

Nixon had barely gotten started on his price-controls speech when Ed Williams phoned. I did not hear any of the last part, perhaps half or more. (Ed says that S & S has now delayed pub date on the Woodward and Bernstein book until 1974) My impression is that since the last time I saw him on TV there have been pronounced changes in Nixon's appearance. He is much more loose and hanging in the jowls. There is more gray in his hair (or he had tinted it earlier). This was the older old Nixon who is forever having to turn to what he has always preached against all his life. Everything he has espoused has been wrong and each time he has to admit it he proclaims a public benefaction. The economic disaster that followed the removal of controls was predicted and was easily predictable, as was inflation with an uncontrolled war economy. Now that the astronomical extra profits of those who financed him are assured and the level is likewise assured, he is making gestures that if successful can do no more than prevent further escalation. This was predictable. There apparently was much rushing with this speech, if I can judge from the Cam David helicopter traffic, which was still heavy in the morning and continued to night. He was also less certain in delivering it. What impressed me most of what I could see is the changes in his appearance. This is a frightened man. HW 6/13/73

Nixon Imposes 60-

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Day Price Freeze, Plans Other Controls Under Phase IV

Tightening Vowed On Rent, Interest, Wages, Dividends

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President Nixon announced last night a 60-day freeze on prices, export controls on food products and plans for a Phase IV control program to check the nation's inflation.

In a televised address to the nation, Mr. Nixon said he was taking "strong actions" to halt price rises at every level except raw agricultural prices at the farm.

Wages, rents, interest and dividends will remain outside the freeze but under the present control system pending imposition of Phase IV controls within 60 days.

The effect of the President's

order is to freeze all prices at wholesale and retail as they existed in the first week in June, whether the product is a high-priced automobile or lettuce in the grocery store.

The President also ordered the Internal Revenue Service to begin immediately an audit of companies that have raised prices more than 1.5 per cent above January ceilings and to roll back prices if they were unjustified by rising costs.

Congressional action is necessary to put into full effect the President's decision to control food exports, but he immediately ordered exporters to begin making reports to the government on future export contracts.

Export commitments already made will be honored "and we shall also consult with other countries to seek their cooperation in resolving the worldwide problem of rising food prices," the President said in his address from the Oval Office.

"But we will not let foreign sales price meat and eggs off the American table," he assured the American customer. In his address, the Presi-

dent again told Congress that he would veto "budget-busters" it may send to his desk, and he asked Congress for the following additional measures:

- Authority to reduce tariffs where necessary to increase supplies of scarce products and thus hold down prices.

- Authority to dispose of more surplus commodities in the government's stockpile.

- Quick approval of the Alaska pipeline project to "combat the shortage of oil and gasoline."

- A farm bill that will encourage production and discourage price increases.

"If the Congress sends me a farm bill, or any other bill, that I consider inflationary," he asserted, "I shall veto such a bill."

Promising that the price freeze will last a maximum of 60 days, the President promised to develop and put into place "a new and more effective system of controls which will follow the freeze."

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Nixon Announces 60-Day Price Freeze

ECONOMY, From A1

That program, to be known as Phase IV, "will involve tighter standards and more mandatory compliance procedures than under Phase III," he said.

But he promised that it will not "get us permanently into a controlled economy." On the contrary, he emphasized, "it will be designed as a better way to get us out of a controlled economy, and return us as quickly as possible to the free market system."

One of the major reasons for the inflationary spiral under Phase III was the "unprecedented" demand abroad for American agricultural products, Mr. Nixon said.

That is why, he said, "I have decided that a new system for export controls on food products is needed."

In his promise to honor present commitments for farm exports, the President had in mind the large food shipments to the Soviet Union and China and the visit here next week of Soviet Communist Party Chief Leonid I. Brezhnev, who wants to negotiate even larger agricultural and industrial purchases from this country.

"Based on the extensive consultation and correspondence we have had," the President said, "I can confidently predict that out of our meetings will come major new progress toward reducing both the burden of arms and the danger of war, and toward a better and more rewarding relationship between the world's two most powerful nations."

The reference to reducing the arms burden was the first clear hint from the President of progress on further nuclear arms control agreements.

The actions Mr. Nixon announced last night came after weeks of deliberation within the administration. Phase III of wage and price controls has been accompanied by the highest sustained rate of inflation that the country has experi-

enced since the early days of the Korean War.

Retail prices have risen at an annual rate of 9.2 per cent since last year's Phase II gave way to Phase III on Jan. 11, and wholesale prices, precursors of future prices at retail, have skyrocketed at a 23.4 per cent pace.

During Phase II, which ran from November of 1971 through all of last year, retail prices rose at only a 3.6 per cent rate, and wholesale prices, at 6.9 per cent.

Phase III differed from Phase II primarily in that companies and unions were expected to abide by the government's ceilings on pay and price increases on their own, with the government intervening only when it thought increases were excessive.

Critics, including most Democrats and an increasing percentage of Republicans in Congress, have blamed Phase III for the acceleration in the inflation rates since January.

The administration had been saying market forces were to blame, and predicting the inflation would subside as the economy cooled off later this year.

The President and his advisers have made it clear they do not want wage and price controls to become a permanent part of the economic landscape, and thought last January was a good time to start phasing them out.

The freeze announced last night was the second the President has imposed now in 22 months. The first was in August of 1971, and included wages. It was Phase I of what the President then described as his New Economic Policy. The economy was then still caught up in the 1970 recession, the 1972 elections were approaching, and Mr. Nixon wanted to pump the economy up without running the usual risk of inflation.

The Phase I freeze lasted three months. Phase II, which followed, was the nation's first experiment with peacetime wage and price controls.

'We Have Much to Be Thankful

Following is the text of Mr. Nixon's address on the economy:

I want to tell you tonight about some strong actions I have ordered today with regard to the American economy—actions which will be important to you in terms of the wages you earn and the prices you pay.

But first, since we have been hearing so much in the past few months about what is wrong with the American economy, let us look at some of the things that are right about our economy. We can be proud that the American economy is by far the freest, the strongest and the most productive economy in the whole world. It gives us the highest standard of living in the world. We are in the middle of one of the biggest, strongest booms in our history. More Americans have jobs today than ever before. The average worker is earning more today than ever before. Your income buys more today than ever before.

In August, 1971, I announced the New Economic Policy. Since then, the Nation's output has increased by a phenomenal eleven and a half per cent—a more rapid growth than in any comparable period in the last 21 years. Four and a half million new civilian jobs have been created—more than in any comparable period ever. At the same time, real per capita disposable income—meaning what you have left to spend after taxes and after inflation—has risen by seven and a half per cent. This means that, in terms of what your money will actually buy, in the past year and a half your annual income has increased by the equivalent of four extra weeks' pay. When we consider these facts, therefore, we can see that in terms of jobs, of income, of growth, we are enjoying

one of the best periods in our history.

We have every reason to be optimistic about the future. But there is one great problem that rightly concerns every one of us. This is rising prices, and especially rising food prices. By the end of last year we had brought the rate of inflation down to 3.4 per cent, giving us the best record against inflation in 1972 of any major industrial nation. But now prices are going up at unacceptably high rates.

The greatest part of this increase is due to rising food prices. This has been caused in large measure by increased demand at home and abroad, by crop failures abroad and by some of the worst weather for crops and livestock here in America that we have ever experienced. Whatever the reasons, every American family is confronted with a real and pressing problem of higher prices. I have decided that the time has come to take strong and effective action to deal with this problem.

Effective immediately, therefore, I am ordering a freeze on prices. This freeze will hold prices at levels no higher than those charged during the first eight days of June. It will cover all prices paid by consumers. The only prices not covered will be those of unprocessed agricultural products at the farm levels, and rents.

Wages, interest and dividends will remain under their present control systems during the freeze. The reason I have decided not to freeze wages is that the wage settlements reached under the rules of Phase III have not been a significant cause of the increase in prices. As long as wage settlements continue to be responsible and non-inflationary, a wage freeze will not be imposed.

The freeze will last for a maximum of 60 days. This time will be used to develop and put into place a new and more effective system of controls which will follow the freeze. This new, Phase IV set of controls will be designed to contain the forces that have sent prices so rapidly upward in the past few months. It will involve tighter standards and more mandatory compliance procedures than under Phase III. It will recognize the need for wages and prices to be treated consistently with one another.

In addition to food prices, I have received reports from various parts of the country lately of many instances of sharp increases in the price of gasoline. Therefore, I have specifically directed the Cost of Living Council to develop new Phase IV measures that will stabilize both food prices at the retail store and the price of gasoline at the local service station.

In announcing these actions, there is one point I want to emphasize to everyone listening to me tonight: The Phase IV that follows the freeze will not be designed to get us permanently into a controlled economy. On the contrary, it will be designed as a better way to get us out of a controlled economy, and to return us as quickly as possible to the free market system.

We are not going to put the American economy in a strait jacket. We are not going to control the boom in a way that would lead to a bust. We are not going to follow the advice of those who have proposed actions that would lead inevitably to a permanent system of price and wage controls. Such actions would bring good headlines tomorrow and bad headaches six months from now for every American family, in terms

of rationing, black markets, and eventually a recession leading to more unemployment.

It is your prosperity that is at stake. It is your job that is at stake. The actions I have directed today are designed to deal with the rise in the cost of living without jeopardizing their prosperity or your job.

Because the key to curbing food prices lies in increasing supplies, I am not freezing the price of unprocessed agricultural products at the farm level. This would reduce supplies instead of increasing them, and would eventually result, inevitably, in even higher prices for the foods you buy at the supermarket.

Beginning in 1972, we embarked on a comprehensive new program for increasing food supplies. Among many other measures, this has included opening up 40 million more acres for crop production. In the months ahead, as these new crops are harvested, they will help hold prices down. But unfortunately, this is not yet helping in terms of the prices you pay at the supermarket today.

One of the major reasons for the rise in food prices at home is that there is now an unprecedented demand abroad for the products of America's farms. Over the long run, increased food exports will be a vital factor in raising farm income, in improving our balance of payments, and in supporting America's position in the world. In the short term, however—when we have shortages and sharply rising prices of food at home—I have made this basic decision: In allocating the products of America's farms between markets abroad and those in the United States, we must put the American consumer first.

Therefore, I have decided that a new system for ex-

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port controls on food products is needed—a system designed to hold the price of animal feedstuffs and other grains in the American market to levels that will make it possible to produce meat and eggs and milk at prices you can afford.

I shall ask the congress, on an urgent basis, to give me the new and more flexible authority needed to impose such a system. In exercising such authority, this will be my policy. We will keep the export commitments we have made as a nation. We shall also consult with other countries to seek their cooperation in resolving the world-wide problem of rising food prices. But we will not let foreign sales price meat and eggs off the American table.

I have also taken another action today to stop the rise in the cost of living. I have ordered the Internal Revenue Service to begin immediately a thorough-going audit of the books of companies which have raised their prices more than 1.5 per cent above their January ceilings. The purpose of the audit will be to find out whether those increases were justified by rising

costs. If they were not, the prices will be rolled back.

The battle against inflation is everybody's business. I have told you what the Administration will do. There is also a vital role for the Congress. The most important single thing the Congress can do in holding down the cost of living is to hold down the cost of government. For my part, I shall continue to veto spending bills that we cannot afford, no matter how noble-sounding their names. If these budget-busters became law, the money would come out of your pocket—in higher taxes, higher prices, or both. There are several specific recommendations I have already made to the Congress that will be important in holding down prices in the future. I again urge quick action on all of these proposals.

Congress should give the President authority to reduce tariffs in selected cases in order to increase supplies of scarce goods and hold

down their prices. This action will help on such scarce items as meat, plywood and zinc. In particular, the tariff on imported meat should be removed.

Congress should provide authority to dispose of more surplus commodities held in government stockpiles.

Congress should let us go ahead quickly with the Alaska pipeline, and so combat the shortage of oil and gasoline. I will also soon send to the congress a major new set of proposals on energy, spelling out new actions I believe are necessary to help us meet our energy needs and thereby lessen pressures on fuel prices.

In its consideration of new farm legislation, it is vital that the Congress put high production ahead of high prices, so that farm prosperity will not be at the cost of higher prices for the consumer. If the Congress sends me a farm bill, or any other bill, that I consider inflationary, I shall veto such a bill.

Beyond what the administration can do, and what the congress can do, there is also a great deal that you can do. The next 60 days can decide the question: whether we shall have a continuing inflation that leads to recession, or whether we deal responsibly with our present problems, and so go forward with a vigorous prosperity and a swift return to a free market.

You can help, by giving your senators and congressmen your support when they make the difficult decisions to hold back on unnecessary spending.

You can help, by saying no to those who would impose a permanent system of controls on this great, productive economy of ours which is the wonder of the world.

Let there be no mistake: If our economy is to remain dynamic, we must never slip into the temptation of imagining that in the long run controls can substitute for a free economy or permit us to escape the need for discipli-

pline in fiscal and monetary policy. We must not let controls become a narcotic—and we must not become addicted.

There are all sorts of seemingly simple gimmicks, that would give the appearance or offer the promise of controlling inflation—but that would carry a dangerous risk of bringing on a recession, and that would not be effective in holding down prices. Rigid, permanent controls always look better on paper than they do in practice.

We have much to be thankful for here in America. We are the best-clothed, best-fed, best-housed people in the world—the envy of every nation. This year, for the first time in 12 years, we are at peace in Vietnam—and our courageous prisoners of war have returned to their homes. This year, for the first time in a generation, no American is being drafted into the armed forces. This year, we find our prospects brighter than at any time in the modern era for a lasting peace, and for the abundant prosperity such a peace can make possible.

Next Monday, I will meet at the summit with General Secretary Brezhnev of the Soviet Union. Based on the months of preparatory work that has been done for this meeting, and based on the extensive consultation and correspondence we have had, I can confidently predict that out of our meetings will come major new progress toward reducing both the burden of arms and the danger of war, and toward a better and more rewarding relationship between the world's two most powerful nations.

Today, in America, we have a magnificent opportunity. We hold the future—our future—in our own hands. By standing together, by working together, by joining in bold yet sensible policies to meet our temporary problems without sacrificing our lasting strengths, we can achieve what America has not had since President Eisenhower was in this office: full prosperity without war and without inflation. This is a great goal, and a goal that together we can reach.