 ITT personnel destroyed documents in the Washington office files.

33. In a February 28, 1972, Department of Justice press release Mitchell said he had met Dita Beard only once, at a party given by Governor Louis Nunn of Kentucky in May 1971. Mitchell denied allegations that he had discussed the ITT antitrust cases with her. He also denied in the press release that he had discussed the ITT matter with the President.

34. On February 29, and March 1 and March 3, 1972 there were published three columns by Jack Anderson based in part on the Beard memorandum. The articles alleged a connection between the ITT-Sheraton pledge and the ITT antitrust settlement and purported to involve both Mitchell and Kleindienst. As a result of the publication of the first two articles Kleindienst asked that his confirmation hearings be reopened.

35. On March 1, 1972 during his final press conference as Attorney General, Mitchell again denied talking to the President about ITT or any other antitrust case.

36. On or about March 1, 1972 a member of the staff of the SEC demanded that ITT produce documents in the files of ITT's Washington, D.C., office. The SEC staff member contended that production of the documents was called for by subpoenas previously issued in connection with SEC

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proceedings. Attorneys for ITT collected documents believed to be included in the SEC demand.

37. On Thursday, March 2, 1972 pursuant to Kleindienst's request the confirmation hearings resumed and Kleindienst, testifying under oath, denied talking other than casually to the White House and White House staff about the ITT matter. He denied receiving any suggestions from the White House as to the action that the Justice Department should take in the ITT cases.

38. On the same day an ITT attorney delivered copies of one or more of the documents collected by ITT attorneys from ITT's Washington office files to White House aide Wallace H. Johnson. The document or documents were then conveyed by Johnson to John Mitchell. During the following week copies of other documents taken from the ITT Washington office which mentioned the ITT antitrust suits and contacts between ITT and administration officials were delivered by ITT attorneys to Johnson.

39. On the evening of March 2, 1972, Dita Beard, having spent two days at the ITT offices in New York City, left Washington by airplane for Denver, Colorado en route to West Yellowstone, Montana. During the flight she became ill on the evening of March 3, 1972 she was admitted to a Denver hospital.

40. On Friday, March 3, 1972, Kleindienst, in his testimony before the Senate Committee on the Judiciary, denied consulting with, reporting to, or getting directions from anybody at the White House about the ITT antitrust cases. He also testified that he did not recall why on April 19, 1971 the Department of Justice requested a delay in the appeal of the ITT-Grinnell case to the Supreme Court.

41. On the afternoon of Sunday, March 5, 1972, the President and Haldeman returned to Washington, D.C., from Key Biscayne. On Monday, March 6, 1972 the President had conversations with Haldeman, Ehrlichman and Colson. At about 1:30 p.m., shortly after leaving the President's office Ehrlichman met with SEC Chairman Casey.

42. On Tuesday, March 7, 1972, in a prepared statement given under oath before the Senate Committee on the Judiciary, Kleindienst described the circumstances surrounding the request for an extension of time to appeal ITT-Grinnell. He omitted mention of the President's order to drop the case made during their telephone conversation of April 19, 1971.

43. On March 8, 1972, Kleindienst testified before the Senate Committee on the Judiciary and denied again that he was interfered with, pressured, importuned or directed by anybody at the White House in connection with the discharge of his responsibilities in the ITT cases.

44. In early March 1972, a White House task force, consisting of Ehrlichman, Colson, Moore, Dean, Fielding, Johnson, Assistant Attorney General Robert C. Mardian and others, was established to follow the Kleindienst hearing; its activities continued throughout the month. Fielding was given the responsibility of reviewing White House files and collecting all documents relating to ITT, which he proceeded to do.

45. On March 14, 1972, John Mitchell appeared before the Senate Committee on the Judiciary and twice denied under oath that he talked to the President about the ITT antitrust litigation or any antitrust litigation. On the evening of March 14, 1972, the President and Mitchell had a telephone conversation which, according to Mitchell's logs, was their only telephone conversation during the month.

46. On March 15, 1972 E. Howard Hunt met with Colson, Johnson and Timmons. It was determined that Hunt should interview Mrs. Beard respecting the authenticity of the purported Beard memorandum. Hunt flew to Denver and interviewed Mrs. Beard in her hospital room. On March 17, after his return to Washington, he prepared a detailed summary of the interview.

47. "ITT" is written on Colson's calendar for the morning of March 18, 1972. Colson had three telephone conversations with Mitchell during the morning. That afternoon the President and Colson met for more than two hours.

48. On March 24, 1972, the President held his only new conference during the period of the Kleindienst nomination hearings. He stated that nothing had happened in the Senate hearings that shook his confidence in Kleindienst as an able, honest man fully qualified to be Attorney General. He also praised the actions of Richard McLaren, and the administration, in having moved effectively to stop the growth of ITT.

49. On the morning of March 30, 1972, Colson, Haldeman and MacGregor met. That afternoon Colson sent a memorandum to Haldeman stating that certain factors should be taken into account in determining whether to continue to support, or to withdraw, Kleindienst's nomination, including the possibility that documents would be revealed tending to show that the President was involved in the ITT situation in 1971 and contradicting statements made by Mitchell under oath during the hearings. Haldeman and Colson each had several conversations with the President on that day.

50. On April 4, 1972, Mitchell returned to his office after about two weeks in Florida. That afternoon he met with the President and Haldeman

at the White House. According to Haldeman's testimony before the Senate Select Committee on Presidential Campaign Activities, his notes taken during the meeting indicate that the Kleindienst hearings were discussed.

51. On April 27, 1972, the final day of the Kleindienst confirmation hearings, Kleindienst, referring to his earlier testimony about communications with persons at the White House, testified that if someone had called him to instruct him on the handling of the ITT case, he would remember such a call. Kleindienst said that no such conversation occurred.

52. The press provided extensive news coverage and frequent editorial commentary on the Kleindienst confirmation hearings. John Mitchell's denials that he discussed the ITT cases with President Nixon were reported. Richard Kleindienst's descriptions of his role in the *ITT-Grimmel* appeal and

settlement were also reported; these descriptions omitted reference to the President's order that the appeal be dropped.

53. By letter dated April 25, 1972 from Senator Eastland, Chairman of the Senate Committee on the Judiciary, to SEC Chairman William Casey, Senator Eastland requested access to ITT documents in the possession of the SEC. This request was denied by Chairman Casey. If Chairman Casey had complied with the Senate Judiciary Committee's request the SEC would have supplied the Committee with, among other things, the following documents not obtained by the Committee during the course of the Kleindienst hearings:

1. Letter dated April 22, 1971, from Harold Geneed to Peter Peterson concerning their April 16, 1971 meeting with memorandum on antitrust policy attached.

2. Letter dated April 22, 1971, from William Merriam to John Connally referring to the ITT antitrust litigation.

3. Letter dated April 26, 1971, from William Merriam to Peter Peterson referring to planned antitrust legislation.

4. Letter dated April 30, 1971, from William Merriam to Peter Peterson referring to Solicitor General Griswold's request for an extension of time to perfect the *ITT-Grimmel* appeal.

5. Letter dated August 7, 1970, from Thomas Casey of ITT to Charles Colson discussing the pending ITT antitrust litigation.

6. Letter dated August 7, 1970, from "Ned" (Edward Gerrity) to Vice President Spiro Agnew with memorandum about ITT antitrust litigation attached.

7. ITT inter-corporate memorandum dated August 10, 1970 from Edward Gerrity to John Ryan discussing, among other things, Richard McLaren and the Administration's merger policy.

8. ITT inter-corporate memorandum dated August 10, 1970 from William Merriam to John Ryan discussing, among other things, the ITT antitrust litigation, Richard McLaren and contacts with the Administration.

54. On June 8, 1972, the Senate confirmed Kleindienst's nomination. On June 12, 1972, he became Attorney General.

55. On three occasions in September 1972, Congressman Harley Staggers, Chairman of the House Interstate and Foreign Commerce Committee, Special Subcommittee on Investigations, requested from SEC Chairman William Casey access to material received from ITT by the SEC in connection with the SEC's investigation of ITT. Chairman Casey discussed Chairman Staggers's request with Mitchell, Dean and Colson. By letters to Chairman Staggers,

Chairman Casey refused the requests. The ITT material was transferred by the SEC to the Department of Justice on October 6, 1972. In addition, an envelope containing other documents obtained from ITT which reflected contacts in 1970 and 1971 between representatives of ITT and Administration officials was delivered separately by the SEC to the office of Deputy Attorney General Erickson.

56. In a letter dated October 17, 1972, Chairman Staggers requested from Deputy Attorney General Erickson access to the ITT materials referred to the Department of Justice by the SEC. Erickson denied the request on the grounds that disclosure might prejudice any future criminal proceedings.

57. On January 8, 1974 the Office of the White House Press Secretary issued a "White Paper" entitled, "The ITT Anti-Trust Decision," describing the President's role in the ITT antitrust cases and their settlement.

58. On May 16, 1974, Richard Kleindienst pleaded guilty to one count of refusing or failing fully to respond to questions propounded to him by the Senate Committee on the Judiciary on March 2, 3, 7, and 8 and April 27, 1972.

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*Memorandum April 23, 1969, from
Richard Kleindienst and Richard McLaren
to John Ehrlichman:*

In accordance with telephone conversation this morning, enclosed is a Memorandum for the Attorney General dated April 7, 1969, and a draft of proposed complaint to be filed under Section 7 of the Clayton Act in opposition to the ITT-Canteen merger. As you will note, the theory of the complaint is that this merger would adversely affect competition in the vending and inplant feeding business in the United States by reason of the vertical and reciprocity effects potentially resulting therefrom.

Active reciprocity, as you probably know, involves the use, normally by a diversified firm, of its purchasing power to assist its sales efforts. Reciprocity tends to exclude small and undiversified firms from the market. It is generally recognized that active reciprocity by a firm of significant size involves a violation of the Sherman Act (see Flynn, "Reciprocity and Related Topics Under the Sherman Act", 37 *ABA Antitrust Law Journal*, 156-168, 178-182 (1968)).

The Supreme Court has also stated: "Reciprocity in trading as a result of an acquisition violates Section 7 if the probability of a lessening of competition is shown" *ETC v. Consolidated Foods Corp.*, 380 U.S. 592, (1965). In *Consolidated Foods*, the case was tried after the merger had taken place and the Court found that there had been seven instances of affirmative use by the acquiring company to make sales on the basis of a reciprocity pitch. The next question is 595 (1965). In *Consolidated Foods*, the case was tried after the merger had taken place and the Court found that there had been seven instances of affirmative use by the acquiring company to make sales on the basis of a reciprocity pitch. The next question is whether we must wait for completion of a merger involving substantial reciprocity power and opportunity until after the merger is consummated. The court in *United States v. Ingersoll Rand Co.*, 218 F. Supp. 530, 552; affirmed 320 F. 2d 509, pointed out "the mere existence of this purchasing power might make its conscious employment unnecessary; the possession of the power is frequently sufficient, as sophisticated businessmen are quick to see the advantages in securing the goodwill of the possessor." In other words, where the large diversified company makes substantial purchases

from many suppliers, these suppliers are going to feel a "reciprocity effect" even without affirmative use of reciprocity by the purchaser.

It has been our position (contrary to that taken by the prior Administration) that conglomerate mergers involving very large firms violate Section 7 of the Clayton Act where (1) significant potential horizontal competition is eliminated; (2) the merger will create reciprocity power which will substantially lessen competition in lines of commerce occupied by either the acquired or the acquiring firm; and (3) where economic concentration and the triggering of further mergers may be anticipated, with effects condemned by Congress when it amended Section 7 of the Clayton Act in 1950.

In the instant case, our interpretation of Section 7 of the Clayton Act is nevertheless consistent with the somewhat narrower interpretation of Section 7 of the Clayton Act held by the prior Administration. Under the Justice Department "Guidelines" issued in May 1968, a rule was set out condemning mergers which create the danger of reciprocal buying (paragraph 19(a)). For present purposes, Canteen is "the selling firm" and ITT is the "buying firm". None of Canteen's competitors is affiliated with an industrial purchaser of anything approaching the size of ITT. We estimate that ITT makes purchases from suppliers accounting for approximately 1/3 of the industrial work force in the nation. Thus these suppliers, employing 1/3 of the work force, certainly account for more than 15% of inplant feeding. The second half of the guideline is satisfied by the fact that ITT would be "both a substantial supplier (of industrial products) and a more substantial buyer than all or most of the competitors of" Canteen. We know of no "special market factor" that makes remote the possibility that reciprocal buying behavior will actually occur.

ITT's argument is that it would not engage in active reciprocity; that reciprocity is unlikely in the vending and inplant feeding industries because service is an important element and employees have a substantial voice in the selection of the suppliers are a small percentage of the total sales of those suppliers and therefore would not be influential in swinging their vending or inplant feeding purchasing.

The answers to these arguments are as follows. First, the fact that ITT might not aggressively use reciprocity will not eliminate the reciprocity effect, which could influence up to 30% of the business, and even a 6% foreclosure would be an adverse effect condemned by the statute; notwithstanding the service nature of the business and employee voice in selection, we have evidence that reciprocity does play a part in the inplant feeding business; finally, even though ITT as a buyer may account for a small proportion of the sales of a large firm, all other things being equal (price, service, etc.), even \$100,000 worth of business per year is a matter of significance and clearly could give Canteen a decisive advantage over competitors who do not have affiliation with a large diversified firm such as ITT.

We should add that, in connection, with a specific investigation of reciprocity practices, we have found that reciprocity is particularly widespread, for example, in the steel industry, and that where one important member of an industry begins to use reciprocity, other members are virtually forced to follow suit.

In conclusion, we would like to make clear that the opportunity for the operation of reciprocity has been a substan-

tial basis for antitrust challenges to "conglomerate" mergers under Section 7 in at least five cases. One of these—the FTC's case against Consolidated Foods—was decided in favor of the Commission by the Supreme Court. Two others—the Department's suits against acquisitions by General Dynamics and Ingersoll Rand—were decided in the Government's favor by the district courts and did not reach the Supreme Court. A fourth case—a suit by the Department against Penick & Ford—is now pending in the district court—while the fifth—the Department's suit against the acquisition of Jones & Laughlin Steel by LTV—was recently filed by the Department. Moreover, the Department's policy of challenging mergers on this basis has been clearly conveyed to the business

community in the previous Administration's Merger Guidelines and is well recognized by business and the antitrust bar. We believe that the proposed case against the ITT-Canteen acquisition is squarely within this line of cases.

We find that the Justice Department's action in proceeding against mergers among the very largest companies has been very favorably received by business as well as by Congress and the public at large. We are very concerned that reduced activity along this line will ultimately result in unduly restrictive legislation, and perhaps a Public Utility Holding Company Act "death sentence" provision to undo the concentration which will result from a continuation of the present trend.

Vigorous enforcement of the antitrust laws, including preservation of small and medium-sized business and prevention of undue concentration, is traditional Republican doctrine. Our Section 7 policy is designed to implement that doctrine, and to avoid the dangers to the economy posed by the current big-company merger movement, as outlined in Mr. McLaren's testimony before the House Ways and Means Committee on March 12, 1969 (copy attached, see pages 10-22). We understand that the Council of Economic Advisers fully supports our Section 7 policy and would strongly favor its continuance.

Accordingly, we urge that the proposed suit against the ITT-Canteen merger be approved, and that we be authorized to negotiate with ITT a "standstill agreement" which would permit the merger to be completed, but would preserve the identity of Canteen, assure a prompt trial, and provide for divestiture in the event that a violation of Section 7 is found.

Memorandum June 20, 1969, from Richard McLaren to Richard Kleindienst:

I recommend that we challenge, as a violation of Section 7 of the Clayton Act, the proposed merger of Hartford Fire Insurance Company ("Hartford") and International Telephone and Telegraph Corporation ("ITT"). On the basis of revenues, ITT is the 11th largest industrial firm in the United States. Hartford is the sixth largest property and casualty insurance company in the nation, and ranks among the three leaders in certain lines of casualty insurance.

The merger agreement between ITT and Hartford was executed on April 8, 1969. The earliest consummation date appears to be early August. Sometime ago, however, I tentatively agreed to inform the parties of our decision by June 1st; this has been postponed to Monday, June 23rd.



Sketch by David Suter for The Washington Post

The ITT-Hartford merger would combine companies with total consolidated assets of approximately \$6 billion. As such, it would constitute one of the largest mergers, if not the largest one, ever consummated, and could well trigger other big company acquisitions of property and liability insurance companies. The likely anticompetitive consequences of this merger include reciprocity and other foreclosure in insurance, tying effect between insurance and other products entrenchment of Grinnell Corporation in the sprinkler industry, and increased economic concentration both in and of itself and by triggering further mergers and the removal of a potential force for deconcentration of various markets . . .

Conclusion

In terms of assets involved, this merger is approximately twice as large as the LTV-J&L merger. In terms of the new market opened up to ITT, it is of substantially greater significance than either the Canteen or Grinnell acquisitions. In terms of the extent of reciprocity effect, this acquisition is no different than ITT-Canteen. In terms of the extent of tying effect, this acquisition is similar to that in First National City Bank-Chubb. These factors, coupled with the steadily increasing number and size of mergers in recent years, are all relevant to the purpose of Section 7. As the Supreme Court noted in *Brown Shoe Company v. UNITED STATES*, 370 U.S. 294, 317, Section 7 is " . . . a keystone in the erection of a barrier to what Con-

gress saw was the rising tide of economic concentration."

The merger between ITT and Hartford creates substantial threats to competition in the areas outlined above. The basic dangers involved in this acquisition derive from the opportunities created for reciprocity and other market foreclosure, for tying effect, which is aggregated by the potential relationship between Hartford and Grinnell, and the increased concentration resulting from a \$6 billion merger and the removal of Hartford as a potential force for deconcentration in various industries.

For the reasons indicated, I recommend that we oppose the merger of ITT and Hartford.

In handwriting, at bottom of page, appears:

Approved:

(s) Richard G. Kleindienst.

Memorandum accompanying "personal and confidential" letter of Aug. 7, 1970, from "Ned" (Gerrity) to Vice President Agnew, asking how ITT should proceed.

You will recall at our meeting on Tuesday I told you of our efforts to try and settle the three antitrust suits that Mr. McLaren has brought. Before we met, Hal had a very friendly session with John, whom, as you know, he admires greatly and in whom he has the greatest confidence. John made plain to him that the President was not opposed to mergers per se that he believed some mergers were good and that in no case had we been sued because "bigness is bad." Hal discussed

this in detail because McLaren has said and in his complaints indicated strongly that bigness is bad. John made plain that was not the case. Hal said on that basis he was certain we could work out something. John said he would talk with McLaren and get back to Hal.

While you and I were at lunch, Hal and Bill Merriam, who runs our local office, met with Chuck Colson and John Ehrlichman, and Hal told them of his meeting with John. Ehrlichman said flatly that the President was not enforcing a bigness-is-bad policy and that the President had instructed the Justice Department along these lines. He supported strongly what John had told Hal. Again, Hal was encouraged. I learned the details of this meeting after our lunch.

Yesterday our outside counsel from Chicago, Ham Chaffetz, who represents us in the Canteen case vs. the Justice Department, had a pretrial meeting with McLaren and his trial people. They reviewed the case, and Chaffetz said he was ready to settle since Justice really had no case, i.e., they could not show reciprocity, etc., and that all that was alleged was that ITT was getting too big. McLaren, ignoring the evidence, said that ITT must be stopped, that the merger movement must be stopped, etc., in effect saying he was running a campaign based on his own beliefs and he intended to prosecute diligently. It is quite plain that Mr. McLaren's approach to the entire merger movement in the United States is keyed into the present cases involving ITT. Therefore, it is equally plain that he feels that if a judgment is obtained against ITT in any of these cases then the merger movement in the United States will be stopped. His approach obviously becomes an emotional one regardless of fact.

It was plain that McLaren's views were not and are not consistent with those of the Attorney General and the White House. We are being pursued, contrary to what John told Hal, not on law but on theory bordering on the fanatic.

In his conversation with Hal, John agreed that the steam had gone out of the merger movement because of tax reform legislation, the new accounting principles and general developments in the economy. John agreed with Hal that there was no need for a "crusade" to halt the merger movement because of the reasons I have indicated above. It is plain, therefore, that McLaren is operating on a completely different basis from John and the White House. I believe it has reached the point where he is more concerned about his personal views than those of his superior or the President.

My question to you is, should we get this development back to John, so he is aware, and how do we do it? What is the best way? I would appreciate your help and advice.

Letter of Aug. 1970, from Thomas H. Casey of ITT to Charles Colson.

Dear Chuck:

Mr. Geneen has asked me to write to you and express his appreciation for the extremely cooperative response and interest you and Mr. Ehrlichman expressed in regard to ITT's areas of concern during his recent meeting.

He also asked me to forward to you excerpts from the "Stipulated Statement of Facts" recently filed by the Department of Justice in the LTV-Jones & Laughlin case. After you have reviewed these excerpts, I am sure you will realize his concern.

During his meeting with Attorney General Mitchell, Mr. Geneen and the Attorney General both agreed that because of the recent changes in the tax law, the decision of the Accounting Principles Board and the depressed

state of the stock market and economy, the merger wave was over and we would not see much happenings again. The Attorney General stated that it was not the intent of the Department of Justice to challenge economic concentration or bigness per se, or big mergers as such. During Mr. Geneen's conversation with Mr. Ehrlichman and you, he was told that the President himself has stated that bigness as a merger consideration is not the policy of his Administration.

In light of this, let me advise you of a meeting yesterday between Canteen's counsel from Chicago, Mr. Ham Chaffetz, who represents Canteen in its case, and Mr. McLaren and his trial people. This meeting was held at the request of Judge Austin who will hear the case. Judge Austin suggested that a possible settlement might be reached. They reviewed the case and Mr. Chaffetz said he was ready to settle since Justice really had no case; i.e., they could not show reciprocity, etc., and that all that was alleged was that ITT was getting too big.

Mr. McLaren said he thinks he has a reciprocity case, but that is "only half

the case and even if we did not have that, we would still be proceeding against ITT anyway" because of ITT's series of acquisitions. Further statements by Mr. McLaren were to the effect that

ITT is continuing to make acquisitions "and has to be stopped."

ITT is one of the leaders in making acquisitions.

Mr. Geneen has gotten away with a lot of acquisitions that the Department did not challenge.

ITT has made all these acquisitions and is now in the top ten companies.

ITT just keeps going on and everyone else goes along with ITT doing the same thing.

If ITT does it, other people will do it too and "ITT has got to be stopped."

Mr. McLaren referred to the "legislative history" of Section 7 as indicating the Congressional intention to stop increasing concentration and the trend of mergers. He indicated clearly that this was the "other half" of his case against ITT. Mr. Chaffetz pointed out that Section 7 provides that in each individual case the Government must show an adverse effect on competition. However, Mr. McLaren would not focus on this point at all and merely made statements to the effect that "mere power is enough."

It seems plain that Mr. McLaren's views were not and are not consistent with those of the Attorney General and the White House as expressed to us. Apparently, we are going to be prosecuted, contrary to what the Attorney General, Mr. Ehrlichman and you told Mr. Geneen, not on law but on theory. This is an interesting attitude in view of Judge Timbers' decision refusing to allow the preliminary injunction in the Hartford and Grinnell cases. Pointing out that Section 7 of the Clayton Act "proscribes only those mergers the effect of which may be substantially to lessen competition", not those mergers in effect of which may be substantially to increase economic concentration," the Judge then concluded (Opinion, p. 71-72);

The alleged adverse effects of economic concentration brought about by merger activity, especially merger activity of large diversified corporations that, as a matter of social and economic such as ITT, arguably may be such economic policy, the standard by which the legality of a merger should be measured under the antitrust laws is the degree to which it may increase

economic concentration—not merely the degree to which it may lessen competition. If the standard is to be changed, however, in the opinion of this Court it is fundamental under our mination be made by the Congress and system of government that that deterrent in any detail, I'd be willing to discuss it—only at lunch.

Personal regards,
Tom

"Eyes only" memorandum Aug. 10, 1979, from Charles Colson to John Ehrlichman:

I have no idea how reliable the reporting is in this letter. Casey is, of course, not a lawyer and may not really understand what is going on in the negotiations. I suspect, however, that he would have written this without approval of ITT's counsel.

If, indeed, the facts here are correct then we may be riding one horse and McLaren another.

How do you think we should best proceed? My own thought would be that you might want to discuss this again with the Attorney General to be sure that he has made known to Mr. McLaren our policy towards the bigness issue.

"Eyes only" memorandum Sept. 17, 1970, from John D. Ehrlichman to the attorney general:

I was disappointed to learn that the ITT case had gone to trial with apparently no further effort on the part of Mr. McLaren to settle this case with ITT on the basis of our understanding that "largeness" was not really an issue in the case.

ITT has passed word to us that the gravaman of the case remains "largeness" which is contrary to the understanding that I believe you and I had during the time that we each talked to Mr. Geneen.

I think we are in a rather awkward position with ITT in view of the assurance that both you and I must have given Geneen on this subject.

I'll be out of touch for about two weeks, but I would appreciate your reexamining our position in the case in view of these conversations. Geneen is, of course, entitled to assume the Administration meant what it said to him.

"Eyes only" memorandum Oct. 1, 1970, from Charles Colson to John Ehrlichman:

I am enclosing a copy of the speech which Mr. McLaren gave on September 17th. He does not, as you will see, defend the proposition that under the existing anti-trust laws a case can be brought on the grounds of bigness per se. What he does argue is that bigness is not good, and that the thrust of the anti-trust laws should be directed to economic concentration and bigness. He points out that while legislation might be needed, Justice can and is doing things, short of obtaining new legislation (note the last paragraph in particular).

In sum, I think that we still have a problem here, which is a serious one and which is manifesting itself in Mr. McLaren's conduct of the ITT case.

Memorandum to the President April 23, 1971, from Peter Peterson:

You asked me to meet with Hal Geneen of IT&T on anti-trust. In the course of that discussion, he informed me that Justice was about to make an appeal to the Supreme Court that had very wide-ranging policy implications.

I immediately called John Ehrlichman and I understand action has been taken to at least postpone this action.

Per your suggestion, I have also shown the Council presentation to Arthur Burns and his key people, and talked about implications of U.S. anti-trust considerations on the U.S. competitive position in the world. Arthur seems very much involved in preparing such a paper for you.