

NYT 8-17-71

# Questions and Answers on Impact of President's

Special to The New York Times

WASHINGTON, Aug. 16—Following are some questions about the new economic measures and tentative answers provided by Government officials.

## WAGES

Q. At what level are wages frozen?

A. During the next 90 days, they can not be increased above the wages in effect on Aug. 14.

Q. What happens to contract agreements between unions and management that are scheduled to go into effect in the next three months?

A. Any such wage increase will have to be postponed until after the freeze period.

Q. What about teachers who have agreed to a raise effective at the opening of school?

A. These raises are not to be paid.

Q. How are existing contracts between unions and companies affected?

A. Contracts ratified before Aug. 11 with raises already in effect will not be rescinded. Wage increase in contracts ratified after that date will not be honored during the freeze period. Raises scheduled for the next three months are not to be paid, regardless of when the contract was ratified.

Q. How does the freeze affect the recent major contract settlements, such as those in the railroad, steel and communications industries.

A. The United Transportation Union, which settled with the railroads Aug. 2, has not ratified its settlement. Thus, there will be no pay increase until after Nov. 12. Three other unions have ratified contracts with the railroads calling for the same wage increase. They will receive a 4 per cent raise, retroactive to April 1. But a 5 per cent raise scheduled for Oct. 1 will be deferred. The steelworkers will receive the first increment of their increase under a contract that was settled Aug. 1. The communications workers, who ratified their contract last Saturday will also get the first part of their raise.

Q. Will negotiations between unions and management continue?

A. Probably, but no wage increases may be paid for 90 days.

Q. Can companies pay merit raises above those called for in contracts?

A. No.

Q. What about legitimate promotions? What if a man on the police force is promoted from patrolman to sergeant? May he be paid the higher wage?

A. Not during the next 90 days.

Q. Will cost-of-living increases already negotiated be paid?

A. No, not during the freeze period.

Q. Will this man then be paid retroactively to the date of his promotion after the freeze is lifted? Can unions be given contracts calling for retroactive payments?

A. Treasury Secretary John B. Connally said today that it had not been decided whether retroactive payments would be permitted.

Q. Are Government employees affected by the wage freeze?

A. Yes. They are in the same positions as persons privately employed.

Q. Are interest rates controlled by the freeze?

A. They are not covered by President Nixon's order. But the President urged lending institutions not to raise their interest rates during the next 90 days, and they are not expected to do so.

Q. Can dividends on stocks be increased?

A. Dividends are not controlled by the order. But, the President has asked corporations not to increase their dividend payments, and they are expected to adhere to his request.

Q. Congress appears set to pass, as part of the draft bill, a military pay rise effective Oct. 1. Can this go into effect?

A. Congress would have to pass legislation exempting the military from the freeze for the increases to be paid.

## PRICES

Q. Are prices also frozen for 90 days as of Aug. 14?

A. Yes. No seller can charge more for his product than the highest price charged in the 30 days before Aug. 14.

Q. How can a customer know if he is being charged a price higher than the highest price of the 30 days before Aug. 14.

A. Secretary Connally said that stores must make available, on demand, a record of the highest price charged during this period.

Q. Are there any exceptions to the price freeze?

A. Only raw agricultural products. They are not subject to the freeze.

Q. When these agricultural products reach the supermarket, can the store charge more if it has been charged more for the product?

A. Secretary Connally said they could not. He said grocery store prices, like the others, would remain frozen.

Q. What about the seasonal variation in prices of fruits and vegetables? For instance, peaches normally cost more in October than in August. Can a store raise the prices of peaches?

A. This was not clear as yet.

Q. If a company has announced a price increase, as the automobile manufacturers and the steel companies have, will they go into effect?

A. Not after Nov. 12. If a "substantial" portion of a product was sold at a higher price before Aug. 14, then the increased price may remain in effect. Otherwise, it may not. Thus, the price of 1972 cars may not be raised in the next 90 days because of the freeze. Prices of a fraction of steel products were raised before Saturday and will not be lowered, but further planned increases cannot become effective.

Q. What is meant by a "substantial" portion of a product?

A. The officials could not answer this today.

Q. Many colleges and universities have announced tuition increases effective at the beginning of the fall semester. May these be charged?

A. An official in the Office of Emergency Preparedness said the new tuitions could be charged, but other Government officials disputed this.

Q. Are profits controlled by the freeze?

A. No. Secretary Connally said this would be taken care of by the price increase.

## RENTS

Q. Are rents included in the freeze?

A. Yes. Landlords may not raise rents during the 90-day period.

Q. What if my rent is scheduled to go up next month?

A. It cannot be raised until after Nov. 12.

Q. How can the Government enforce the price freeze?

A. The Office of Emergency Preparedness has been assigned the task of monitoring the freeze. The agency has a small staff, however, and will not be able to keep tabs on each company, store and landlord. Secretary Connally said the success of the freeze depended on the "individual compliance" of all Americans.

Q. Can civil or criminal action be taken against persons who violate the President's freeze order?

A. Yes. The Justice Department can seek injunctive relief against flagrant violators, or they can be prosecuted and subject to a maximum fine of \$5,000.

Q. What should a person do if his landlord raises his rent or his supermarket raises the price of hamburger?

A. Secretary Connally said he should contact the Office of Emergency Preparedness. The headquarters are in Washington, and there are regional offices in Maynard, Mass.; Olney, Md.; Thomasville, Ga.; Battle Creek, Mich.; Denton, Tex.; Denver; Santa Rosa, Calif., and Bothell, Wash.

## IMPORTS

Q. What is meant by a "surcharge" on imports?

A. Imports subject to duties will be subject to 10 per cent more in duties than before.

Q. Are all imports affected?

A. No. Those not subject to duties, such as coffee and bananas, will not be subject to the surcharge. Neither will imports that are limited by quotas, such as oil and sugar.

Q. When does the surcharge take effect?

A. Immediately. It will have to be paid on products entering the country after yesterday, but not on imports already in stores. If a product was shipped from abroad before yesterday but has not arrived in the United States yet, the surcharge will have to be paid.

Q. Does the imposition of the tariff require Congress-

# New Economic Measures

sional approval?

A. No.

Q. Will American cars made in Canada be subject to the increased tariff?

A. No, because of a special agreement between the two countries.

Q. What about cars made by foreign manufacturers?

A. They will suffer less than most other imported products. Under existing law, the surcharge may not raise the total tariff on a product above the rate that existed in 1962. Until yesterday, imported cars carried duty of 3.5 per cent of their value. They will now be taxed at 10 per cent of their value, equal to the 1962 rate. Without the limiting provision of the law, the tariff would have risen to 13.5 per cent.

Q. Can the 10 per cent import surcharge be passed on to consumers? For instance, can the price of a Japanese TV set be increased 10 per cent?

A. Yes, the surcharge is transferrable.

addition to the normal rate of duty levied on the entered (Customs) value of merchandise. For example, if the

## INTERNATIONAL FINANCE

Q. Has the dollar been devalued?

A. No, not by Presidential action. The final value of the dollar relative to other currencies will depend on actions of other countries. It will likely work out to be a devaluation relative to some countries and not others.

Q. What is the dollar worth now?

A. On the international money markets, the dollar is still worth a specific but fluctuating number of pounds, marks, etc.

Q. Does gold now have any value?

A. Yes, as of this morning, it was worth about \$43 an ounce on world markets. But Americans are not allowed to hold gold.

Q. Can American tourists expect to trade their dollars abroad for foreign currencies?

A. In some countries, only a limited amount of dollars will be accepted for the time being. Eventually, normal exchanges are expected to resume.

Q. Why were foreign banks, hotels and shopkeepers reluctant today to exchange dollars held by American tourists for local currency?

A. Because of the uncertainty that surrounds the value of the dollar caused by the measures taken by the Nixon Administration. The moves, in effect, will allow the dollar to float, that is, to find its own value in relation to other world currencies. To a shopkeeper in London that meant that the \$6 he exchanged today in London for two and one-half pounds (the official exchange rate on Friday) might be worth \$5.75 or less when the exchange markets opened later this week.

Q. How will the measures affect Americans planning overseas vacations? Will they cost more?

A. Yes, the cost will be higher because the value of the dollar will be effectively decreased in relation to other foreign currencies. In other words, the dollar will lose 5 to 10 per cent in value in most overseas countries tomorrow compared with its value yesterday.

Q. Why did European foreign exchange markets close today and why have some announced they will not be open tomorrow?

A. They closed to discourage an expected avalanche of dollars that bankers, investors and speculators would have sold in the markets in exchange for other currencies.

Q. What should a person do if he is going abroad in the next few days?

A. It would probably be wise, if possible, to purchase travelers checks in British pounds, Swiss francs or German marks, if these are available. Because American banks have already purchased the checks, they will freely sell them until the supply runs out.

## TAXES

Q. What tax reductions did the President ask for?

A. He asked Congress to repeal the 7 per cent excise tax that automobile dealers pay to the manufacturer and then pass on to the purchaser. He also asked that the \$50 increase in personal tax exemptions, scheduled to become effective Jan. 1, 1973, become effective on Jan. 1, 1972. And he sought a tax credit of 10 per cent on industry investments in new American-made machinery and equipment. This credit would remain in effect for one year, under the President's proposal and would then drop to a permanent 5 per cent.