Price Freeze Fails To Win Confidence

By Peter Milius Washington Post Staff Writer

inflation policy-his price has not yet come to any firm freeze—won few instant votes view as to what is necessary." of confidence yesterday. The general reaction both here ber of Commerce-were simiand abroad was lukewarm, larly cool in their comments, ket both kept sagging.

Harvard economist Hendrik Houthakker, a former member of Mr. Nixon's Council of Economic Advisers, expressed a some kind of action." the freeze by itself as solving

Mr. Nixon "evidently wanted to take some visible action," when Mr. Nixon warns us (as the did in his speech Wednes-Houthakker went on, but "I See ECONOMY, A9, Col. 1

President Nixon's new anti-would say that the President

Labor and business—the AFL-CIO and the U.S. Chamand the dollar and stock mar- though from opposing standpoints.

> The chamber's chief executive officer, Arch Booth, acknowledged that "recent rapid price increases called for

He added, however, that "it thing depends on what will be done under Phase IV."

Mr. Niver "and done in the same almost two years since the modern era of controls began. Therefore, has now been almost two

following three months, as measured by the government's consumer price index, was 9.2 per cent, 21/2 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 rarm product prices would only lead farmers to cut prodmetion and thus add to food price pressure, Mr. Nixor 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 ha been that demand is greate: than supply.

Farmers will continue to seek higher prices; middle men and supermarkets, whose own prices are frozen, wil resist; and something wil have to give. No one yester day seemed sure how it wil

George W. Koch, presiden of the Grocery Manufacturer. 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."

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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 ac-knowledges some have," he

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 chair2 man 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 de-clared, "is not a policy, but represents a failure of policy," and the AFL-CIO will reserve judgment until it sees Phase

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 Janu-

The inflation rate over the