Price Freeze Fails To Win Confidence

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President Nixon's new anti-inflation policy—his price freeze—won few instant votes of confidence yesterday. The general reaction both here and abroad was lukewarm, and the dollar and stock market both kept sagging.

Harvard economist Hendrik Houthakker, a former member of Mr. Nixon's Council of Economic Advisers, expressed a common view. "I don't regard the freeze by itself as solving anything," he said. "Everything depends on what will be done under Phase IV."

Mr. Nixon "evidently wanted to take some visible action," Houthakker went on, but "I would say that the President has not yet come to any firm view as to what is necessary."

Labor and business—the AFL-CIO and the U.S. Chamber of Commerce—were similarly cool in their comments, though from opposing standpoints.

The chamber's chief executive officer, Arch Booth, acknowledged that "recent rapid price increases called for some kind of action."

He added, however, that "it has now been almost two years since the modern era of controls began. Therefore, when Mr. Nixon warns us (as he did in his speech Wednes-

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day night) not to let controls become a narcotic, we must ask ourselves if we are not already becoming addicted."

Booth also worried lest the 60-day freeze squeeze business, "since only prices are frozen," and not wages. "We hope that labor unions will pursue responsible wage demands as the President acknowledges some have," he said.

A common reaction among businessmen who spoke out was that their companies or industries had not raised prices much and that the President should have frozen only those prices that were rising fastest. Thus General Motors chairman Richard C. Gerstenberg called it "unfortunate that a general price freeze applicable to all industries was imposed."

AFL-CIO President George Meany, on the other hand, saw no reason to bleed for business. "Skyrocketing corporate profits," he said, "remain without control" under the new presidential policy, and while retail prices are now frozen for 60 days they are also "at the highest levels in more than two decades."

Workers' buying power, he said, is "less than it was a year ago."

"The freeze," Meany declared, "is not a policy, but represents a failure of policy," and the AFL-CIO will reserve judgment until it sees Phase IV.

Teamsters union president and Nixon ally Frank E. Fitzsimmons, however, called the freeze "bold action," and said it would give the nation "time to analyze all that previously has been done to control inflation and then come up with a workable solution."

Fitzsimmons said he was "especially impressed" with the President's "sense of fairness in not making wages subject to the freeze."

The President announced Wednesday night that he was freezing prices at their level of the week before for up to 60 days, while he and his advisers contrived a new and "tighter" Phase IV of controls to replace the relatively easygoing regulations of Phase III.

Phase III, which the administration had hoped would be a first step toward getting rid of wage and price controls entirely, was put in place January 11.

The inflation rate over the following three months, as measured by the government's consumer price index, was 9.2 per cent, 2½ times the 3.6 per cent rate under last year's Phase II of controls.

The President did not freeze wages Wednesday night because they have lagged well behind prices so far this year; he left them under Phase III limitations. He also left interest rates and dividends under Phase III restrictions, and left rents outside controls.

With one significant exception, the price freeze applies to all retail and wholesale prices. The exception is that in the first sale off the farm, farmers are free to charge whatever they can get for raw agricultural products—from buyers who will be unable to pass higher prices along.

Reasoning that freezing raw farm product prices would only lead farmers to cut production and thus add to food price pressure, Mr. Nixon asked Congress to let him put export controls on farm and certain other products. His hope is to prevent foreign demand from raising U.S. prices.

In the interim, the president chose to run the risk that export restrictions would also increase the U.S. trade deficit and thus possibly weaken the dollar abroad.

The long-run question, as Houthakker and others said yesterday, is what Phase IV will look like.

A crucial short-run question is what effect the price freeze will have on the food industry where the basic problem has been that demand is greater than supply.

Farmers will continue to seek higher prices; middlemen and supermarkets, whose own prices are frozen, will resist; and something will have to give. No one yesterday seemed sure how it will turn out.

George W. Koch, president of the Grocery Manufacturers of America, spoke for many in the industry. "The use of selective economic controls has thrown our economy out of whack," he said. "Either we return to the built-in controls of supply and demand or we rely on across-the-board controls on the entire economy. There can be no meaningful middle ground."