

Panel Critical of Nixon Action on Milk

Colson Pressure on Co-op Cited

By George Lardner Jr.
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Former White House special counsel Charles W. Colson pressured the nation's biggest dairy co-op into shelling out \$40,000 that may have financed secret White House projects, according to Senate investigators.

Associated Milk Producers, Inc., paid the money to a Washington public relations firm that did absolutely no work for AMPI, the staff of the Senate Watergate committee said in a draft report obtained by *The Washington Post*.

Colson has said in grand jury testimony that he often drummed up money from outside interest groups for projects to promote President Nixon's policies, but he gave the impression that the financial support was always freely tendered.

Former AMPI general manager Harold S. Nelson testified that the co-op hired the public relations firm of Wagner & Baroody here only at Colson's insistence.

Nelson said he first rejected a recommendation from Colson that AMPI retain the firm, but then relented when Colson "urged" the co-op through one of its lawyers to reconsider.

"We decided that we had better do it," Nelson said in executive session testimony excerpted in the Senate report. AMPI records show that the co-op paid Wagner & Baroody \$2,500 a month from October of 1970 through January of 1972.

"Incredibly enough," the Senate report stated, "Nelson says that the Ba-

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Ziegler Calls Report 'Political'

By Lawrence Meyer
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President Nixon "ignored the opinion of every agricultural expert in his administration and the criteria of the governing statute" in announcing in March, 1971 that he was authorizing higher government milk support prices, according to a staff report of the Senate select Watergate committee.

In a detailed analysis of a White House paper released last Jan. 8 defending President Nixon's action, the staff report sharply disputes several claims made in the White House statement.

The Senate committee staff report asserts that the White House paper:

- Exaggerated the likelihood that congressional action would result in a veto-proof bill if President Nixon

had not raised milk support prices himself.

- Understated the cost to consumers of Mr. Nixon's action.

- Misrepresented the importance of the \$2 million pledged to the Nixon re-election campaign by three large dairy cooperatives before Mr. Nixon raised government milk price supports, and the importance of the \$727,500 actually contributed.

The report from the Watergate staff drew quick criticism from the White House, where press secretary Ronald L. Ziegler termed the document "one

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roody firm not only failed to perform any services for AMPI but that neither he nor, to his knowledge, anyone from AMPI even met with anyone from the firm."

One of the partners of the public relations firm, Joseph Baroody, provided Colson with a hurry-up loan of \$5,000 in 1971 that was used to finance the White House "Plumbers' " break-in at the offices of Daniel Ellsberg's psychiatrist.

Baroody was repaid for that transaction by a \$5,000 contribution, which Colson also arranged, from AMPI's political trust. This was apparently separate from the \$40,000 in public relations payments to Wagner & Baroody that came out of AMPI's corporate treasury before Nelson was ousted as the co-op's general manager.

In a telephone interview, Baroody acknowledged that his firm performed a number of "what I call pro bono publico services" for the White House. He said the firm would generally donate

its efforts and charge only for out-of-pocket expenditures involved in such projects.

Baroody denied that the \$40,000 from AMPI was set aside in any separate account as reimbursement for such undertakings.

"We're too smart for that," he said. He said the money was simply used along with other fees to pay for the firm's general operating expenses.

Baroody acknowledged working with Colson on placing \$6,800 worth of newspaper ads in support of the President's decision to mine Haiphong harbor in the spring of 1972. From August of 1971 until the spring of 1972, the public relations consultant also worked with the Citizens of a New Prosperity, a committee organized at Colson's direction to promote the President's economic policies.

The businessmen who headed Citizens for a New Prosperity denied at the time that it had been organized at the White House's behest.

"From time to time, I'd be asked to do this or that," Baroody said of his work for the White House. He said he couldn't recall all the specific projects.

The Senate staff report, compiled largely by staff lawyers David Dorsen and Alan Weitz, said that "the \$40,000 fund (from AMPI) may have paid for Baroody's services or replenished the White House funds used for these or other similar projects."

Baroody maintained that this was incorrect. He said he was not even sure that it was Colson's insistence that led AMPI to hire his firm. He also contended that it was "not unusual" for months to go by without doing any specific work for a client.

But in AMPI's case, he conceded, "that's a fairly long period of time for (doing) absolutely nothing."

The Senate committee staff also said it was still investigating the disposition of a \$51,000 contribution in 1971 from Chicago insurance

magnate W. Clement Stone, which was divided among 17 dummy committees organized at Colson's request.

One of those committees was also used as the conduit to repay Baroody with the \$5,000 from AMPI's political trust and thus cover the costs of the Ellsberg break-in.

According to the Senate report, Baroody said in an affidavit that he got that \$5,000 together for Colson in the first place by taking some \$1,500 to \$2,000 out of personal funds and the rest out of money that "Colson had given him to use in preparing television responses to a Common Cause statement on ending the war in Southeast Asia."

The milk co-op's hiring of the public relations firm in 1970 came shortly after AMPI had separately pledged \$2 million for the President's re-election in talks with Colson. AMPI's No. 2 man at the time, David Parr, the Senate report said, testified that Colson announced with a smile at one

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of the crudest and most obvious political reports I've seen yet come from the Ervin committee among the many they have produced."

He said the object of the staff and the Democratic committee members is to "destroy individuals" through "creating false impressions and innuendos" and that Congress should halt such reports. "My personal view is that it's uncalled for and disgraceful," he said.

The White House paper, a lengthy review of Mr. Nixon's March 1971 decision, defended the increase as "totally proper" and economically "beneficial to the country."

The White House paper was released in the face of increasing controversy over Mr. Nixon's decision to increase the government milk price support level from \$4.66 to \$4.93 per hundredweight 11 days after the Agriculture Department had considered and rejected an increase.

Both the Senate select Watergate committee and the House Judiciary Committee, which is considering Mr. Nixon's impeachment, have been investigating the possible connection between Mr. Nixon's action and campaign contributions made to the Nixon re-election campaign.

The White House paper acknowledged that Mr. Nixon knew before his decision that the milk industry planned to contribute to his re-election campaign. The White House said contributions to the Nixon campaign were not discussed at two critical meetings, although "the political power of the dairy industry lobby" was brought to President Nixon's attention.

In defending his decision to increase milk price supports, President Nixon had characterized congressional pressure as a "gun to our head."

According to the White

House paper, between March 12, when Agriculture Secretary Clifford Hardin announced that milk support price would not be increased, and March 25, when President Nixon announced that the support price would be raised, 30 separate bills to increase the milk support level were introduced in the House of Representatives with 125 representatives as sponsors or cosponsors.

In the Senate, the White House paper said, 29 senators either were sponsoring or cosponsoring legislation. "It thus became increasingly clear," the White House paper said, "that mandatory legislation (raising the milk support prices) would be enacted and, further, that a presidential veto of such legislation could well be overridden."

According to the staff report, the White House paper "overstates the extent and timing of congressional support and the likelihood that a presidential veto would be overridden." The staff report asserts:

- Eight of the 30 bills referred to by the White House paper were not introduced in the House until after Mr. Nixon made his decision.

- Only two senators, Gaylord Nelson (D-Wis.) and Hubert H. Humphrey (D-Minn.) were sponsoring bills in the Senate prior to Mr. Nixon's decision. The 27 cosponsors to Nelson's bill were not added until April 5.

- Even if passed, President Nixon "could have vetoed price support legislation with confidence that Congress would not override his decision" since only one Republican senator and 29 Republican representatives co-sponsored legislation in early 1971. A vote to override could not carry without more Republican support.

The White House paper, the staff report suggests, is inconsistent. "On the one hand, it asserts that the President acted because of pressure from Congress. On

the other hand, it admits that his willingness to neutralize congressional 'pressure' via a veto was tempered by only one element—the political impact of the decision."

The staff report also criticizes Mr. Nixon's action in increasing the support level to \$4.93 per hundredweight, "a level one cent higher than that called for in virtually every bill introduced in 1971," the report asserts.

Most of the legislation introduced in Congress called for raising the support level from the prevailing level of \$4.66 per hundredweight to \$4.92. According to the report, the total cost of the March, 1971, increase was at least \$300 million.

President Nixon's decision to raise the level to \$4.93 rather than to \$4.92 per hundredweight "increased the cost of milk to consumers and the federal government (and the level of income to dairy farmers) by \$10 million more than 34 of the 36 bills introduced in Congress."

In addition, the report states, since the increase in the support level occurred during the spring "flush" period, when milk production and supply are highest and prices are at their lowest, "the President's decision, in

March, raised the support level just in time to have the maximum impact on milk prices."

Had the support level been raised legislatively rather than administratively, a process that would have taken more time, "it is likely that a legislative increase in the support level would have come toward the end of the spring 'flush' period and would thus have had substantially less impact on the cost of milk to consumers and the government for the remainder of the year."

The report asserts that the initial decision by the Agriculture Department not to raise the support level

was unanimous. Although the adverse effects of the increase that President Nixon authorized were less than anticipated, the report states, "the fact remains that at the time the President made his decision, apparently every expert in the

executive branch of the government was against a higher price support level."

The report also charges that the White House paper misrepresented the importance to the Nixon campaign of the money given to it by the milk producers after the support level was increased.

At the time Mr. Nixon was deciding to raise the support level, the report states, "the President knew that the milk producers had pledged \$2 million to his campaign.

Even by the standards of the 1972 presidential campaign, this amount was enormous, representing one of the three largest pledges to his campaign, and a full one-twentieth of this entire projected campaign budget of \$40 million."

The White House paper points out that "the ultimate contributions from the dairymen amounting to some \$427,500 constituted less than one per cent of the total." The committee also has

evidence, however, that another \$300,000 in dairy contributions were funneled into the Nixon re-election campaign through other candidates.

The White House paper acknowledged that Mr. Nixon had been told in a memo that the largest milk cooperative, Associated Milk Producers, Inc., had pledged \$2 million to his re-election campaign. "Nor did the President and his fundraisers as of March 23, 1971, have any reason not to expect the full amount of the pledge," the committee staff report states.

"The events that ultimately led to a cessation of milk producer contributions

to the President before the \$2 million pledge was fulfilled did not take place until long after the President's decision in March, 1971, and there was no reason to anticipate them at that time. Indeed Republican fundraisers were still working on

the pledge in early 1972 (and again in October, 1972) to obtain first the full \$2 million and then, later, at least \$1 million."

The milk money was "particularly important" to Mr. Nixon's campaign for two other reasons, according to the staff report.

First, the pledge, made two years before the election, "represented the 'early money' which is critical to every campaign."

Second, the report argues, since the dairy cooperative leadership normally made large contributions to the Democratic presidential nominee, the pledge to President Nixon of \$2 million may have actually been worth \$4 million to the Nixon campaign—a direct contribution of \$2 million to the Nixon re-election effort and a "potential loss of \$2 million from the Democratic nominee's campaign."

Since polls were then showing a close race shap-

ing up between President Nixon and the leading Democratic Presidential contender, Sen. Edmund S. Muskie (D-Maine), the report says, "the pledge therefore took on even greater significance."

The committee staff report states that the White House paper "tried to belittle" the \$427,000 given directly by the dairy cooperatives to the Nixon campaign "by comparing it to contributions of the three dairy trusts to all candidates at all levels.

"This comparison is misleading since the dairy trusts contributed to hundreds of federal, state and

local candidates," the report asserts, "not one of whom reportedly received from the dairymen more than one-eighth of the amount they contributed to the President.

"With respect to dairy trust reported contributions in the 1972 presidential

campaign—certainly a more relevant measure of dairy participation in Presidential politics than that used by the White (House) paper—the dairymen's contributions to the President were more than four times greater than those to all Democratic presidential candidates combined."

"At the very least," the report asserts, "the President's decision was an act of political one-upmanship calculated to outdo the Democratic members of Congress who supported milk price support legislation — and, indeed, it did equal or surpass such legislation in terms of both timing and impact.

"By doing so, and, in the process, costing the government and the consumer hundreds of millions of dollars, the President apparently assured himself of the 'support' of the powerful political lobby of the milk producers."