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Connally-Milk Fund Link Under Probe, Anderson Says

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The possibility of a political scandal involving former Texas Gov. John B. Connally was raised yesterday by columnist Jack Anderson but was treated with caution by government sources.

Anderson, in today's column in The Washington Post, reports that "Watergate prosecutors are investigating bribery charges" against Connally in connection with offers of campaign funds from the milk producers' lobby. But government investigators replied that the charges are speculative and "iffy".

Connally told The Post yesterday that "the suggestion of bribery is just preposterous."

The Anderson story centers on a \$10,000 campaign contribution offered to Connally when he was Secretary of the Treasury in 1971. The offer was made on behalf of the Associated Milk Producers, Inc., by Jake Jacobsen, an old Connally acquaintance who had served in the White House under President Lyndon B. Johnson. The incident occurred in 1971 when the milk producers were in a battle with the Nixon administration and Congress over the federal price support for milk.

This was also the period in which the milk producers were raising millions of dollars for campaign contributions to politicians in both parties.

Anderson claims in his column that the FBI has "dug up evidence that Connally pocketed (the) \$10,000" and then "hastily returned the cash after the dairy lobby came under investigation."

Connally denies that allegation, although he said Jacobsen had twice offered to con-

tribute money to candidates of Connally's choice.

The circumstances, Connally said, were these:

Under Lyndon Johnson's administration, the price support for milk went as high as 90 per cent of parity. The Nixon administration proposed to cut the support level to 81 per cent. The milk producers lobbied hard against that decision and Jacobsen took their case to Connally.

"The first time Jake ever talked to me," said Connally, "I said, 'Jake you don't have to talk to me. I have a background in agriculture and I know something about it and I think the decision (to lower the parity price) was inequitable and unfair and politically unwise.'"

Connally said he communicated this view to the President and to the Cabinet in March, 1971. On March 23, at a meeting attended by the President and "eight or ten of us," by Connally's account, the support price was raised to 85 per cent.

Some time after that decision, said Connally, Jacobsen offered to contribute \$10,000 "to any candidate, campaign or committee I wanted to designate and I refused to do so on the grounds that I had not participated in political affairs. As a Democrat I didn't feel right about contributions to Republicans, even though I was serving in a Republican administration."

Still later, Jacobsen renewed the offer, according to Connally, and was willing to give \$10,000 to Democrats for Nixon in 1972, an organization Connally headed. "I declined to accept it again," Connally said.

Connally said he has told his story previously to the Watergate grand jury and to the Senate Watergate committee.

Jacobsen has also given testimony about the \$10,000 and was indicted for lying about it by a Federal grand jury in February. Jacobsen pleaded innocent to the charge.