NIXON ORDERS PAY-PRICE FREEZE FOR 90 DAYS AND ASKS TAX CUTS IN PLAN TO STIMULATE ECONOMY

# SPEAKS TO NATION

## Calls for Business Aid to Spur Jobs and Ends Gold Policy

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WASHINGTON, Aug. 15—President Nixon ordered a 90-day freeze on wages and prices tonight and said he would ask Congress to cut taxes to stimulate the economy.

In a nationwide radio and television address, the President announced a series of steps intended to strengthen the dollar at home and abroad. They included:

¶Asking Congress to repeal the automobile excise tax and to put into effect nearly a year early scheduled reductions in Federal income taxes.

¶Initiating legislative action on a new business and industrial tax credit of 10 per cent in hopes of increasing employment.

¶Imposing a surcharge of 10 per cent on all dutiable imports not subject to quotas.

¶Notifying the International Monetary Fund that effective immediately the United States will suspend settlement of international transactions in gold.

¶Announcing a series of Federal spending cuts, including a 5 per cent reduction in Federal employment and a 10 per cent cut in foreign aid.

**Cut in Federal Workers**

To help offset the inflationary impact of the requested tax cuts, the President also announced that he would trim $4.7-billion from the current fiscal budget by reducing the number of Federal workers by 5 per cent, deferring for six months a Government pay rise scheduled to take effect Jan. 1, and delaying the effective date of his proposals for general revenue sharing and welfare reform.

By far the most significant measure domestically—and one that Mr. Nixon personally has sought to avoid—was the temporary imposition of a ceiling on wages and prices, but not on interest rates.

The freeze for 90 days will affect wages, salaries, prices and rents, all lof which must remain at the same level as the last 30 days.

Over the weekend, Mr. Nixon met at his Camp David, Md., retreat with his four chief economic advisers—John B. Connally, the Secretary of the Treasury; Dr. Arthur E. Burns, chairman of the independent Federal Reserve Board; George P. Shultz, director of the Office of Management and Budget, and Dr. Paul W. McCracken, chairman of the Council of Economic Advisers.

**Economy a Liability**

The weekend meetings and the President's speech that followed tonight came at a time of increasing concern over the United States economy here and abroad.

The Administration's efforts to stem inflation have resulted in a significant loss in production and jobs, but wages and prices have continued to rise.

Moreover, there has been a growing imbalance in United States trade and payments, and the dollar was under heavy pressure in Europe all last week.

Fifteen months before the 1972 Presidential election, the state of the economy appeared to be one of the Nixon Ad-

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ministration's principal political liabilities.

In Dallas last week, six Democratic Senators who hope to be their party's Presidential nominee made the economy a main theme of their attacks on the Republican Administration. In addition, most of the Democrats on the Congressional Joint Economic Committee recommended a seven-point program to spur the economy and to lessen inflation, in a report released today.

The last time the President held an economic review at Camp David—seven weeks ago—an agreement was reached to do nothing further to stimulate the economy and to contain inflation.

But, since then, there have been further signs of a faltering economic situation. Consumer prices, for instance, rose by 0.5 per cent in June, and, after four months during which prices rose at an annual rate of 3 per cent, the increases in May and June combined rose at an annual rate of 6 per cent.

During the past weeks, also, there have been expensive wage agreements with major unions. Among others, the telephone workers settled for a three-year increase of 33 per cent plus an unlimited cost-of-living escalation; the United Transportation Union settled with the railroads for an increase of 42 per cent over 42 months, and the steelworkers settled two weeks ago for a 31 per cent increase over three years.

The steel settlement was followed by an announcement by all major producers that they would raise the price of steel by 8 per cent, although demand has been so low that price discounting has been widespread.

Furthermore, United States imports exceeded exports for three successive months, in April, May and June. This was the first time there has been a trade deficit during each month of a quarter since 1946.

This prompted the Secretary of Commerce, Maurice H. Stans, to warn that the country might have a trade deficit this year for the first time in this century.

The trade deficit plus the deficit in over-all balance of payments helped set off a new wave of concern about the international value of the dollar.

The concern took the form of heavy selling of dollars on the foreign-exchange markets in most of Europe.

Last week, a Congressional subcommittee declared that the dollar was "overvalued" in relation to other currencies and urged that it be devalued.

The panel — the Subcommittee on International Exchange and Payments of the Joint Economic Committee—said that devaluation was the only cure for the chronic deficit in the United States balance of payments.