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APRIL 9, 1980

C

Zimbabwean leader Robert Mugabe.

THE WHITE HOUSE

WASHINGTON

April 4, 1980

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MEMORANDUM FOR THE PRESIDENT

FROM: ANNE WEXLER Anne

SUBJECT: Kennedy-US Steel Confrontation

Attached, please find some fascinating material on the Kennedy-US Steel confrontation. Included in the package is the letter Kennedy sent to all of the steel companies asking for price stability and the transcript of the animated press conference where Kennedy blasted US Steel.

In view of the recent events with Mobil, I thought you might find it interesting reading.

To sum up the material, US Steel rescinded its price increase in about 72 hours due to a variety of private and public efforts by the Kennedy Administration. Perhaps most important of these steps was the pressure the Administration privately put on the other steel companies not to follow US Steel's price increase. When this proved successful, US Steel has no other alternative but to bring their prices back down.

The pressure put on the other steel companies was probably similar to the measures that Kennedy publicly announced against US Steel. They were: 1) Arousing public support 2) Opening grand-jury proceedings leading to possible anti-trust action and 3) Threatening to divert orders to companies that did not raise prices.

The situation in 1962 was analogous to events today as there were both economic and international crises. President Kennedy, like yourself, asked the people to help by restraining and sacrificing a little bit.

Although the Mobil case is not the same as U.S. Steel, the principle is similar. Additional peer pressure and negotiations might get them to get back into compliance.

Attachment

138 Remarks of Welcome to the Shah and the Empress of Iran at the Washington National Airport. *April* 11, 1962

Your Majesties:

I speak on behalf of all of my fellow Americans in welcoming you to the United States. We regard your visit here as most valuable to our country, and I hope the cause of freedom and peace.

I have said on other occasions, Your Majesty, that I thought the strongest force in the world today was the desire for national independence, reaching well beyond any ideology or really any national power.

I do not think the history of any country proves that more clearly than the history of Iran. All of us are familiar with the centuries-long struggle, beginning in the centuries before the birth of Christ, of the people of Persia to maintain their national sovereignty. Occupying as you do in Iran a most important strategic area, surrounded as you are by vital and powerful people, your country has been able to maintain its national independence century after century, until we come to the present date where under great challenges you, Your Majesty, lead that historic fight.

We look, in welcoming you here, not only to the past but also to the future—your great desire, evidenced by the work that you have so intensively carried out, to make a better life for your people, to permit them to share in a more fruitful existence, to permit them to be free. And therefore, Your Majesty, on your shoulders hang heavy burdens and heavy responsibilities.

We are glad that you have come halfway around the world, and that from your ancient country you come to this young country in the New World. The interest of both of us is the same: to maintain our freedom, to maintain the peace, and to provide a better life for our people. That is the purpose of your visit, Your Majesty, as to how we can jointly concert that effort.

And we are particularly glad to welcome to this country, I believe for the first time, your wife—whom we are particularly glad to have here on this occasion.

This is one of our wonderful spring days, for which we are justly celebrated, and we are glad to wish you and send to you the greetings of the city and the country.

NOTE: The Shah responded as follows:

It is a most pleasant opportunity for the Empress and myself to be able, thanks to your very kind invitation, to visit your great and beautiful country.

Today the name of America has a magic meaning for the most distant communities of the world. It is associated with freedom, progress, love of humanity, and justice. As I am well acquainted with your country and your gallant countrymen, I can truly endorse this conviction.

I am glad that my present visit gives me the occasion to meet you and to greet Mrs. Kennedy, whose stop in our capital was only too brief.

I am aware, Mr. President, that you have assumed responsibilities in the greatest country of the world with new ideas and a dynamic personality which will prove of utmost importance in the shaping of a new world.

I bring with me the heartfelt greetings of my countrymen to your people, with the expression of their sincerest feelings of friendship.

And I extend to you, Mr. President, my warm wishes for the happiness and prosperity of your great and noble nation.

139 The President's News Conference of *April* 11, 1962

THE PRESIDENT. I have several announcements to make.

[1.] Simultaneous and identical actions of United States Steel and other leading steel corporations increasing steel prices by some $6 a ton constitute a wholly unjustifiable and irresponsible defiance of the public interest. In this serious hour in our Nation's history, when we are confronted with grave crises in Berlin and Southeast Asia, when we are devoting our energies to economic recovery and stability, when we are asking reservists to leave their homes and families for months on end and servicemen to risk their lives—and four were killed in the last 2 days in Viet-Nam—and asking union members to hold down their wage requests at a time when restraint and sacrifice are being asked of every citizen, the American people will find it hard, as I do, to accept a situation in which a tiny handful of steel executives whose pursuit of private power and profit exceeds their sense of public responsibility can show such utter contempt for the interests of 185 million Americans.

If this rise in the cost of steel is imitated by the rest of the industry, instead of rescinded, it would increase the cost of homes, autos, appliances, and most other items for every American family. It would increase the cost of machinery and tools to every American businessman and farmer. It would seriously handicap our efforts to prevent an inflationary spiral from eating up the pensions of our older citizens, and our new gains in purchasing power.

It would add, Secretary McNamara informed me this morning, an estimated $1 billion to the cost of our defenses, at a time when every dollar is needed for national security and other purposes. It would make it more difficult for American goods to compete in foreign markets, more difficult to withstand competition from foreign imports, and thus more difficult to improve our balance of payments position, and stem the flow of gold. And it is necessary to stem it for our national security, if we're going to pay for our security commitments abroad. And it would surely handicap our efforts to induce other industries and unions to adopt responsible price and wage policies.

The facts of the matter are that there is no justification for an increase in steel prices. The recent settlement between the industry and the union, which does not even take place until July 1st, was widely acknowledged to be noninflationary, and the whole purpose and effect of this administration's role, which both parties understood, was to achieve an agreement which would make unnecessary any increase in prices. Steel output per man is rising so fast that labor costs per ton of steel can actually be expected to decline in the next 12 months. And in fact, the Acting Commissioner of the Bureau of Labor Statistics informed me this morning that, and I quote, "employment costs per unit of steel output in 1961 were essentially the same as they were in 1958."

The cost of the major raw materials, steel scrap and coal, has also been declining, and for an industry which has been generally operating at less than two-thirds of capacity, its profit rate has been normal and can be expected to rise sharply this year in view of the reduction in idle capacity. Their lot has been easier than that of one hundred thousand steel workers thrown out of work in the last 3 years. The industry's cash dividends have exceeded $600 million in each of the last 5 years, and earnings in the first quarter of this year were estimated in the February 28th Wall Street Journal to be among the highest in history.

In short, at a time when they could be exploring how more efficiency and better prices could be obtained, reducing prices in this industry in recognition of lower costs, their unusually good labor contract, their foreign competition and their increase in production and profits which are coming this year, a few gigantic corporations have decided to increase prices in ruthless disregard of their public responsibilities.

The Steelworkers Union can be proud that it abided by its responsibilities in this agreement, and this Government also has responsibilities which we intend to meet. The Department of Justice and the Federal Trade Commission are examining the significance of this action in a free, competitive economy. The Department of Defense and other agencies are reviewing its impact on their policies of procurement. And I am informed that steps are under way by those members of the

Congress who plan appropriate inquiries into how these price decisions are so quickly made and reached and what legislative safeguards may be needed to protect the public interest.

Price and wage decisions in this country, except for a very limited restriction in the case of monopolies and national emergency strikes, are and ought to be freely and privately made. But the American people have a right to expect, in return for that freedom, a higher sense of business responsibility for the welfare of their country than has been shown in the last 2 days.

Some time ago I asked each American to consider what he would do for his country and I asked the steel companies. In the last 24 hours we had their answer.

[2.] I've got one other statement here. Mr. Hatcher is going to release a statement in regard to the release of the Guards. Let me say in summary that Secretary McNamara and I have carefully reviewed our progress in achieving permanent increases in our military strength. We have concluded that the rate of progress of this effort is such that if there is no serious deterioration in the international situation between now and August, we shall be able in that month to release all those who were called involuntarily. Our continuing strength after this release will be much increased over what it was a year ago.

Just as an example, the number of our combat-ready Army divisions in active service after the release will be 16, as against 11 a year ago. The release is not the result of any marked change in the international situation, which continues to have many dangers and tensions. It is the result, rather, of our succesful buildup of permanent instead of emergency strength.

The units we release will remain available, in a new and heightened state of combat readiness if a new crisis should arise requiring their further service. I know that I speak for all of our countrymen in expressing our appreciation to all those who've served under the adverse conditions of living in camps and being taken away from their families. And their service and the willingness of the great, great majority of all of them to do this uncomplainingly, I think, should be an inspiration to every American.

[3.] And lastly, last Saturday I issued an Executive order creating a Board of Inquiry to inquire into the issues involved in the current labor dispute in the west coast maritime industry. The Board of Inquiry filed its written report with me today. In its unanimous report, the Board stated:

"The current strike, if continued, will affect approximately 130 cargo and passenger ships, including those which constitute the principal mode of transportation of passengers and vital cargo to and from the State of Hawaii."

Other reports I have received clearly manifest that a continuation of this strike imperils the national health and safety.

I have therefore instructed the Attorney General to seek an injunction against this strike under the national emergency provisions of the Labor-Management Relations Act of 1947. While an injunction will restore the west coast maritime industry to full operation and return the striking members to work for 80 days, it should not, and I hope will not, interfere in any way with efforts towards full settlement.

I call upon the parties to make that effort, to achieve that settlement quickly. However, the public interest does not permit further delay in applying for an injunction. Consequently, I have made the decision to direct the Attorney General to apply for an appropriate order.

[4.] Q. Mr. President, the unusually strong language which you used in discussing the steel situation would indicate that you might be considering some pretty strong action. Are you thinking in terms of requesting or reviving the need for wage-price controls?

THE PRESIDENT. I think that my statement states what the situation is today. This is a free country. In all the conversations which were held by members of this administration and myself with the leaders of the steel union and the companies, it was always very obvious that they could proceed with freedom to do what they thought was best within the limitations of law. But I did very clearly emphasize on every occasion that my only interest was in trying to secure an agreement which would not provide an increase in prices, because I thought that price stability in steel would have the most far-reaching consequences for industrial and economic stability and for our position abroad, and price instability would have the most far-reaching consequences in making our lot much more difficult.

When the agreement was signed, and the agreement was a moderate one and within the range of productivity increases, as I've said, actually, there will be reduction in cost per unit during the next year—I thought, I was hopeful, we'd achieved our goal. Now the actions that will be taken will be—are being now considered by the administration. The Department of Justice is particularly anxious, in view of the very speedy action of the companies who have entirely different economic problems facing them than did United States Steel—the speed with which they moved, it seems to me, to require an examination of our present laws, and whether they're being obeyed, by the Federal Trade Commission and particularly the Department of Justice. I'm very interested in the respective investigations that will be conducted in the House and Senate, and whether we shall need additional legislation, which I would come to very reluctantly. But I must say the last 24 hours indicates that those with great power are not always concerned about the national interest.

Q. In your conversation with Mr. Blough yesterday, did you make a direct request that this price increase be either deferred or rescinded?

THE PRESIDENT. I was informed about the price increase after the announcement had gone out to the papers. I told Mr. Blough of my very keen disappointment and what I thought would be the most unfortunate effects of it. And of course we were hopeful that other companies who, as I've said, have a different situation in regard to profits and all of the rest than U.S. Steel, they're all—have a somewhat different economic situation.

I was hopeful particularly in view of the statement in the paper by the president of Bethlehem in which he stated—though now he says he's misquoted—that there should be no price increase, and we are investigating that statement. I was hopeful that the others would not follow the example, that therefore the pressures of the competitive marketplace would bring United States Steel back to their original prices. But the parade began. But it came to me after the decision was made. There was no prior consultation or information given to the administration.

[5.] Q. Mr. President, now that General Clay is coming home from Berlin, don't you think that the service wives have borne the brunt of our gold shortage long enough, and should be permitted to join their soldier husbands in Europe? After all, you can almost say that service couples have had to bear a cross of gold alone, and in a very lonely way. And spring is here and everyone knows that the GI's—[*laughter*]—get into much less trouble and do their jobs better if their wives and kids are with them.

THE PRESIDENT. I agree. And, we're very sympathetic. We are trying to make an analysis of how important this saving is to our general problem. As I've said, it costs us $3 billion to maintain our forces and bases overseas. That money must be earned by a surplus of exports over imports. And that's—I've asked Secretary McNamara to try to reduce that in the next 12 to 18 months by $1,100,000,000, in order to try to bring this gold flow into balance. And that means taking a third out of the Defense Department without reducing its strength. So that's why these women are bearing hardships—and these families. And that's why I contrasted such unhappiness to the last 24 hours, because the fact of the matter is, if we're not able to compete, this results in a larger increase of imports from foreign markets, and therefore lowers our dollar values—and those wives are going to have to stay home.

[6.] Q. Mr. President, when the Strategic Air Command had a false alarm for a few moments last fall, were you notified? And if not, do you think you should have been? And have you made arrangements to be, if there are any cases in the future?

THE PRESIDENT. That story, in my opinion, was overstated. There was a breach in the communications between the base at Thule and at—and our Continental Command. As you know, we were in a 15-minute alert. This lasted for a few seconds. General Power alerted those forces which were on a standby basis. There are constant drills. It was not that we were, as I saw in some papers—primarily those in Europe—a few seconds from war, because the fact of the matter is it would have taken many, many—several hours before they could have taken off and begun to fly, and we were always in control. So that I thought General Power took the right action before anything was done which would in any way have threatened the security of the United States. Of course, the communication would have come immediately. But there is always this problem of being on the alert.

[7.] Q. Mr. President, if I could get back to steel for a minute, you mentioned an investigation into the suddenness of the decision to increase prices. Did you—is the position of the administration that it believed it had the assurance of the steel industry at the time of the recent labor agreement that it would not increase prices?

THE PRESIDENT. We did not ask either side to give us any assurance, because there is a very proper limitation to the power of the Government in this free economy. All we did in our meetings was to emphasize how important it was that there be price stability, and we stressed that our whole purpose in attempting to persuade the union to begin to bargain early and to make an agreement which would not affect prices, of course, was for the purpose of maintaining price stability. That was the thread that ran through every discussion which I had or Secretary Goldberg had. We never at any time asked for a commitment in regard to the terms, precise terms, of the agreement from either Mr. McDonald or Mr. Blough, representing the steel company, because in our opinion that is—would be passing over the line of propriety. But I don't think that there was any question that our great interest in attempting to secure the kind of settlement that was finally secured was to maintain price stability, which we regard as very essential at this particular time. That agreement provided for price stability—up to yesterday.

[8.] Q. Mr. President, could you interpret for us the significance of General Clay's return? Does it mean that the administration now believes that the Berlin crisis is negotiable?

THE PRESIDENT. No, no. When he came with us, as you know, he was the responsible officer in the Continental Can Company. And he said he would take a leave of absence to January. And then in January we asked him to stay further. But he has said for several months now that he really felt that his obligation was to return. We have—he's recommended very highly the responsible Americans who are there. When he comes back tomorrow I'm going to ask him, and I'm sure he will respond, to continue to act as consultant to me on the matter of Berlin; to make periodic visits and to be available to return there at any time that we should conclude that his presence would be valuable. So that we have—I notice Mayor Brandt said that General Clay might be more helpful to the cause here than he would be even there. And I think what the Mayor meant was that his experience there and his work in the last 7 months would be very valuable to the administration. So his service continues and the problem of Berlin continues.

[9.] Q. In your statement on the steel industry, sir, you mentioned a number of instances which would indicate that the cost of living will go up for many people if this price increase were to remain effective. In your opinion, does that give the steelworkers the right to try to obtain some kind of a price—or a wage increase to catch up?

THE PRESIDENT. No. Rather interestingly, the last contract was signed on Saturday with Great Lakes, so that the steel union is bound for a year, and of course, I'm sure would have felt like going much further if the matter had worked out as we had all hoped. But they've made their agreement and I'm sure they are going to stick with it. It does not provide for the sort of action you've suggested.

Q. Still on steel, Senator Gore advocated today legislation to regulate steel prices somewhat in the manner that public utility prices are regulated and his argument seemed to be that the steel industry had sacrificed some of the privileges of the free market because it wasn't really setting its prices on a supply and demand, but what he called administered prices. Your statement earlier, and your remarks since, indicate a general agreement with that kind of approach. Is that correct?

THE PRESIDENT. No, I don't think that I'd stated that. I'd have to look and see what Senator Gore has suggested, and I'm not familiar with it. What I said was that we should examine what can be done to try to minimize the impact on the public interest of these decisions, but though we had, of course, always hoped that those involved would recognize that. I would say that what must disturb Senator Gore and Congressman Celler and others—Senator Kefauver—will be the suddenness by which every company in the last few hours, one by one as the morning went by, came in with their almost, if not identical, almost identical price increases, which isn't really the way we expect the competitive private enterprise system to always work.

[10.] Q. Mr. President, would you clarify, please, the United States position in the New Guinea dispute between the Netherlands and Indonesia? Recently there have been reports of displeasure from the Netherlands that proposals put forward by the United States were not fair to the Netherlands.

THE PRESIDENT. Well, I agree, I think everybody is displeased, really, with our role, because our role is an attempt—Ambassador Bunker's role has been, under the direction of U Thant, to try to see if we can bring some adjustment to prevent a military action which would be harmful to the interests of both countries, with which we desire to be friendly. So I suppose it's hard to think of any proposal that we could make which would be welcome on both sides.

I'm hopeful that if we can be useful, we'll continue to try to be. If both sides feel that we cannot be, then perhaps others can take on this assignment, or perhaps it can be done bilaterally. But I—Ambassador Bunker is a diplomat of long experience and great skill, and our only interest is to see if we can have a peaceful solution which we think is in the long-range interest of the free world, of our allies—with whom we're allied—the Dutch and the Indonesians, whom we would like to see stay free. So that the role of the mediator is not a happy one, and we're prepared to have everybody mad, if it makes some progress.

[11.] Q. Mr. President, in connection with the steel situation again, is there not action that could be taken by the executive branch in connection with direct procurement of steel under the administration of the Agency for International Aid—I mean the aid agency. For example I think the Government buys about a million tons of steel. Now, could not the Government decide that only steel—that steel should be purchased only at the price, say, of yesterday, rather than today?

THE PRESIDENT. That matter was considered, as a matter of fact, in a conversation between the Secretary of Defense and myself last evening. But at that time we were not aware that nearly the entire industry was about to come in, and therefore the amount of choice we have is somewhat limited.

Q. Sir, too, on this thing, in the case of identical bids which the Government is sometimes confronted with, they decide to choose the smaller business unit rather than the larger.

THE PRESIDENT. I'm hopeful that there will be those who will not participate in this parade and will meet the principle of the private enterprise competitive system in which every one tries to sell at the lowest price commensurate with their interests. And I'm hopeful that there will be some who will decide that they shouldn't go in the wake of U.S. Steel. But we have to wait and see on that, because they're coming in very fast.

Q. Mr. President, 2 years ago, after the settlement, I believe steel prices were not raised.

THE PRESIDENT. That is right.

Q. Do you think there was an element of political discrimination in the behavior of the industry this year?

THE PRESIDENT. I would not—and if there was, it doesn't really—if it was—if that was the purpose, that is comparatively unimportant to the damage that—the country is the one that suffers. If they do it in order to spite me, it really isn't so important.

Q. Mr. President, to carry a previous question just one step further, as a result of the emphasis that you placed on holding the price line, did any word or impression come to you from the negotiations that there would be no price increase under the type of agreement that was signed?

THE PRESIDENT. I will say that in our conversations that we asked no commitments in regard to the details of the agreement or in regard to any policies which the union or the company—our central thrust was that price stability was necessary and that the way to do it was to have a responsible agreement, which we got.

Now, at no time did anyone suggest that if such an agreement was gained that it would be still necessary to put up prices. That word did not come until last night.

[12.] Q. Mr. President, there has been a price increase in Cuba as well. Mr. Castro has increased the price that he's put on human life in the release or tentative release of the prisoners captured in the abortive invasion attempt last year. Would you comment on this, please?

THE PRESIDENT. Well, I think that all of us had hoped that the day when men were put on the block had long ago passed from this hemisphere. And it had from every country, until very recently in Cuba. I think Mr. Castro knows that the United States Government cannot engage in a negotiation like that, and he knows very well that the families cannot raise these millions of dollars. It's rather interesting, so what he has done really in effect is sentence them to 30 years in prison. It's rather interesting that Castro himself, when he engaged in an operation under a dictator whom we've been harshly critical of—that he was let out of prison after an open trial in 15 months. He regards for his own countrymen—not the countrymen who from his point of view may have been wrong, but who fought in the open, and who took their chances, and were young men—he regards the appropriate treatment for them and for thousands of other Cubans to be this long prison sentence of 30 years which, in my opinion, is why Mr. Castro is increasingly isolated in the company of free men.

[13.] Q. Mr. President, the steel industry is one of a half dozen which has been expecting tax benefits this summer through revision of the depreciation schedules. Does this price hike affect the administration's actions in this area?

THE PRESIDENT. Well, it affects our budget. Secretary Dillon and I discussed it this morning. Of course, all this matter is being very carefully looked into now.

[14.] Q. The Presidents of Mexico and of Brazil announced a principle of adherence to nonintervention between the Communist and the capitalist blocs. Does this accord with what President Goulart told you when he was here in Washington?

THE PRESIDENT. Yes. I haven't seen the joint statement, but I'm sure it does. I think we are bound together through the Organization of American States, and it's difficult to comment on a joint statement that I've not read, but I think President Goulart says the same in Mexico as he does in Washington.

[15.] Q. Mr. President, General Lemnitzer has recently conferred our Legion of Merit on a Japanese officer who apparently planned the Pearl Harbor attack. Can you think of any particular reason for this award?

THE PRESIDENT. Yes. The reason given was that he had been a distinguished officer of the Japanese Air Force; that his relations with the United States had been extremely cooperative. He was acting as a military officer. And I—I think that this kind of—the days of the war are over, and I thought that it was appropriate. He's a distinguished flyer, and while we all regret Pearl Harbor and everything else—but we are in a new era in our relations with Japan, fortunately.

[16.] Q. Sir, what are you going to do about the American soldiers getting killed in Viet-Nam?

THE PRESIDENT. Well, I'm extremely concerned about American soldiers who are in a great many areas in hazard. We are attempting to help Viet-Nam maintain its independence and not fall under the domination of the Communists. The Government has stated that it needs our assistance in doing it. It's very—and it presents a very hazardous operation, in the same sense that World War II, World War I, Korea—a good many thousands and hundreds of thousands of Americans died. So that these four sergeants are in that long roll. But we cannot desist in Viet-Nam. And I think that it is the fact that these men, operating very far from home, very far indeed from Saigon, under great danger—and there are many others—the fact of their contributions, as well as the Wisconsin and Texas National Guard, it is in that setting that I look at the present actions.

Reporter: Thank you, Mr. President.

NOTE: President Kennedy's thirtieth news conference was held in the State Department Auditorium at 3:30 o'clock on Wednesday afternoon, April 11, 1962.

140 Statement by the President on the Release of National Guard and Reserve Units. *April* 11, 1962

LAST SUMMER we found it necessary to respond rapidly to a rapid increase in the level of international tension. Our response was two-fold. First, we mobilized two National Guard divisions and associated Reserve units, 36 tactical fighter and troop carrier squadrons, and a number of ships and naval air squadrons. Reluctant as we were to disturb the lives and interrupt the careers of American citizens, we found it necessary to act as we did to protect the national security.

An equally important part of our response to the heightened Soviet threat was our decision, supported by the Congress and the American people, to increase the pace and size of our permanent buildup of nuclear and non-nuclear forces. At that time, we requested and obtained from the Congress an additional $3.5 billion to augment the two earlier supplements totalling $2.5 billion, which had previously been added to our military budget for fiscal 1962.

As soon as our $3.5 billion budget request was approved by the Congress, Secretary McNamara, at my direction, took steps to obtain the men and the arms required for the buildup, on an accelerated schedule. We set about organizing two additional regular divisions. These divisions will, by the end that we have made the historical record of our diplomacy available more promptly than any other nation in the world. The Department of State has the responsibility within the Executive Branch for putting out this permanent record in the series "Foreign Relations of the United States." The discharge of this responsibility requires the active collaboration of all departments and agencies of our Government in the submission and clearance of papers necessary for the completeness of this record.

In recent years the publication of the "Foreign Relations" series has fallen farther and farther behind currency. The lag has now reached approximately twenty years. I regard this as unfortunate and undesirable. It is the policy of this Administration to unfold the historical record as fast and as fully as is consistent with national security and with friendly relations with foreign nations.

Accordingly I herewith request all departments, agencies and libraries of the Government to collaborate actively and fully with the Department of State in its efforts to prepare and publish the record of our diplomacy. In my view, any official should have a clear and precise case involving the national interest before seeking to withhold from publication documents or papers fifteen or more years old.

Sincerely yours,

JOHN F. KENNEDY

NOTE: This is the text of identical letters addressed to Dean Rusk, Secretary of State, Robert S. McNamara, Secretary of Defense, C. Douglas Dillon, Secretary of the Treasury, and John L. Moore, Administrator of General Services.

354 Letter to Leaders of the Steel Industry on the Need for Price Stability. *September 7, 1961*

[Released September 7, 1961. Dated September 6, 1961]

Dear———:

I am taking this means of communicating to you, and to the chief executive officers of 11 other steel companies, my concern for stability of steel prices.

In the years preceding 1958, sharply rising steel prices and steel wages provided much of the impetus to a damaging inflation in the American economy. From the beginning of 1947 to the end of 1958, while industrial prices as a whole were rising 39 percent, steel mill product prices rose 120 percent. Steel wage rates also rose rapidly, causing employment costs per ton of steel to rise by about 85 percent. The international competitive position of American producers was impaired, and our balance of payments was weakened. Our iron and steel export prices from 1953 to 1958 rose 20 percent more than the export prices of our principal foreign competitors, and our share of world exports of iron and steel fell from 19 percent to 14 percent.

Since 1958, our price performance has substantially improved. Steel prices have been stable since 1958, as has the Wholesale Price Index. Industrial prices have not risen since 1959. The rise in consumer prices has been held within tolerable limits.

This record of price stability was purchased, however, at the cost of persistent unemployment and underutilized productive capacity. In the steel industry itself, the rate of utilization of capacity for the last three years has averaged under 65 percent. In consequence of our recent price experience, many persons have come to the conclusion that the United States can achieve price stability only by maintaining a substantial margin of unemployment and excess capacity and by accepting a slow rate of economic growth. This is a counsel of despair which we cannot accept.

For the last three years, we have not had to face the test of price behavior in a high-employment economy. This is the test which now lies ahead.

Under the collective bargaining contract signed in January 1960, steel industry wages and other employment costs will increase at the end of this month. The amount of the increase in employment costs per man-hour is difficult to measure in advance with precision. But it appears almost certain to be outweighed by the advance in productivity resulting from a combination of two factors—the steady long-term growth of output per man-hour, and the increasing rate of operations foreseen for the steel industry in the months ahead.

The Council of Economic Advisers has supplied me with estimates of steel industry profits after October 1, calculated on an assumption that prices are not increased. These estimates indicate that the steel industry will be earning 7 to 9 percent on net worth after taxes if the rate of operations is around 70 percent; 10 to 12 percent if the operating rate is at 80 percent; and 13 to 15 percent if the operating rate is at 90 percent. The steel industry, in short, can look forward to good profits without an increase in prices.

The owners of the iron and steel companies have fared well in recent years. Since 1947, iron and steel common stock prices have risen 393 percent; this is a much better performance than common stock prices in general. Likewise, dividends on iron and steel securities have risen from $235 million in 1947 to $648 million in the recession year of 1960, an increase of 176 percent.

A steel price increase in the months ahead could shatter the price stability which the country has now enjoyed for some time. In a letter to me on the impact of steel prices on defense costs, Secretary of Defense McNamara states: "A steel price increase of the order of $4 to $5 a ton, once its effects fanned out through the economy, would probably raise military procurement costs by $500 million per year or more."

Steel is a bellwether, as well as a major element in industrial costs. A rise in steel prices would force price increases in many industries and invite price increases in others. The consequences of such a development might be so grave—particularly on our balance of payments position—as to require the adoption of restrictive monetary and fiscal measures which would retard recovery, hold unemployment at intolerable levels, and hamper growth. The depressing effect of such measures on the steel industry's rate of operations might in the long run more than offset the profit-raising effect of a price increase.

In emphasizing the vital importance of steel prices to the strength of our economy, I do not wish to minimize the urgency of preventing inflationary movements in steel wages. I recognize, too, that the steel industry, by absorbing increases in employment costs since 1958, has demonstrated a will to halt the price-wage spiral in steel. If the industry were now to forego a price increase, it would enter collective bargaining negotiations next spring with a record of three and a half years of price stability. It would clearly then be the turn of the labor representatives to limit wage demands to a level consistent with continued price stability. The moral position of the steel industry next spring—and its claim to the support of public opinion—will be strengthened by the exercise of price restraint now.

I have written you at length because I believe that price stability in steel is essential if we are to maintain the economic vitality necessary to face confidently the trials and crises of our perilous world. Our economy has flourished in freedom; let us now demonstrate again that the responsible exercise of economic freedom serves the national welfare.

I am sure that the owners and managers of our nation's major steel companies share my conviction that the clear call of national interest must be heeded.

Sincerely,

JOHN F. KENNEDY

NOTE: This is the text of identical letters addressed to the following steel officials: Logan T. Johnston, President, Armco Steel Corporation; Arthur B. Homer, Chairman of the Board, Bethlehem Steel Corporation; Alwin F. Franz, President, Colorado Fuel and Iron Corporation; Joseph L. Block, Chairman of the Board, Inland Steel Company; Avery C. Adams, Chairman of the Board, Jones and Laughlin Steel Corporation; J. L. Ashby, President, Kaiser Steel Corporation; Merlin A. Cudlip, President, McLouth Steel Corporation; Thomas E. Millsop, Chairman of the Board, National Steel Corporation; Thomas F. Patton, President, Republic Steel Corporation; Roger M. Blough, Chairman of the Board, United States Steel Corporation; William A. Steele, Chairman of the Board, Wheeling Steel Corporation; and J. L. Mauthe, Chairman of the Board, Youngstown Sheet and Tube Company.

Several of the replies to the President's letter were made public by the White House on September 22.

See also Item 366.

355 Special Message to the Congress Transmitting Agreement With France for Cooperation on Uses of Atomic Energy for Mutual Defense. *September 7, 1961*

To the Congress of the United States:

For some time members of the North Atlantic Treaty Organization have been taking steps toward the introduction of the most modern weapons into NATO forces. Among these measures is the introduction into forces of our NATO Allies of weapons capable of delivering nuclear warheads. Such steps have been proceeding for some time following the considered judgment and agreement of the NATO Governments. The objective is to achieve the most effective pattern of NATO military defensive strength. In view of the well known purely defensive purposes of the Alliance, the introduction of modern weapons into NATO forces to take account of technological developments is in no way a cause for legitimate concern on the part of other countries.

Article III of the North Atlantic Treaty calls upon the members of the Alliance to maintain their capacities to resist armed attack through effective self-help and mutual aid. As part of its contribution to the strength of the Alliance, the United States has entered into a number of agreements through which we cooperate with NATO Allies in the uses of atomic energy for mutual defense purposes. These agreements have been concluded pursuant to the Atomic Energy Act of 1954, as amended. All of these agreements are designed to implement the NATO objectives for maintaining the most modern weapons and techniques in NATO forces.

We have just concluded an agreement with the Government of France which is essentially the same as agreements previously

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LABOR: For strikes effects not indexed here, see subhead World Ag 15. Labor–US, supply par Ja 19. US–Econ, misc sec Ja 18,19 in 1st Ja 17 par; production par Ja 19

LABOR: USWA and indus reprs to conf on unemployment, Washington, DC, Ja 1,36:4; conf plans; Human Relations Com set up by '60 pact to undertake study, Ja 4,18:2; USWA and indus agree on future confs; McDonald hails move; R C Cooper says he urged USWA attack on inadequate depreciation allowances for plant equipment under tax laws and on high costs, news conf, Ja 6,15:1; USWA keeps law firm left by A J Goldberg as its chief counsel, Ja 7,38:3; USWA-Kaiser Steel study com proposes pub participation in contract talks; McDonald, E F Kaiser comment, Ja 14,24:2

LABOR: Sec Mitchell minimizes '59-60 strike effects, comment on Labor Dept rept Collective Bargaining in the Basic Steel Indus: A Study of the Pub Interest and the Role of Govt; rept resulted from study headed by Prof Livernash; Livernash opposes early Govt intervention in negotiations, sees neutral 3d parties as more effective mediators, news conf, Ja 18,20:4; US Steel cuts supplemental unemployment benefits 7½%, Jan, Ja 25,20:1; ed lauds Kaiser Steel-USWA labor relations com set up after strike, Ja 25,32:2

LABOR: USWA not to seek cost-of-living rise due Dec '60 because of higher co-paid ins costs, F 11, 20:8; AISI repts employment down to 485,906, Dec; work wk avgd 32.8 hrs, F 14,51:2; McDonald seeks shorter work wk without pay cut, HR subcom; claims 29% of workers are jobless, Mr 9,22:7; Kaiser and USWA extend pact 1 yr, Mr 11,10:3; USWA asks indus to urge Cong action on unemployment, Ap 4, 23:4; AISI repts employment up to 484,286, Feb, for avg 35.9 hr wk, Ap 12,57:3; 491,925 workers employed, Mar, for avg 36.7 hr wk with total payroll at $298,129,884, My 9,53:2; workers recalled with rise in orders, My 13,23:2

LABOR: Labor Dept repts employment rose only 2%, Feb-Apr, despite 13% output rise; automation and longer worker hrs linked, Jl 5,46:7; AISI repts employment up to 518,641, May, Jl 7,32:3; R C Cooper says union holds advantage in collective bargaining, s, Mich U, Jl 15,25:3

LABOR: Allegheny Ludlum withdraws from Indus Coordinating Com, Jl 26,19:4; 532,282 employed in indus, June, Ag 8,44:4; some US Steel mgt employes to get 6% pay rise, Ag 16,13:1

LABOR: 6 univ economists stress importance of holding wage-price line now and in '62 contract talks, lr; urge USWA limit demands to job security and expansion, S 3,IV,8:4; **Kennedy urges USWA limit wage demands in '62 contract,** lr to 12 major cos, S 8,1:1; **text,** S 8,14:2; O Brubaker lr defends pay rise, S 10,IV,10:6; Bethlehem holds price stability depends largely on USWA wage demands, reply to Kennedy; 165 USWA members stage wildcat strike at Bethlehem mills, Lackawanna, NY, S 11, 16:1,2; **Kennedy requests USWA restrain wage demands** within limit of productivity rises and price stability, reply to D J McDonald lr pledging USWA cooperation in '62 contract talks, S 15,1:1

LABOR: ed on indus response to Kennedy call for restraint in contract demands, S 16,18:1

LABOR: wage rise in effect, 3d and last in current contract; will cost indus estimated $200 million, O 1,64:3; A H Raskin notes indus skepticism on Kennedy assurances on wage-price line; graphs of wages and prices compared with gen indus trends, '40-61, O 1,IV,6:1; McDonald charges US Steel delays cost-of-living wage adjustment, O 3,33:3; Sec Goldberg, defending Kennedy plea to cos, says Adm will 'speak with equal clarity' on wages; backs latest wage rise, O 3,35:3; US Steel workers get 1½¢-an-hr cost-of-living rise, O 7,47:4; problems raised by Kennedy appeal to keep any '62 wage rise 'within the limits of advances in productivity' discussed; differing versions of theory, problem of defining productivity noted, O 9,53:2

LABOR: NAACP files bias charges against Atlantic Steel (Atlanta) and USWA with Pres Com on Equal Employment Opportunity, N 30,31:1; Blough blames import-export imbalance on rising labor costs, D 10,47:1; Allegheny Ludlum Watervliet, NY, plant recalls 100 workers, D 14,22:1

LABOR: AISI exec vp Howell repts employment costs at record high; estimates '61 payroll at $3.8 billion, D 24,III,5:2; AISI repts 549,603 working, Oct; hrly payroll cost rose to record $3.548 ($4.05 including employe benefit costs), D 24,III,11:3; AISI issues booklet of indus statistics expected to be studied closely by USWA; pub denies tech advances have caused unemployment, notes over-all employment gain of 7%, '46-60, D 28,42:1

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ORE: See exports par Ag 11. Subhead World Je 26,29, S 25

ORE: Gt Lakes operators note depletion of Mesabi area mines changes trade pattern, Ja 19, 58:6; Iron Ore Assn pessimistic on outlook because of winter surplus stocks, F 19,V,13:1

ORE: Mesabi Iron repts US would not tax 2 trusts as corps if it transferred assets to them to avoid double tax on royalties from Reserve Mining under '60 pact, Mr 11,25:7; Gt Lakes fleet ind operators face new losses in view of US Steel ample inventories, Mr 13,57:5

ORE: Sec Goldberg on tour of Mesabi area finds indus depressed because of lack of high-grade ore; Gt Lakes shipping slump seen because of large inventories; illus, Mr 19,78:3; Mesabi iron transfer plan approved, Mr 31,44:3

ORE: Lake Superior indus reprs see outlook worst in 20 yrs, mainly due to oversupply and low operating rate, Ap 10,40:7; UN 1960 Statistical Year Book shows US 2d in world output with 32 million tons, '59, My 15,43:7

ORE: Minn Legis rejects ore mining indus proposal for Const amendment to provide tax equity for taconite processors; '61 ore shipments expected to total 40-45 million tons, 20-25% below '60, with taconite shipments near '60 level; illus, My 31,43:3

ORE: ICC rules carriers may continue to charge less for moving imported ore from Baltimore and Phila to interior mills than they charge from NYC to same points, Je 24,44:1; Amer Iron Ore Assn repts consumption down to 43,191,485 tons, Jan-June, Ag 2,33:5; Repub Steel to close mine, Lyon Mt, NY, Ag 30,52:4; Minn Gov Andersen support of, Dem-Farmer-Labor party opposition to Const amendment granting tax concessions for taconite mining discussed; party charges Andersen link with US Steel, O 29,64:4; Lake Carriers Assn repts 6,546,231 tons shipped on Gt Lakes, Nov, 5-yr high, D 24,V,12:8

PRICES: See scrap par; transportation par O 29

PRICES: Crucible Steel pres Hunter sees no rise in specialty steels, F 2,43:2; price rises to $33.50 a ton, Pittsburgh, F 17,44:6; indus execs see gen price rise but differ on time, My 21,III,1:3; see rise to offset rising costs, AISI conv, My 25,53:1

PRICES: copper-clad strip steel raised 1.4-2% by Superior Steel div; stainless strip cut 2½-5% by Allegheny Ludlum and Jones & Laughlin, Je 1,55:5; stainless strip and sheets cut by US Steel and Crucible Steel, Je 2,40:1; by Armco Steel, Je 7, 65:3; US Steel withdraws price list on reinforcing bars because of cuts by small producers; no other cuts seen by indus reprs, Je 14,11:1

PRICES: Allegheny Ludlum Steel cuts prices on some stainless sheet products; Inland Steel withdraws list on concrete reinforcing bars, Je 16,45:1; US Steel subsidiary withdraws list on some semi-finished products, Je 24,24:6; indus execs agree on need for rise; say recent cuts affected only small part of total shipments, Je 25,III,1:3

PRICES: L T Johnston sees recent cuts having no effect on major products prices, Jl 4,23:1

PRICES: Hawkridge Bros offers combination pricing for hot rolled, cold finished carbon steel and alloys, Ag 2,33:5; Central Steel & Wire cuts price of warehouse galvanized sheet, Chicago, Ag 3,34:2; Sen Kefauver hints at Sen subcom probe of indus if prices rise, TV int, Ag 14,13:6; Chicago Steel Service cuts price of stainless steel sheet and sheet coil steel products, Ag 15,37:2

PRICES: 9 Dem Sens map attack on possible rise, Oct, on ground it would be unjustified and inflationary, Ag 22,37:1; Sen Gore urges Pres Kennedy bar rise by breaking up large cos to restore competition or control prices if 'moral persuasion' fails; Sens Douglas and Clark concur, Ag 23,43:6; ed, Ag 24,28:1; Gore defends Sen debate, lr; opposes rise as inflationary, Ag 27,IV,10:4; Sens Dirksen and Javits plan rebuttal, Ag 28,33:2; Kennedy urges indus hold line, news conf, Ag 31,1:8; transcript, Ag 31,10:5,7; lr on ed, Ag 31,26:5

PRICES: 6 univ economists stress importance of holding wage-price line, lr, S 3,IV,8:4; Pres Econ Advisers Council holds indus can earn good profit without higher prices as productivity rise offsets wages, S 5,52:3; **Kennedy warns indus against price rise,** lr to 12 major cos; again asserts indus can make 'good profits' without rise; Sens Dirksen, Javits and Bennett debate Dem attack on rise, S 8,1:1; Kennedy **text,** S 8,14:2; correction, S 9, 45:2; article on gen econ effects of steel prices, S 8,15:1; ed; lr on issue, S 8,30:1,6; Adm officials hold private talks with indus leaders; indus seen rejecting Adm view of profits, S 9,45:1,2; A H Raskin notes Adm efforts to bar price rise precludes controls, S 10,IV,8:1; Bethlehem holds stability depends largely on wage demands, reply to Kennedy lr, S 11,16:1; **US Steel chmn Blough replies to Kennedy;** denies profits and prices cause inflation; gives arguments for raising prices; disputes Adm estimates of profits, S 14,1:1; **text,** S 14,18:1

PRICES: ed on indus response to Kennedy plea for restraint, S 16,18:1; doubt within indus of gen price rise, belief that any rises will be ltd and selective discussed; views mixed on effect of Kennedy plea, S 17,III,1:1; lr protests his stand as free enterprise threat, S 21,34:4; Colo Fuel & Iron pres A F Franz urges Govt aid 'little steel,' reply to Kennedy plea; cites indus financial losses, S 21, 40:6; White House releases lrs from 7 cos rejecting plea, S 23,1:3; Kennedy confs with US Steel chmn Blough, White House, S 24,1:2; Franz appeal discussed, S 24,III,1:1; ed sees aluminum price cut by Alcoa affecting steel indus decision on prices, S 24,IV,10:2; steel producers face ferroalloy price rises, S 30,31:2

PRICES: A H Raskin article on likelihood of averting gen price rise; indus skepticism on Kennedy assurances he will seek to hold wage-price line noted; graphs of prices and wages compared with gen indus trends, '40-61, O 1,IV,6:1; R T Harvey blames pressure for rise on Adm inflationary policies, lr on Sept 8 ed, O 2,30:6; Sec Goldberg defends Kennedy call for stabilization, O 3,35:3; A B Homer, in oblique ref to Kennedy plea, urges concern for profits as well as prices, O 10,57:6; Allegheny Ludlum cuts 2 grades of special alloy steel, O 10,68:4; Kennedy hopeful cos will make judgment on prices consistent with pub interest, news conf; transcript, O 12,20:8

PRICES: Goldberg defends Kennedy call for restraint, s, Chicago, O 21,8:5

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PRODUCTION, SUPPLY AND DISTRIBUTION: See expansion, ore and structural steel pars

PRODUCTION, SUPPLY AND DISTRIBUTION: US Steel pres Blough sees early output rise, Ja 1 36:4; indus leaders wary on '61 outlook; excerpts; graph shows '60 output, Ja 1,III,1:2; AISI wkly repts on operations as percentage of capacity discontinued, Ja 2,31:2; AISI repts indus operated at 38.6% of capacity, wk, non-strike period low since July 25 '38, Ja 4,43:6; L T Johnston sees inventory cuts ending soon with '61 output at 100-105 million tons, Ja 7,23:1; **'60 rev;** slump seen continuing into '61, Ja 9,41:4; AISI repts '60 output at 99,277,760 tons, 6th biggest annual figure; indus operated at 66.8% of capacity; graph shows US share of world output, '30-60, Ja 13,39:3; slight upward trend seen as some workers are recalled, furnaces started, Ja 14,16:6

PRODUCTION, SUPPLY AND DISTRIBUTION: AISI repts blast furnace output at 67,320,129 tons, '60, 10.8% over '59, Ja 25,48:6; comment on Bethlehem Steel efficiency program to cut output costs; illus, F 14,51:4

PRODUCTION, SUPPLY AND DISTRIBUTION: indus beset by air pollution problems resulting from use of oxygen furnaces; illus, F 17,37:5; comment on weak mkt for stainless steel despite earlier optimism; 579,000 tons shipped, '60, 45,000 under '59; indus bid for new mkts described; illus, F 19, III,1:7; AISI repts 1,524,000 tons of steel produced, wk, 8-mo high; indus operating at 54% of capacity, F 21,49:6; 1,582,000 tons produced, wk, F 28,45:3

PRODUCTION, SUPPLY AND DISTRIBUTION: some cos see demand rise; some cut output, Mr 4,27:6

PRODUCTION, SUPPLY AND DISTRIBUTION: **Sec Goldberg shocked that USSR output equaled or exceeded that of US with total 19 million tons, 4th qr, '60,** s, Duluth, Minn, Mr 16,19:1; Battle Line (pub) disputes data, Mr 18,10:2; Colo Fuel & Iron pres Franz asks Pres Kennedy to re-establish 25% differential on bids for Govt contracts to cut foreign competition, Mr 28,51:3; Repub Steel pres Patton sees upturn, 2d qr, Mr 31,35:3

PRODUCTION, SUPPLY AND DISTRIBUTION: indus officials see sharp rise in productivity possible with new process to inject fuel oil or gas into blast furnaces, Ap 2,III,1:2; Bethlehem Steel to open 2 more open-hearth furnaces, Sparrows Pt plant, Ap 6,52:7; graph shows US share of world output, '59, Ap 9,IV,3:7; AISI repts output up to 19,740,102 tons, 1st qr, Ap 12,57:3

PRODUCTION, SUPPLY AND DISTRIBUTION: AISI repts output at 1,748,000 tons, wk, 60% of capacity; graph shows wkly output, Jan '60-Apr '61, Ap 18,51:2; mfrs relighting furnaces, Ap 22,29:8; USSR 1st qr output 1 million tons less than US, Ap 30,15:3; Bethlehem relights 5 furnaces, Buffalo, Ap 30,44:2; indus execs see better outlook after poor 1st qr; illus, Ap 30,III,1:2

PRODUCTION, SUPPLY AND DISTRIBUTION: AISI repts output at 1,858,000 tons, wk, 64% of capacity; Bethlehem reactivates 5 open hearth furnaces, Lackawanna plant, My 2,51:1; AISI repts output at 1,943,000 tons, wk, 66% of capacity, My 9,53:2; Fed Reserve Bd repts output up 15%, Apr, My 13,1:8; rise in orders, My 13,23:2; UN 1960 Statistical Yr Bk shows US largest producer with 85 million tons in '59, My 15,43:7

PRODUCTION, SUPPLY AND DISTRIBUTION: R G Welch repts sales vol at steel service centers, 1st qr, 12% over '60 level, s, Steel Service Center Inst, My 18,50:2; Commerce Dept repts output down to 19.7 million tons, 1st qr, My 19,40:3; AISI repts output at 2,037,000 tons, wk, 70% of capacity, 1st time in yr over 2 million; graph shows wkly output, Feb '60-May '61, My 23,55:2; indus execs fairly optimistic on outlook to June '62, AISI conv, My 25,53:1

PRODUCTION, SUPPLY AND DISTRIBUTION: H C Lumb sees steady output rise to 2.2 million tons wkly in 4th qr and 100 million tons for yr, s, Natl Coal Assn, Je 8,55:1; Bethlehem pours 535-lb vacuum-cast ingot, largest ever produced; illus, Je 22,41:4

PRODUCTION, SUPPLY AND DISTRIBUTION: graph shows output, Jan '60-June '61, Jl 2,III,1:4; graphs compare output with that of USSR and world, Jl 2,IV,3:4; graph on output, Apr '60-July '61, Jl 11, 41:3; AISI repts 44,857,804 tons of ingots cast, Jan-June, 26.2% below '60 period, Jl 14,29:2

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wk-end recess, Mr 24,14:2; **agreement reached on 2-yr contract calling for fringe benefits in 1st yr worth about 10¢ an hr but no gen wage rise,** wage reopening at end of 1st yr; terms well within limits suggested by Govt for noninflationary settlement, Mr 29,1:8; Kennedy hails pact, news conf, Mr 30, 16:1; transcript, Mr 30,12:1,4; ed; A Krock sees Adm role justifying belief of many voters in '60 election that Kennedy would be more able than Nixon to deal with labor, Mr 30,32:1,4; rank-and-file opposition to strike seen major factor in early accord, Mr 31,52:1

LABOR: **indus and USWA ratify pact; Pres Kennedy hails settlement, message to both sides; holds it non-inflationary;** terms include no pay rise for 1st yr, new savings and vacation plan, protection against short work wks, pension and seniority plan improvements, Ap 1,1:1; results of contract talks since World War II, Ap 1,55:5; ed on settlement, Ap 1,IV,11:3; pact seen consol McDonald position in USWA; J R Hoffa terms it wage-freezing pol maneuver of Adm, Ap 2,21:2; ed sees it improving labor relations, Ap 2,30:2; major cos sign, Ap 7,10:1; speculation on output cuts result, Ap 8,62:5; pact raises hope of early settlements in other metal industries, Ap 8,III,1:1; **Kennedy scores $6-a-ton price rise announced by US Steel and other major cos as breach of new 'non-inflationary' contract,** news conf, Ap 12,1:1; **transcript; illus,** Ap 12,20:1 **(see also prices pars Ap 11ff);** ed sees indus move opening USWA leadership to criticism by militant rank-and-file for agreeing to 'cheap' settlement, Ap 12,34:1; AISI repts 566,028 employed, Feb, high since June '60, Ap 15,III,15:1

LABOR: Goldberg sees 'long period of peace' as result of price-dispute settlement, s, NYC, My 1, 17:5; AISI repts 569,223 employed, Mar, 22-mo high, My 20,III,10:3; Bethlehem recalls 750, Steelton, Pa, Je 12,42:6; Armco signs 2-yr pact with Employes Ind Fed; Je 23,9:1; AISI payroll rept, Apr, Je 24, III,12:6; Atty Gen Kennedy repts Pres Com on Equal Employment Opportunity won pact to end bias at Tenn Coal & Iron, Birmingham, Ala, Jl 27,9:5; Goldberg sees noninflationary pact major Adm achievement, Ag 3,8:6; Labor Dept repts employment down, Apr-July; links inventory build-up in spring and increasing automation, Ag 11,28:5; AISI repts labor force at 515,043, June, 24,736 below May; other data, Ag 26,III,8:4; USWA strikes 3 Universal-Cyclops plants, Pittsburgh area, S 2,40:5

LABOR: USWA leaders complain that Kennedy and Cong fail to cut work wk to curb unemployment, rept to USWA conv; hail improved relations with mgt, S 17,1:5; conv backs shorter work wk; McDonald urges 4-day, 32-hr wk, S 20,22:1; AISI July payroll rept, S 22,31:2; Buffalo Steel Corp to suspend unless USWA approves wage cut, S 29,15:3

LABOR: NAACP charges USWA Atlanta, Ga, local with bias, Atlantic Steel Co; union denial, O 17,22:1; NAACP asks NLRB to decertify local, O 31,13:1; McDonald pledges USWA drive for shorter work wk with no loss of pay to cut unemployment, O 27,28:6

LABOR: AISI Aug payroll rept, N 4,III,14:5; G Meany scores NAACP bias charges, N 10,13:6; NLRB rejects charges, N 15,37:1; US Steel to lay off some supervisors, Fairless plant, in systemwide cutback, N 19,52:2; AISI-Sept payroll rept, N 25,III,10:7

LABOR: **Kaiser Steel and USWA weigh unprecedented plan by which workers would share gains from productivity rise under set formula and would, at same time, get guarantee against lay-offs due to automation or other tech changes;** E F Kaiser explains plan to Pres Kennedy but concedes to USWA request not to pub details till plan is explained to workers at Fontana, Calif, plant; plan was drafted by subcom of co's long-range com est during '60 dispute; seen based on formula for computing savings in output, material and labor costs; other details; Kaiser illus with Kennedy, D 14,1:1; workers at Fontana plant start weighing plan, D 19,4:5; McDonald hails '62 gains; bars comment on '63 demands, D 27,9:5

ORE: US Steel Oliver mining div to cut prices about 7%, Apr 1, Ja 25,39:1

ORE: NY Port Auth and Erie-Lackawanna RR sue, special 3-judge Fed ct, to reverse ICC June '61 ruling allowing lower rates for moving imported ore from Baltimore and Phila to interior mills than from NYC, My 1,74:5

ORE: 65 Gt Lakes carriers tied up, may remain inactive during entire '62 shipping season, Jl 2, 50:6; Amer Iron Ore Assn repts mining and shipping operations cut, Aug, Ag 26,III,1:8; Hanna Mining to close Cannon Iron, Mich, mine; Repub Steel to suspend operations, Lyon Mt, NY, Ag 29,40:4

ORE: Inland to close depleted Greenwood mine, Ishpeming, Mich, N 17,33:3; Oliver Iron Mining to close Soudan mine, Minn, D 2,III,7:4

PRICES See ore par Ja 25; scrap and structural pars

PRICES; Dr Means urges labor and mgt agree on substantial price cut, Cong Econ Com; urges 1-yr moratorium on price rise and relating later rises to indus productivity as recommended in Pres Econ Rept, F 3,31:1

PRICES: **US Steel announces avg $6-a-ton rise effective at once as 'catch-up' adjustment covering output and labor costs increases since '58;** repts rise will affect all principal items including those of its Amer Steel & Wire, Natl Tube and Tenn Coal & Iron Divs; pres Worthington explains move; USWA pres McDonald concerned; denies prices were discussed in pact talks; sees rise unwarranted, holds labor costs have declined since '58, Ap 11,1:8; **US Steel statement text,** Ap 11,28:2; **Pres Kennedy infuriated,** reptdly regards move as unjustified and as deliberate affront to Adm; some Washington sources see Kennedy attitude toward business community and his gen econ policies affected; Justice Dept weighs action; Sen Kefauver pledges subcom probe; indus surprised by announcement but some major cos indicate agreement, Ap 11,1:5; auto indus reaction, Ap 11,28:3; **Kennedy accuses cos of 'irresponsible defiance of pub interest and ruthless disregard of natl obligation,'** news conf; contrasts action with sacrifices required of Amers; discusses impact on econ; sees breach of USWA contract; repts Defense Dept and other agencies rev impact on procurement policies; sees US trade position harmed; notes indus earnings since '58; holds rise unjustified because of greater productivity, decline in materials costs and relative stability of labor costs since '58; stresses indus and labor rights to free decisions on prices and wages except in cases of monopoly, Ap 12,1:1; **transcript;** illus, Ap 12,20:1, 2,4,5; Pres unaware of rise until handed press release by chmn Blough at White House; his reaction described; Chmn Dixon repts FTC studies rise as possible violation of '51 consent order barring collusive price-fixing; Repr Celler repts his subcom sets hearings, Ap 12,1:2; **Bethlehem, Repub, Jones & Laughlin, Youngstown and Wheeling raise prices;** other major cos weigh move; McDonald denies labor costs cause rise, Ap 12,1:3; charts compare wages, prices and Consumer Price Index, '50-61; economists divided on rise effects; J Reston on Kennedy reaction to rise and likely effects on Adm-business relations, Ap 12,21:2,3,6; US indus reaction, Ap 12, 22:1; ed scores rise; A Krock sees indus move declaration of pol war against Adm; sees indus highly vulnerable, Ap 12,34:1,4; stock mkt reaction, Ap 12, 49:8; Ap 13,49:8; **Blough defends rise as move to strengthen US indus assets,** news conf; stresses cos right to set prices; denies pol; denies rise warrants further Govt regulation of indus; holds US Steel 1st qr profits 'far from satisfactory'; sees rise increasing defense costs by $20 million, not $1 billion as estimated by Kennedy; says US Steel stand could become 'very difficult' if any major cos refuse to raise prices; confirms rept that some co records were subpoenaed; illus; Admiral Corp pres Siragusa and Amer Maritime Assn pres Harrison regret rise; White House silent on Blough, Ap 13, 1:6; **Blough transcript,** Ap 13,p18; **Atty Gen Kennedy orders grand jury probe** of possible Sherman Antitrust Act violation; subpoenas some US Steel records; FBI agents awaken newsmen to query them on statement attributed to Bethlehem pres Martin opposing price rise; Bethlehem claims misquoting; Kennedy meets with Cabinet officials and other aides; officials stress rise impact on mil and econ foreign aid programs, Sen com; Sen Dirksen and Repr Halleck deny Kennedy charge that rise is inflationary, news conf; illus; Jones & Laughlin repr repts co subpoenaed for 'certain information,' Ap 13,1:8; Blough sees little effect on cost of most items; gives examples; Natl and Pittsburgh raise prices; dispute seen inflaming Govt-business antagonism Kennedy sought to ease; indus leaders defend rise; Reprs Van Zandt and Scranton urge US Steel cancel rise, wire to Blough; US Steel repts rise applies only to domestic shipments; W P Reuther backs Kennedy, is urging creation of price bd to hear major industries bids for price rises, Ap 13, 19:4-8; Sec Hodges fears inflationary spiral, ints, Phila and NYC; says Kennedy and pub felt new contract made price rise unnecessary; disputes Blough; survey of ed opinion on rise and Pres Kennedy criticism of it; rise seen hurting Adm ability to persuade other unions to moderate contract demands; Sec Goldberg reptdly fears it will impair his position with unions; antitrust suits against US Steel since '07 recalled; defective cable blacked out part of Blough news conf telecast, Ap 13,20:3,4,7,8; H S Truman backs Kennedy, Ap 13,23:6; ed disputes Blough; Reston comment; Krock on widespread effects likely in protracted Govt-indus struggle; says 1 major co's refusal to raise prices could break indus ranks, Ap 13,34:1,3,4; **US Steel rescinds price rise after Inland and Kaiser refuse to raise prices and Bethlehem cancels rise; all major cos except Wheeling rescind;** Kennedy hails moves; pressures by Adm discussed, including Sec McNamara order to channel defense contracts to cos that had not raised prices, Ap 14,1:3; events leading up to break and reaction discussed; Inland chmn Block refusal to raise prices seen key factor; Worthington links rescission to 'competitive developments' and

'removal of serious obstacle to Govt-business relations,' Ap 14,1:4; McNamara conf with Pres Kennedy illus; text of his order on channeling defense contracts; latest Defense Dept order by-passes US Steel; **chronology of events from start of contract talks;** McDonald hails rescission, Ap 14,10:2-4,8; ed, Ap 14,24:1; Kennedy victory seen bolstering Adm; **Wheeling rescinds rise;** Justice Dept and Cong subcoms continue probes; Sen Gore plans 3 bills to curb prices and profits in 'monopoly-controlled industries'; AFL-CIO pres Meany hails rescission; Gen Eisenhower and Halleck silent; Dirksen opposes Gore bills; Repr B Wilson urges probe of Adm pressures; Repub leaders dispute Adm leaders claim that Kennedy victory will aid Dems in Cong elections, Ap 15,1:8; Sen Goldwater says Adm used 'police state' tactics; regrets rescission, Ap 15, 49:2; victory seen qualifying Kennedy for status as 'strong' Pres, Ap 15,54:1; graph of prices, '50-61, Ap 15,III,1:7; dispute revd, Ap 15,IV,1:1; speculation on effects of Adm action on its gen relationship with business; cartoons; graphs comparing prices, wages and productivity within indus, comparing indus wages with those of other industries and comparing prices with those of all commodities, '47-61; fear of inflation seen major Adm motive in forcing price rescission; cartoons, Ap 15,IV,3:1,4,6; ed on Adm victory; Reston on courses now open to Adm, Ap 15,IV,10:1,4; Krock discusses events leading to price rise, Adm action and lessons to be drawn from them; cartoons, Ap 15,IV,11:1 **(for material on Govt-indus and Govt-labor relations generally, linked to of prompted by dispute over price rise, see** Labor–US, misc sec Ap 16 par, My 1 par, My 17 par, Je 17; wages pars Ap 24,27,28, My 2-4,7-9,11,13,15. US–Econ, misc sec 2d Ap 16 par, My 1 par, O 20,21; prices pars Ap 17,19,24,25,27-29, My 1ff)

PRICES: Brazilians hail Kennedy victory, Ap 16, 19:1; ed sees it improving econ balance among labor, mgt, pub and Govt, Ap 16,28:2; R Frost hails Kennedy victory, int, NYC, Ap 16,34:5; Gov Rockefeller holds crisis unfortunate, reply to query on Kennedy's action, Ap 17,1:3; Adm reptdly will ease pressures against indus to improve Govt-business relations; may relax grand jury probe of pricing practices; Dems may ease Cong demands for antitrust probe; Sen Humphrey urges Pres name 'blue ribbon' com for non-pol study of indus econ problems and practices; Sen Dirksen backs plan; urges 'less punitive spirit' in Govt; Sen Gore offers 3 bills to curb gen price rises in basic industries; Kefauver still plans probe; Fed grand jury, NYC, begins probe of major cos operations, Ap 17,1:4; Sen Goldwater charges Kennedy seeks to socialize US indus, s, Repub Women's conf, Ap 17,21:4; A Krock sees unions immune from legal sanctions and pressures that Adm can exert on industries, Ap 17, 34:4; **Blough calls at White House;** Adm spokesman terms talks useful and cordial, Ap 18,1:8; Reprs Ford and Laird charge McNamara violated laws in bypassing US Steel on defense contract; Sen Javits charges Adm used Justice Dept and FBI in 'punitive way'; hails price rescission, Ap 18,22:6,7; J Reston on Kennedy Adm dissatisfaction with collective bargaining process and efforts to change it as factor in dispute, Ap 18,38:3; **Kennedy says Adm has no animosity toward indus, news conf;** holds indus prosperity vital to natl goals; says Adm had not asked assurances on prices; says grand jury probe will continue; hopes Adm victory will aid passage of legis programs; denies he set steel prices, holds pub interest and competition forced rescission; comments on FBI calling newsmen; says he realizes indus need for profits, modernization and investment capital; says US Steel and other steel stockholders have fared well, Ap 19,1:1; **transcript;** comments on ways future price rises should be reached and on whether he would move as sharply against unions making excessive wage demands, Ap 19,p16; McNamara denies he violated law; holds it would have been violation of competitive bidding policy to award contract to US Steel after it raised price; economist A Rees says it would be better to split up US Steel than to let Govt dictate policies; Rockefeller terms price rise, rescission and Kennedy action 'very sad proposition,' int; Reston on Kennedy conciliatory mood at news conf, Ap 19,17:1,2; ed hails his attitude; Krock on Kennedy evading news conf query on whether he would move as sharply against a union; lrs on rise and Adm action, Ap 19,30:2,4,5; **Repub Cong leaders issue statement charging Kennedy with 'punitive, heavy-handed and frightening use of naked pol power'** in 9 actions he took during crisis; **Dem leaders reply, statement,** Ap 20,1:1; **statements texts;** US C of C pres-elect Plumley says Govt action has upset US business men and investors, news conf, Ap 20,12:3; ed regrets Repub attack; Reston sees it hurting Repubs, Ap 20,26:2,3; Evangelist (RC pub) says Kennedy must take same stand toward excessive labor demands, Ap 21,8:6; Dem Natl Chmn Bailey scores Repubs, Ap 22,38:3; comment on Kennedy-indus differences over methods for improving US facilities for competing in world mkts, Ap 22,IV,7:1; lrs on crisis and Adm actions, Ap 22, IV,10:5; Krock sees Repub attack failing, Ap 22, IV,11:1; **detailed 72-hr chronology of events from price rise announcement to rescission reveals Kennedy said 'My father always told me that business men were sons of bitches, but I never believed it till now,' Ap 23,1:4;** ed, Ap 23,28:2; newspaper publishers and execs find Kennedy gained pub stature, Ap 25,1:5; Steel Magazine ed Campbell sees rise inevitable, TV, Ap 25,39:5; M Smith says inflationary demand by big union will be bigger test of Kennedy mettle, s, UPI Regional Editors and Publishers Assn; Atty Gen Kennedy notes gibes about FBI agents awakening newsmen, s, AP luncheon; text, Ap 24,20:1,2; lr on Apr 14 ed scores Kennedy action, Ap 24,36:6; US Steel declares regular qrly divd, Ap 25,1:2; Sec Hodges says Govt would intervene only in basic industries, news conf; discounts crisis impact on Govt-indus relations, Ap 25, 21:3; Kennedy confused USSR by refuting contention that monopolies dominate US, Ap 26,15:1; ed on US Steel divd declaration; letter on Apr 16 ed, Ap 26, 32:1,6; Crucible Steel pres Hunter doubts gen rise in stainless steel prices; Inland pres Block sees Kennedy actions 'subject to individual criticism,' Ap 26,43:4,5; J E Wolfe urges Kennedy extend anti-inflation policy to non-operating rr employes, Ap 27, 1:6; **US Steel, Bethlehem, Erie Forge & Steel Corp, Midvale-Heppenstall and Open Die Forging Inst indicted for violating antitrust law by conspiring to fix prices and rig bids in sale of forged items to Army, USN, elec cos and others; execs E Gurney, R S Barnes, E Long, H Lackey and R B Heppenstall Sr also indicted;** Govt officials deny link to rise, rept jury began hearings Dec '61; US Steel and Bethlehem reprs deny charges, statements, Ap 27,1:8; Prof Hansen lr on Krock Apr 17 comment, Ap 27, 34:6; Bethlehem pres Homer denies rise conflicted with natl econ interest, press conf; links rescission to competitive situation which he sees as only bar to future rise; urges major effort to improve Govt-indus relations, Ap 27,49:4; AFL-CIO Exec Council backs Kennedy; Govt weighs civil antitrust suit against cos, Cong calm, Ap 28,12:5-7; ed holds indictments timing unfortunate, Ap 28,24:2; Allegheny Ludlum pres Hanley scores Adm intervention, stockholders meeting; Ap 28,29:5; comment on indictments; graph compares major cos profits, '57-61, Ap 29,IV,2:3; businessmen found generally critical of Adm intervention and means used to effect rescission, Ap 29,IV,8:1; lr backs Adm action, Ap 29, IV,10:6; Prof Berle article on indus and labor responsibilities to natl interest and Govt obligation to enforce them; illus, Ap 29,VI,p7; Adm econ arguments against recent price rise detailed, Ap 30,39:8

PRICES: Pres Kennedy hopes price rise episode is turning point toward better Govt-indus relations, s, US C of C, My 1,1:8; text, My 1,16:2; Sec Goldberg sees it leading to 'long period of peace,' s, NYC, My 1,17:5; Lukens pres Huston suggests liberalized equipment-depreciation allowances to eliminate need for price rise, My 1,51:3; C B Randall discusses pub reaction to rise, s, US C of C, My 2,1:7; World (newspaper) distributes to C of C delegates copies of May 8 issue noting Times (Apr 23,25:1) rept of Pres Kennedy ref to business men as sons-of-bitches; White House repr denies he referred to all business men, My 2,18:3; lr on Apr 24 lr scoring Kennedy, My 3,32:5; US Steel reiterates position on price rise, TV commercial, My 3,67:1; Gov Rockefeller criticizes Kennedy, My 5,28:4; Ryerson cuts cold rolled sheet prices $7 a ton, Midwest, My 5,31:2; Sen Goldwater scores Kennedy, My 8,50:8; Blough urges Govt-indus amity, US Steel stockholders meeting; defends price rise bid; opposes Govt-imposed price controls, My 8,51:1; Kennedy denies remark applied to all business men, news conf; hopes Govt-indus relations are improved; implies father used epithet to describe some steel officials in '37; transcript, My 10,1:3; Prof Eckstein holds divd cut rather than price rise best source of capital for modernization, lr, My 10,36:5; Repub pres Patton says co must raise prices as soon as competitive factors permit, annual meeting; scores Adm tactics, My 10,51:1; H S Truman backs Kennedy, int, NYC, My 11,18:4; 4 cos, Open Die Forging Inst and 4 execs deny antitrust charges; 5th exec ill, My 11,39:6; article on Blough and Patton urging stockholders to protest Adm action, My 13, III,13:4; Prof Holton queries indus claim that price rise is needed for modernization, lr, My 13,IV,10:5

PRICES: US C of C pres Plumley sees Govt-indus tension easing, My 19,1:2; Adm action scored by R M Nixon, My 19,12:2; by Prof Weintraub, lr, My 20, IV,8:5; by Pittsburgh Steel pres Maxwell and Sen Goldwater, ss, AISI, My 25,43:1; US Steel rebuts Adm arguments against rise, My 28,41:5

PRICES: **Prof Eckstein backs Prof Weintraub views on crisis,** lr, Je 4,28:6; Blough denies bitterness toward Adm, press conf, Je 5,55:5; US C of C pres Plumley holds Adm action partly responsible for stock mkt break, s, NYS C of C, Je 8,39:1; Atty Gen Kennedy defends Adm, luncheon with 12 indus leaders, Je 14,27:8; A Krock compares Kennedy action with his stand in Flight Engineers strike threat, Je 15,26:4; Central Steel & Wire cuts some items $20 a ton, Je 15,40:7

PRICES: J Reston likens Kennedy action on steel price rise to that taken in Flight Engineers strike, Je 17,IV,12:4; A M Byers Co to raise wrought iron prices 10%, Je 23,27:2; **Justice Dept subpoenas phone and expense acct records of execs in 6 major cos as part of price-fixing probe;** reptdly seeks to learn if execs were in same cities on same dates, Je 26,1:6; Atty Gen Kennedy silent, Je 23, 50:3; records of 2 more cos subpoenaed, Je 27,21:2; ed, Je 28,30:2; Allegheny Ludlum cuts stainless and plate about 5%, Je 30,23:5

PRICES: ed sees mkt decline and recently-announced price cuts indications that controversial price rise could not have been sustained, Jl 17, 24:2; Govt wkly price index falls 1/10 of 1%, Jl 21, 24:3; Sen Kefauver rejects Bethlehem plea that it not be required to file mfg cost data with subcom because secrecy is vital to competitive position; cites US Steel willingness to provide data, Jl 26, 28:1

PRICES: Hodges backs Kennedy action in Apr controversy despite personal opposition to Govt interference in business, TV int, Ag 6,29:5; Gen Eisenhower scores action, Sat Evening Post article, Ag 7,16:7; Kefauver plans contempt action against Bethlehem, Repub, Natl and Armco for refusal to give subcom data on mfg costs; agrees to let 8 complying cos withhold data until dispute is resolved; cos explain refusal, lrs to subcom, Ag 15,1:1

PRICES: Inland pub lr to Sen subcom disputing its right to cost data but agreeing to furnish data if ordered by Sen or ct, Ag 18,11:6; subcom to issue '2d chance' subpoenas to 4 cos that refused to submit data, Ag 22,22:3; A C Adams says Kennedy erred in saying cos would realize good profits without price rise; cites Repub Steel qrly divd cut, Ag 23,37:7; J L Block and G A Roberts see rise needed, Ag 28,42:3; **Bethlehem, Armco, Natl and Repub execs refuse to submit subpoenaed data or to appear at subcom hearing, messages to Kefauver;** he warns of contempt action, Ag 31,1:7

PRICES: Sen subcom urges contempt citations against Bethlehem, Repub, Natl and Armco and their 9 principal officers; Kefauver scores officials, Sen Dirksen defends them, S 1,1:1; Sen com decision on pressing contempt proceedings seen hinging on Southern Dems, S 2,1:2; com sets hearing, S 8, 9:4; comment on dispute; cos arguments on need for data secrecy detailed, S 9,III,1:4; execs of 4 cos testify, com; hold revealing of cost data would cause them serious damage, particularly from foreign competition; illus; com majority seen sympathetic, S 13,1:5; US Steel, Bethlehem and Erie Forge & Steel Corp and 2 of its execs ask to plead no contest, Fed Ct, to antitrust indictments for fixing prices and rigging bids in sale of forged items, S 13,30:3; Open Die Forging Inst asks to plead no contest, S 14,22:2

PRICES: Fed Judge Dawson disqualifies self from hearing motions in price-fixing case against Bethlehem, US Steel, Erie Forge and Midvale-Heppenstall because he is Bethlehem stockholder, S 18, 15:5; **Sen Judiciary Com rejects subcom request for contempt citations against 4 cos that refused to submit cost and mfg data,** S 26,52:2; 5 execs plead no contest, price-fixing case; decision reserved on cos applications for similar pleas, S 29,6:5

PRICES: Prof Commager contrasts steel co execs defiance of Sen subcom with contempt citations against 8 alleged Communists, lr, O 2,38:6; Kaiser cuts W Coast prices $12 a ton; US Steel to compete; other mfrs with plants in West study move, O 3,57:1; Kefauver hails it, O 3,65:3; Bethlehem to cut W Coast prices; Jones & Laughlin and Natl to 'remain competitive,' O 4,55:6; US Steel cuts prices on special items, O 5,47:2; comment on cuts, O 7,III,1:1; Allegheny Ludlum cuts stainless steel prices, O 11, 57:2; A E Kahn backs Commager, lr, O 15,28:5

PRICES: R M Blough holds consensus of Business Council blamed Kennedy intervention in price rise for econ slump, O 20,28:2; Chmn Heller queries rept, s, Council; Blough repeats it, O 21,54:3; US Steel cuts stainless steel prices, O 20,29:6; 5 execs fined total of $44,000, steel forgings case; bids by 4 corps and trade assn to plead no contest denied, O 26,11:1

PRICES: Interlake Iron Co cuts pig iron prices in key areas $3-5 a ton, N 3,29:5; P D Block Jr sees steel rise needed later, N 6,45:7; US Steel revises secondary sheet prices, N 29,51:6

PRICES: US Steel and Alan Wood cut sheet steel $1 a ton, D 5,69:2; US Steel Fairless Works cuts rolled carbon steel sheets $1 a ton, D 6,67:5; Pres Kennedy says he has no regrets about forcing cos to rescind price rises last Apr, TV int; stresses need for Pres, once he decides to act, to be successful, D 18,2:5; Bethlehem vp Cort says Oct cuts in W Coast prices will cut inroads made by imports, D 20,9:5; 4 Western cos indicted, Portland, Ore, for price-fixing and restraining competition on stainless steel products, D 22,5:5; NAPA com sees gen price rise by spring '63 possible, D 28,10:3

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PRODUCTION, SUPPLY AND DISTRIBUTION: See expansion, ore and structural steel pars

PRODUCTION, SUPPLY AND DISTRIBUTION: R M Blough and W A Steele optimistic on '62 outlook, Ja 1,26:2; Commerce Dept predicts 107-million-ton output, '62, 10% above '61, Ja 5,45:1; AISI repts 2,294,000-ton output, wk, 21-mo high; table of '61 monthly output, Ja 9,83:3; AISI repts '61 output down 1.3% to 98,016,536 tons: details, Ja 12,51:3

PRODUCTION, SUPPLY AND DISTRIBUTION: AISI repts 2.3-million-ton output, record for wk, since Apr, Ja 16,43:3; Galvanized Sheet Producers Com repts record 3,356,000 tons shipped, '61, Ja 21,III,5:4

PRODUCTION, SUPPLY AND DISTRIBUTION: AISI repts 2,446,000-ton output, wk, 22-mo high; graph, F 6,45:2; graph of monthly output, May '59-Dec '61, F 11,IV,2:5; AISI repts 2,454,000-ton output, wk, 22-mo high, F 20,45:2

PRODUCTION, SUPPLY AND DISTRIBUTION: buyers press stockpiling as strike hedge; inventories expected to remain below '59 level, Mr 11, III,1:8; AISI repts Jan finished products shipments at 21-mo high, Mr 15,54:8

PRODUCTION, SUPPLY AND DISTRIBUTION: AISI repts output will reach 28 million metric tons, 1st qr, 10 million above USSR qrly output, Mr 21, 53:4; Repub repts Cleveland Works furnace produced 62,862 tons, Nov, US record for 1 mo, Mr 30, 52:8

PRODUCTION, SUPPLY AND DISTRIBUTION: 1st qr output tops 30 million tons, 50% above '61 qr; reflects inventory bldg as strike hedge, Ap 1, III,1:8; speculation on extent of output cutbacks as result of pact with USWA, Ap 8,62:5; AISI com repts record 3,330,141 tons of galvanized steel sheets sold, '61, 9% above '60, Ap 8,III,30:4; Allegheny Ludlum produces solid tungsten carbide rolls for cold rolling mills; illus, Ap 9,43:4; map of major mfg centers and percentage of US output by states; graphs show '61 output by cos and distribution among major industries, Ap 15,IV,3:4; US Steel Homestead Works operations illus, Ap 15,VI,p60

PRODUCTION, SUPPLY AND DISTRIBUTION: AISI repts wkly output fell 5% to 2,244,000 tons, lowest since Dec '61, Ap 17,43:6; graphs compare US share of world output, '40 and '60, Ap 22,IV,7:1

PRODUCTION, SUPPLY AND DISTRIBUTION: AISI repts wkly output fell 8.5% to 1,957,000 tons, 8-mo low, My 1,49:1; Linde Co bldg gaseous oxygen plant, E Chicago, Ind, to supply Inland and Youngstown plants, My 5,36:2; wkly output at 1.82 million tons, 22-mo low, My 8,63:1; Inland buys E Chicago, Ind, surplus armor plant, My 9,66:5; Pittsburgh Steel pres Maxwell predicts 105-106-million-ton output, '62, s, NY Soc of Security Analysts; sees 110-million-ton avg, '62-65, My 11,41:6

PRODUCTION, SUPPLY AND DISTRIBUTION: Crucible Steel pres Hunter sees 107-million-ton output, '62, NICB panel, My 16,39:5; indus leaders doubt slump will end before mid-Aug AISI conv; doubt '62 output forecasts can be realized, My 24, 47:1; AISI repts 21,208,611 tons shipped, 1st qr, 52% above '61 period, My 27,III,15:5; repts wkly output fell to 56.5% of capacity, 8th wk of decline, My 29,37:8

PRODUCTION, SUPPLY AND DISTRIBUTION: AISI repts wkly output off 3.6% to 1,586,000 tons, Je 5,55:4; Bethlehem repts 1 blast furnace produced record 92,124 tons, May, Je 5,59:6; output down to 1,580,000 tons, 10th wk of decline; graph shows output, June '61-May '62, Je 12,51:2

PRODUCTION, SUPPLY AND DISTRIBUTION: AISI repts output up 4/10%, wk, ending 10-wk decline, Je 19,45:6; repts output down 1.5%, wk, to 1,563,000 tons, 16-mo low, Je 26,41:5

PRODUCTION, SUPPLY AND DISTRIBUTION: outlook poor, 2d half; 1st half revd, Jl 1,III,12:5; AISI repts wkly output at 1,501,000 tons, lowest in 17 mos, Jl 3,28:7; repts output dropped 17.5%, wk; graph shows output trends since July '61, Jl 10,51:1

PRODUCTION, SUPPLY AND DISTRIBUTION: threat of growing foreign competition discussed, Jl 22,III,5:1; USSR believed outproducing US during recent wks; AISI repts US wkly output up 2%, Jl 24, 33:5,6; US Steel to close Amer Steel & Wire iron and steel complex, Donora (Penna) Works, Jl 25, 50:3; AISI repts wkly output up 3.5%; graph of output, July '61-July '62, Jl 31,33:6

PRODUCTION, SUPPLY AND DISTRIBUTION: AISI repts output up 4.9% to 1,578,000 tons, 4th successive wkly rise, Ag 7,37:4; growing use of basic oxygen steel-mfg process seen resulting in on-site lime kilns to provide prepared fluxing agent, Ag 12,III,12:7

PRODUCTION, SUPPLY AND DISTRIBUTION: AISI repts 6,179,000-ton output, July, 19-mo low, Ag 16,38:2; Bethlehem to close fabricating plant, Seattle, Ag 18,23:4; US Steel to install two 150-ton oxygen furnaces, Duquesne works, Ag 30,37:6

PRODUCTION, SUPPLY AND DISTRIBUTION: Sharon Corp to close Lowellville, Ohio, works, S 7, 36:7; Jones & Laughlin Cleveland works produces 235 tons of steel in record 40 mins using basic oxygen furnaces, S 7,42:7

PRODUCTION, SUPPLY AND DISTRIBUTION: R E Williams pessimistic on indus outlook for rest of yr, NICB, S 22,28:8; L B Worthington, other execs execs temper optimistic 3d-qr estimates; Williams

New York Times
April 11, 1962

ork Times.

LATE CITY EDITION
U. S. Weather Bureau Report (Page 96) forecasts:
Mostly fair today; cloudy, warmer tonight. Cloudy, rain tomorrow.
Temp. range: 60—43; yesterday: 63—46.

DAY, APRIL 11, 1962.

10 cents beyond 50-mile zone from New York City except on Long Island. Higher in air delivery cities.

FIVE CENTS

U. S. STEEL RAISES PRICE $6 A TON; KENNEDY ANGERED, SEES AFFRONT; TWO INVESTIGATIONS ARE ORDERED

WIDE EFFECT SEEN

Kefauver and Justice Department Plan to Press Studies

By RICHARD E. MOONEY
Special to The New York Times

WASHINGTON, April 10—President Kennedy was infuriated by tonight's news that the United States Steel Corporation was raising its prices.

The word from White House intimates was that he regarded the move as an unjustified and deliberate affront to his Administration. There was some feeling here that tonight's unexpected development would have a profound effect on the President's attitude toward the business community and possibly on his economic policies in general.

There was no immediate on-the-record comment from the White House on the increase. However, a spokesman for the Department of Justice said:

"Because of past price behavior in the steel industry the Department of Justice will take an immediate and close look at the current situation and any future developments."

The reference to "past behavior" was to the usual development of the other steel companies' following the price policy of United States Steel.

Kefauver Vows Inquiry

Senator Estes Kefauver, Democrat of Tennessee, promised an investigation by his Antitrust and Monopoly subcom-

CALLED 'CATCH-UP'

Company Cites Higher Costs—Increase First in 4 Years

Text of U. S. Steel statement is printed on Page 28.

By United Press International.

PITTSBURGH, April 10—The United States Steel Corporation announced tonight price increases averaging $6 a ton, effective at midnight.

The other members of the "Big 11" steel companies were expected to announce increases soon.

United States Steel, the nation's No. 1 producer, termed the increase a "catch-up" adjustment amounting to about three-tenths of a cent a pound. It was the first rise by the company since 1958.

United States Steel said the increase would affect all its principal products as well as those of its three operating divisions—American Steel and Wire, National Tube and Tennessee Coal and Iron.

A company spokesman said semi-finished forging quality carbon steel would go up $8 a ton to $104. Semi-finished re-rolling quality carbon would also be increased by that amount to $83.50, and carbon steel tube rounds to $127.50.

First to Sign Accord

Five days ago the company became the first in basic steel

Kefauver Vows Inquiry

Senator Estes Kefauver, Democrat of Tennessee, promised an investigation by his Antitrust and Monopoly subcommittee.

President Kennedy has deliberately leashed some of his liberal instincts in an attempt to create good working relations with business. In the particular case of steel he applied intense pressure on labor to limit its wage demands this year. The breach of the steel price line will embarrass him with his supporters in the labor movement.

The President himself and his principal lieutenants have been working hard for almost a year to get this key industry and its workers to exercise restraint on prices and wages. With last week's signing of a new steel labor contract that the Presdient hailed as "non-inflationary," the Administration thought its mission accomplished.

Roger M. Blough, chairman of United States Steel, went to the White House this evening and told the President of the price increase, after it had been announced in Pittsburgh.

The President's temper flared, it is said. There was no official on-the-record comment from the

Continued on Page 28, Column 1

amount to $83.50, and carbon steel tube rounds to $127.50.

First to Sign Accord

Five days ago the company became the first in basic steel to sign a new two-year contract with the United Steelworkers of America. The contract, backed by the Administration as non-inflationary, by-passed a wage increase the first year.

The other members of the "Big 11" quickly fell into line and signed.

[David J. McDonald, head of the United Steelworkers, said he was "surprised, troubled and concerned" by the announcement. He emphasized: "We had no understanding and no discussion with the company on prices."]

Leslie B. Worthington, company president, said that since 1958 "the level of steel prices has not been increased but if anything has declined somewhat." He added:

"This situation, in the face of steadily mounting production costs, which have included four increases in steel worker wages and benefits prior to the end of last year, has been due to competitive pressures from domestic producers and from imports of foreign-made steel.

"Nevertheless, taking into ac-

Continued on Page 28, Column 4

KENNEDY ANGERED OVER STEEL RISE

Continued From Page 1, Col. 5

White House or any other part of the Administration, but one high official, hearing the news from a reporter, responded with an invective.

President Kennedy will have an opportunity to comment publicly himself at his news conference tomorrow. Whether he will show his temper then, or will have adopted the calm Harvard approach that he often uses in public, was not known tonight.

The Administration had staked so much on steel because it believes that that industry's prices and wages are a major factor in price-wage developments throughout the economy. Directly, they contribute to the cost of the great many things that are made of steel. Indirectly, they set an example for non-steel industries and labor to follow.

The Administration has been particularly anxious to preserve price stability in the economy in order that this country remain competitive with industry abroad. An added embarrassment in tonight's announcement was the presence in Washington this week of Prof. Walter Hallstein, president of the Administrative Commission of Europe's six-nation Common Market.

There had been some rumors within the Administration in recent days that one of the smaller steel companies was preparing to announce a price increase, but the announcement from "Big Steel"—as United States Steel is known—came as a total surprise. There had been, however, some indication in public statements by the industry that it was indeed thinking of higher prices.

United States Steel announced its increase as three-tenths of one cent per pound, and termed it "modest." However, in the tonnage terms that are commonly used, it amounted to $6 per ton, and was about halfway between the biggest and smallest of the ten post-World War II steel price increases.

The company did not blame last week's contract settlement for tonight's action. Rather, it seemed to just v the increase on the basis of cost developments during the last four years, when there has been no important increase at all. In other words, the company is catching up with the cost increases it has experienced while holding the price line.

The Administration, clearly, does not believe the price increase is justified, either by the new contract or by the last four years' developments.

The Administration started last spring to put pressure on the industry to hold the price line despite a wage increase that was scheduled to take effect in October.

Industry "did" hold the line, presumably as a result of the public pressure from the Administration, combined with such other factors as foreign competition, slack business and the President's open promise to help the industry resist exces-

U. S. Steel Officers Report Rise

Leslie B. Worthington

Associated Press

Roger M. Blough

could say what his company might do.

This attitude was echoed by other major producers reached by telephone. But one said that he had "about given up hope" that a price increase would become a reality, revealing a yearning that is known to be general in the industry.

T. F. Patton, president of Republic Steel Corporation of Cleveland, the third largest American producer, was more direct. He indicated that his company would be likely to follow the United States Steel price increase.

"Republic certainly needs a price increase," Mr. Patton said. "We will review the reported action of United States Steel immediately."

Mr. Patton said that his company, since its last price increase in 1958, "has incurred substantial cost increases which have resulted in a severe squeeze on its profits, despite the fact it has invested tens of millions of dollars in capital improvements and conducted vigorous cost-reduction programs."

He said: "By reason of these facts, Republic's earnings have not been sufficient to pay a reasonable return to its stockholders and to contribute adequately to the cost of financing its capital improvement program which is so essential in keeping its plants and properties modern and competitive."

Meanwhile, a metals market analyst in Wall Street said that he could not believe the news and was confident that the combined factors of Administration pressure and foreign competition would force the price back to the previous level.

One steel company executive took the position that increased prices could be made to stick. "We have a reasonable market. It's not good, but the rising costs we face are faced by other competitive materials."

Unlike one other analyst who expected a shot in the arm for the ailing stock market, this analyst said the market would need much more than that for any significant recovery.

The other analyst in the nonferrous metals field said that he thought the market would rise as the price rise was inflationary. He added that the price

not be reached for comment. Bethlehem Steel Corporation executives were returning from a stockholders' meeting in Wilmington, Del. At the meeting, which took place before the United States Steel announcement, Edmund F. Martin, Bethlehem president, said the 10-cent-an-hour increase in employment costs "comes at a time when we are trying to hold the line on prices."

"This is unfortunate," he added. "We should be trying to reduce the price of steel, if at all possible, because we have more competition, particularly from foreign sources."

Mr. Martin, who presided in the absence of Arthur B. Homer, chairman, who had a cold, said that since the labor settlement earlier this month, business had been falling off. Thus, he predicted that production and profits for the second quarter would not be as good as for the first. He said first quarter earnings would be announced on April 26.

PRICE RISE LIKELY FOR AUTOS IN 1963

DETROIT, April 10 (UPI)—The steel price increase announced tonight is not expected to affect prices of 1962 model automobiles. But a price rise for 1963 models is considered likely.

This was the first unofficial reaction in the automotive industry to an announcement by the United States Steel Corporation of an across-the-board rise of $6 a ton in steel prices.

All the major automotive companies — General Motors, Ford, Chrysler, American Motors and Studebaker-Packard — had no official comment. Some said that they were studying the announcement and might have statements tomorrow.

Privately, one industry executive said, "We're very unhappy. The steel price increase is unwarranted."

From a ton to a ton and a half of steel is used in today's automobiles, depending on the size and make. Thus, the basic

U.S. STEEL RAISES PRICES $6 A TON

Continued From Page 1, Col. 8

count all the competitive factors affecting the market for steel, we have reluctantly concluded that a modest price adjustment can no longer be avoided in the light of the production cost increases that have made it necessary."

The labor contract includes a wage-opener clause in the second year. It is estimated that the contract will cost the industry 10 cents an hour a man.

"If the products of United States Steel are to compete successfully in the marketplace, then the plants and facilities which make those products must be as modern and efficient as the low-cost mills which abound abroad, and as the plants which turn out competing products here at home," Mr. Worthington said.

"Only by generating the funds necessary to keep these facilities fully competitive can our company continue to provide its customers with a dependable source of steel and to provide its employes with dependable jobs.

"But the profits of the company, squeezed as they have been between rising costs and declining prices, are inadequate today to perform this vital function."

McDonald Concerned

PITTSBURGH, April 10 (AP)—David J. McDonald, head of the United Steelworkers, issued the following statement tonight:

"I am surprised, troubled and concerned by the announcement of United States Steel that steel prices are being increased by $6 per ton.

"The Steelworkers Union has never bargained with the steel companies about prices, and it did not do so this year. The decision of United States Steel is its own, not ours.

"We had no understanding and no discussion with the company on prices. I was surprised by the announcement, nevertheless, because the fact is that, as the President of the United States has said, our settlement was entirely non-inflationary and well within the current increase in steel productivity.

"I am troubled by United States Steel's attempt to place the blame for this price increase upon the settlements which have been made in the past by the United Steelworkers.

"The fact is that since 1958, the date of the industry's last price increase, the labor cost of producing a ton of steel has gone down, not up, despite the increase in wages and other benefits which have been negotiated in that period.

"I am concerned by the announcement because of the possible effect of the price increase on the nation's economy and position in the world.

"I remain pleased with our new labor agreement, nevertheless, and congratulate all those who helped bring it about."

last spring to put pressure on the industry to hold the price line, despite a wage increase that was scheduled to take effect in October.

Industry did hold the line presumably as a result of the public pressure from the Administration, combined with such other factors as foreign competition, slack business and the President's open promise to help the industry resist excessive new wage demands when the union contract came up for renewal this year.

The Administration's attention turned then to the wage negotiations. The President's Council of Economic Advisers published "guideposts" for noninflationary wage and price adjustments in January and the President personally asked the leaders of the industry and the union to sit down and arrange a new contract quickly without a strike.

The new contract was signed last Friday, three months before the old contract expires. The President, in a letter to David J. McDonald, the union president, called it "forward-looking and responsible."

The new terms—no wage increase at all for one year and new fringe benefits costing about 10 cents an hour—were "obviously noninflationary and should provide a solid base for continued price stability," the President said.

The Administration and labor authorities here, believed that the settlement was within the general rule set by the council's "guideposts." That is, the increase in the industry's labor costs would not exceed the 2½ to 3 per cent upward trend of productivity in the industry—the increasing output per man per hour.

In other words, they believed that a price increase would not be justified.

Assuming that the rest of the industry follows the lead of its biggest company, as it usually does, there is no certainty that the higher prices will in themselves set off a round of price increases in other industries, either steel-using industries or non-steel industries.

Steel users may add the higher cost to the prices of their own products, as they have on past occasions, or they may absorb it. Non-steel industries may or may not follow steel's example.

The disinclination of union sources to attack the price increase publicly—at least for the moment—stemmed from their hope that the recently negotiated labor contract would usher in a period of good feeling in industrial relations in the industry. They do not want to disrupt the harmony.

Industry Is Surprised

The United States Steel Corporation price increase caught virtually every major steel company by surprise last night. Meanwhile, Wall Street analysts expressed disbelief when informed of the increase and then questioned whether the economy could make the price rise stick.

William A. Steele, president of Wheeling Steel Company, the country's eleventh largest producer and one of the first reached, said that the rise was "long overdue." However, he said that the situation would require some study before he costs we face are faced by other competitive materials."

Unlike one other analyst who expected a shot in the arm for the ailing stock market, this analyst said the market would need much more than that for any significant recovery.

The other analyst in the nonferrous metals field said that he thought the market would rise as the price rise was inflationary. He added that the price differential was not sufficiently large in his opinion to cause metal users to shift to competitive metals such as aluminum.

The other companies could ... had no official comment. Some said that they were studying the announcement and might have statements tomorrow.

Privately, one industry executive said, "We're very unhappy. The steel price increase is unwarranted."

From a ton to a ton and a half of steel is used in today's automobiles, depending on the size and make. Thus, the basic cost increase would eventually be $6 to $9. But an increase in automobile prices next fall would probably be higher than that.

... in that period.

"I am concerned by the announcement because of the possible effect of the price increase on the nation's economy and position in the world.

"I remain pleased with our new labor agreement, nevertheless, and congratulate all those who helped bring it about."

Text of U. S. Steel's Statement on Prices

PITTSBURGH, April 10 (AP)—Following is the text of a statement by Leslie B. Worthington, president of the United States Steel Corporation, in announcing price increases:

Since our last over-all adjustment in the summer of 1958, the level of steel prices has not been increased but, if anything, has declined somewhat. This situation, in the face of steadily mounting production costs which have included four increases in steel-worker wages and benefits prior to the end of last year, has been due to the competitive pressures from domestic producers and from imports of foreign-made steel as well as from other materials which are used as substitutes for steel.

The severity of these competitive pressures has not diminished; and to their influence may be attributed the fact that the partial catch-up adjustment announced today is substantially less than the cost increases which have already occurred since 1958, without taking into consideration the additional costs which will result from the new labor agreements which become effective next July 1.

Nevertheless, taking into account all the competitive factors affecting the market for steel, we have reluctantly concluded that a modest price adjustment can no longer be avoided in the light of the production cost increases that have made it necessary.

Modern Plant Needed

If the products of United States Steel are to compete successfully in the market-place, then the plants and facilities which make those products must be as modern and efficient as the low-cost mills which abound abroad and as the plants which turn out competing products here at home. Only by generating the funds necessary to keep these facilities fully competitive can our company continue to provide its customers with a dependable source of steel, and to provide its employes with dependable jobs. But the profits of the company—squeezed as they have been between rising costs and declining prices—are inadequate today to perform this vital function.

Our annual report, published last month, shows clearly the effect of this squeeze.

In the three years since the end of 1958, United States Steel has spent $1,185,000,000 for modernization and replacement of facilities and for the development of new sources of raw materials. Internally, there were only two sources from which this money could come: Depreciation and reinvested profit. Depreciation in these years amounted to $610,000,000; and reinvested profit, $187,000,000—or, together, only about two-thirds of the total sum required. So after using all the income available from operations, we had to make up the difference of $388,000,000 out of borrowings from the public. In fact, during the period 1958-1961, we have actually borrowed a total of $800,000,000 to provide for present and future needs. And this must be repaid out of profits that have not yet been earned, and will not be earned for some years to come.

During these three years, moreover, United States Steel's profits have dropped to the lowest levels since 1952; while reinvested profit—which is all the profit there is to be plowed back into the business after payment of dividends—has declined from $115,000,000 in 1958 to less than $3,000,000 last year. Yet the dividend rate has not been increased in more than five years, although there have been seven general increases in employment costs during this interval.

This squeeze, which has thus dried up a major source of the funds necessary to improve the competitive efficiency of our plants and facilities, has resulted inevitably from the continual rise in costs over a period of almost four years, with no offsetting improvement in prices.

Since the last general price adjustment in 1958, there have been a number of increases in the cost of products and services purchased by the corporation, in state and local taxes, and in other expenses, including interest on the money we have had to borrow—an item which has jumped from $11,500,000 in 1958 to nearly $30,000,000 in 1961.

And from 1958 through 1961, there have been industry-wide increases in steel worker wages and benefits on four occasions amounting to about 40 cents an hour, and also increases in employment costs for other employes. These persistent increases have added several hundred million dollars to the employment costs of United States Steel, without regard to future costs resulting from the new labor agreement just negotiated.

In all, we have experienced a net increase of about 6 per cent in our costs over this period despite cost reductions which have been effected through the use of new, more efficient facilities, improved techniques and better raw materials. Compared with this net increase of 6 per cent, the price increase of 3½ per cent announced today clearly falls considerably short of the amount needed to restore even the cost-price relationship in the low production year of 1958.

Adds to Competition

In reaching this conclusion, we have given full consideration, of course, to the fact that any price increase which comes, as this does, at a time when foreign-made steels are already underselling ours in a number of product lines, will add—temporarily, at least—to the competitive difficulties which we are now experiencing. But the present price level cannot be maintained any longer when our problems are viewed in long-range perspective. For the long pull a strong, profitable company is the only insurance that formidable competition can be met and that the necessary lower costs to meet that competition will be assured.

Only through profits can a company improve its competitive potential through better equipment and through expanded research. On this latter phase we are constantly developing lighter, stronger steels which—ton for ton—will do more work and go much farther than the steels that were previously available on the market. They thus give the customer considerably more value per dollar of cost. As more and more of these new steels come from our laboratories, therefore, our ability to compete should steadily improve. But the development of new steels can only be supported by profits or the hope of profits.

The financial resources supporting continuous research and resultant new products as well as those supporting new equipment, are therefore vital in this competitive situation—vital not alone to the company and its employes, but to our international balance of payments, the value of our dollar, and to the strength and security of the nation as well.

NY Times
Apr. 12, 1962

"All the News That's Fit to Print"

The New York Times

VOL. CXI—No. 38,064.

PRESIDENT ASSAILS STEEL FOR 'IRRESPONSIBLE' RISE AND 'CONTEMPT' OF NATION

VOICES HIS ANGER

Pentagon Reviewing Impact of Costs on Its Procurement

Transcript of news conference and summary, Page 20.

By E. W. KENWORTHY

Special to The New York Times.

WASHINGTON, April 11 — President Kennedy accused the major steel corporations today of "irresponsible defiance" of the public interest and "ruthless disregard" of their duty to the nation in raising steel prices by $6 a ton.

Arriving at his news conference a minute late, the President strode quickly to the lectern and in a tone of cold anger read a long indictment of the steel companies' action.

At a time of grave crisis in Berlin and Southeast Asia, the President began, when reservists were being asked to leave their families and servicemen to risk their lives, he found it hard to accept a situation in which a tiny handful of steel executives could show "such utter contempt for the interest of 185,000,000 Americans."

Tells Probable Effects

After reciting the probable effects of the action on the nation's economy, the President ended:

"Some time ago I asked each American to consider what he would do for his country, and I asked the steel companies. In the last twenty-four hours we had their answer."

The President's anger and

How Kennedy Got News and Reacted

Special to The New York Times

WASHINGTON, April 11 —When Roger M. Blough, chairman of the United States Steel Corporation, handed President Kennedy a press release announcing a price rise last night, he took Mr. Kennedy 99.9 per cent by surprise.

The President had heard of such a possibility, but the source was not significant and he had discounted it.

"I wish we could maintain as tight security in the Government as the steel industry seems able to maintain," a Presidential associate commented.

Mr. Kennedy's remark at his news conference that he was told of the price rise after the announcement had gone to the newspapers led to the impression that he had

Continued on Page 21, Column 2

F.T.C. IS STUDYING STEEL ADVANCES

Justice Department Antitrust Men Taking 'Immediate Look' at the Industry

By FELIX BELAIR Jr.

Special to The New York Times.

WASHINGTON, April 11 — Investigative arms of the Federal Government swung into action today behind President Kennedy's condemnation of price increases announced by

MORE PRICES UP

5 Big Companies Join Move—Union Head Denies Cost Link

By The Associated Press

PITTSBURGH, April 11 — Five big steel producers increased their prices today in line with a $6-a-ton increase announced yesterday by the United States Steel Corporation.

They were the Bethlehem Steel Corporation, the Republic Steel Corporation, the Jones & Laughlin Steel Corporation, the Youngstown Sheet and Tube Company and the Wheeling Steel Corporation.

At the same time, other steel concerns said that they planned to study the situation. At least one hinted broadly that it would follow suit.

The steel price rise, coming after a labor settlement that was labeled as noninflationary, set off a wave of protests in the nation's capital. The labor contracts provided new fringe benefits estimated to be worth 10 cents an hour.

[In Wall Street, steel stocks responded vigorously to news of the price increases, opening sharply higher but paring gains before the close. The stock market as a whole was up slightly. United States Steel opened at 70¾, but closed at 68½ for a net gain of ½. Bethlehem Steel rose ½ and Republic ⅝.]

McDonald Gives View

David J. McDonald, president of the United Steelworkers of America, said that the increase in prices had not been caused by increased labor costs.

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Tells Probable Effects

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"Some time ago I asked each American to consider what he would do for his country, and I asked the steel companies. In the last twenty-four hours we had their answer."

The President's anger and disappointment were all the greater because the Administration had been working for almost a year to get the steel industry and the United Steelworkers Union to exercise restraint on prices and wages. The Administration had congratulated itself that this effort had paid off in the "noninflationary" work contract concluded last week.

The President made clear today in response to questions that the Administration had "never at any time asked for a commitment" from either side in the negotiations. Nevertheless, he charged the steel industry, in effect, with bad faith. The whole purpose and effect of the Administration's role, he declared, "was to achieve an agreement which would make unnecessary any increase in prices," and both parties understood this.

Mr. Kennedy's gestures, although chiefly the usual fore-

Continued on Page 21, Column 1

as tight security in the Government as the steel industry seems able to maintain," a Presidential associate commented.

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Continued on Page 21, Column 2

F.T.C. IS STUDYING STEEL ADVANCES

Justice Department Antitrust Men Taking 'Immediate Look' at the Industry

By FELIX BELAIR Jr.

Special to The New York Times.

WASHINGTON, April 11 — Investigative arms of the Federal Government swung into action today behind President Kennedy's condemnation of price increases announced by major steel companies.

Amid a mounting chorus of protest from Democratic members of the Senate and House, at least five inquiries were started or announced. They included:

¶Federal Trade Commission Chairman Paul Rand Dixon said his agency had begun an informal inquiry that could lead to penalties up to $5,000 a day for violation of its consent order of June 15, 1951. That order bound the entire steel industry to refrain from collusive price fixing or maintaining identical delivered prices.

¶A spokesman for Attorney General Robert F. Kennedy said the Justice Department's antitrust division was taking "an immediate and close look" at industry developments before and after the United States Steel announcement of a price increase to determine whether there had been any violation of the Clayton or Sherman Act.

¶Representative Emanuel Celler, Democrat of Brooklyn, chairman of the House Antitrust subcommittee, said his group would investigate the industry-wide price increase and hold open hearings beginning May 2.

¶The Senate Antitrust and Monopoly subcommittee planned a similar investigation with open hearings. However, its chairman, Senator Estes Kefauver, Democrat of Tennessee,

Continued on Page 21, Column 8

They were the Bethlehem Steel Corporation, the Republic Steel Corporation, the Jones & Laughlin Steel Corporation, the Youngstown Sheet and Tube Company and the Wheeling Steel Corporation.

At the same time, other steel concerns said that they planned to study the situation. At least one hinted broadly that it would follow suit.

The steel price rise, coming after a labor settlement that was labeled as noninflationary, set off a wave of protests in the nation's capital. The labor contracts provided new fringe benefits estimated to be worth 10 cents an hour.

[In Wall Street, steel stocks responded vigorously to news of the price increases, opening sharply higher but paring gains before the close. The stock market as a whole was up slightly. United States Steel opened at 70¾, but closed at 68½ for a net gain of ½. Bethlehem Steel rose ½ and Republic ⅝.]

McDonald Gives View

David J. McDonald, president of the United Steelworkers of America, said that the increase in prices had not been caused by increased labor costs. He told a convention of the Pennsylvania American Federation of Labor and Congress of Industrial Organizations here:

"The United Steelworkers have never negotiated an inflationary agreement and certainly the current agreement cannot in any sense be considered inflationary.

"Our agreements do not go into effect until July 1. This indicates that if a price increase goes into effect it is a price-wage spiral rather than the reverse."

The price increases, the first general ones since 1958, come to roughly 3.5 per cent, or three-tenths of a cent a pound of steel. The average price of a ton of steel had been a little more than $150.

The Bethlehem Steel increase, effective tomorrow, applies to rolled steel products, a big tonnage category covering steel for automobiles and appliances

Continued on Page 21, Column 3

KENNEDY SCORED BY G.O.P. IN HOUSE

Party Takes Over the Floor to Denounce His Policies

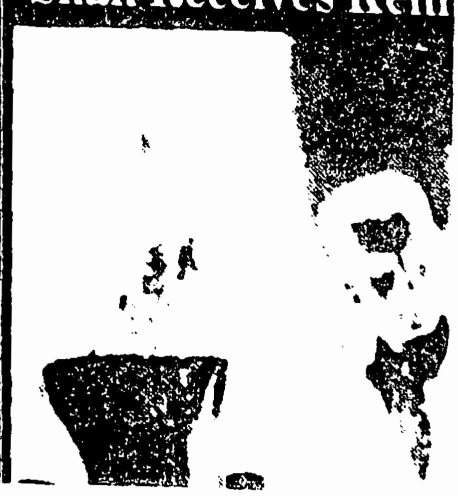
By RUSSELL BAKER

Special to The New York Times.

WASHINGTON, Thursday, April 12 — Republicans held the floor of the House of Representatives for more than six hours last night and into this

Court Orders a Halt In Coast Ship Strike

Shah Receives Kenn



22

President Assails the Steel Industry for 'Irresponsible' Price Increase of $6 a Ton

DELIVERS ATTACK IN ANGRY VOICE

Pentagon Begins Review of Impact of Higher Costs on Its Procurement

Continued From Page 1, Col. 1

finger one of emphasis, seemed also to reflect a feeling of intensity. This carried on from his opening statements through the questioning. Of seventeen questions, nine were about steel prices.

Meanwhile today, the Department of Defense and other agencies began a review of the impact of the steel price rise on their procurement policies. This indicated that the Government was looking into the possibility of awarding future contracts to companies that held the price line. The President conceded, however, that, with most of the major companies joining in "the parade," the range of choice was limited.

Republicans Are Silent

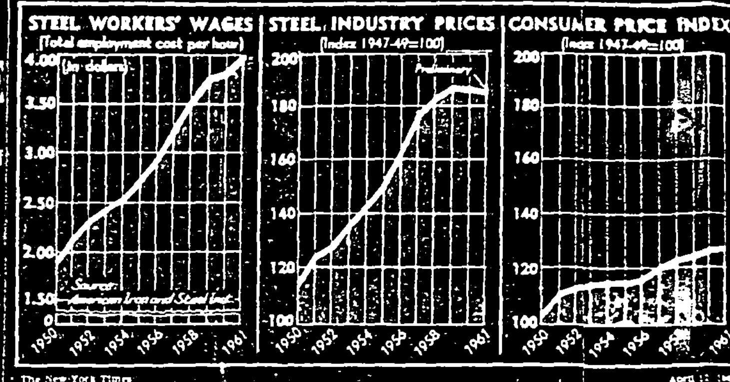
Democrats denounced the steel companies in language not heard since the heyday of the New Deal. Republicans were generally silent, indicating perhaps discomfiture that was visibly increased because the industry did not raise prices following the contract in 1960 during the Eisenhower Administration.

Mike Mansfield, the Senate Democratic leader, said that the increase was "uncalled for," and Speaker John W. McCormack called the action "shocking," "arrogant," and "irresponsible." Senator Hubert H. Humphrey, the Democratic whip, said that it was "an affront to the President." Several Democratic Congressmen accused the industry of "bad faith."

Senator Jacob K. Javits, Republican of New York, said that the industry was "very likely to get into hot water with the people of the United States."

A reporter asked President Kennedy whether he believed there was "an element of political discrimination" in the industry's behavior inasmuch as it had refrained from a price increase after the agreement in 1960 that former Vice President Richard M. Nixon had helped negotiate. [illegible]

The President replied that [illegible]



The New York Times April 12, 1962

INDICATORS: Charts show steel wages and prices and Consumer Price Index since 1950. Employment costs include fringe benefits, offset by rises in output per man-hour.

HOW WHITE HOUSE GOT STEEL NEWS

Continued From Page 1, Col. 2

first heard of the increase from newspaper sources.

The announcement might have been on the way to news channels, but it did not get on the news wires until after 6:30 P. M. The President learned of it from Mr. Blough shortly before 6.

Mr. Blough's office in New York telephoned the White House in the afternoon and told P. Kenneth O'Donnell, special assistant to the President, that Mr. Blough was on his way to Washington and would like to see the President.

On his arrival in Washington, Mr. Blough phoned Mr. O'Donnell. That was at 4:30 or 5 o'clock. Mr. O'Donnell told him to come to the White House at 5:45.

The President, having been told that an appointment had been made for him with Mr. Blough, called Mr. O'Donnell and asked what it was about. Mr. O'Donnell said he did not know.

Mr. Blough arrived at the appointed hour and, after a short wait, was admitted to the President's office.

Goldberg Called In

The two were alone for a while, but at some point the President called Secretary of Labor Arthur J. Goldberg to the White House [illegible]

Economists Divided on Speed And Size of Steel Price 'Ripple'

Demand for Broad Range of Products Is Factor—Cars May Go Up $25-$75—Psychological Impact Assayed

By JOSEPH A. LOFTUS
Special to The New York Times

WASHINGTON, April 11 — A steel price rise of $6 a ton will ripple through the economy, but economists do not agree how big the ripple may be or how soon it will be felt.

Steel products from kitchen knives to automobiles and bridge beams will be affected. The demand for steel products is also a factor. The average family car may cost $20 to $75 more before the year ends, depending on consumer demands.

A psychology of rising expectations could affect not only steel products, but also the whole economy. A spiral not only is a mechanical passing on of costs from one level of processing and distribution to another after costs go up, but may mean as well a rise in prices in expectation of a rise in costs.

The same psychology could affect wage demands.

Index Is Affected

It was such a possible momentum in prices and wages that President Kennedy hoped to decelerate in his strong statements today at his news conference [illegible]

of inflation, caused to a substantial degree by the exercise of market power. This type of inflation cannot be controlled by policies aimed solely at restricting total demand.

The rise in steel prices is a critical part of the inflation in industrial-goods prices in recent years. It is only part of the story of inflation in this period, other important elements being the run-up in machinery prices, the rise of construction costs, the increase in services prices, and perhaps equally important, the failure of prices in other fields to fall.

Study Group Named

Early in 1960, after the steel strike, James P. Mitchell, then Secretary of Labor, appointed a study group headed by Prof. E. Robert Livernash of the Harvard Graduate School of Business Administration.

Frank E. Norton of the University of California at Los Angeles studied steel prices and inflation for the Livernash report, and concluded:

"The exploratory analysis undertaken in this study suggests that the independent [illegible]

5 MORE CONCERNS INCREASE PRICES

Continued From Page 1, Col. 3

as well as for construction and shipbuilding. Bethlehem is the second-largest steel company in the country. United States Steel is the largest.

Republic, the third-largest producer, made its rise effective with today's shipments. The company said that the increase covered "steel mill products." It declined to list specific increases.

Jones & Laughlin said that its price increase applied to steel products in general and became effective tomorrow. Avery C. Adams, chairman of the board of the company, the fourth-largest producer, said that the increase would average 30 cents a hundred pounds.

Wheeling's increase went into effect today on all principal products. The company is the eleventh-largest producer.

Youngstown, the seventh-largest, said that its increase was slightly above the others, 3.6 per cent.

Leonard C. Rose, president of the Colorado Fuel and Iron Corporation, the tenth-biggest steel producer, said that his company was considering a price rise. He said:

"We are presently studying the situation but have had no opportunity yet to firm up our plans. We are certainly considering the plight of our stockholders and feel that some action should be taken with respect to our steel prices."

Kaiser Studies Situation

A spokesman for the Kaiser Steel Corporation said: "We're studying the subject in the light of our own competitive situation."

Richard S. Reynolds Jr., president of the Reynolds Metals Company, a leading aluminum producer, said that the price increases were justified.

"As I have pointed out many times," Mr. Reynolds said, "industry cannot continue to have rising costs without increasing prices."

The Inland Steel Company took no immediate action on prices. John F. Smith Jr., its president, said that his company "will reserve its decision on what action to take until we are more completely informed."

President's Plan Upset

He Is Angry Over Big Steel's Move On 'Wage-Price-Productivity' Project

By JAMES RESTON
Special to The New York Times

WASHINGTON, April 11 — President Kennedy's first reaction to the steel price rise was to compare it to Cuba and he did so with a bitter joke. On April 18 of last year he held his first reception for members of Congress in the White House. He never got to bed that night for the Cuban invasion collapsed the following morning. Last night the President was again holding his Congressional reception and just before it started Roger Blough of United States Steel walked into the White House and announced the price rise.

News Analysis

"I'll never have another Congressional reception," the President remarked. He was angry last night, but he was even angrier today when the other steel companies began hiking their prices and he reviewed the probable consequences of the price rise with his principal aides.

The Way Things Look

Here is the way responsible officials saw the picture tonight:

The basic national security policy of the Administration rests on what is called the "wage-price-productivity triangle." Maintenance of a balance among these three, as the Administration sees it, affects the country's ability to grow economically, compete in the export markets of the world and provide an adequate defense at home and military and foreign aid programs abroad.

Thus, the President has seen his tax program, his trade expansion bill, his defense and foreign aid programs as an interconnected system, all resting on the assumptions of reasonable economic growth, reasonable economic stability, and reasonable industrial peace.

Central to this concept of the national interest, as the President saw it, was that both management and labor would show restraint in their collective bargaining, and the steel negotiations were the most dramatic effort of the Administration in [illegible]

the close of the labor-management negotiations.

What particularly troubled the President was not only that Big Steel made this move but the way in which the move was made. There is no doubt that officials here feel that the steel companies did not bargain in good faith, but that the events of the last twenty-four hours were planned ahead of time.

After the steel contract was signed, the President called the principal negotiator for the steel companies and congratulated him on a contract which, as the President emphasized, defended the national interest. In that conversation, the congratulations were accepted without any reference to the forthcoming price rise.

This is why the President implied repeatedly in his statement today that Big Steel must have known before the end of the steel talks that the price of steel was going to be raised.

The question now is how the President will react to all this. Some of his advisers have been arguing all along that he could not hope for the kind of cooperation he wanted from the steel companies and that he would have to use his power more directly.

Sees Defiant Move

As a matter of fact, he has been trying, not only in his relations with industry but with the Congress, to get his programs through by personal persuasion and manipulation. Now he is confronted by what he regards as a defiant act by some of the leaders of Big Steel.

Nevertheless, he was careful today, despite the sharpness of his language, to avoid any blanket indictment of big business. He directed his shafts at a few steel company leaders.

This was not a general attack, like President Jackson's on the banks, nor was it like Theodore Roosevelt's sweeping condemnation of the "malefactors of great wealth," or Franklin Roosevelt's criticism of the "economic royalists." It was more like President Wilson's limited, but savage, condemnation of the "little band of will[illegible]

F.T.C. IS STUDYING STEEL ADVANCES

Continued From Page 1, Col. 2

withheld announcement of his plans lest it appear that the group was "rushing into a serious inquiry."

Treasury Department officials indicated they would take a second look at the planned general revision of depreciation schedules setting new rates at which companies may write off outlays for plant and equipment for tax purposes. The new rates were to be announced next month as an inducement to industry to modernize plants.

The trade commission's order against the steel companies appears to be the Administration's main reliance in trying to prevent more companies from following United States Steel's lead and in influencing some to rescind increases already announced.

The commission's complaint, which led to the consent agreement, made these three basic allegations based on indirect or economic evidence:

"1. They have collusively composed, established and announced prices;

"2. They have directly and indirectly ... furthered their designs and plans to restrain, suppress, frustrate and lessen competition in the sale of steel products;

"3. They have collusively acted to present deviations from their collusively announced prices."

Provisions of Order

Most of the provisions of the ensuing consent order, which the commission accepted at the request of the steel companies, were directed against certain specific practices which, when jointly carried out, resulted in identical delivered prices at any given destination.

But in addition to this, the order contained a general prohibition under which the steel companies were enjoined from jointly "adopting, establishing, fixing, or maintaining prices, or any element thereof at which steel products shall be quoted or sold, including but not limited to base prices."

It was apparently with this collusion aspect in mind that the President referred repeatedly in his news conference to the "speedy action" of other companies in imitating the United States Steel [illegible]

Electrostatic Copy Made for Preservation Purposes

...also to reflect a feeling of intensity. This carried on from his opening statements through the questioning. Of seventeen questions, nine were about steel prices.

Meanwhile today, the Department of Defense and other agencies began a review of the impact of the steel price rise on their procurement policies. This indicated that the Government was looking into the possibility of awarding future contracts to companies that held the price line. The President conceded, however, that, with most of the major companies joining in "the parade," the range of choice was limited.

Republicans Are Silent

Democrats denounced the steel companies in language not heard since the heyday of the New Deal. Republicans were generally silent, indicating perhaps discomfiture that was possibly increased because the industry did not raise prices following the contract in 1960 during the Eisenhower Administration.

Mike Mansfield, the Senate Democratic leader, said that the increase was "uncalled for," and Speaker John W. McCormack called the action "shocking," "arrogant," and "irresponsible." Senator Hubert H. Humphrey, the Democratic whip, said that it was "an affront to the President." Several Democratic Congressmen accused the industry of "bad faith."

Senator Jacob K. Javits, Republican of New York, said that the industry was "very likely to get into hot water with the people of the United States."

A reporter asked President Kennedy whether he believed there was "an element of political discrimination" in the industry's behavior inasmuch as it had refrained from a price increase after the agreement in 1960 that former Vice President Richard M. Nixon had helped negotiate.

The President replied that "if that was the purpose, that is comparatively unimportant."

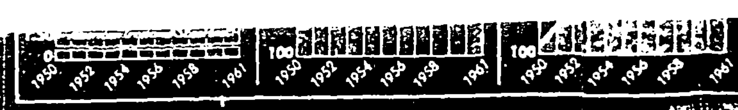
"The country is the one that suffers," the President went on. "If they do it in order to spite me it really isn't so important." (Question 11, Page 20.)

In his opening statement the President said that unless the decision were rescinded the cost of homes, autos, appliances would increase; pensions of older persons would be affected; and an estimated total of $1,000,000,000 would be added to defense costs.

Fears Outflow of Gold

Furthermore, the President said, the increase would make it more difficult for American goods to complete abroad and withstand foreign competition at home. The upshot of both of these results would be further impairment of the nation's balance of payments situation and increased gold outflow.

The increase was indefensible, the President argued, because productivity was increasing "so fast that labor costs per ton..."



The New York Times April 12, 1962

INDICATORS: Charts show steel wages and prices and Consumer Price Index since 1950. Employment costs include fringe benefits, offset by rises in output per man-hour.

HOW WHITE HOUSE GOT STEEL NEWS

Continued From Page 1, Col. 2

first heard of the increase from newspaper sources.

The announcement might have been on the way to news channels, but it did not get on the news wires until after 6:30 P. M. The President learned of it from Mr. Blough shortly before 6.

Mr. Blough's office in New York telephoned the White House in the afternoon and told P. Kenneth O'Donnell, special assistant to the President, that Mr. Blough was on his way to Washington and would like to see the President.

On his arrival in Washington, Mr. Blough phoned Mr. O'Donnell. That was at 4:30 or 5 o'clock. Mr. O'Donnell told him to come to the White House at 5:45.

The President, having been told that an appointment had been made for him with Mr. Blough, called Mr. O'Donnell and asked what it was about. Mr. O'Donnell said he did not know.

Mr. Blough arrived at the appointed hour, and, after a short wait, was admitted to the President's office.

Goldberg Called In

The two were alone for a while, but at some point the President called Secretary of Labor Arthur J. Goldberg to the White House.

One source described the President as having been mildly upset and disturbed. Another said he had told Mr. Blough his company had broken faith with the Administration.

"Controlled fury," was one associate's estimate of the President's mood at that point.

Mr. Kennedy spent an hour in discussing the news and its impact with his associates, although a Congressional reception in the mansion was on his evening schedule.

Angry as Mr. Kennedy was reported to have been, he found a touch of grim humor in the situation.

"I don't think I'll have any more Congressional receptions," he remarked, recalling that it was on the night of the 1961 congressional reception that the news of the ill-fated Cuban invasion had been received.

Mr. Kennedy held another breakfast council on the steel subject today.

Douglas Dillon, Secretary of the Treasury, had gone to his ... Hobe Sound ...

Economists Divided on Speed And Size of Steel Price 'Ripple'

Demand for Broad Range of Products Is Factor—Cars May Go Up $25-$75 —Psychological Impact Assayed

By JOSEPH A. LOFTUS
Special to The New York Times

WASHINGTON, April 11—A steel price rise of $6 a ton will ripple through the economy, but economists do not agree how big the ripple may be or how soon it will be felt.

Steel products from kitchen knives to automobiles and bridge beams will be affected. The demand for steel products is also a factor. The average family car may cost $20 to $75 more before the year ends, depending on consumer demands.

A psychology of rising expectations could affect not only steel products, but also the whole economy. A spiral not only is a mechanical passing on of costs from one level of processing and distribution to another after costs go up, but may mean as well a rise in prices in expectation of a rise in costs.

The same psychology could affect wage demands.

Index Is Affected

It was such a possible momentum in prices and wages that President Kennedy hoped to decelerate in his strong statements today at his news conference.

When raw-steel prices are translated into consumer product prices, or even into the price of an I-beam that goes into a house or apartment building, the Consumer Price Index is affected.

The index often has a direct relationship to wage rate concessions when new labor contracts are made.

Mathematically, the Bureau of Labor Statistics has often said, the percentage rise in the price index is not nearly so great as the percentage rise in steel prices. This is so because steel products carry a relatively small weight in the index.

Food and services together account for 63 per cent of the index. Eventually, however, higher prices for consumer items with steel in them are reflected in the index. That is the mechanical impact of a steel price rise.

The psychological impact, the Administration fears, may be greater...

...of inflation, caused to a substantial degree by the exercise of market power. This type of inflation cannot be controlled by policies aimed solely at restricting total demand.

"The rise in steel prices is a critical part of the inflation in industrial-goods prices in recent years. It is only part of the story of inflation in this period. Other important elements being the run-up in machinery prices, the rise of construction costs, the increase in service prices, and perhaps equally important, the failure of prices in other fields to fall.

Study Group Named

Early in 1960, after the steel strike, James P. Mitchell, then Secretary of Labor, appointed a study group headed by Prof. E. Robert Livernash of the Harvard Graduate School of Business Administration.

Frank E. Norton of the University of California at Los Angeles, studied steel prices and inflation for the Livernash report, and concluded:

"The exploratory analysis undertaken in this study suggests that the independent influence of steel prices on inflation has been modest in the post-war period."

He added, however, that a "pass-through" of price increases was not the only way of measuring the effect of basic price changes. The price behavior of steel-using industries, he said, "seems to have been dominated more by the demand for particular final products than the rise in steel prices by themselves.

"As a result of the momentum developed in the price structure and because of the short duration and mildness of recent recessions," he said, "there was a tendency for steel-using industries to show price increases even during declines in demand."

Chronology of Increases

Mr. Norton studied many steel items individually. Steel prices went up $4 a ton in 1953 and $3 in 1954. From June 1953, to June 1954, a period of economic contraction, automobile prices went up 0.7 per cent. In...

...company ... covered "steel mill products." It declined to list specific increases.

Jones & Laughlin said that its price increase applied to steel products in general and became effective tomorrow. Avery C. Adams, chairman of the board of the company, the fourth-largest producer, said that the increase would average 30 cents a hundred pounds.

Wheeling's increase went into effect today on all principal products. The company is the eleventh-largest producer.

Youngstown, the seventh-largest, said that its increase was slightly above the others, 3.6 per cent.

Leonard C. Rose, president of the Colorado Fuel and Iron Corporation, the tenth-biggest steel producer, said that his company was considering a price rise. He said:

"We are presently studying the situation but have had no opportunity yet to firm up our plans. We are certainly considering the plight of our stockholders and feel that some action should be taken with respect to our steel prices."

Kaiser Studies Situation

A spokesman for the Kaiser Steel Corporation said, "We're studying the subject in the light of our own competitive situation."

Richard S. Reynolds Jr., president of the Reynolds Metals Company, a leading aluminum producer, said that the price increases were justified.

"As I have pointed out many times," Mr. Reynolds said, "industry cannot continue to have rising costs without increasing prices."

The Inland Steel Company took no immediate action on prices. John F. Smith Jr., its president, said that his company "will reserve its decision on what action to take until we are more completely informed."

"We will ... give the matter very careful study before we decide what course we will take," he said.

Need for Profits Cited

CLEVELAND, April 11 (AP)—The Republic Steel Corporation announced today an increase in prices averaging about $3\frac{1}{2}$ per cent.

T. F. Patton, president of the company, said that the increase was "necessary to enable Republic to earn sufficient profits to carry forward its modernization and improvement program to enable it to remain competitive."

NEW STUDY IS URGED FOR U.S. TRUST LAWS

DAYTON, Ohio, April 11 (AP)—A Federal judge, fining nine individuals and ten companies in a price-fixing case here, said he felt "it might be well if someone took another look at..."

...April 13 of last year, he held his first reception for members of Congress in the White House. He never got to bed that night for the Cuban invasion collapsed the following morning.

News Analysis

Last night the President was again holding his Congressional reception and just before it started Roger Blough of United States Steel walked into the White House and announced the price rise.

"I'll never have another Congressional reception," the President remarked. He was angry last night, but he was even angrier today when the other steel companies began hiking their prices and he reviewed the probable consequences of the price rise with his principal aides.

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Here is the way responsible officials saw the picture tonight:

The basic national security policy of the Administration rests on what is called the "wage-price-productivity triangle." Maintenance of a balance among these three, as the Administration sees it, affects the country's ability to grow economically, compete in the export markets of the world, and provide an adequate defense at home and military and foreign aid programs abroad.

Thus, the President has seen his tax program, his trade expansion bill, his defense and foreign aid programs as an interconnected system: all resting on the assumptions of reasonable economic growth, reasonable economic stability, and reasonable industrial peace.

Central to this concept of the national interest, as the President saw it, was that both management and labor would show restraint in their collective bargaining, and the steel negotiations were the most dramatic effort of the Administration in this direction.

The serious cost of the steel price rise, therefore, as the Administration sees it, is not only the $1,000,000,000 extra cost in the defense program, or the added cost of cars and other steel-based products, but the cost of the setback to the collective-bargaining process.

That the price rise has affected President Kennedy's philosophy on how to deal with these questions is fairly obvious from the tone and manner of his statement today.

As he saw it, he was trying to move labor-industrial relations into an historic transformation. From bi-lateral collective bargaining on the setting of wages, hours and conditions of work, he was moving toward tripartite discussions in which both labor and management would pay more attention than in the past to the public and national interest.

With this in mind, the Administration, without intervening directly in the labor-management relations, at...

...made. There is no doubt that officials here feel that the steel companies did not bargain in good faith, but that the events of the last twenty-four hours were planned ahead of time.

After the steel contract was signed, the President called the principal negotiator for the steel companies and congratulated him on a contract which, as the President emphasized, defended the national interest. In that conversation, the congratulations were accepted without any reference to the forthcoming price rise.

This is why the President implied repeatedly in his statement today that Big Steel must have known before the end of the steel talks that the price of steel was going to be raised.

The question now is how the President will react to all this. Some of his advisers have been arguing all along that he could not hope for the kind of cooperation he wanted from the steel companies ... he would have to use his power more directly.

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As a matter of fact, he has been trying, not only in his relations with industry but with the Congress, to get his programs through by personal persuasion and manipulation. Now he is confronted by what he regards as a defiant act by some of the leaders of Big Steel.

Nevertheless, he was careful today, despite the sharpness of his language, to avoid any blanket indictment of big business. He directed his shafts at a few steel company leaders.

This was not a general attack, like President Jackson's on the bank, nor was it like Theodore Roosevelt's sweeping condemnation of the "malefactors of great wealth" or Franklin Roosevelt's criticism of the "economic royalists." It was more like President Wilson's limited but savage condemnation of the "little band of willful men" in the Senate who wrecked Wilson's project to bring the United States into the League of Nations at the end of the first World War.

The critical question now, however, is not only how this will affect President Kennedy's economic philosophy but also how it will affect his personal philosophy. He came to power in the campaign of 1960 arguing for the transformation of many aspects of American society. During that campaign there was a great deal of discussion about whether the "public sector" of the economy did not have to be given bolder directions from the White House.

But this has largely been qualified and even sublimated in the first year of President Kennedy's Administration. The fight with Big Steel, however, has been a kind of catalyst for the President and many of his advisers. Particularly Secretary of Labor Arthur J. Goldberg has been arguing for bolder Presidential action in the economic field and he is the man whose...

...which companies may write off outlays for plant and equipment for tax purposes. The new rates were to be announced next month as an inducement to industry to modernize plants.

The trade commission's order against the steel companies appears to be the Administration's main reliance in trying to prevent more companies from following United States Steel's lead and in influencing some to rescind increases already announced.

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Provisions of Order

Most of the provisions of the ensuing consent order, which the commission accepted at the request of the steel companies, were directed against certain specific practices which, when jointly carried out, resulted in identical delivered prices at any given destination.

But in addition to this, the order contained a general prohibition under which the steel companies were enjoined from jointly "adopting, establishing, fixing, or maintaining prices, or any element thereof at which steel products shall be quoted or sold, including but not limited to base prices."

It was apparently with this collusion aspect in mind that the President referred repeatedly in his news conference to the "speedy action" of other companies in "imitating" the United States Steel price increase.

Chairman Dixon said it would not be determined just what direction the trade commission's inquiry would take until it had been established how many of the steel companies had followed the lead of United States Steel and how much of an increase they had adopted.

But he stressed that the agency had ample powers for dealing with the price increases. As Mr. Nixon put it, "We have all the powers enjoyed by Congress itself, including investigations openly or confidentially, subpoenas, and private or public hearings."

In a statement on his subcommittee's investigation, Mr. Celler said the price leadership provided by United States Steel "may itself evidence violations of the existing antitrust laws."

He said: "If the other steel companies pursue their past follow-the-leader practices, they may involve themselves in the toils of the antitrust laws."

$1,000,000,000 would be added to defense costs.

Fears Outflow of Gold

Furthermore, the President said, the increase would make it more difficult for American goods to complete abroad and withstand foreign competition at home. The upshot of both of these results would be further impairment of the nation's balance-of-payments situation and increased gold outflow.

The increase was indefensible, the President argued, because productivity was increasing "so fast that labor costs per ton of steel can actually be expected to decline in the next twelve months." Moreover, he said, whereas labor costs a unit had remained essentially unchanged since 1955, the cost of materials has been declining.

In each of the last five years, he noted, the industry's cash dividends have exceeded $600,000,000 and earnings in the first quarter of this year were estimated to be "among the highest in history."

Except in monopoly situations, the President declared, price and wage decisions should be "freely and privately made." However, in return the American people had a right to expect "a higher sense of responsibility for the welfare of their country than has been shown in the last two days."

380 at Harvard Still Say It Is a Grand Old Party

Special to The New York Times

WASHINGTON, April 11—There are, too, Republicans at Harvard.

Republicans in Washington now know it for a fact, because about forty specimens of Harvard Republicanism turned up at the Capitol today to prove their species still survives.

The visitors, members of Harvard's thriving Young Republican Club, were rejoiced over, joshed, praised and proudly displayed to the press by Republican Senators and Representatives who had come to honor them at a luncheon sponsored by Senator Leverett P. Saltonstall, Republican of Massachusetts and a Harvard man himself.

Pete Wallison, the club's president, said in a parody of President Kennedy's Inaugural Address:

"Let the word go forth from this time and place that the torch has been passed to a new generation of Republicans at Harvard."

President Kennedy is a Harvard graduate, and many members of his staff are either alumni or former faculty members of the university.

Mr. Wallison said the Young Republican Club had about 380 members, compared to about 280 in the Young Democratic club.

evening schedule.

Angry as Mr. Kennedy was reported to have been, he found a touch of grim humor in the situation.

"I don't think I'll have any more Congressional receptions," he remarked, recalling that it was on the night of the 1961 Congressional reception that the news of the ill-fated Cuban invasion had been received.

Mr. Kennedy held another breakfast council on the steel subject today.

Douglas Dillon, Secretary of the Treasury, had gone to his retreat at Hobe Sound, near Palm Beach, Fla., the night before. Mr. Kennedy called him there. They discussed not only the impact on the domestic economy, but also the possible international repercussions.

13 BILLION FOR ARMS APPROVED IN SENATE

WASHINGTON, April 11 (UPI) — The Senate gave quick and unanimous approval today to the $13,000,000,000 military procurement bill that would authorize a speed-up in the RS-70 bomber program.

The 85-to-0 vote came after Senator Richard B. Russell, Democrat of Georgia, told the Senate that the nation must be prepared to fight a nuclear "war of extermination."

Senator Russell, who heads the Senate Armed Services Committee, also said that he hoped a delay in resuming nuclear test in the atmosphere would not be "tolerated indefinitely." Senator Stuart Symington, Democrat of Missouri, suggested that the committee hold hearings to inform the public of the need for resuming tests.

Senate approval sent the measure back to the House which passed a somewhat different version. A Senate-House conference committee may be required to adjust the relatively minor differences.

The two versions use somewhat different language to endorse the agreement between President Kennedy and Representative Carl Vinson, Democrat of Georgia, on the RS-70 reconnaissance-strike bomber program. Mr. Vinson is chairman of the House Armed Services Committee.

In the agreement, Defense Secretary Robert S. McNamara promised to review the 2,000-mile-an-hour plane and then spend extra money for its development if such outlay were warranted.

Nixon to Visit Eisenhower

PALM DESERT, Calif., April 11 (UPI) — Richard M. Nixon will visit with former President Dwight D. Eisenhower here during the former Vice President's campaign swing tomorrow and Friday, a spokesman said tonight. Mr. Nixon will stay overnight with the Eisenhowers tomorrow at the former President's cottage at Eldorado Country Club.

said, the percentage rise in the price index is not nearly so great as the percentage rise in steel prices. This is so because steel products carry a relatively small weight in the index.

Food and services together account for 63 per cent of the index. Eventually, however, higher prices for consumer items with steel in them are reflected in the index. That is the mechanical impact of a steel price rise.

The psychological impact the Administration fears, may be greater.

Conclusions Differ

Two studies on the impact of steel on the economy, made within the last three years, came to different conclusions. One was made in 1959 by Otto Eckstein and Garry Fromm of Harvard University for the Joint Economic Committee of Congress. It concluded:

¶The impact of the increase of steel prices on other industrial prices is large. If steel prices had behaved like other industrial prices, the rise in the total wholesale price index would have been 40 per cent less over the last decade and 52 per cent less since 1953. The increase in the price of finished goods would have been 23 and 35 per cent less, respectively.

¶The increase in steel prices is attributable to the extraordinary rise in wages, combined with only an average rate of increase in productivity, and to the increase in profits, taxes and depreciation charges.

¶Neither the increase in steel wages nor the increase in steel prices can satisfactorily be explained by demand factors alone. The wage and price behavior of the steel industry represents an important instance

Heller and Steel Aide To Be on TV Today

Special to The New York Times

WASHINGTON, April 11 — Pros and cons of the steel price increase will be discussed on television tomorrow morning by President Kennedy's chief economic adviser and the United States Steel Corporation's chief financial officer.

Dr. Walter W. Heller, chairman of the Council of Economic Advisers, and Robert C. Tyson, chairman of United States Steel's finance committee, will be interviewed on the National Broadcasting Company's "Today" program between 8:30 and 9 A. M.

In the afternoon, Roger M. Blough, chairman of United States Steel, will hold a news conference at the company's headquarters on Lower Broadway in New York.

"As a result of the momentum developed in the price structure and because of the short duration and mildness of recent recessions," he said, "there was a tendency for steel-using industries to show price increases even during declines in demand."

Chronology of Increase

Mr. Norton studied many steel items individually. Steel prices went up $4 a ton in 1953 and $3 in 1954. From June, 1953, to June, 1954, a period of economic contraction, automobile prices went up 0.7 per cent. In the twelve months thereafter, a period of expansion, auto prices went up 2.6 per cent.

Parallel action, without these extremes, occurred during and after the 1957-58 recession.

The Livernash report said that basic steel prices rose 178 per cent from 1940 to 1959. The rise just announced is the first general increase in steel since that study was made.

The average realized price for a ton increased about 207 per cent in the same period. Realized prices may go up without a basic price rise where, for example, there is a shift in demand from a lower-profit to a higher-profit item.

The cost of employment for a unit of output (wage payments and fringe benefits, offset by increases in man-hour output) rose about 145 per cent from 1940 to 1959. These labor costs are higher now because of pay and fringe-benefit increases in the last three years.

President Kennedy put the labor cost of a ton of steel at essentially the same level it was in 1958. That would make it 163 per cent above 1940's.

The Consumer Price Index from 1940 to 1961, rose 113.4 per cent.

FALL-OUT COUNT RISES

But Officials See No Threat—Increase Was Expected

WASHINGTON, April 11 (AP)—The expected spring fall-out from last year's Soviet nuclear tests is beginning to show up, although apparently very slowly, the Public Health Service said today.

But an official who reported this indicated that the service still thought there would be no need for special, protective measures to reduce human intake of radioactive strontium 90.

When the Russian tests started last September, officials said there would be some immediate fall-out but that most of the debris would rise into the stratosphere and stay there until spring. First evidence that it is now falling was reported today in response to questions.

An official said slight increases in the strontium 90 content of milk had been noted in rough checks of milk samples from some Southern States.

was necessary to enable Republic to earn sufficient profits to carry forward its modernization and improvement program to enable it to remain competitive."

NEW STUDY IS URGED FOR U.S. TRUST LAWS

DAYTON, Ohio, April 11 (AP)—A Federal judge, fining nine individuals and ten companies in a price-fixing case here, said he felt "it might be well if someone took another look at the Federal laws which govern operation of business in this country."

District Judge Carl A. Weinman spoke for a half hour from the bench late yesterday before imposing fines totaling $134,000.

The judge laid the responsibility for the price-fixing scheme on William W. Garstang, a former official of the Allen-Bradley Company of Milwaukee.

The case involved a multimillion dollar price-fixing scheme to sell electronic parts to the Dayton Air Force Depot.

"Only the fact that you pleaded guilty is keeping you out of jail," the judge told Garstang as he fined him $5,000 and levied $12,000 fine against his company.

Garstang and the other companies and individuals arraigned had been indicted in January on twenty-two counts of violating the Sherman and Clayton acts.

The judge suspended a $1,500 fine given another defendant, George Risk, president of the now-defunct Dale Products Company of Columbus, Neb.

Companies and individuals were given ten days to pay their fines or face imprisonment. Other companies and individuals and their fines were:

Daystrom, Inc., Murray Hill, N. J., $10,000; Electra Manufacturing Company, Independence, Kan., $15,000; International Resistance Company, Philadelphia, $25,000; Aerovex Corporation, New Bedford, Mass., $17,000; Stackpole Carbon Company, St. Marys, Pa., $10,000; Indiana General Corporation, Valparaiso, Ind., $8,000.

Also, Texas Instruments Inc., Dallas, $15,000; Clarostat Manufacturing Company, Dover, N. H., $5,000; Dale Products Inc., Columbus, Neb., $3,000; Wilbert Steinkemp, Daystrom Inc., $1,000; John Bouwmeester, Indiana General, $1,000; James M. Krampe, Aerovex Corporation, $500; Charles Golenpaul, Arrobox Corporation, $1,000; Richard Burton, Electra Manufacturing Company, $1,500 suspended; Leonard Maguire, Texas Instruments, $1,000; D. P. Geedling, Dale Products, $1,500 suspended.

8 Jailed in Boston Strike

BOSTON, April 11 (AP) — Eight of nine accused drivers for the Metropolitan Transit Authority, which supplies the public transportation for Boston, were sentenced to jail today for contempt in a recent two-day work stoppage. Superior Court Judge Lewis R. Goldberg sentenced seven men to thirty days in jail and eight to sixty days. A ninth man was acquitted.

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As he saw it, he was trying to move labor-industrial relations into an historic transformation. From bi-lateral collective bargaining on the setting of wages, hours and conditions of work, he was moving toward tripartite discussions in which both labor and management would pay more attention than in the past to the public and national interest.

With this in mind, the Administration, without intervening directly in the labor-management relations at the bargaining table, has been asserting the public interest in public statements.

Last December, for example, the President had warned labor to "demonstrate its responsibility in helping to keep overall wage movements in line with increases in productivity."

At the same time, the President told the National Association of Manufacturers:

"I am hopeful that management and labor will meet their responsibility to permit us to compete, that those of you who are in the areas of wage negotiation will recognize the desirability of our maintaining as stable prices as possible."

Here Was Testing Area

The steel negotiations were the real testing ground of this philosophy. He was saying in effect, that if big steel held the price line, he would bring pressure on big labor to hold the wage line to increases in productivity.

This involved what William Gomberg, the labor expert at the University of Pennsylvania, called "a moving away from pluralistic decision-making in the field of wages and prices in favor of the formulation of a national wage policy by the Government to which the parties would be pressured to conform."

As a matter of fact, there was considerable speculation in the capital tonight that this trend in Government thought may have been one major reason why United States Steel, fearing increasing Government intervention in the collective bargaining process, chose to move as it did immediately after

During that campaign there was a great deal of discussion about whether the "public sector" of the economy did not have to be given bolder directions from the White House.

But this has largely been qualified and even sublimated in the first year of President Kennedy's Administration. The fight with Big Steel, however, has been a kind of catalyst for the President and many of his advisers. Particularly Secretary of Labor Arthur Goldberg has been arguing for bolder Presidential action in the economic field and he is the man whose policies are hardest hit by the decision of Big Steel. He asked tonight, for example, how we could now go around to labor and ask for wage restraint in the national interest when the Big Steel companies had defied that principle.

Review of Programs Due

If the President's remarks were outspokenly critical it is because he feels that he has tried to indicate sympathetic attitude toward business, in the construction of his official family, in his tax incentives to business expansion, in his new transportation proposals, and other ways.

Now there will undoubtedly be a review of the effect of the Kennedy programs as they relate to steel. It will surprise few well-informed officials here if the next month's broad revision of schedules for writing off plant and equipment costs is less generous for steel companies than it would have been before.

Those in the Administration, too, who want to see new anti-trust legislation and new efforts to prove collusion in the steel industry and new Government procurement programs in regard to steel will probably get a more sympathetic hearing from the President than they have in the past.

For the President's "Irish" is now up. He feels that he has been challenged and that the national interest has been defied, and this is almost certain to have an effect on his philosophy toward Big Steel in the future.

DETROIT FREE PRESS SUSPENDS IN STRIKE

DETROIT, April 11 (UPI)—The Detroit Free Press suspended tonight the publication of Thursday morning editions. The action was caused by a strike by truck-driver members of teamsters Local 372.

The union rejected a new contract offer from the newspaper and set up picket lines around the Free Press building two hours before Thursday morning's first editions were scheduled to go to press.

Robert C. Butz, executive secretary of the Detroit Newspaper Publishers Association, said, "the basic dispute between the teamsters and The Free Press concerns the right of the newspaper to manage and control its business operation."

"An ultimatum which the union handed The Free Press demanded eighteen new contract concessions, which would have the net effect of putting the teamsters in control of sales and distribution of the newspaper," he said.

The paper said it had offered the union wage increases averaging $4 a week in the first year and $3 a week in the second year of a proposed two-year contract. Seven other unions at the paper had accepted similar terms, The Free Press said.

all the powers enjoyed by Congress itself, including investigations openly or confidentially, subpoenas, and private or public hearings."

In a statement on his subcommittee's investigation, Mr. Celler said the price leadership provided by United States Steel "may itself evidence violations of the existing antitrust laws."

He said: "If the other steel companies pursue their past follow-the-leader practices they may involve themselves in the toils of the antitrust laws."

LIGHTER CAPTAINS ASSAIL WORK RULE

The head of the Lighter Captains Union testified yesterday that the harbor railroads' drive for job assignment flexibility on barges was an apparent invitation to "wholesale union fratricide."

Daniel A. Murphy, president-business manager of the union, Local 996, International Longshoremen's Association, made his charge at a hearing before a three-man Presidential commission in the Astor Hotel.

Seven railroads seek the right to shift about 575 barge captains from one job location to another during a working day. Under current rules the lighter captain may be assigned to only one craft during an eight-hour day. The carriers estimate that such a rule change would save them $2,000,000 a year in wages.

Asking who would do the work if a lighter captain were shifted from his regular duties to other assignments, Mr. Murphy said:

"It is obvious that the carriers hope that members of the related marine crafts, along with our brother members of the I. L. A., will engage in wholesale union fratricide and perform the lighter captain's duties in such instances."

N. N. Baily, vice president and general manager of the Jersey Central Railroad, emphasized the saving to the carriers if the barge captains could be assigned to working vessels while their own were in home terminals and not in actual use.

The hearing is scheduled to continue today under the chairmanship of Ronald W. Haughton, co-director of the Institute of Labor and Industrial Relations, University of Michigan and Wayne State University.

Ontario Atom Furnace Starts

ROLPHTON, Ont., April 11 (AP)—The atomic furnace in Canada's first nuclear power station went into operation today. The $33,000,000 experimental station is scheduled to start producing electricity in several months after a variety of tests. The station is about 150 miles northwest of Ottawa and twelve miles up the Ottawa River from the Chalk River atomic energy research center.

NYT april 13, 1962

k Times.

LATE CITY EDITION

U. S. Weather Bureau Report (Page 70) forecasts: Mostly cloudy, early rain. Partly cloudy tonight. Fair tomorrow.
Temp. range: 53—40; yesterday: 48—40.

13, 1962.

10 cents beyond 50-mile zone from New York City except on Long Island. Higher in air delivery cities.

FIVE CENTS

STEEL RISE INVESTIGATION BY GRAND JURY ORDERED; BLOUGH DEFENDS PRICING

F.B.I. ENTERS CASE

Subpoenas Are Served —Most Issues Off in Stock Market

By JOSEPH A. LOFTUS

Special to The New York Times.

WASHINGTON, April 12 — Attorney General Robert F. Kennedy announced tonight he had ordered a grand jury investigation of the price increases announced by leading steel makers.

Evidence will be presented to one of the grand juries now sitting in New York.

This move under the Sherman Antitrust Act was one of several decisions that apparently came out of an all-day series of intensive conferences at the White House.

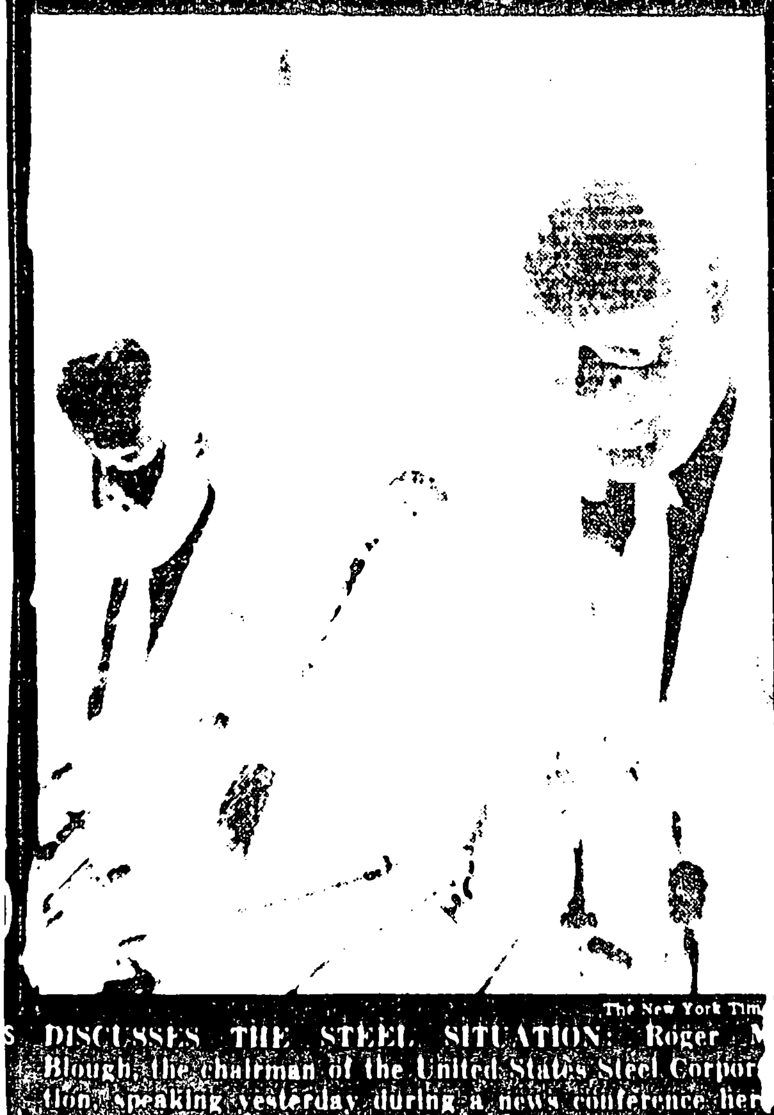
The Justice Department made the following announcement a few hours after the news conference held in New York by Roger M. Blough, chairman of the United States Steel Corporation:

In response to questions about a statement made by Mr. Blough in his press conference that U. S. Steel Company documents had been subpoenaed, the Attorney General said tonight that he had authorized a grand jury investigation of the steel price increases.

Hope for Price Reversal

At the same time, some officials said they still hoped that the major companies would rescind their announcement of an increase of $6 a ton.

[Stocks broke sharply on the New York Stock Exchange Thursday. The New York Times combined average fell 4.93 points, the biggest drop since last Sept. 25. Only 209



The New York Tim

S DISCUSSES THE STEEL SITUATION: Roger M. Blough, the chairman of the United States Steel Corpor- tion, speaking yesterday during a news conference her At left is Leslie B. Worthington, concern's president.

U. S. Steel Says Increase Will Strengthen Economy

By KENNETH S. SMITH

Roger M. Blough, board chairman of the United States Steel Corporation, defended his company's new price increase yesterday as a move to strengthen the nation's industrial assets. He also asserted the right of an individual company to make its own pricing decisions.

Mr. Blough said further that the $3\frac{1}{2}$ per cent increase initiated by United States Steel on Wednesday had had no

Will Strengthen Economy

By KENNETH S. SMITH

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Mr. Blough said further that the $3\frac{1}{2}$ per cent increase initiated by United States Steel on Wednesday had had no

Transcript of news conference is printed on Page 18.

"political motivation." The action increased the composite price of steel mill products by $6 a ton, to $176.

The executive's comments were made in a prepared statement and in answers to questions at a televised news conference in the first floor auditorium of the corporation's New York headquarters at 71 Broadway.

Follows Kennedy Rebuke

The news conference was arranged after President Kennedy had attacked the price increases Wednesday as "irresponsible defiance" of the public interest and "ruthless disregard" of the steel companies' duty to the nation. The President commented after five other major steel producers had announced plans for similar increases.

United States Steel is the nation's largest producer.

Mr. Blough made these other points:

¶He said he saw no reason for the steel-price change to lead to further Government regulation of all industry.

¶He reported that United States Steel's profits for the first quarter of 1962 were "far from satisfactory."

¶He estimated that the higher prices would add only

Continued on Page 10, Column 3

that U. S. Steel Company documents had been subpoenaed, the Attorney General said tonight that he had authorized a grand jury investigation of the steel price increases."

Hope for Price Reversal

At the same time, some officials said they still hoped that the major companies would rescind their announcement of an increase of $6 a ton.

[Stocks broke sharply on the New York Stock Exchange Thursday. The New York Times combined average fell 4.93 points, the biggest drop since last Sept. 25. Only 209 stocks advanced, while 870 declined. Investors were said to believe that the steel price rises had almost assured anti-business moves by Government.]

All aspects of possible antitrust action were under review today and several moves were quickly made.

Certain documents in the possession of the United States Steel Corporation were subpoenaed. Other subpoenas were reported being served.

Newsmen Questioned

Special agents of the Federal Bureau of Investigation awakened several newspaper reporters early this morning to question them about a statement opposing a price increase attributed to an officer of the Bethlehem Steel Corporation. The corporation announced an increase the next day. It said the quotation had been incorrect.

Papers asking court authorization for Justice Department lawyers from Washington to appear before a grand jury in the Southern District of New York were filed with the clerk of the court there late today.

The Administration's motivations were a matter of some speculation. President Kennedy termed the price decision "irresponsible defiance" of the public interest. There is no doubt that the President con-

Continued on Page 19, Column 1

Rockefeller's Plan

THE NEW YORK TIMES

Grand Jury Investigation of Increase in S

DECISION FOLLOWS WHITE HOUSE TALK

F.B.I. Takes Hand in Case —Subpoenas Served Seeking Documents

Continued From Page 1, Col. 8

siders the decision a threat to his plan to maintain economic stability. There was some doubt, however, that any legal action could undo whatever damage he believes may have occurred.

Questions of political motivations, of course, were raised in some quarters.

One chance of getting the big steel makers to rescind the price increase seemed to rest with Inland Steel Company and several relatively small companies that have not raised prices.

Joseph L. Block, president of Inland, has had a friendly relationship with the Kennedy Administration. He is a member of the President's Labor-Management Committee. If Inland and others can be persuaded to hold the price line and to pass along this persuasion to the major companies, a roll-

Mr. Block is in Japan. Officers of his company were reported trying to reach him by telephone.

Query to Blough

Mr. Blough was asked at his news conference if UnitedStates Steel could maintain its price increase if Inland and Armco Steel decided not to raise prices.

"It would definitely affect us," he replied "and I don't know how long we can maintain our position. I wouldn't want to state a specific number of days. It would make it very difficult for us."

Attorney General Robert F. Kennedy ordered the grand jury investigation under sections 1 and 2 of the Sherman Antitrust Act. Section 1 forbids unreasonable restraint of trade. This includes any illegal combination or conspiracy to fix prices.

Section 2 forbids attempts to establish or conduct a monopoly. Under Section 2, Government lawyers would attempt to show that a corporation is so large in its field that it exercises coercive power on other companies in the same industry.

A grand jury investigation implies a search for criminality and not merely civil action.

A quick search for evidence of United States Steel's influence on the rest of the steel industry was undertaken by agents of the F. B. I.

F. B. I. Studies Statement

The agents wanted reporters to confirm a published statement, attributed to Edmund F. Martin, president of Bethlehem Steel, on Tuesday. Mr. Martin was quoted as saying: "There shouldn't be any price rise. We shouldn't do anything

Associated Press Wirephoto

AT REPUBLICAN NEWS CONFERENCE: Representative Charles A. Halleck, left, of Indiana, and Senator Everett McKinley Dirksen of Illinois, Republican leader in Congress, at meeting. Mr. Halleck called steel situation economic, not politica

most of their attention to ramifications of the steel price rise. And in Government departments on Capitol Hill officials and Democratic leaders considered the effect of the increase.

They sought to determine its impact on the economy, on relations between industry and labor and between industry and the Administration and on military procurement, foreign aid, exports and the balance of international payments. Finally, they speculated on the possible effects on the Congressional elections this fall.

The first meeting was held in the Cabinet Room of the White House. For forty-five minutes Cabinet officers and Presidential assistants discussed possible ways to meet the challenge posed by the steel industry in raising steel prices $6 a ton.

President Kennedy joined the group for fifteen minutes before leaving for talks with Mohammad Reza Pahlevi, the Shah of Iran, who is here on a state visit.

Officials Attend

Among those present were Attorney General Kennedy, Secretary of Defense Robert S. McNamara, Secretary of Labor Arthur J. Goldberg, Secretary of Commerce Luther H. Hodges, Under Secretary of the Treasury Henry H. Fowler, Walter W. Heller, chairman of the Council of Economic Advisers; Paul Rand Dixon, chairman of the Federal Trade Commission, and Theodore C. Sorenson, special counsel to the President.

Mr. Hatcher told reporters this morning that the White House had received ...

Blough Defends Pricing Policy; Says Increase Helps Economy

Continued From Page 1, Col. 6

$20,000,000 to defense costs, not the $1,000,000,000 that President Kennedy said Defense Secretary Robert S. McNamara had estimated.

¶He indicated that if the few major steel producers who have not followed United States Steel's increase move did not do so soon, it would make it "very difficult" for his company.

¶He confirmed a report that the corporation had been served with a subpoena, returnable in the Federal District Court for the Southern District of New York, to "produce some papers."

In response to President Kennedy's angry comments of the previous day, Mr. Blough read his six-page prepared statement. In answer to questions, his manner was generally mild, although he made some points with emphasis.

"We have no wish to add to acrimony or to misunderstanding," Mr. Blough said, and he went on:

"We do not question the sincerity of anyone who disagrees with the action we have taken. Neither do we believe that anyone can properly assume that we are less concerned with the welfare, the strength and the vitality of this nation than are those who have criticized our action."

Defining "productive machin...

Blough Sees Little Rise On Ordinary Appliances

Roger M. Blough said yesterday that the $6-a-ton increase in steel price would have little effect on the cost of everyday items used by most Americans.

Here are some examples he cited of price increases resulting from the new steel prices:

A standard-sized car, $10.64; a compact-sized car, $6.83; a toaster, 3 cents; a wringer-type of washing machine, 35 cents; a domestic gas range, 70 cents, and a refrigerator, 65 cents.

motivation that I would know of. I don't believe that I would even know how to operate in that area."

The sober and restrained manner with which Mr. Blough conducted his news conference broke at one point. He was asked if political considerations had had a part in the corporation's decision last Tuesday to raise prices, rather than during the Republican Administration of former President Dwight D. Eisenhower.

"I think you gentlemen can readily see that I know nothing about politics," Mr. Blough replied, drawing a laugh from his audience.

Flanked by ...

agents of the F. B. I.

F. B. I. Studies Statement

The agents wanted reporters to confirm a published statement, attributed to Edmund F. Martin, president of Bethlehem Steel, on Tuesday. Mr. Martin was quoted as saying:

"There shouldn't be any price rise. We shouldn't do anything to increase our costs if we are to survive. We have more competition both domestically and from foreign firms."

That afternoon United States Steel officials decided to raise prices $6 a ton. The next day Bethlehem and other companies announced similar increases.

A Bethlehem Steel statement issued today said Mr. Martin had been quoted incorrectly and had, in fact, been "indefinite about the matter of prices."

President Kennedy, at his news conference yesterday, recalled the reports on the Martin interview and noted that, "now he says he's misquoted."

Bethlehem Steel, in its statement today, said:

"Mr. Martin was quoted incorrectly as saying that 'there should not be any price rise even after the new labor contract goes into effect on July 1.' Mr. Martin was in fact, indefinite about the matter of prices. He indicated that the further increase in costs which will result from the new labor agreement is unfortunate at a time when we were trying to hold the price line."

The disputed quotation was reported by Lee Linder, of The Associated Press' Philadelphia Bureau. He went to a Bethlehem Steel stockholders' meeting in Wilmington, Del., Tuesday and, with two other reporters, talked with Mr. Martin after the meeting.

The other reporters were John Lawrence of The Wall Street Journal and James L. Parks Jr. of The Wilmington Evening Journal.

The Wall Street Journal, in a steel price story the morning after the Wilmington meeting, said that Mr. Martin "had declined to talk about prices until the new wage contract takes effect July 1."

The F. B. I. telephoned Mr. Linder at 3 A. M. The Associated Press reporter thought it was a joke at first. On checking back, he found that the agents were serious. He was asked a question or two on the telephone and then told that agents were "coming right out to see you."

They were at Mr. Linder's door a half hour later and asked the reporter to go over with them his report on the statement of Bethlehem's president.

Mr. Linder said later he had given the agents the same report he had written for The Associated Press.

Mr. Parks reported that two F. B. I. agents were on hand when he reported for work at 6:30 A. M. Later the agents interviewed Mr. Lawrence.

Mr. Lawrence was called by the F. B. I. at 5 A. M.

"I told them I had nothing to say so they gave up," he said.

In today's meetings at the White House, President Kennedy and his assistants devoted

Commerce Luther H. Hodges; Under Secretary of the Treasury Henry H. Fowler, Walter W. Heller, chairman of the Council of Economic Advisers; Paul Rand Dixon, chairman of the Federal Trade Commission; and Theodore C. Sorenson, special counsel to the President.

Mr. Hatcher told reporters this morning that the White House had received about 500 telegrams since the President's statement yesterday. He said the ratio supporting the President was two and one-half to one.

Officials meanwhile underscored the effects of the steel rise.

William P. Bundy, Deputy Assistant Secretary of Defense for International Security Affairs, told the Senate Foreign Relations Committee the steel increase would raise the cost of military foreign aid in the next fiscal year by $50,000,000 to $75,000,000.

Frank M. Coffin, Deputy Foreign Aid Administrator in Charge of Development, estimated that the cost of economic aid would be increased by $5,000,000 to $10,000,000.

Ball Recalls Attacks

Under Secretary of State George W. Ball, also testifying before the Foreign Relations Committee, recalled the great alarm expressed in some quarters that the recently negotiated concessions to the Common Market on specialty steel products would damage the domestic industry. Then, with heavy irony he added:

"I can only assume from the action taken monolithically in this case [of the steel increase] that the steel industry doesn't have any concern about competitive steel imports."

Tomorrow, Secretary McNamara is expected to issue a statement on the effect of the price rise on steel procurement by the military services. The President said yesterday the increase would raise defense costs by $1,000,000,000.

In their weekly news conference this morning, the Senate majority leader, Everett McKinley Dirkson and Charles A. Halleck, House minority leader, sought to counter the President's attack on the increase as inflationary.

Senator Dirksen neither condemned nor approved the price increase, but he said the President was "looking in the wrong place for the basic cause of inflation."

"The prime factor in inflation is excessive Government spending," Senator Dirksen said.

Mr. Halleck called on the President to send a message to Congress asking for a cut-back in non-defense spending.

'Information' Subpoenaed

Special to The New York Times.

PITTSBURGH, April 12—A spokesman for Jones & Laughlin Steel Corporation, the nation's fourth-ranking producer, said tonight that his company had been subpoenaed by the Government for "certain information." He said that he was all the information he was permitted to divulge at this time and indicated a further statement might be made tomorrow.

"We do not question the sincerity of anyone who disagrees with the action we have taken. Neither do we believe that anyone can properly assume that we are less concerned with the welfare, the strength and the vitality of this nation than are those who have criticized our action."

Defining productive machinery and equipment as "one of the nation's most valuable and indispensable physical assets," Mr. Blough said "proper pricing" was part of the picture involved in keeping productive facilities up to date and competitive in "the race among nations."

He recalled that several times in the last several months he had said that the cost-price relationship in United States Steel "needed to be remedied."

"When costs keep moving upward and prices remain substantially unchanged for four years, the need for some improvement in the cost - price relationship should be apparent," Mr. Blough said.

He noted that United States Steel's own profits in 1961 were 5.7 per cent of sales and, at $190,000,000, were the lowest since 1952.

Earlier this week, in announcing the price increase, United States Steel said its profits were "inadequate" to generate the funds necessary to keep its facilities "fully competitive."

Gave No Assurances

He affirmed President Kennedy's statement earlier in the week that no "assurances" had been asked of the parties in the steel negotiations that led to a two-year contract beginning July 1. It provides no wage increase in the first year, but includes fringe benefits costing about 10 cents an hour. Steel wages, including fringe benefits, are now approximately $4 an hour.

Asked later if, in the face of foreign competition and the possibility of a drop in steel production this summer, United States Steel would accept an independent study of the merits of its cost squeeze, Mr. Blough commented:

"I really believe that it's quite important in the kind of society that we have that individual companies, in as highly a competitive industry as we have, and in every industry for that matter, should make their own pricing decisions."

Another questioner, noting that President Kennedy "seems to have been quite upset" about the price advance, asked if United States Steel could not have given him more advance notice.

"Well, of course, I'm quite concerned at the President's concern," Mr. Blough replied. "In the kind of economy that we have, I'm not quite sure that it's feasible for anyone to be going to the White House to consider a price increase, even as important one as this."

Asked if United States Steel's pricing move had been a political one designed to check expanded Government influence in collective bargaining, Mr. Blough replied:

"I'm sure that the answer to your question is: there is no possible, conceivable political

tion's decision last Tuesday to raise prices, rather than during the Republican Administration of former President Dwight D. Eisenhower.

"I think you gentlemen can readily see that I know nothing about politics," Mr. Blough replied, drawing a laugh from his audience.

Flanked by Leslie B. Worthington, president of United States Steel, and John S. Tennant, general counsel, Mr. Blough spoke into a battery of microphones.

His conference was conducted under the scrutiny of police detectives. Photographers present were required to open camera bags for inspection. A United States Steel source said that while no threat had been made against Mr Blough, it had been decided to take security precautions in view of the economic ramifications of the increase.

Discounts U. S. Regulation

At another point Mr. Blough said "I saw no reason to think that any change in the price of steel could lead to Government regulation," adding that "I still see no reason for that to happen." These comments came when a reporter said some persons feared that the price increase would lead to widespread regulation.

Asked whether United States Steel would welcome an investigation by the Congressional Antitrust subcommittees and the Antitrust Division of the Justice Department, Mr. Blough replied:

"I don't think it's going to make much difference whether we welcome investigations or not."

Mr. Blough said he did not have details of the subpoena served on United States Steel. After the news conference, Mr. Tennant, the corporation's general counsel, said the subpoena required the production of "certain documents," but he declined further comment on their nature.

Mr. Blough said the price advance "adds almost negligibly to the cost of steel for everyday products.

However, Ross D. Siragusa, president of Admiral Corporation, speaking at his company's annual meeting in Chicago yesterday, said "higher prices are bound to result for such consumer products as major appliances, automobiles and other items utilizing large amounts of steel." Mr. Siragusa said "I must say it's regrettable the steel companies made such a move."

J. Max Harrison, president of the American Maritime Association here, said the price increase "will have a very detrimental effect upon the construction of American-flag shipping." He said the increase would add a minimum of $3,500,000 to construction costs in his industry.

White House Noncommittal

WASHINGTON, April 12 (AP)—United States Steel's defense of its price increase brought no immediate comment at the White House today.

The White House said Mr. Kennedy had not watched Mr. Blough's news conference on television, but that members of the Presidential staff had.

Steel Companies Give In, Rescind Price Increases Und[illegible]

PRESIDENT HAILS INDUSTRY ACTION

He Calls Move a Service to the Nation—Exerts Full Powers for 3 Days

Continued From Page 1, Col. 8

that defense business would be channeled, if possible, to companies that had not raised steel prices. Grand Jury subpoenas were served on some of the companies that had raised their prices. And the Labor Department issued a new set of statistics designed to prove the Administration's case that the price increase was not warranted.

Tonight it was evident that President Kennedy had scored a great personal success such as few Presidents had experienced in their relations with American industry.

He had strengthened his position for dealing with the business community. He had regained stature in the eyes of labor leaders. He had aroused a resounding chorus of popular support that would do his party no harm in next fall's elections.

The conflict between Government and the leading steel companies was set off Tuesday when United States Steel announced that it would raise the price of steel about $6 a ton.

White House Incensed

This announcement, which was quickly followed by similar announcements from seven other big companies, was received almost as a declaration of war at the White House.

Only a few weeks previously, the companies and the steel union had negotiated a new contract, to take effect July 1. The Administration had kept the two sides under pressure to reach an agreement that would not set off a new wage-price spiral; and it hailed the agreement, which contained no direct wage increase but only fringe-benefit improvements, as noninflationary.

President Kennedy was furious at the price increase, regarding it as a "double cross" of the Administration. Immediately he and the highest officials of the Administration set to work to counter the steel companies' move.

The objective of the Administration was to prevent the nation's third-largest industry [illegible] sales are exceeded only by those in autos and petroleum [illegible] from setting off an upward spiral of prices and wages.

The strategy was to divide and conquer. If two big companies could be persuaded to hold the line, the rest would have to retreat.

The key target in the strategy was Inland Steel, eighth largest in the industry. A secondary target was Armco Steel Corporation, the sixth largest.

Behind all the public declaiming and swinging of clubs, Administration officials were engaged in intense personal campaigns to persuade these two not to follow the lead of United States Steel, and to persuade other companies to retreat if possible.

By long-distance telephone the ranking powers of the Federal Government called the ranking powers of the steel industry — management, directors and stockholders. Edward Gudeman Jr., the Under Secretary of Commerce, was a central figure. He knew Inland Steel well as a lifetime Chicagoan, and he handled the dealings there.

President Kennedy turned to the long-distance telephone too.

This morning, in Chicago, the industry began to crumble. The Chicago Daily News published an interview with Joseph L. [illegible]

CONFER ON STEEL PRICES: The President with Defense Secretary, Robert S. McNamara yesterday at the White House. They discussed policy on Federal steel buying.

Associated Press Wirephoto

Text of McNamara Statement on Steel

Special to The New York Times.

WASHINGTON, April 13 — *Following is the text of a statement today on the steel situation by Secretary of Defense Robert S. McNamara:*

The President has expressed his concern over actions of United States Steel Corporation and other leading steel corporations increasing steel prices by some $6 a ton. I, too, am shocked by this wholly unexpected and in my judgment, unjustified development. It strikes a serious blow at the President's program to maintain price stability based on a national wage policy which limits wage increases to productivity gains.

But my primary concern is with the grave and far-reaching consequences that this action may have on the security of the United States. Our military budget has already been increased to an all-time high. [illegible]

Wednesday if this price increase fans out across other sectors of our economy. It can further increase the cost of our national defense in excess of $1,000,000,000 a year.

It is not only the effect of this price increase on our military budget that concerns me, however. A matter of even greater concern is the effect on our forces and bases overseas. National security demands that our military forces and the forces of our allies be deployed around the world, wherever freedom is challenged. The United States military operations overseas today cost us some $3,000,000,000 a year in foreign exchange. We have to earn that $3,000,000,000 each year in the export market.

Fears Curb on Exports

We cannot expect to maintain our forces overseas if our trade balance does not improve. It will not improve if a new round of price increases is set off by the action of United [illegible] Steel. These price increases will make it harder to sell our exports abroad, and will stimulate imports from abroad.

At the President's direction, therefore, and as a matter of prudence, we are assessing the impact of the price increases on defense programs and procurement policies, and we are examining possible alternative sources and alternative materials. To minimize the effect of the price increase on defense costs, I have today directed that where possible procurement of steel for defense production will be shifted to those companies which have not increased prices. I understand that similar action is being taken by other governmental agencies.

Further, I have noted that while iron and steel prices have increased by 90 per cent since 1947, the prices of nonferrous metals have increased by only 40 per cent. Therefore we are particularly studying the possibility of replacement of steel by other materials, including the potential of increased research and development in this area.

U.S. Steel Is Bypassed By Pentagon on Order

WASHINGTON, April 13 (UPI)—The Defense Department bypassed the United States Steel Corporation today and ordered 11,000 tons of high-grade steel from the Lukens Steel Company of Coatsville, Pa., which had not raised its prices.

A Pentagon announcement made clear that Lukens was favored because it did not fall in line behind United States Steel's $6-a-ton increase. That increase has now been rescinded.

United States Steel would normally have received about half the $5,000,000 to $6,000,000 order.

Deliveries of the steel are to begin in July and to be completed in September.

[illegible]

INLAND IS THE KEY TO PRICING ACTION

Continued From Page 1, Col. 4

ment in steel industry profits in relation to capital invested," Inland's statement read. "It believes this condition which does exist today will ultimately have to be corrected. Nevertheless, in full recognition of the national interest and competitive factors, the company feels that it is untimely to make any upward adjustments."

A short while later, in Oakland, Calif., Edgar F. Kaiser, chairman of Kaiser Steel Corporation, announced that his company "will not raise its mill prices at this time."

Observers recalled that at a Thursday news conference, Roger M. Blough, chairman of United States Steel, had indicated that if companies such as Inland and Armco Steel Corporation did not join the price-raising move in an unspecified period "it would make it very difficult" for Big Steel to maintain its higher prices.

Inland had given its answer. Armco was mute. But Armco's silence, like that of a few other major producers that had not yet followed United States Steel's upward thrust, was no help to the price-increase trend that had started at mid-week.

At about midday, Leonard C. Rose, president of Colorado Fuel and Iron Corporation, issued a statement in New York indicating that while his company had "had to consider a price increase in light of rising production costs," it was "studying each of our product lines to determine the feasibility of specific price changes in the light of market conditions."

This suggested that C. F. & I., if it moved upward, might do so only on a selective basis rather than following United States Steel's across-the-board increase.

Bethlehem Takes Lead

[illegible] Bethlehem Steel [illegible] to remain competitive, it [illegible] rescinding its price increases of April 12.

Arthur B. Homer, Bethlehem's chairman, said:

"Although we still hold the opinion that a steel price increase is needed under the present conditions to insure reasonable earnings, to provide the funds necessary to build more competitive facilities and at least partly to offset the past employment cost increases which have been absorbed without price increases, we must remain competitive.

"For the ultimate good and future welfare of our economy we must have lower costs to permit lower prices for successful world competition and improved volume of business and employment."

The Bethlehem move had price-drama watchers on the edge of their seats.

What would United States Steel do?

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Late in the day, however, United States Steel issued its price statement [illegible]

The conflict between Government and the leading steel companies was set off Tuesday when United States Steel announced that it would raise the price of steel about $6 a ton.

White House Incensed

This announcement, which was quickly followed by similar announcements from seven other big companies, was received almost as a declaration of war at the White House.

Only a few weeks previously the companies and the steel union had negotiated a new contract, to take effect July 1. The Administration had kept the two sides under pressure to reach an agreement that would not set off a new wage-price spiral, and it hailed the agreement, which contained no direct wage increase but only wage-benefit improvements, as noninflationary.

President Kennedy was furious at the price increase, regarding it as a double cross of the Administration. Immediately he and the highest officials of the Administration set to work to counter the steel companies' move.

The objective of the Administration was to prevent the nation's third largest industry — its sales are exceeded only by those in autos and petroleum — from setting off an upward spiral of prices and wages.

The strategy was to divide and conquer. If two big companies could be persuaded to hold the line, the rest would have to retreat.

The key target in the strategy was Inland Steel, eighth largest in the industry. A secondary target was Armco Steel Corporation, the sixth largest.

Behind all the public declaiming and swinging of clubs, Administration officials were engaged in intense personal campaigns to persuade these two not to follow the lead of United States Steel, and to persuade other companies to retreat if possible.

By long-distance telephone the ranking powers of the Federal Government called the ranking powers of the steel industry — management, directors and stockholders. Edward Gudeman Jr., the Under Secretary of Commerce, was a central figure. He knew Inland Steel well as a lifetime Chicagoan, and he handled the dealings there.

President Kennedy turned to the long-distance telephone too.

This morning in Chicago, the industry began to crumble. The Chicago Daily News published an interview with Joseph L. Block, Inland's chairman, who is vacationing in Japan.

"We do not feel that an advance in steel prices at this time would be in the national interest," Mr. Block said.

Less than an hour after the paper hit the streets, Inland announced its position. It was made public by Philip D. Block Jr., vice chairman of Inland, a cousin of Joseph Block.

President Kennedy heard the news on the steps of the White House as he bade farewell to [illegible]

Text of McNamara Statement on Steel

Special to The New York Times.

WASHINGTON, April 13 — Following is the text of a statement today on the steel situation by Secretary of Defense Robert S. McNamara:

The President has expressed this concern over actions of United States Steel Corporation and other leading steel corporations increasing steel prices by some $6 a ton. I, too, am shocked by this wholly unexpected and, in my judgment, unjustified development. It strikes a serious blow at the President's program to maintain price stability based on a national wage policy which limits wage increases to productivity gains.

But my primary concern is with the grave and far-reaching consequences that this action may have on the security of the United States. Our military budget has already been increased to an all-time high, this in order to meet the increased dangers that confront us. As I reported to the President on Wednesday, if this price increase fans out across other sectors of our economy, it can further increase the cost of our national defense in excess of $1,000,000,000 a year.

It is not only the effect of this price increase on our military budget that concerns me, however. A matter of even greater concern is the effect on our forces and bases overseas. National security demands that our military forces and the forces of our allies be deployed around the world, wherever freedom is challenged. The United States military operations overseas today cost us some $3,000,000,000 a year in foreign exchange. We have to earn that $3,000,000,000 each year in the export market.

Fears Curb on Exports

We cannot expect to maintain our forces overseas if our trade balance does not improve. It will not improve if a new round of price increases is set off by the action of United States Steel. These price increases will make it harder to sell our exports abroad and will stimulate imports from abroad.

At the President's direction, therefore, and as a matter of prudence, we are assessing the impact of the price increases on defense programs and procurement policies, and we are examining possible alternative sources and alternative materials. To minimize the effect of the price increase on defense costs I have today directed that, where possible, procurement of steel for defense production will be shifted to those companies which have not increased prices. I understand that similar action is being taken by other governmental agencies.

Further, I have noted that while iron and steel prices have increased by 90 per cent since 1947, the prices of nonferrous metals have increased by only 40 per cent. Therefore, we are particularly studying the possibility for replacement of steel by other materials including the potential of increased research and development in this area.

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believed, both as a Cabinet officer and former president of a big business, the Ford Motor Company, that the price increase was not justified.

Forty-five minutes later news bulletins said Kaiser Steel Corporation had announced that it, too, would hold the line.

Kaiser was the company that broke with the industry in the 1959 strike and was first to make peace with the United Steelworkers of America. Its action today was just as welcome to the White House.

The President, at Andrews Air Force Base preparing to take off for Norfolk, took a last-minute telephone call on board his plane from Dr. Walter W. Heller, his chief economic adviser.

He was airborne when the big news came. At 3:20 Bethlehem Steel retracted the price increase. The game was won, though the big one, United States Steel, had yet to make its concession of defeat.

At Norfolk the President went straight to a motorcade and missed the Bethlehem development. Andrew T. Hatcher, his associate press secretary, caught up with the announcement by telephone from Washington about an hour after the event and passed a note to Mr. Kennedy.

Meanwhile, Secretary of Labor Arthur J. Goldberg had gone to New York City to talk to the men at 71 Broadway, headquarters of United States Steel, including the chairman, Roger M. Blough. About 5 P. M. word sped around Washington that the end was at hand. Mr. Hatcher was on the phone [illegible] with Washington

U.S. Steel Is Bypassed By Pentagon on Order

WASHINGTON, April 13 (UPI) — The Defense Department bypassed the United States Steel Corporation today and ordered 11,000 tons of high-grade steel from the Lukens Steel Company of Coatsville, Pa., which had not raised its prices.

A Pentagon announcement made clear that Lukens was favored because it did not fall in line behind United States Steel's $6-a-ton increase. That increase has now been rescinded.

United States Steel would normally have received about half the $5,000,000 to $6,000,000 order.

Deliveries of the steel are to begin in July and to be completed in September.

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activity for three days, bringing back the intensity of the 1960 campaign, if not the joys. Outside the White House a guard heard what had happened. "This'll get Kennedy reelected," he said.

Minutes before Bethlehem's break, Senator Estes Kefauver, Democrat of Tennessee, announced that his Anti-Monopoly subcommittee would subpoena the major steel companies for cost figures in a few days. An aide said later that the price cancellations would not change the subcommittee's plans.

In Miami Beach, Representative Emanuel Celler, Democrat of Brooklyn, took a more [illegible]

ground that it was necessary to make the company competitive. Raising prices makes a company competitive, according to United States Steel, by providing profits out of which to finance plant modernization that permits more efficient, and therefore more competitive, production.

As Bethlehem brought its prices down this afternoon, competition was cited again as the reason. This time it was the competition of Inland's and Kaiser's lower prices.

Bethlehem, Inland and Armco represent more than one-quarter of the country's steel-making capacity.

Armco had not raised its prices, but neither had it issued a statement saying that it would not.

Inland was a natural target for the Administration's attention from the start because Joseph Block, its chairman, is a member of the President's Labor - Management Advisory Committee. His membership on the committee made him a vital cog in the early settlement of the steel industry's wage contract negotiations last month, too.

Officials of Inland have said that they were flabbergasted by United States Steel's move to raise prices just five days after the last contract was signed

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This suggested that C. F. & I., if it moved upward, might do so only on a selective basis, rather than following United States Steel's across-the-board increase.

Bethlehem Takes Lead

Then, in one of the day's most closely watched actions, Bethlehem Steel said that "in order to remain competitive," it was rescinding its prices increases of April 12.

Arthur B. Homer, Bethlehem's chairman, said:

"Although we still hold the opinion that a steel price increase is needed under the *present* conditions to insure reasonable earnings, to provide the funds necessary to build more competitive facilities, and at least partly to offset the past employment cost increases which have been absorbed without price increases, we must remain competitive.

"For the ultimate good and future welfare of our economy we *must* have lower costs to permit lower prices for successful world competition and improved volume of business and employment."

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The presidents of two other steel companies decided to drop out of the spotlight for a while. One said "no comment" when asked what his company might do about its prices. Another said he had no comment "on anything."

During an afternoon intermission, the rumors started flying.

"*Roger Blough has resigned* as chairman of United States Steel," was one that bounced in and out of Wall Street.

United States Steel officially denied it. Moreover, a spokesman pointed out, Mr. Blough is but 58 years old "and has seven good years to go" before normal retirement age.

Late in the day, however, United States Steel issued its price statement. It had rescinded Wednesday's 3½ per cent increase.

Leslie B. Worthington, United States Steel president, who had also announced the price increase roughly seventy hours earlier, told why.

"The price decision was made in the light of the competitive developments today, and all other current circumstances including the removal of a serious obstacle to proper relations between Government and business," Mr. Worthington said.

The "serious obstacle" he referred to was, apparently, the friction between the government and industry that had developed over the price increase.

Once United States Steel had moved back to its old prices, the rest was anticlimactic.

At about 9 o'clock last night a Youngstown Sheet and Tube Company spokesman reported from Youngstown, Ohio, that his company had rescinded its price increase.

A short while later, a spokesman for Wheeling Steel Corporation, Wheeling, W. Va., which also raised its prices earlier in the week, said his company would have no statement to make last night. He said Wheeling would announce its decision today.

Despite this indecisive case, an exceptional Friday matinee was over.

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has often done the unexpected.

He was elected an editor of the student newspaper at Cornell while a sophomore, an unusual distinction, and he left school the same year to begin training at Inland Steel's Indiana Harbor mill.

Inland had been founded in 1893 by a group headed by his grandfather, Joseph D. Block, and there had never been any question that he would be a steel man. He held most posts in the company, from mill hand up.

else. His apartment at 1325 North Astor Street is *comfortable but not pretentious.* He and a group of four or five friends frequently walk to work in the morning. For him it is a long two miles.

He was married in 1924 to Lucille B. Eichengreen, also of Chicago. She is with him on the vacation in the Far East. The Blocks have a daughter, Mrs. Susan Rubnitz of suburban Winnetka, and four grandchildren, on whom Mr. Block dotes. Their son, Joseph L. Block Jr., died.

[illegible]

President Kennedy turned to the long-distance telephone, too.

This morning in Chicago, the industry began to crumble. The Chicago Daily News published an interview with Joseph L. Block, Inland's chairman, who is vacationing in Japan.

"We do not feel that an advance in steel prices at this time would be in the national interest," Mr. Block said.

Less than an hour after the paper hit the streets, Inland announced its position. It was made public by Philip D. Block Jr., vice chairman of Inland; a cousin of Joseph Block.

President Kennedy heard the news on the steps of the White House as he bade farewell to Mohammed Riza Pahlevi, Shah of Iran. "Good, good," the President said. "Very good."

At 12:15 P. M. he held a final strategy conference with the officials who were working on the steel campaign in its many aspects.

An hour later, Secretary McNamara announced the Pentagon order on steel buying. He told a news conference that he [illegible] its concession of defeat.

At Norfolk, the President went straight to a motorcade and missed the Bethlehem development. Andrew T. Hatcher, his associate press secretary, caught up with the announcement by telephone from Washington about an hour after the event and passed a note to Mr. Kennedy.

Meanwhile, Secretary of Labor Arthur J. Goldberg had gone to New York City to talk to the men at 71 Broadway, headquarters of United States Steel, including the chairman, Roger M. Blough. About 5 P. M. word sped around Washington that the end was at hand. Mr. Hatcher was on the phone again with Washington, this time from dockside as the President prepared to sail.

United States Steel's announcement, according to one report, was to come from the White House. Another report said it would come from Mr. Kennedy himself. It came from 71 Broadway at 5:25 P. M.

The Administration rejoiced. The challenges of political battle had dominated the White House [illegible] activity for three days, bringing back the intensity of the 1960 campaign, if not the 1952. Outside the White House a guard heard [illegible] "This [illegible] Kennedy," [illegible] elected," he said.

Minutes before Bethlehem's [illegible] break, Senator Estes Kefauver, Democrat of Tennessee, announced that his Anti-Monopoly subcommittee would subpoena the major steel companies for cost figures [illegible] days. An aide said later that the price cancellations would not change the subcommittee's plans.

In Miami Beach, Representative Emanuel Celler, Democrat, of Brooklyn, took a more lenient attitude. He said his House Antitrust subcommittee would not make the across-the-board investigation that it had scheduled to start early next month. "The penitent shall not be punished," he said. He added, however, that the subcommittee would canvass the situation to see if antitrust laws needed change.

Attorney General Robert F. Kennedy said the Justice Department's plans for the grand jury investigation were unchanged.

Another official said that the investigation was not a club to bring the prices down. It is aimed, he said, at discovering whether there was a conspiracy in the quick succession of price increases following United States Steel's, and whether United States Steel was so strong that it constituted a monopoly.

At the White House, a Presidential aide said that the Administration had made "no deal" to get the price increase removed from the books.

The only plans that the Administration changed in the wake of its victory were plans for a news conference tomorrow by Secretary of the Treasury Douglas Dillon, publication of a "white paper" on steel industry economics, and the Pentagon order on steel buying.

The order directed defense suppliers to buy steel from companies whose prices were lowest, if it was possible. There was some question that it would have shifted much business, but the return of all prices to the same level made it meaningless in any event.

United States Steel had justified the price increase on the

[illegible] bor-Management Advisory Committee. His membership on the committee made him a vital cog in the early settlement of the steel industry's wage contract negotiations last month, too.

Officials of Inland have said that they were flabbergasted by United States Steel's move to raise prices just five days after the last contract was signed.

Directors of U. S. Steel Corporation

Following are the eighteen members of the board of directors of the United States Steel Corporation. The terms of the first six expire this year, the terms of the second six expire in 1963 and those of the last six in 1964:

Roger M. Blough,* chairman.

Charles H. Bell, chairman of the board, General Mills, Inc.

Harllee Branch Jr., president, The Southern Company (utilities holding).

Franklin J. Lunding, chairman of the board, Jewel Tea Company, Inc.

Enders M. Voorhees,* finance committee member.

Henry S. Wingate,* chairman, International Nickel Company of Canada, Ltd.

Cleo F. Craig,* finance committee member.

John A. Fuller, chairman, Shawinigan Water and Power Company, Montreal.

Clifford F. Hood,* former president.

Arthur A. Houghton Jr.,* president, Steuben Glass.

Joseph P. Spang Jr.,* director, the Gillette Company.

Leslie B. Worthington,* president and member of the finance committee.

James B. Black, board chairman, Pacific Gas and Electric Company.

Henry T. Heald,* president of the Ford Foundation.

C. Jared Ingersoll,* board chairman, Muskogee Company (railroad holding).

John M. Meyer Jr.,* senior vice president, Morgan Guaranty Trust Company.

Alexander C. Nagle,* director, First National City Bank of New York, finance committee member.

Robert C. Tyson,* chairman of finance committee.

*Members of the executive committee.

NY Times
Apr. 14, 1962

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United States Steel officially denied it. Moreover, a spokesman pointed out, Mr. Blough is but 58 years old "and has seven good years to go" before normal retirement age.

Late in the day, however United States Steel issued its price statement. It had rescinded Wednesday's 3½ per cent increase.

Leslie B. Worthington, United States Steel president, who had [announced the in-]crease roughly seventy hours earlier, told why.

"The price decision was made in the light of the competitive developments today, and all other current circumstances including the removal of a serious obstacle to proper relations between Government and business," Mr. Worthington said.

The "serious obstacle" he referred to was, apparently, the friction between the government and industry that had developed over the price increase issue.

Once United States Steel had [acted,] the rest was anticlimactic.

At about 9 o'clock last night, a Youngstown Sheet and Tube Company spokesman reported from Youngstown, Ohio, that his company had rescinded its price increase.

A short while later, a spokesman for Wheeling Steel Corporation, Wheeling, W. Va., which also raised its prices earlier in the week, said his company would have no statement to make last night. He said Wheeling would announce its decision today.

Despite this indecisive case, an exceptional Friday matinee was over.

[illegible] nation's economy.

Mr. McDonald and his wife Rosemary arrived here from Pittsburgh today for a two-week vacation "mixed with work."

He said that the union's new contract with the industry was "non-inflationary," and the increases in fringe benefits were well within the productivity increases of the industry."

The actions by President Kennedy and the resulting decisions to cancel the price increases "will help prevent the inflationary spiral," he said.

Chronology of Events Leading to Capitulation on Steel Rise

Following is a chronology of events leading to yesterday's action in the steel price situation:

FEB. 6

Acting on behalf of President Kennedy, Secretary of Labor Arthur J. Goldberg urged the steel industry and the United Steelworkers of America to start negotiations as soon as possible for a new contract effective July 1. He emphasized the importance of a noninflationary new steel contract to "vigorous economic recovery."

Mr. Goldberg said continued recovery required that there be no disruption by "abnormal expansion in the steel industry followed by a compensating contraction and that there be a peaceful settlement in steel."

Contract negotiations affected 430,000 basic-steel workers and 400,000 other union members in related fields. Both the industry and the union seemed anxious to prevent a repetition of the 116-day strike in 1959. The union appeared more interested this year in job security and shorter work schedules to combat automation. Latest Government statistics showed steel workers averaged $3.28 an hour.

FEB. 14

Negotiations began officially in Pittsburgh, the first time in the nearly twenty-six years' history of the union that bargaining had begun at such an early date. R. Conrad Cooper, executive vice president of the United States Steel Corporation, headed the management negotiating team representing eleven major steel companies. David J. McDonald, president of the United Steelworkers, headed its delegation.

FEB. 15

Both sides pledged cooperation and speedy action to reach an agreement.

FEB. 17

Secretary Goldberg told reporters in New York that he welcomed the "constructive attitude" taken by the industry and the union.

FEB. 19

Wages were discussed for the first time in the negotiations. Both sides expressed hope for an over-all economic settlement before March 1.

FEB. 21

The negotiations recessed.

FEB. 26

Union and management negotiators discounted reports that little progress had been made in the talks. But George Meany, president of the American Federation of Labor and Congress of Industrial Organizations, said in Bal Harbour, Fla., that the negotiations had "made no progress whatsoever."

MARCH 3

The negotiations collapsed in a stalemate over the size of the money costs of contracts to replace the agreements expiring June 30. The union suggested a resumption of talks on May 1. President Kennedy let it be known he wanted them resumed earlier.

Secretary Goldberg issued a statement that the President had asked him to urge both sides to resume talks after a suitable recess.

The industry was reported to have offered package terms worth 6 to 8 cents an hour. The union was reported to be holding out for about 10 cents.

An industry statement said it could not afford the employment security guarantees sought by the union.

MARCH 14

A speech by a top United States Steel official gave a preview of the attitude that resulted in the later attempt to raise prices. Speaking at the University of Chicago, Leslie B. Worthington, the company's president, asserted that American industry must obtain higher profits if the United States was to meet the challenge of world trade.

On the same date the steel talks resumed in Pittsburgh after a twelve-day respite.

APRIL 6

United States Steel and Bethlehem Steel, the nation's two largest producers, led the major companies into signing formal two-year contracts with the United Steelworkers of America.

The new contract for the basic steel industry will become effective July 1. Under the agreement, steel workers will receive an average 10 cents an hour more. No immediate wage increase was included, but the contract can be reopened on wages and other issues on ninety days' notice after April 30, 1963.

President Kennedy described the contract as "noninflationary" and urged that both sides use restraint in wages and prices so that the American economy would remain stable and competitive with foreign industry.

Mr. McDonald hailed the agreement as one that could possibly "eliminate for all time basic steel strikes in America."

APRIL 10

United States Steel, bellwether of the industry, announced price increases averaging $6 a ton effective at midnight. It described the increase as a "catch-up" adjustment amounting to about three-tenths of a cent a pound in the first rise by the company since 1958.

Mr. Worthington said that since 1958 the level of steel prices had not increased but, if anything, had declined somewhat.

He said the company had "reluctantly concluded that a modest price adjustment can no longer be avoided in the light of production cost increases." The company's profits were being squeezed between rising costs and declining prices and were inadequate to provide facilities needed to compete with low-cost foreign mills, he said.

President Kennedy was infuriated by the price increase. He let it be known that he regarded it as an unjustified and deliberate affront to his Administration.

APRIL 11

Five major steel companies followed United States Steel's lead in raising prices. They were the Bethlehem Steel Corporation, Republic Steel Corporation, Jones and Laughlin Steel Corporation, Youngstown Sheet and Tube Company and Wheeling Steel Corporation.

President Kennedy at his news conference attacked the companies that had raised prices for "irresponsible defiance" of the public interest and "ruthless disregard" of their duty to the nation. He spoke in a tone of cold anger about the "utter contempt" of a "tiny handful" of steel executives toward the rest of the American people.

He said the whole purpose of his Administration's efforts for a peaceful labor-management settlement in steel had been to make any increase in prices unnecessary.

APRIL 12

Roger M. Blough, chairman of United States Steel, said in New York that company documents had been subpoenaed. Mr. Blough defended the increase as a move to strengthen the nation's industrial power.

The Justice Department announced that it was ordering a grand jury investigation of the price rises, in which other leading steel makers had followed United States Steel. This action was taken under the Sherman Antitrust Act.

Of the nation's top eight steel producers only two did not join the price increase—the Armco Steel Corporation and Inland Steel Company. Asked what would happen if they continued to hold out, Mr. Blough said: "It would definitely affect us and I don't know how much longer we could maintain our position."

APRIL 13

Inland Steel announced it would not increase prices at this time. The Kaiser Steel Corporation made a similar announcement. Then the Bethlehem Steel Corporation rescinded the increase it announced two days earlier.

Late in the afternoon United States Steel also rescinded its increase. Mr. Worthington said this was done "in the light of competitive developments today and all other current circumstances."

Other companies then followed suit.

NY Times
Apr. 14, 1962

New York Times.

LATE CITY EDITION

U. S. Weather Bureau Report (Page 80) forecast: Partly cloudy, windy. Possible rain, then fair tonight and tomorrow.
Temp. range: 50—38; yesterday: 41—38

NEW YORK, SATURDAY, APRIL 14, 1962.

10 cents beyond 50-mile zone from New York City except on Long Island. Higher in air delivery cities.

FIVE CENTS

STEEL GIVES IN, RESCINDS RISES UNDER PRESSURE BY PRESIDENT; HE SAYS DECISION SERVES NATION

INLAND IS THE KEY

Its Refusal to Adopt Higher Prices Sets Off Cancellations

By KENNETH S. SMITH

Steel prices figured in high drama yesterday, with Inland Steel Company furnishing the prologue and United States Steel Corporation the dénouement.

The action shuttled from coast to coast, with some key scenes in the midlands. The actors in the price drama ranged from dour steel company accountants around the country to jubilant aides of the Kennedy Administration in Washington.

The audience ranged from Wall Street financiers and stock brokers to Main Street housewives who wondered vaguely if all the talk about higher steel prices would affect the cost of the things they buy.

Their worries were academic as the curtain fell in early evening. United States Steel rescinded the $6-a-ton price increase it posted on Wednesday, laying to rest the short-lived steel price rise.

Bethlehem Steel Yields

Bethlehem Steel Corporation, the nation's second largest steel producer, was the first to rescind its price increases in reaction to the refusal of Inland to raises its prices.

Immediately, the New York Stock Exchange reacted sharply to the news. Stock prices rose steadily after 3:15 P. M. following the Bethlehem announcement.

The rise in security prices during the final thirty minutes of trading was greater than the gain for the whole day.

The shares of United States Steel, which did not make its rescinding announcement until after the stock market had closed, declined 62½ cents, finishing at $66.75. It was the only major steel issue to show a loss on the day.

The action started when Inland Steel's board of directors announced that the Chicago-based giant of the mid-continent steel markets would not make any adjustments in its steel mill products at this time.

The company has long recognized the need for improve-

Continued on Page 10, Column 5

United Press International Telephoto

BALK AT STEEL PRICE RISE: John F. Smith, seated, president of Inland Steel Company, and Philip D. Block Jr., vice chairman, at company offices yesterday in Chicago. Mr. Block announced Inland would not make adjustments in prices at this time.

KENNEDY IS VICTOR

Uses His Full Powers for 72 Hours to Subdue Industry

Text of McNamara statement is printed on Page 10.

By RICHARD E. MOONEY

Special to The New York Times.

WASHINGTON, April 13 — President Kennedy triumphed today over the titans of the steel industry.

Almost precisely seventy-two hours after the United States Steel Corporation's abrupt announcement of a price increase, the corporation backed down and rescinded the increase late this afternoon.

The action by United States Steel, the nation's largest steel producer, followed announcements by the Inland Steel Company and the Kaiser Steel Corporation that they would not increase their prices and a statement by Bethlehem Steel Corporation, the nation's second largest producer, that it was canceling its rises.

By early evening seven of the eight companies that had raised their prices in the last three days had canceled them. The eighth, Wheeling Steel Corporation, said it would announce its decision tomorrow.

Many Forms of Pressure

For three days the great forces at the command of the President of the United States had been brought to bear on the steel industry.

Some of the effort was exerted in the open—the President's open denunciation of the companies, calculated to arouse public opinion against them; the opening of grand jury proceedings leading to possible antitrust action, and the threat to divert orders to companies that had not raised prices.

But privately as well, the President and his advisers were bringing every form of persuasion to bear on the industry, trying to hold back the companies that had not yet raised prices and induce the others to roll back the price increase.

Kennedy's Statement

President Kennedy was informed of the actions by United States Steel and Bethlehem off Norfolk, Va., where he was aboard a cruiser observing naval maneuvers. He issued the

Off Cancellations

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Bethlehem Steel Corporation, the nation's second largest steel producer, was the first to rescind its price increases in reaction to the refusal of Inland to raises its prices.

Immediately, the New York Stock Exchange reacted sharply to the news. Stock prices rose steadily after 3:15 P. M., following the Bethlehem announcement.

The rise in security prices during the final thirty minutes of trading was greater than the gain for the whole day.

The shares of United States Steel, which did not make its rescinding announcement until after the stock market had closed, declined 62½ cents, finishing at $66.75. It was the only major steel issue to show a loss on the day.

The action started when Inland Steel's board of directors announced that the Chicago-based giant of the mid-continent steel markets would not make any adjustments in its steel mill products at this time.

"The company has long recognized the need for improve-

Continued on Page 10, Column 5

Sentenced to Die Secret Army Head

United Press International Telephoto

BALK AT STEEL PRICE RISE: John F. Smith, seated, president of Inland Steel Company, and Philip D. Block Jr., vice chairman, at company offices yesterday in Chicago. Mr. Block announced Inland would not make adjustments in prices at this time.

Subdue Industry

Text of McNamara statement is printed on Page 10.

By RICHARD E. MOONEY

Special to The New York Times

WASHINGTON, April 13 — President Kennedy triumphed today over the titans of the steel industry.

Almost precisely seventy-two hours after the United States Steel Corporation's abrupt announcement of a price increase the corporation backed down and rescinded the increase late this afternoon.

The action by United States Steel, the nation's largest steel producer, followed announcements by the Inland Steel Company and the Kaiser Steel Corporation that they would not increase their prices and a statement by Bethlehem Steel Corporation, the nation's second largest producer, that it was canceling its rises.

By early evening seven of the eight companies that had raised their prices in the last three days had canceled them. The eighth, Wheeling Steel Corporation, said it would announce its decision tomorrow.

Many Forms of Pressure

For three days the great forces at the command of the President of the United States had been brought to bear on the steel industry.

Some of the effort was exerted in the open—the President's open denunciation of the companies, calculated to arouse public opinion against them; the opening of grand jury proceedings, leading to possible antitrust action, and the threat to divert orders to companies that had not raised prices.

But privately as well, the President and his advisers were bringing every form of persuasion to bear on the industry trying to hold back the companies that had not yet raised prices and induce the others to roll back the price increase.

Kennedy's Statement

President Kennedy was informed of the actions by United States Steel and Bethlehem off Norfolk, Va., where he was aboard a cruiser, observing naval maneuvers. He issued this statement:

"The people of the United States are most gratified by the announcements of Bethlehem and United States Steel Company that their proposed price increases are being rescinded.

"In taking the action at this time, they are serving the public interest and their actions will assist our common objective of strengthening our country and our economy."

Even during this dramatic day, as the steel industry started to weaken, the Administration pressed on with the actions that the price increase had started.

Secretary of Defense, Robert S. McNamara announced

Continued on Page 10, Column 1

NY Times
Apr. 14, 1962

prices, but neither had it issued a statement saying that it would not.

Inland was a natural target for the Administration's attention from the start because Joseph Block, its chairman, is a member of the President's Labor-Management Advisory Committee. His membership on the committee made him a vital cog in the early settlement of the steel industry's wage contract negotiations last month, too.

Officials of Inland have said that they were flabbergasted by United States Steel's move to raise prices just five days after the last contract was signed.

During an afternoon intermission, the rumors started flying.

"Roger Blough has resigned as chairman of United States Steel," was one that bounced in and out of Wall Street.

United States Steel officially denied it. Moreover, a spokesman pointed out, Mr. Blough is but 58 years old "and has seven good years to go" before normal retirement age.

Late in the day, however United States Steel issued its price statement. It had rescinded Wednesday's 3½ per cent increase.

Leslie B. Worthington, United States Steel president, who had [ann]ounced the increase roughly seventy hours earlier, told why.

"The price decision was made in the light of the competitive developments today, and all other current circumstances including the removal of a serious obstacle to proper relations between Government and business," Mr. Worthington said.

The "serious obstacle" he referred to was, apparently, the friction between the government and industry that had developed over the price increase issue.

Once United States Steel had [acted,] the rest was anticlimactic.

At about 9 o'clock last night, Youngstown Sheet and Tube Company spokesman reported from Youngstown, Ohio, that his company had rescinded its price increase.

A short while later, a spokesman for Wheeling Steel Corporation, Wheeling, W. Va., which also raised its prices earlier in the week, said his company would have no statement to make last night. He said Wheeling would announce its decision today.

Despite this indecisive case, an exceptional Friday matinee was over.

... nation's economy.

Mr. McDonald and his wife, Rosemary, arrived here from Pittsburgh today for a two-week vacation "mixed with work."

He said that the union's new contract with the industry was "non-inflationary," and the increases in fringe benefits were well within the productivity increases of the industry.

The actions by President Kennedy and the resulting decisions to cancel the price increases will help prevent the inflationary spiral, he said.

Chronology of Events Leading to Capitulation on Steel Rise

Following is a chronology of events leading to yesterday's action in the steel price situation:

FEB. 6

Acting on behalf of President Kennedy, Secretary of Labor Arthur J. Goldberg urged the steel industry and the United Steelworkers of America to start negotiations as soon as possible for a new contract effective July 1. He emphasized the importance of a noninflationary new steel contract to "vigorous economic recovery."

Mr. Goldberg said continued recovery required that there be no disruption by "abnormal expansion in the steel industry followed by a compensating contraction and that there be a peaceful settlement in steel."

Contract negotiations affected 430,000 basic-steel workers and 500,000 other union members in related fields. Both the industry and the union seemed anxious to prevent a repetition of the 116-day strike in 1959. The union appeared more interested this year in job security and shorter work schedules to combat automation. Latest Government statistics showed steel workers averaged $3.28 an hour.

FEB. 14

Negotiations began officially in Pittsburgh, the first time in the nearly twenty-six years' history of the union that bargaining had begun at such an early date. R. Conrad Cooper, executive vice president of the United States Steel Corporation, headed the management negotiating team representing eleven major steel companies. David J. McDonald, president of the United Steelworkers, headed its delegation.

FEB. 15

Both sides pledged cooperation and speedy action to reach an agreement.

FEB. 17

Secretary Goldberg told reporters in New York that he welcomed the "constructive attitude" taken by the industry and the union.

FEB. 19

Wages were discussed for the first time in the negotiations. Both sides expressed hope for an over-all economic settlement before March 1.

FEB. 21

The negotiations recessed.

FEB. 26

Union and management negotiators discounted reports that little progress had been made in the talks. But George Meany, president of the American Federation of Labor and Congress of Industrial Organizations, said in Bal Harbour, Fla., that the negotiations had "made no progress whatsoever."

MARCH 3

The negotiations collapsed in a stalemate over the size of the money costs of contracts to replace the agreements expiring June 30. The union suggested a resumption of talks on May 1. President Kennedy let it be known he wanted them resumed earlier.

Secretary Goldberg issued a statement that the President had asked him to urge both sides to resume talks after a suitable recess.

The industry was reported to have offered package terms worth 6 to 8 cents an hour. The union was reported to be holding out for about 10 cents.

An industry statement said it could not afford the employment security guarantee sought by the union.

MARCH 14

A speech by a top United States Steel official gave a preview of the attitude that resulted in the later attempt to raise prices. Speaking at the University of Chicago, Leslie B. Worthington, the company's president, asserted that American industry must obtain higher profits if the United States was to meet the challenge of world trade.

On the same date the steel talks resumed in Pittsburgh after a twelve-day respite.

APRIL 6

United States Steel and Bethlehem Steel, the nation's two largest producers, led the major companies into signing formal two-year contracts with the United Steelworkers of America.

The new contract for the basic steel industry will become effective July 1. Under the agreement, steel workers will receive an average 10 cents an hour more. No immediate wage increase was included, but the contract can be reopened on wages and other issues on ninety days' notice after April 30, 1963.

President Kennedy described the contract as "noninflationary" and urged that both sides use restraint in wages and prices so that the American economy would remain stable and competitive with foreign industry.

Mr. McDonald hailed the agreement as one that could possibly "eliminate for all time basic steel strikes in America."

APRIL 10

United States Steel, bellwether of the industry, announced price increases averaging $6 a ton effective at midnight. It described the increase as a "catch-up" adjustment amounting to about three-tenths of a cent a pound in the first rise by the company since 1958.

Mr. Worthington said that since 1958 the level of steel prices had not increased but, if anything, had declined somewhat.

He said the company had "reluctantly concluded that a modest price adjustment can no longer be avoided in the light of production cost increases." The company's profits were being squeezed between rising costs and declining prices and were inadequate to provide facilities needed to compete with low-cost foreign mills, he said.

President Kennedy was infuriated by the price increase. He let it be known that he regarded it as an unjustified and deliberate affront to his Administration.

APRIL 11

Five major steel companies followed United States Steel's lead in raising prices. They were the Bethlehem Steel Corporation, Republic Steel Corporation, Jones and Laughlin Steel Corporation, Youngstown Sheet and Tube Company and Wheeling Steel Corporation.

President Kennedy at his news conference attacked the companies that had raised prices for "irresponsible defiance" of the public interest and "ruthless disregard" of their duty to the nation. He spoke in a tone of cold anger about the "utter contempt" of a "tiny handful" of steel executives toward the rest of the American people.

He said the whole purpose of his Administration's efforts for a peaceful labor-management settlement in steel had been to make any increase in prices unnecessary.

APRIL 12

Roger M. Blough, chairman of United States Steel, said in New York that company documents had been subpoenaed. Mr. Blough defended the increase as a move to strengthen the nation's industrial power.

The Justice Department announced that it was ordering a grand jury investigation of the price rises, in which other leading steel makers had followed United States Steel. This action was taken under the Sherman Antitrust Act.

Of the nation's top eight steel producers only two did not join the price increase—the Armco Steel Corporation and Inland Steel Company. Asked what would happen if they continued to hold out, Mr. Blough said: "It would definitely affect us and I don't know how much longer we could maintain our position."

APRIL 13

Inland Steel announced it would not increase prices at this time. The Kaiser Steel Corporation made a similar announcement. Then the Bethlehem Steel Corporation rescinded the increase it announced two days earlier.

Late in the afternoon United States Steel also rescinded its increase. Mr. Worthington said this was done "in the light of competitive developments today and all other current circumstances."

Other companies then followed suit.

out from

the P

1:10

RAN

THE WHITE HOUSE

WASHINGTON

March 28, 1980

CONGRESSIONAL SCHEDULING PROPOSAL

PHOTO OP: Photo op with Mr. Jack Whitehead, Chairman of the Board of Technicon.

LENGTH: 5 minutes

DATE: April 7 either before or after the noon hour as Mr. Whitehead will be having lunch in the White House Mess.

PURPOSE: Greeting and picture

BACKGROUND: Mr. Whitehead is the Chairman of the Board of Technicon, a highly sophisticated medical instrumentation company. He owns 87 percent of the company, which is based in Terrytown, New York. Domestic value of the company is estimated at $250 million, foreign worth estimated at more than $1 billion. Whitehead is said to be one of the wealthiest men in America. An announcement is forthcoming within six months that Mr. Whitehead will bequest between $150-$200 million for bio-medical research to several of the country's top medical schools. In addition, he has established the Whitehead Center for medical research at Duke University.

Mr. Whitehead is interested in hospital cost containment, and he will have lunch with Bob Maher and someone from DPS and discuss HCC.

EVENT DETAILS: Location: Oval office
Press coverage: White House photographer

INITIAL REQUESTER: Bob Maher Bob Maher

APPROVED BY FRANK MOORE: ______________________

DATE OF SUBMISSION: March 28, 1980

9485

cc: Phil Wise

1:30

Phil fyi

NOTE TO FRAN VOORDE

FROM: DENNIS TAPSAK DS

SUBJECT: DROP BY AT PHILADELPHIA BRIEFING

On Monday, April 7th, we are bringing in about 25 Black political leaders from Philadelphia for a budget briefing in the Roosevelt Room from 1:15 p.m. to 2:45 p.m. I've attached a schedule for you.

These people are all highly influential leaders in the Black community in Philadelphia. Congressman Bill Gray suggested that it would be quite useful for us to have them down for this briefing. Some of them met with the Vice President when he was there recently.

Terry Straub, the Pennsylvania campaign coordinator, strongly urges that the President drop by this meeting. Philadelphia is a very difficult area for us in the campaign, and these people are very important to us there. When Senator Kennedy was up there he had private meetings with most of the people on our invitation list. They have "held" and still support us, but they are going to be subjected to intense pressure in the next few weeks to switch to Kennedy. A drop by would do a lot to cement our support with this group.

These people have not been told that the President will be at there meeting, although Congressman Gray also requested it. Please let me know if it can be arranged so we can make the alteration in our schedule.

Thanks.

THE WHITE HOUSE

WASHINGTON

PENNYSLVANIA BUDGET BRIEFING

ROOSEVELT ROOM

APRIL 7, 1980

1:15 - 3:00 p.m.

1:15 p.m. - WELCOME - SARAH WEDDINGTON
ASSISTANT TO THE PRESIDENT

1:20 p.m. - OPENING REMARKS - LOUIS MARTIN
SPECIAL ASSISTANT TO THE PRESIDENT

1:30 p.m. - BUDGET REVISIONS - JAMES T. MC INTYRE, JR.
DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET

2:00 p.m. - DOMESTIC POLICY - STU EIZENSTAT
ASSISTANT TO THE PRESIDENT FOR DOMESTIC AFFAIRS AND POLICY

Dorothy Brennan
5917 Osage Avenue
Philadelphia, PA 19143

Edgar Campbell
Philadelphia City Council Member
230 N. 59th Street
Philadelphia, PA 19139

State Sen. Freeman Hankins
4775 Haverford Avenue
Philadelphia, PA 19104

Reginald Harris
6628 N. 21st Street
Philadelphia, PA 19138

Eddie Mearion
3108 N. Rosewood Street
Philadelphia, PA 19132

Ruth Harper
1427 West Erie Avenue
Philadelphia, PA 19140

Jacob Adams
4813 N. Hoffman Place
Philadelphia, PA 19123

Ann Moss
2315 West Cumberland St.
Philadelphia, PA 19132

Joseph Coleman
427 West Upsal St.
Philadelphia, PA 19119

Jessie Coleman
427 West Upsal St.
Philadelphia, PA 19119

Joel Johnson
3232 West York St.
Philadelphia, PA 19132

Frank Oliver
1309 N. Hollywood St.
Philadelphia, PA 19121

Vivian Cox
705 S. 19th St.
Philadelphia, PA 19146

Clem Moragne
2327 N. 10th St.
Philadelphia, PA 19133

Lucien Blackwell
235 S. Millville St.
Philadelphia, PA 19139

Jannie Blackwell
235 S. Millville St.
Philadelphia, PA 19139

Herbert Arlene
1942 West Jefferson St.
Philadelphia, PA 19121

James Barber
802 N. 40th St.
Philadelphia, PA 19104

Agusta Clark
1313 Lafayette Place
Philadelphia, PA 19122

John Anderson
Councilman
4979 Parkside Ave.
Philadelphia, PA 19131

Mary Mason
Community Relations Director, WHAT
3930-40 Conshohocken Ave.
Philadelphia, PA 19131

Georgie Woods
WDAS
Belmont & Edgely Road
Philadelphia, PA 19122

April 7, 1980

DRAFT ANNOUNCEMENT ON IRAN

Ever since Iranian terrorists imprisoned American embassy
~~Today is the 156th day of imprisonment for 50 Americ~~ans
personnel in Tehran early in FOR ~~ALL THIS PERIOD,~~
~~in our Embassy in Tehran.~~ ~~In each and every one of these~~
in November,
~~days~~, these 50 men and women -- their safety, their health,
OUR CONCERN.
and their future -- have been ~~my~~ central ~~preoccupation~~.
WE HAVE MADE HONORABLE,
~~E~~every effort ~~has been made~~ to obtain their release on ~~just~~
peaceful ~~militants and~~ Iranians have
and humanitarian terms, but the ~~authorities in Iran~~ refused to
release them or to improve the conditions under which they
are being held captive.

The events of the last few days have revealed a new and significant dimension of this matter. The militants controlling the Embassy have stated they are willing to turn the hostages over to the Government of Iran, but the Government has refused to take custody of them. This lays bare the full responsibility of the Ayatollah Khomeini and the Revolutionary Council for the continued illegal and outrageous holding of the innocent hostages. ~~They~~ Iranian government itself can no longer escape responsibility by hiding behind the ~~militants~~ terrorists at the Embassy.

~~I am determined to make it~~ It must be made clear that the failure to release the hostages will involve increasingly heavy costs to Iran and its interests. I have today ~~taken~~ ~~ordered~~ ordered the following steps:

1. ~~I have ordered that we break~~ The United States is breaking diplomatic relations with Iran. The Secretary of State has informed the Government of Iran that its Embassy and Consulates in the United States are to be closed immediately. The Iranian diplomatic and consular personnel have been declared persona non grata and must leave the country by midnight tomorrow.

2. ~~I have directed that~~ The Secretary of the Treasury will immediately put into effect official sanctions prohibiting ~~all~~ exports from the U. S. to Iran in accordance with ~~except food and medicine. These are~~ the sanctions approved by ten members of the United Nations Security Council on January 13, in the resolution which was vetoed by the Soviet Union.

3. ~~I am also directing~~ The Secretary of the Treasury will ~~to~~ make a formal inventory of the assets of the Iranian Government~~'s~~ which were ~~assets~~ frozen by my previous order, and of the outstanding claims of American citizens and corporations against the Government of Iran. This accounting will aid in designing a claims program against Iran for the hostages, their families and other U. S. claimants. We are preparing legislation to facilitate processing and paying these claims.

Although shipment ~~export~~ of food and medicine were not included in the U.N. Security Council vote, it is expected that ~~trade~~ ~~in~~ exports of even these items to Iran will be minimal or nonexistent.

4. ~~I have directed~~ The Secretary of State and the Attorney General will ~~to~~ invalidate all visas issued to Iranian citizens for future entry into the United States effective today. We will not reissue visas or issue new visas except for compelling and proven humanitarian reasons or where the national interest requires. This directive will be interpreted ~~observed~~ very strictly.

The United States has acted with exceptional patience and restraint in this crisis. We have supported Secretary General Waldheim's activities under the U.N. ~~his~~ Security Council mandate to work for A PEACEFUL ~~such a~~ solution. We will continue to consult with our allies and other friendly governments on the steps we are taking and on additional measures which may be required.

I am committed to resolving this crisis. I am committed to the safe return of the hostages and the preservation of our national honor. The hostages and their families and all of us in America have lived with the reality and the anguish of their captivity for five months.

The steps I have ordered today are those ~~steps~~ that are necessary now. Other action ~~steps~~ may be necessary if these steps do not produce the prompt release of the hostages.

ANNOUNCEMENT ON IRAN MONDAY, APRIL 7, 1980

EVER SINCE IRANIAN TERRORISTS IMPRISONED AMERICAN EMBASSY PERSONNEL IN TEHRAN EARLY IN NOVEMBER, THESE 50 MEN & WOMEN -- THEIR SAFETY, THEIR HEALTH, & THEIR FUTURE -- HAVE BEEN OUR CENTRAL CONCERN.

WE HAVE MADE EVERY EFFORT TO OBTAIN THEIR RELEASE ON HONORABLE, PEACEFUL & HUMANITARIAN TERMS, BUT THE IRANIANS HAVE REFUSED TO RELEASE THEM OR EVEN TO IMPROVE THE INHUMANE CONDITIONS UNDER WHICH THEY ARE BEING HELD CAPTIVE.

(=OVER=) (THE EVENTS OF THE.....)

1. THE EVENTS OF THE LAST FEW DAYS
2. HAVE REVEALED A NEW & SIGNIFICANT DIMENSION OF THIS MATTER.
3. THE MILITANTS CONTROLLING THE EMBASSY
4. HAVE STATED THEY ARE WILLING TO TURN THE HOSTAGES
5. OVER TO THE GOVERNMENT OF IRAN,
6. BUT THE GOVERNMENT HAS REFUSED TO TAKE CUSTODY OF THEM. /
7. THIS LAYS BARE THE FULL RESPONSIBILITY
8. OF THE AYATOLLAH KHOMEINI & THE REVOLUTIONARY COUNCIL
9. FOR THE CONTINUED ILLEGAL & OUTRAGEOUS HOLDING OF THE INNOCENT HOSTAGES.
10. THE IRANIAN GOVERNMENT ITSELF CAN NO LONGER ESCAPE RESPONSIBILITY
11. BY HIDING BEHIND THE MILITANTS AT THE EMBASSY. //

(=NEW CARD=) (IT MUST BE MADE CLEAR.....)

IT MUST BE MADE CLEAR THAT THE FAILURE TO RELEASE THE HOSTAGES WILL INVOLVE INCREASINGLY HEAVY COSTS TO IRAN & ITS INTERESTS.

I HAVE TODAY ORDERED THE FOLLOWING STEPS:

FIRST, THE UNITED STATES IS BREAKING-DIPLOMATIC-RELATIONS-WITH-IRAN.

THE SECRETARY OF STATE HAS INFORMED THE GOVERNMENT OF IRAN THAT ITS EMBASSY & CONSULATES IN THE UNITED STATES ARE TO BE CLOSED IMMEDIATELY.

~~ALL~~ IRANIAN DIPLOMATIC & CONSULAR PERSONNEL HAVE BEEN DECLARED PERSONA NON GRATA, AND MUST LEAVE THE COUNTRY BY MIDNIGHT TOMORROW.

(=OVER=) (SECOND, THE SECRETARY OF THE TREASURY.....)

SECOND, THE SECRETARY OF THE TREASURY WILL IMMEDIATELY PUT INTO EFFECT
OFFICIAL SANCTIONS PROHIBITING EXPORTS FROM THE "U.S." TO IRAN
IN ACCORDANCE WITH THE SANCTIONS
APPROVED BY 10 MEMBERS OF THE UNITED NATIONS SECURITY COUNCIL ON JANUARY 13,
IN THE RESOLUTION WHICH WAS VETOED BY THE SOVIET UNION.

ALTHOUGH SHIPMENT OF FOOD & MEDICINE
WERE NOT INCLUDED IN THE "U.N." SECURITY COUNCIL VOTE,
IT IS EXPECTED THAT EXPORTS OF EVEN THESE ITEMS TO IRAN
WILL BE MINIMAL OR NON-EXISTENT.

(=NEW CARD=) (THIRD, THE SECRETARY OF THE TREASURY...)

1. THIRD, THE SECRETARY OF THE TREASURY
2. WILL MAKE A FORMAL INVENTORY OF THE ASSETS OF THE IRANIAN GOVERNMENT
3. WHICH WERE FROZEN BY MY PREVIOUS ORDER,
4. AND OF THE OUTSTANDING CLAIMS OF AMERICAN CITIZENS & CORPORATIONS AGAINST THE GOVERNMENT OF IRAN.
5. THIS ACCOUNTING WILL AID IN DESIGNING A CLAIMS PROGRAM AGAINST IRAN
6. FOR THE HOSTAGES, THEIR FAMILIES, AND OTHER "U.S." CLAIMANTS.
7. WE ARE PREPARING LEGISLATION TO FACILITATE PROCESSING AND PAYING THESE CLAIMS.

(=OVER=) (FOURTH, THE SECRETARY OF STATE & THE ATTORNEY GENERAL.....)

1. FOURTH, THE SECRETARY OF STATE & THE ATTORNEY GENERAL
2. WILL INVALIDATE ALL VISAS ISSUED TO IRANIAN CITIZENS
3. FOR FUTURE ENTRY INTO THE UNITED STATES -- EFFECTIVE TODAY. /
4. WE WILL NOT REISSUE VISAS OR ISSUE NEW VISAS
5. EXCEPT FOR COMPELLING & PROVEN HUMANITARIAN REASONS
6. OR WHERE THE NATIONAL INTEREST REQUIRES.
7. THIS DIRECTIVE WILL BE INTERPRETED VERY STRICTLY. //

* * *

(=NEW CARD=) (THE UNITED STATES HAS ACTED....)

MINIMIZE
IN ORDER TO ~~PREVENT~~ INJURY TO THE HOSTAGES

1. THE UNITED STATES HAS ACTED WITH EXCEPTIONAL PATIENCE & RESTRAINT IN THIS CRISIS.
2. WE HAVE SUPPORTED SECRETARY GENERAL WALDHEIM'S ACTIVITIES
3. UNDER THE "U.N." SECURITY COUNCIL MANDATE
4. TO WORK FOR A PEACEFUL SOLUTION.
5. WE WILL CONTINUE TO CONSULT WITH OUR ALLIES & OTHER FRIENDLY GOVERNMENTS
6. ON THE STEPS WER ARE TAKING
7. AND ON ADDITIONAL MEASURES WHICH MAY BE REQUIRED. //

(=OVER=) (I AM COMMITTED TO.....)

1. I AM COMMITTED TO RESOLVING THIS CRISIS.
2. I AM COMMITTED TO THE SAFE RETURN OF THE HOSTAGES
3. AND THE PRESERVATION OF OUR NATIONAL HONOR.
4. THE HOSTAGES & THEIR FAMILIES & ALL OF US IN AMERICA
5. HAVE LIVED WITH THE REALITY & THE ANGUISH OF THEIR CAPTIVITY
6. FOR FIVE MONTHS.
7. THE STEPS I HAVE ORDERED TODAY ARE THOSE THAT ARE NECESSARY NOW.
8. OTHER ACTION MAY BE NECESSARY
9. IF THESE STEPS DO NOT PRODUCE THE PROMPT RELEASE OF THE HOSTAGES.

# # #

THE WHITE HOUSE
WASHINGTON

4/7/80

Lloyd Cutler

The attached was returned in the President's outbox today and is forwarded to you for appropriate handling.

Rick Hutcheson

cc: The Vice President
Hamilton Jordan
Jody Powell
Zbig Brzezinski
Phil Wise
Fran Voorde

	FOR STAFFING
	FOR INFORMATION
✓	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND
	NO DEADLINE
	FOR APPROPRIATE HANDLING
	LAST DAY FOR ACTION

		ADMIN CONFID
		CONFIDENTIAL
		SECRET
		EYES ONLY

ACTION	FYI	
	✓	VICE PRESIDENT
	✓	JORDAN
✓		CUTLER
		DONOVAN
		EIZENSTAT
		MCDONALD
		MOORE
	✓	POWELL
		WATSON
		WEDDINGTON
		WEXLER
	✓	BRZEZINSKI
		MCINTYRE
		SCHULTZE
		ANDRUS
		ASKEW
		BERGLAND
		BROWN
		CIVILETTI
		DUNCAN
		GOLDSCHMIDT
		HARRIS
		KREPS
		LANDRIEU
		MARSHALL

		MILLER
		VANCE
		BUTLER
		CAMPBELL
		H. CARTER
		CLOUGH
		CRUIKSHANK
		FIRST LADY
		FRANCIS
		HARDEN
		HERTZBERG
		HUTCHESON
		KAHN
		LINDER
		MARTIN
		MILLER
		MOE
		PETERSON
		PRESS
		SANDERS
		SPETH
		STRAUSS
		TORRES
		VOORDE
		WISE

Lloyd ok J

THE WHITE HOUSE

WASHINGTON

April 7, 1980

MEMORANDUM FOR THE PRESIDENT

FROM: LLOYD N. CUTLER LNC

SUBJECT: OLYMPICS

Based on your hand-written comments on my earlier memo today, would you approve the following revision of the proposed program, defining your commitments more narrowly:

1. Fund Drive

a) If the USOC so requests, you would be willing to serve as Honorary Co-Chairman* of a drive to pay off the USOC fund-raising shortfall from private sources. You would not commit to be responsible for any specific amount.

I'd make TV spot, etc.

Approve ✓ Disapprove ____

b) You would have no objection if the USOC invites Governor Reagan to serve as Co-Chairman.

Approve ✓ Disapprove ____

c) White House staff would provide appropriate assistance with the Business Council, ANPA and other groups.

Approve ✓ Disapprove ____

2. U. S. Olympic trials and recognition of U. S. Team

a) If invited, the Vice President and/or Mrs. Carter would attend the major track and field trials at the University of Oregon.

Approve ✓ Disapprove ____

b) When the team is selected, you would invite them to the White House to receive medals of honor in recognition of their sacrifice. (As is already true of Olympic medals, the medals would

---

* - You are already Honorary President of the USOC.

be gold plated, not gold filled.

Approve ✓ Disapprove __________

c) Since there would be a cost and since the Congress might like to participate, Congressional authorization of the medals might be appropriate.

Approve ✓ Disapprove __________

3. <u>NGB role in arranging world-class post-Olympics competition for our athletes</u>.

Approve ✓ Disapprove __________

To the extent you approve this program, we would advise Miller and Kane before the USOC House of Delegates meeting beginning April 11, and coordinate appropriate publicity with them and with Jody.

For your convenience a copy of my original April 7 memorandum is attached.

The Vice President
Hamilton Jordan
Jody Powell
Secretary Vance
Warren Christopher

Lloyd - This may be too much of a personal commitment - I don't want to be taking Kane's job. Define my commitment narrowly - J

THE WHITE HOUSE

WASHINGTON

April 7, 1980

MEMORANDUM FOR THE PRESIDENT

FROM: LLOYD N. CUTLER LNC

SUBJECT: OLYMPICS

After spending three hours Thursday night with Don Miller and Bob Kane of the USOC, I am persuaded we can win the House of Delegates vote this weekend if we develop and announce a program (1) to honor the 1980 Olympic athletes who will be giving up their chance to compete in the Moscow Games, and (2) to help the USOC stave off the financial disaster it faces.

The program would have three parts:

I would not be responsible for a specific amount

1. <u>A drive to raise $15 million for the USOC from private sources</u>.

The proceeds would be used to make up this year's fall-off in contributions because of the call for the boycott ($6 to $10 million) and to assist the National Governing Boards in each sport to arrange world-class post-Olympic events for our athletes. The balance would go either to avoid the scheduled closing, for lack of funds, of the USOC's winter training center at Squaw Valley and its office in New York, or to build a gymnasium or swimming complex at the Olympic Center in Colorado Springs, to be dedicated to the 1980 team.

You would be honorary chairman of the campaign, perhaps inviting Governor Reagan to join you as Co-Chairman. You and other public officials would make the initial contributions. Ann Wexler would put together the national drive, with Business Council leadership and a series of White House meetings. The ANPA would be asked to urge its newspaper members to organize local drives, and business firms would be asked to organize employee drives along UGF lines. (The USOC is non-profit and under existing law all contributions would be deductible for tax purposes.)

The boycott is as much an unforeseen disaster for the USOC as any hurricane, earthquake or flood. With your support and an outpouring of public appreciation for the sacrifice made by the athletes, the goal of $15 million should be within reach.

2. Maximum public attention for the U. S. Olympic trials late in June and early in July culminating in the selection of the U. S. Team.

The Vice President and/or Mrs. Carter would attend the major track and field trials at the University of Oregon. When the entire 500-person team is selected, they would be invited to the White House, to receive from you special Congressionally-authorized gold medals of honor to recognize their sacrifice.

Congress? Gold?

3. The NGB's would each arrange opportunities for some form of world-class post-Olympic competition for our athletes.

In some sports this might be a new event here or abroad; in others it might be to enter our athletes in and transport them to events already planned, primarily in Western Europe where a number of major international events are now scheduled to follow the Moscow Olympics. Part of the $15 million fund drive proceeds would be earmarked for this purpose. While the views of the NGB's and the NGB's and the athletes may change after the boycott decisions are firmly made in the U. S. and Western Europe, this more limited form of "alternative games" now appears to have a better chance of gaining NGB and athlete support than the integrated version, linked by world television, we have so far been discussing.

Such a program would only be launched after the USOC House of Delegates votes not to send a team to Moscow. But in order to create the most propitious atmosphere for that vote, your willingness to lead such an effort - if you approve it - should be made known to Miller and Kane,and the USOC House of Delegates, early this week.

?

Cy and Chris have reviewed this memo and agree in principle.

LNC

THE WHITE HOUSE
WASHINGTON

07 Apr 80

The Vice President
Hamilton Jordan
Jody Powell
Al McDonald
Stu Eizenstat
Sarah Weddington
Anne Wexler
Lloyd Cutler
Frank Moore
Hedley Donovan
Jack Watson
Jim McIntyre
Charlie Schultze
Alfred Kahn

The attached was returned in the President's outbox today and is forwarded to you for your personal information.

Rick Hutcheson

EYES ONLY

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL ON ENVIRONMENTAL QUALITY
722 JACKSON PLACE, N. W.
WASHINGTON, D. C. 20006

April 4, 1980

MEMORANDUM FOR THE PRESIDENT

FROM: Gus Speth
Jane Yarn
Bob Harris

SUBJECT: Weekly Report

Energy Mobilization Board. I appreciate your firmness on the subject of the substantive waiver. As you know, Dingell and his delegation speak for only part of a divided Congress. Udall and his supporters are asking for a meeting with you, joining the four anti-waiver conferees and Senator Muskie who, by letter, asked for a meeting with you earlier.

Dingell and other members are wrong in claiming that environmentalists are isolated and uncooperative on EMB. In fact, they have worked closely with conferees in arriving at a number of compromises, for example, on the difficult grandfather issue. Their strong opposition to substantive waiver is broadly supported, as recent major editorials in The New York Times, Washington Post and Los Angeles Times indicate.

Dingell's most recent formulation of the substantive waiver is a slight improvement, but remains objectionable for the same fundamental reasons as before. A process for the fast-track waiver of the nation's substantive environmental laws (Alaska protections, wilderness, parks, water quality, visibility) would for the first time be created. For the first time, our laws would facilitate and encourage corporations to seek special exceptions from rules of general application. The precedent could easily spread to other areas (steel, chemicals, nuclear power). Also for the first time a bureaucracy (the EMB) would be vested with a mandate to challenge and weaken environmental and other controls when it determined that they were an impairment. All this would occur even though nobody has demonstrated that substantive waivers are necessary to meet our energy needs.

Anti-Inflation Budget. Yesterday we met with about 30 environmental community representatives to encourage their support for our balanced budget proposals. They characterized our efforts to support the revised budget as "valiant" but believe very strongly that we cut in the wrong places. For example, the Land and Water Conservation Fund was cut by 60 percent ($348 million) to the lowest level since 1974. But the Water and Power Resources Service (formerly Bureau of Reclamation) water projects budget was not reduced at all. There were no significant reductions in the Corps of Engineers' budget for actual water project construction. In the energy area, FY 1981 funds for the solar and conservation banks were cut $403 million (89 percent) while funds for synthetic fuels appear to have been cut by only about a tenth of that amount. And there are other examples. We will ensure that these concerns are seriously considered in Spring Budget Review. The more I listened to the conservation community's concerns, the more concerned I became that CEQ was totally excluded from the process that led to the March cuts.

Earth Day. We urge that you take part in Earth Day, on April 22, perhaps by appearing at the sunrise celebration at the Jefferson Memorial (about 7:00 to 7:30 a.m.). National environmental leaders and the public will be there; this event will be covered by live TV for the morning shows. The event provides a dramatic opportunity for you to reaffirm your commitment to improving the environment, a commitment you showed by your participation ten years ago in the first Earth Day. I have asked Phil and Fran to propose scheduling this appearance.

cc Watson

C

Community Services Administration

WASHINGTON, D.C. 20506

MEMORANDUM FOR THE PRESIDENT

TO: Rick Hutcheson
Staff Secretary

FROM: William W. Allison W.A.
Acting Director

SUBJECT: Weekly Report of Significant Activity
(March 31 - April 4, 1980)

DATE: April 4, 1980

The Community Services Administration,in partial response to the Presidential request to cut the FY '81 budget by two per cent, will reduce its State Economic Opportunity Office (SEOO) program by $3.75 million, a 50 per cent cut. In FY '81, grants to SEOOs will be used to provide advice and consultation to the policy makers in state government who administer or impact upon programs affecting the low-income. CSA feels that, given limited resources, this program can best serve the interest of the low-income by attempting to impact non CSA-funded state programs which are intended to benefit the poor. CSA Regional Directors are in the process of directly contacting governors to inform them of this change. Next week the Acting Director will send a letter to each governor further explaining this budget revision.

THE SECRETARY OF EDUCATION
WASHINGTON, D.C. 20202

C

April 4, 1980

MEMORANDUM FOR: The President
Attention: Rick Hutcheson, Staff Secretary

SUBJECT: Weekly Report of Major Activities

Appointments

The appointments of F. James Rutherford, Assistant Secretary-Designate for Educational Research and Improvement, and Thomas Minter, Assistant Secretary-Designate for Elementary and Secondary Education, have been sent to the Senate.

On April 2 the Senate confirmed the appointment of Betsy Levin as General Counsel for the Department.

Appropriations

I am scheduled to present the revised FY 1981 Education budget to the Senate and House Subcommittees on Labor-HEW Appropriations on April 22 (Senate) and April 24 (House).

Consultations

Within the last week my staff has conducted briefings for House and Senate education staff, representatives of major educational interest groups, and the education press concerning the organizational structure and program placement issues related to the Department. The proposed organizational structure was generally well received.

Shirley M. Hufstedler

Shirley M. Hufstedler

DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D. C. 20250

C

April 4, 1980

MEMORANDUM TO THE PRESIDENT

THROUGH Rick Hutcheson
Staff Secretary

SUBJECT: Weekly Report

PRICES. Prices received by farmers for agricultural commodities declined 1.7 percent in March. Contributing most to the decline since February were lower prices received for cattle, hogs, soybeans, wheat, corn and calves. Higher prices received for eggs, apples, tomatoes and rice are partially offsetting. The mid-March index of prices paid by farmers for production supplies was up 1.1 percent from February.

FUTURES. On Thursday, grain and soybean futures closed mostly higher ahead of the Easter holiday, with some support from market belief that the prices may have "bottomed-out" and some market speculation that the Chinese may switch to buying soft red wheat following reports of Chinese complaints of smut and tick infestation in shipments of West Coast white wheat. Livestock futures closed sharply higher with most months limit higher, following recent sharp declines. Commodity markets will be closed April 4, due to observance of Good Friday.

DEFICIENCY PAYMENTS. Farmers who complied with the 1979 sorghum set-aside program will receive deficiency payments of 13 cents per bushel. The deficiency payment for sorghum reflects the difference between the $2.34-per-bushel sorghum target price and the $2.21-average sorghum market price. There will be no corn deficiency payments since the 1979 average market price of $2.37 per bushel exceeded the corn target price of $2.20 per bushel.

ISO. The International Sugar Organization Executive Committee has agreed to recommend that the Council increase the International Sugar Agreement price range by 1 cent per pound on March 31 from the present price range of 11 to 21 cents per pound to 12 to 22 cents per pound.

PROTEIN. A spokesman for Bethesda Research Laboratories announced that U.S. scientists have reproduced, or "cloned," a key protein ingredient in a step that could eventually help expand world food resources. A gene of the amino acid proline had been cloned into a type of bacterium which can be cultivated to produce large, cheap supplies of amino acid, a basic component of protein. Full commercial application of the breakthrough is estimated at 2 to 3 years away.

VOLCANO UPDATE. Volcanic activity at Mount St. Helen's in Washington intensified during the week. An eruption yesterday afternoon sent volcanic ash toward Portland, Oregon, and Vancouver, Washington. The high acidity of the ash has caused concern among residents of these cities. The cloud of steam and smoke from the volcano's two craters currently extends to 20,000 feet. Since March 26, about 400 people have been evacuated from the area. The major danger at this point has been created by mudflows. No lava has yet erupted from the mountain, but U.S. Geological Survey scientists report that the lava is moving toward the craters.

BOB BERGLAND

Office of the Attorney General
Washington, D. C. 20530
April 4, 1980

C

Principal Activities of the Department of Justice
For the Week of March 31 through April 4, 1980

1. Meetings and Events

On Tuesday, April 1, the Attorney General appeared on the Today Show where he was questioned about sanctions against Iranians in the United States, the impact of immigration enforcement on the Census and the ABSCAM investigation.

On Wednesday, April 2, the Attorney General met with Ambassador-Designate to Mexico Julian Nava. The meeting was primarily a courtesy call and some specific subjects, such as immigration problems, were discussed.

2. Judicial Selection

There are currently 75 federal judgeship vacancies (32 under the new law and 43 regular vacancies), only 13 of which have not yet been acted upon. Of the 62 candidates in process, 30 are pending in the Senate (18 under the new law and 12 under regular vacancies), eight are pending at the White House (two under the new law and six under regular vacancies), with the remainder still under background evaluation.

3. Immigration Policy For The Census

The Immigration and Naturalization Service announced on Saturday, March 29, that it will observe special precautions in enforcing the immigration laws for the next three months. These measures, which require supervisory and legal personnel to approve all enforcement operations, are being taken to insure that INS efforts do not adversely affect the 1980 Census. The INS announcement follows similar statements made by the Attorney General to encourage participation in the Census and to assure individuals that Census information will be kept confidential.

4. Confederation of Iranian Students v. Civiletti

On March 31, the Supreme Court denied the Confederation's request for a stay of deportation of Iranian students pending a final decision on the constitutionality of the order requiring Iranian students to report to the INS. The Court has not yet decided whether it will review the D.C. Circuit's opinion upholding the reporting requirement.

5. Chicago Fire Department Employment Discrimination Suit

On March 31, the Chicago Fire Department agreed to increase substantially the promotion of blacks and Hispanics in settlement of an employment discrimination suit. Additionally, the settlement order permanently enjoins the Department from discriminating against any applicant for promotion on the basis of race or national origin.

6. Puerto Rican Courts

Having let the measure die last year, the House of Representatives passed the bill providing for the use of Spanish in federal courts in Puerto Rico. Since the Senate passed the bill last year, similar approval is now expected.

C

FYI

THE SECRETARY OF COMMERCE

WASHINGTON, D.C. 20230

April 4, 1980

REPORT TO THE PRESIDENT

Steel: At our meeting with the steel caucus we clarified the status of TPM indicating that it was merely suspended and could be reinstated if conditions justified it; and, made it clear that Commerce was pursuing the cases as expeditiously as possible. The charge that TPM was suspended as a retributive act was satisfactorily refuted through an effective presentation of the record by Charlie Schultze. Concern that the TPM suspension would seriously hurt small producers was expressed by the members.

Export Trading Companies: Civiletti, Askew, and I reached a significant agreement in principle which enabled me to present a unified Administration position supporting the concept embodied in proposed legislation which would establish export trading companies. The business community, in particular small business, views the establishment of trading companies as critical to the promotion of trade. The remaining issue to be resolved concerns the role of the Attorney General in the certification of such companies. We are working with Stu Eizenstat to resolve this issue. I testified Thursday afternoon in support of this trading company concept. State, Treasury, and USTR also testified.

Industrial Innovation: As lead witness on behalf of the Administration's patent policy legislation before Kastenmeier's subcommittee, I presented arguments in support of the Administration's comprehensive, patent policy legislation which provides for a central court of patent appeals, a uniform Federal patent policy, patent re-examination, and the restructuring of the fee schedule for the Patent and Trademark Office. The testimony in support of your proposals was well received.

Shoes: In Philadelphia today I confirmed the press leaks that the Department would award the American Shoe Center to Philadelphia. The Center is an important first step in demonstrating through visible actions your commitment to advancing industrial productivity and innovation in support of regaining and maintaining the competitiveness of American industry.

National Association of Manufacturers/Chamber of Commerce: At my periodic luncheon meeting with these groups we received strong support for our position in support of the trading company concept, and addressed their concerns for the state of the economy, and your anti-inflation program.

Commerce Management/Organization: Our principle staff is making considerable progress in refining the priorities and objectives of the Department, and I expect to be able to report to you in detail on this effort by the end of the month.

Law of the Sea Conference: The spring session of the U.N. Law of the Sea (LOS) Conference was completed this week with significant progress having been made toward completion of a treaty text. However, we will begin to implement the Administration's plan to work toward passage of domestic seabed mining legislation, as this issue was not resolved in the LOS Conference.

Philip M. Klutznick
Secretary of Commerce

THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410

C

April 4, 1980

MEMORANDUM FOR: The President
Attention: Rick Hutcheson, Staff Secretary

Subject: Weekly Report of Major Departmental Activities

FHA Allowable Rates Rise Again. In response to pressures in the mortgage market, yesterday I announced increases in the maximum allowable rates for certain FHA-insured mortgages. The increases are: from 13 to 14 percent for single family mortgages; from 17 to 18 percent for mobile home loans; from 16-1/2 to 17-1/2 percent for combination mobile home and lot loans; from 17 to 18 percent for property improvement loans. The rate for multifamily loans remains unchanged at 13 percent.

Inflation Message Given to Building and Construction Trades Representatives. In a speech on Wednesday, April 2, I told participants in the Building and Construction Trades National Conference at the Washington Hilton that control of inflation must be a first priority if the future of the housing industry is to be insured. I also explained that the persistent problem of inflation cannot be solved without dealing with our energy crisis and that mandatory wage and price controls are not an effective remedy for our problems.

HUD Supports Management Symposium. On April 1, the Department conducted a four-hour Management Symposium for more than 100 top-level officials representing various departments and agencies. The purpose of the symposium was twofold: 1) to bring together and begin a dialogue among officials who make up the administrative management arm of the Federal Government; and 2) to present a sampler of 15 different HUD management initiatives to improve efficiency or reduce costs. The initiatives range from managing the budget execution process to improving employee productivity and mobility and reducing printing costs. With respect to printing costs, HUD's use of a programmable calculator to compute the lowest bidder for each specific job element rather than an overall price for a complete package saves HUD approximately $500,000 a year.

HUD's Single Family Housing Activity Declines. Single family activity for the first two weeks of March 1980 shows that the total number of conditional applications processed has decreased 45 percent from figures for the same period during 1979. The total number of firm commitments processed during the period has decreased 24 percent. These are the most recent figures available on the level of single family activity.

Terence Duvernay
for Moon Landrieu

THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE
WASHINGTON, D.C. 20201

C

April 4, 1980

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Weekly Report of HEW Activities

Speech to the National Association of Black Social Workers. On Wednesday, I spoke before the convention of the National Association of Black Social Workers in Washington. My speech emphasized the importance of the Federal budget reductions in the President's anti-inflation program and stressed the Administration's continued commitment to essential social programs. Key policy makers in the Department are stepping up their efforts to build local support for the President's anti-inflation campaign. These efforts will be conducted in concert with the White House.

Publication of Black Health Issues. A series of articles, entitled "Black Health in America," prepared by the Health Services Administration, is appearing in over 200 Black publications throughout the country. The articles discuss infant mortality, family planning, lifestyle and adult sickness.

Health Data-Book Published. The first comprehensive national data on alcohol, drug abuse and mental health were published by the Department. The National Data Book included information on treatment facilities, costs, services, incidence, prevalence, practitioners and financing.

Patricia Roberts Harris
Patricia Roberts Harris

THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

C

April 4, 1980

MEMORANDUM FOR THE PRESIDENT

THROUGH: Rick Hutcheson, Staff Secretary

FROM : Neil Goldschmidt Neil Goldschmidt

SUBJECT: Significant Issues for the Week of March 31

Budget Reductions - The first hint of significant tampering in Congress with your proposed transportation budget reductions occurred when the Senate Budget Committee voted to cut $2 billion (40 percent) from mass transit. This is unacceptable, and will undoubtedly generate considerable reaction from local governments. The House Public Works Committee has raised some questions about how the cuts in the highway program are to be managed. Overall reaction has been quite tempered but increasing as more Senate and House members feel the cuts. The House Appropriations Transportation Subcommittee seems determined to make deeper cuts than in your proposal. Likely candidates are enforcement of the 55 mph speed limit, rail restructuring funds, transit operating assistance and deeper cuts in the Northeast Corridor Project and Amtrak. I and members of my staff are continuing to stress that your budget reductions for transportation have been carefully constructed to preserve our safety and energy conservation efforts. We may also have to defend the Urban Initiatives Program and Station Development Program of the Northeast Corridor Project from House Appropriations Committee moves to slash them. Cuts in these programs would eliminate much of the leverage the Department now has on urban economic development.

Highway Construction - Last week I reported that we had frozen obligations from the Highway Trust Fund. That freeze has now been lifted and allocations for the remainder of the fiscal year have been given to the States. Only California has reacted negatively, but the State was treated fairly.

Rail Regulatory Reform Legislation - By a vote of 91 to 4, the Senate has passed rail reform legislation which I have strongly endorsed as a significant step forward. Senator Long withdrew his controversial rate-ceiling amendment for lack of support and accepted an Administration-backed compromise. The Administration also won on virtually all other votes. A joint-rate compromise between ConRail and the Southern Railway was adopted, an amendment to open coal rate cases was defeated, branch line abandonment reforms were retained, and rail investment tax credit and coal slurry pipeline issues were kept out of the bill.

We expect to have to fight the battle on coal freight rates ceilings again in the House. The House Committee should complete action on its bill in early May, with a floor vote likely in June.

In the Senate, Senator Cannon was a strong and effective manager of his bill and the Administration position on amendments.

Truck Regulatory Reform Legislation - The Senate is to consider truck reform legislation the week after the Congressional Easter Recess. We are suffering some erosion of support from the delay in a floor vote, but are working closely with Senator Cannon, White House staff, and others to assure passage. At this time, opponents of the measure will probably target their efforts on a challenge to the provision which would exempt all food and some other agricultural items from ICC regulations. In the House, Congressman Howard continues to give some indications that he is moving toward a more liberal reform bill than he originally proposed. He will take no action in his Subcommittee until the Senate has completed its floor action.

Rail Corridors Legislation - The Administration bill to provide labor protection for displaced Rock Island employees has been derailed by the addition in the House of a provision to spend $105 million on studies and equipment for new rail corridors, and possibly another $850 million - subject to further authorizations - for construction of new rail corridors. We and the Senate have opposed this provision. However, there has been extremely strong support in the House for these emerging corridors. The threat of a veto, which I have made known in the Congress, has given us considerable leverage and I am now exploring ways to break the stalemate and move our Rock Island labor protection bill, which is a key to continued progress in the midwest rail restructuring.

CABINET ECONOMIC POLICY GROUP

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

C

April 4, 1980

MEMORANDUM FOR THE PRESIDENT

FROM: G. WILLIAM MILLER
CHAIRMAN, ECONOMIC POLICY GROUP

Bill

SUBJECT: EPG ACTIVITIES

A. Meeting on Friday, March 28, 1980

1. Wage-Price Program

(a) Reported on Vice President's luncheon on March 26 with business members of Pay Advisory Committee.

(b) Planned follow up consulting program with members of both Pay and Price Committees.

(c) As to Mobil Oil's non-compliance with price standard during 1979:

. COWPS to negotiate for corrective action.

. Possible meeting of Mobil CEO with Secretary Duncan or others.

. Possible Presidential statement.

2. Financial Condition of Thrift Industry

(a) Plans for legislative proposals to strengthen powers of regulatory agencies to deal with financial difficulties.

(b) Contingency programs of Federal Reserve, Federal Home Loan Bank Board and National Credit Union Association to provide liquidity.

(c) Regulatory actions to improve competitive positions and reduce cost of money for thrift institutions.

(d) Possible Treasury action with respect to loss carrybacks.

(e) Plans for 90-day study of thrift problems as required by Deregulation and Monetary Control Act to be signed by President on Monday, March 31.

3. Housing

   (a) Stu Eizenstat report on work to develop assistance program for housing industry within existing budget authority.

4. Commodities

   (a) Up-date on silver situation.

   (b) Plans for review of commodity regulation system and recommendation of possible reforms.

B. Meeting on Friday, April 4, 1980

1. Tax Program

   (a) Reviewed Administration proposal for withholding taxes on interest and dividend payments. This is included in revised budget.

   (b) Ways and Means hearing scheduled for April 30.

2. Wage-Price Program

   (a) Reviewed proposed procedures for dealing with non-compliance, both for first and second years.

   (b) Agreed that I would contact Phil Caldwell, Chairman of Ford Motor, to seek corrective action to offset non-compliance with first year wage standard.

   (c) Contact also to be made with Mobil CEO to seek corrective action to offset non-compliance with first year price standard.

3. Future Agenda

   (a) EPG review of Labor Department's proposed increase in minimum wage for alien agricultural workers.

   (b) Review federal regulations affecting auto industry.

   (c) Review export issues, particularly proposed Export Trading Company legislation.

THE SECRETARY OF THE TREASURY
WASHINGTON 20220

April 4, 1980

MEMORANDUM FOR THE PRESIDENT

Subject: Highlights of Treasury Activities

1. MARKETS AND THE DOLLAR

- Stocks posted a 6.48 point gain over the week to close at 784.13 after seven consecutive weeks of losses. The Dow Jones index has regained about 24 points from the year's low on February 27 of 759.98.

- In the credit markets short-term yields were mixed while intermediate and long-term yields declined. The recent heavy supplies of new Treasury securities have been absorbed well, due, in part, to increased foreign and retail buying.

- All major banks are now posting a 20 percent prime lending rate.

- The dollar has continued to appreciate, rising an additional 1-1/2% or more against European currencies.

- April silver futures have rebounded $3.85 per ounce to $14.65, up from the March 27 low of $10.80.

- Gold rose only $1 over the week, closing in London at $481.

2. MULTILATERAL DEVELOPMENT BANKS - FY 80 AUTHORIZATION

- The Regional Development Bank bill, previously returned to conference, has re-emerged with House-voted cuts fully restored. The conference report is scheduled for floor consideration shortly after the House returns from Easter recess.

- We are devoting maximum effort to get this legislation passed. In addition to coordinating our efforts with State and Agriculture, I will be forwarding to you separately recommendations for White House involvement.

3. GENERAL REVENUE SHARING

- The Senate Budget Committee voted to limit revenue sharing spending to the $4.6 billion local share. The Committee voted down overwhelmingly a Sasser motion to add back $900 million which might be used for, among other things, the Administration's $500 million urban aid program. The Committee voted down narrowly a Domenici motion to restore $900 million on the condition that $900 million of categorical spending be cut. Thus the Chairman's mark was preserved and, at least at this stage, both Budget Committees have settled on $4.6 billion for revenue sharing spending.

4. WINDFALL PROFITS TAX

- Coincident with your signing of the Windfall Profits Tax bill on April 2, Treasury issued fully effective temporary regulations. We also issued at the same time a notice of proposed rule-making, the initial step in the lengthy process to develop the final implementing regulations.

5. CHRYSLER

- On April 2 Chrysler reached tentative agreement with representatives of its domestic banks to propose a $650 million financing package to meet the terms of the Chrysler Loan Guarantee Act. The banks are considering the proposal and a decision is expected early next week. The proposal calls for deferral of interest and principal and forgiveness of interest and would not involve new investment.

- The proposed financing package is a major step forward, but the Guarantee Board may have to require modifications. The proposal fails to provide for an additional $245 million; the Act requires that the $650 million be in addition to outstanding commitments as of October 17, 1979.

Bill

G. William Miller

THE SECRETARY OF ENERGY
WASHINGTON, D.C. 20585

C

April 4, 1980

MEMORANDUM FOR: THE PRESIDENT

FROM: CHARLES W. DUNCAN, JR. with Bateman
JOHN C. SAWHILL (acting)

SUBJECT: Weekly Activity Report:
Week of March 29, 1980 - April 4, 1980

1. Mexico: I visited Mexico this week and had very productive talks with President Lopez Portillo, Foreign Minister Castaneda, Secretary of Patrimony Oteyza, and Director General Diaz Serrano of PEMEX, among others. We discussed a broad range of energy issues with emphasis on cooperation in research and development on alternate fuel technologies such as solar and geothermal energy, and on transfers of hydroelectricity along the border. In addition to establishing a useful working relationship between our Governments on energy matters, the meetings increased our respective understandings of the political sensitivities associated with energy issues in each country. I will send you a more complete discussion of my talks in my trip report.

2. Energy Conservation: The work of the Interagency Conservation Action Group will be carried on by a White House Task Force on Energy Conservation Outreach, which I will co-chair. Subject to your approval, the Task Force has set April 14 for the kickoff of a major transportation conservation campaign. You will meet with the chief executive officers of major corporations and the heads of transportation-related associations and will ask them to commit themselves to specific ridesharing and driver awareness efforts. You will also announce a new energy efficiency awards program. Further details should reach you next week. Following the kickoff event, five members of the Cabinet, accompanied by members of your senior staff, will travel to major cities to promote the program with additional employers.

3. Utility Oil Backout Legislation: The first hearings were held on this legislation. John Sawhill testified before John Dingell's Energy and Natural Resources Subcommittee of the House Committee on Interstate Commerce. He was joined by representatives from the Environmental Protection Agency and the Council on Environmental Quality. The testimony went well; the Subcommittee focused more on fiscal questions than it did on the environmental issues.

On a related matter, DOE's Economic Regulatory Administration issued six more proposed prohibition orders under the Fuel Use Act to force conversion from oil. Three were directed to the New England Power Company's Salem (Massachusetts) Harbor generating station and three were issued to the Navy's Naval Ordnance Station at Indian Head, Maryland. These conversions would save over 9,500 barrels of oil per day. They bring the total of proposed prohibition orders and negotiated voluntary conversions under the Fuel Use Act to thirty, with savings of about 165,000 barrels of oil per day.

4. Legislative Matters:

- S. 932: The Conferees on S. 932, the Energy Security Act, will not meet again until after Congress reconvenes on April 15. The joint staff will continue to try to reach agreement on all outstanding issues. The major issues concerning Title IX, the Solar Bank, have been resolved. Several important issues remain outstanding on Title V, Conservation. There appears to be progress on the gasohol provisions, Titles II and III, but the Conference has not yet reached agreement.

- Energy Mobilization Board: Limited progress was made by the conferees. The House offered a compromise position to the Senate that will be considered by the staffs next week. This position would allow the President to waive substantive federal law, subject to the approval of Congress within sixty days, expressed through a joint resolution adopted under modified procedures. The reaction of some important Senate conferees was promising and there is hope of a staff compromise during the recess.

- Gasoline Rationing: Senator Johnston's proposed legislation to provide a gasoline tax and rebate system instead of coupon rationing will not be introduced until after the recess. Our Office of Policy and Evaluation has prepared an analysis of this proposal, which is being circulated for review at OMB and the Department of the Treasury.

5. Algerian Liquified Natural Gas: Sonatrach, the Algerian state energy company, told El Paso, the importer, that it would not continue to sell gas to them after last Monday, March 31, at the $1.95 per million Btu price approved by our regulatory authorities last December. Gas is not now being lifted for export to the United States under this contract. Our supplies of natural gas appear to be adequate to avoid immediate disruption in the event of a complete shut-off of this source, which amounts to the equivalent of about 150,000 barrels of oil per day, but we must continue to pursue a solution to this dispute to avoid potential problems next fall and winter in the mid-Atlantic states. The U.S. Government has communicated frequently with the Government of Algeria, as well as with the Government of France, which faces a similar price demand. Officials from the Departments of Energy and State will travel to Algiers late next week to review the situation.

One additional matter is discussed in an annex to this report.