Prices Up 2% In May

Nixon Said Eying Steps to Cool Economy

6/8/73

By Peter Milius

Washington Post Staff Writer

Wholesale prices leaped ahead another 2 per cent in May, the Labor Department said yesterday, and President Nixon was reported to be sifting through a list of new alternatives for slowing down and cooling off the economy.

In the Senate, Democrats continued their calls for a 90-day, across-the-board wage-price freeze and their threat to legislate one if the President does not take action soon on his own.

Sen. Henry M. Jackson (D-Wash.) said that he will seek to add a freeze amendment to a federal financing bank bill next week, and Majority Leader Mike Mansfield (D-Mont.) predicted passage "if something isn't done downtown" beforehand.

Freezes have failed of Senate passage twice before this year, but the last time by only two votes.

Wholesale prices have now risen at a 23.4 per cent annual rate over the last three months, and Jackson said they were threatening to put retail prices "into orbit." The rate of inflation, he said, has become "a national emergency."

At the White House, however, deputy press secretary Gerald L. Warren said no "economic statement" was "contemplated over the weekend."

While the President "considers inflation the No. 1 problem in the nation," Warren added, "He did not express any sense of crisis or urgency" in discussing the issue with the Cabinet yesterday morning."

Warren was seeking to knock down two almost contradictory sets of rumors about the attitude within the White House toward inflation in the last few weeks: One, that the administration is panicky, and the other, that it has been paralyzed by Watergate. "I don't want to build up for you the image of crisis," Warren said.

The President reportedly

See ECONOMY, A8, Col. 1

ECONOMY, From A1

has not yet decided what new economic steps to take. Alternatives under review range from a demand-dampening tax increase to simply making Phase III of wage-price controls what one economist called "more visible."

One participant in yesterday's meeting said Mr. Nixon indicated to the Cabinet that he is opposed a wage-price freeze, and is leaning instead toward some kind of revision of existing wage-price regulations.

The May increase of 2.0 per cent in the government's wholesale price index was after seasonal adjustment. It was twice the 1.0 per cent increase in April, and close to the March figure of 2.3 per cent, the largest monthly increase in 22 years.

Two-thirds of the May increase came in farm and food prices. Almost half of the total was due to huge increases in feed grains, soybeans and other products fed to animals. The rise in animal feed prices will mean higher meat prices at retail in the months ahead.

Wholesale prices also increased sharply for the fourth month in a row in the non-agricultural sector of the economy.

These industrial commodities prices, which most economists consider the best test of true inflation, rose a seasonally adjusted 1.2 per cent. More than a fourth of that was due to rising fuel costs, and another fourth to big increases for lumber and metals.

The May increase lifted the wholesale price index to 133.5, meaning it cost $133.50 to buy goods that cost $100 in 1967.

Wholesale prices overall were 12.9 per cent higher than the year before. Most of that increase has occurred since last year's Phase II of controls gave way to Phase III in January. But the White House says that market forces are to blame for the last five months of inflation, and not Phase III's somewhat lighter regulations.

The administration says tight price controls are the wrong way to hold inflation down in a time of rising demand and economic boom like this. Its preference instead is for the more traditional means of bringing an economy back below the boiling point: a slowdown in government spending and the restriction of credit through a clampdown on the money supply.

Its problem is to use these instruments to bring about a slowdown without plunging the country into a new recession. Up to now, its view has been that present policies would bring about such a tapering-off—continued growth, but less inflation—by the end of the year. In the meantime, it has been pleading for patience, in particular by the big labor unions whose contracts are up this year.

So far, despite the rise in prices, the big unions have not gone much beyond the government's standard on pay raises, 5.5 per cent per year.

Yesterday, in one of the year's big labor settlements to date, General Electric and two unions representing 102,000 GE employees announced tentative agreement on a new contract that could raise average wages 88 cents an hour over three years. That would come to about 22 per cent, or roughly 7 per cent a year.

The wage increase will depend partly on inflation; the wage part of the pact includes a cost-of-living clause. No computation was available on the cost of the various new fringe benefits negotiated.

The contract is subject to ratification by the two unions, the International Union of Electrical Workers and the United Electrical Workers.

AFL-CIO President George Meany, in reaction to the price statistics yesterday, noted that "workers' buying power is already less than it was a year ago, and these higher wholesale prices will further squeeze their paychecks when they are translated into retail prices."

Meany's verbal adversary every time the government has published fresh statistics in the last six months, Herbert Stein, chairman of the Council of Economic Advisers, conceded that industrial prices had again increased at "an unsatisfactorily high rate" in May. In the agricultural sector, however, Stein noted that food prices at the supermarket end of the wholesale chain increased only 0.3 per cent for the month, the least since last September.

The rise in wholesale prices all across the farm and food sector of the economy was an adjusted 4.1 per cent in May. Those prices are now 29.1 per cent higher than they were a year ago, and have gone up at an annual rate of 43.4 per cent in the last three months.

Industrial commodities prices in May were 7.0 per cent higher than the year before, and went up at a 15.9 per cent annual rate in the March-May period.

The Labor Department divides industrial commodities into 13 categories. Prices rose in May in all but one: hides and leather.

Overall, wholesale prices of "consumer finished goods," those at the consumer end of the wholesale chain, rose 0.7 per cent in May, and were 10.7 per cent above the year before.

The administration has said that its goal is to have retail prices rising at an annual rate of only 2.5 per cent by the end of the year.