Excerpts From the White House Statement

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

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

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 He rescinded that instruction two days later.

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

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

[I]

President's Interest in Antitrust Policy

Mr. Nixon made it clear during his 1968 campaign for the Presidency that he stood for an antitrust policy which would balance the goals of free competition in the marketplace against the avoidance of unnecessary Government interference with free enterprise. One of Mr. Nixon's major antitrust concerns in that campaign was the Government's treatment of conglomerate mergers. Conglomerates had become an important factor in the American economy during the 1960's, and despite public fears that they were threatening free competition in the marketplace, the Administrations of those years—in Mr. Nixon's opinion—had not been clear in their attitude toward them.

Associated Press

Richard G. Kleindienst
Was Deputy Attorney General

United Press International

Richard W. McLaren
Headed Antitrust Division

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

II

Background on the I.T.T. Litigation

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

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

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

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

[III]

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

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

Involving I.T.T. and the Administration

George E. Joseph

Harold S. Geneen
Head of I.T.T.

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

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

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

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

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

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

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

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

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

[IV]

Selection of San Diego for Republican National Convention

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

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

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

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

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