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THE PRESIDENT HAS SEEN. 81.



THE SECRETARY OF THE TREASURY
WASHINGTON 20220

November 22, 1974

MEMORANDUM FOR THE PRESIDENT

Subject: Government Antitrust Action Against American Telephone
and Telegraph

Shortly after noon on Wednesday, November 20, I received reports that the Justice Department was preparing to file an antitrust action against American Telephone and Telegraph Corporation. I immediately sought to verify the reports and learned that a decision had been made that morning by the Attorney General to file an antitrust action accusing AT&T of monopolizing the telecommunications equipment industry and seeking divestiture of its manufacturing subsidiary, Western Electric, and possible divestiture of its long distance operations. I further learned that the suit was being filed that afternoon and that the SEC had been notified and had ordered a suspension of trading in AT&T securities until after the news of the suit had been publicly disseminated.

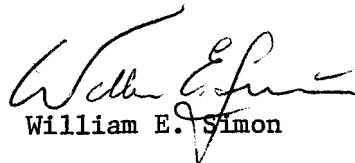
I understand the responsibility of the Attorney General to enforce the antitrust laws, and to present to the courts for determination any facts which he believes constitute a violation of those laws. The press reports indicate that the investigation preceding the filing of this complaint has been in progress for at least 14 months. The Justice Department has said that, unless a settlement is reached, the matter will take from 3 to 10 years or more to be resolved in the courts. These circumstances suggest that there was no urgency requiring filing of the suit Wednesday without first discussing with your Economic Policy Board the probable economic impact of the suit and its timing. It does not appear that the timing of the filing of the suit will materially affect either the outcome or the probable time for concluding the litigation.

AT&T has the largest asset value of any corporation in the world and ranks as the largest non-government raiser of capital. The company's stock is in the hands of nearly 3 million shareholders, making it the most widely held stock in the nation. It is also a major factor in the bond market, and at the time of the filing of the

suit was in the midst of an offering of notes and debentures totalling \$600 million, the largest public debt offering ever made by a private corporation.* The announcement of the antitrust suit has forced cancellation of that offering, causing serious questions about how and when AT&T will be able to raise the necessary capital for its construction and service improvement programs.

The Economic Policy Board has been assigned responsibility to review governmental decisions affecting the economy. The commencement of a suit seeking to split up the nation's largest company and probably the greatest single force in the private securities market, coming in the middle of a major financing by that company, is certainly governmental action having a substantial impact on the economy.

I urge that steps be taken to assure that future actions by governmental departments and agencies that are likely to have a substantial economic impact be reviewed with the Economic Policy Board before they are undertaken or announced to the public.



William E. Simon

* I want you to be aware of the fact that my former firm, Salomon Brothers, was a manager of the underwriting of that offering.