

# Milk Price Ruling Revisited

Washington

Treasury Secretary George P. Shultz gave his version yesterday of the controversial 1971 decision in which the Nixon administration reversed itself and approved an increase in the federal support price for milk.

The decision was made after the Associated Milk Producers Inc., a big dairy industry group, pledged \$2 million to President Nixon's re-election campaign.

The White House has invoked executive privilege to prevent former Secretary of Agriculture Clifford M. Hardin from testifying about a meeting with the President on the matter.

## ROLE

Shultz told a small group of reporters yesterday, however, that he had no aversion to discussing his role in the decision, for which he said there were good arguments on both sides.

The Senate Watergate committee, which is investigating the issue, has prepared subpoenas for Shultz and former Treasury Secretary John B. Connally, but a Treasury spokesman said Shultz had not received any

request that he testify.

Originally, Shultz said, different aspects of the milk price question were parceled out among various executive branch agencies for study. Included were the Council of Economic Advisers, the Agriculture Department and the Office of Management and Budget, of which Shultz was then director.

## OPPOSITION

OMB and Shultz opposed the proposed increase in the support price and, to his delight, Shultz said, the Agriculture Department agreed.

However, he said, Agriculture officials warned that the administration would be subjected to a terrific onslaught from the dairy industry—and that is just what occurred.

The dairymen argued that the support price was then well below the market price for milk, and to raise it a bit would give the milk industry

protection against expected seasonal declines later that year. This was needed, the dairy people argued, to curtail the continuing decline in the number of dairy farmers and the number of dairy cows.

## ARGUMENT

On the other side, Shultz said, was the argument that if the support price was set too high it would result in too much milk. This situation would ultimately depress the free market price and force the government to step in and buy large quantities of milk to maintain the price at the support level.

The dairymen met with a number of administration officials, including Shultz in the White House cabinet room, and after hearing their arguments, Shultz said, he went from being 80 per cent opposed to the support price increase to about 60 per cent opposed.

After that, Shultz said, the dairy people descended on Congress. Thereafter, he said, he was called by what he termed very powerful members of Congress, who were concerned about the decision.

## DECISION

Ultimately, Shultz said, the administration came around to the view that if it did not boost the price support level itself Congress would do it through legislation that might well go further — and require even greater potential federal outlays — than the contemplated presidential action.

Shultz said he himself never fully came around to that view, but he indicated that he did stop fighting hard against it.

Asked about the effect of the milk lobby's campaign fund, Shultz said he was sure the milk people gave a lot of money, but he was involved in no discussion of it.

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