

Connally, Unhappy in Job, To Quit Soon, Friends Say

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WASHINGTON, June 14 — Building but from a suite at the Mayflower Hotel five blocks away.

John B. Connally, who has been unable to re-establish in the second Nixon Administration the almost legendary "clout" that he exercised in the first, has decided to resign as part-time Presidential adviser soon, according to persons close to him at the White House and in Texas.

Picturing the former Texas Governor as frustrated and restless, the Connally associates said that it was highly unlikely that he would return to Washington after the completion of a 60-day, round-the-world trip beginning next month.

Mr. Connally, who served as Treasury Secretary for part of the President's first term, is not leaving out of dissatisfaction at Mr. Nixon's new economic program, which was announced last night. In fact, he told the Associated Press that he and the President had "no basic disagreements on the program," which he considers "sound."

But Mr. Connally has been unable to see Mr. Nixon on the regular, private basis he grew accustomed to. Since signing on May 10 as an unpaid, part-time adviser, he has seen Mr. Nixon privately only once or twice, and has operated not out of the Executive Office

Building but from a suite at the Mayflower Hotel five blocks away.

"John talked tough to the President on Watergate," one source said, referring to the scandal. "The President doesn't like that. So the President doesn't seek him out any more. John doesn't like that."

From the first, Mr. Connally had hoped to limit his service to 60 to 90 days; he had signed on reluctantly, and had rejected angrily when he had to take a leave of absence from his law firm and resign as director of three corporations.

But his decision to leave was accelerated when he saw what one friend described as "a screwed-up mess" at the White House, and when he observed the key posts being filled while he remained outside the ranks of the key Presidential advisers.

Gerald L. Warren, the deputy White House press secretary, denied this morning that Mr. Connally had been cut off. He noted that the former Governor had been boating with the President on the Potomac and had met with Mr. Nixon often. He said that Mr. Nixon "enjoys a very close relationship" with Mr. Connally.

But Mr. Warren did not deny

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that Mr. Connally would be leaving soon. Nor did he cite any occasions on which the President had met privately with Mr. Connally — a key point, since private meetings with Mr. Nixon are those where major problems are discussed most openly.

Although Mr. Connally eventually came to accept the idea of a freeze — the key element in Mr. Nixon's new economic package—he did not at first endorse it, according to one of the participants in the decision.

This participant said that Mr. Connally, Herbert Stein, chairman of the Council of Economic Advisers, and Treasury Secretary George P. Shultz had all agreed by late last week that Mr. Nixon should stop short of a freeze. But Mr. Nixon was said to have been for it from the start because of his conviction that inflation was hurting him, perhaps even more than the Watergate case.

Eventually, the participant said, Mr. Nixon won the support of Roy L. Ash, director of the Office of Management and Budget. More important, he was said to have had the strong backing of Melvin R. Laird, his new counselor for domestic affairs, who felt that strong action was needed to counteract "Watergate drift."

Mr. Laird reportedly sent a cable from Europe, where he was making a speech, urgently recommending a freeze.

In the end, there was no deeply felt disagreement, according to another White House official, because all the economic experts recognized the peril implicit in the Wholesale Price Index, released last Thursday, showing that food and far wholesale prices were increasing at an annual rate of 43 per cent in the last 90 days.

Thus, Mr. Shultz, with great good humor, stated the case for a freeze to reporters at the White House last night.

The decision had been very closely held. One key official

of the Cost of Living Council said that he received "no specific marching orders" until late Tuesday evening—scarcely 24 hours before the President appeared on national television to announce his new system.

In a series of consultations with Congressional leaders, businessmen and labor officials ending Tuesday, Mr. Nixon had

kept his intentions—even his predilections — strictly to himself, seeking others' views and preserving his options.

Before assuming his present White House post, Mr. Connally, long a Democrat, switched to the Republican party in a move hailed as a sign of needed support by many Nixon backers.