

Paris Group Warns Nixon on a Slump

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PARIS, July 25 — The organization for Economic Cooperation and Development cautioned President Nixon today that his Administration's policies might be leading the United States into a deeper slump than he realized.

The 24-nation Paris-based coordinating group warned in a special report that economic growth would be lower than the Administration expected and that the rates of inflation and unemployment both would

be higher than official forecasts.

The organization's staff periodically analyzes the economic health of its member countries. The conclusions are independently reached on the basis of statistics supplied by the government under study. Today's report on the United States was based on information available through the middle of June.

"The question arises how far it is reasonable to go in restraining the growth of demand," the report said, con-

tending that "a certain margin of slack has already developed" with falling growth rates in the last two quarters and rising unemployment.

"Beyond some point," the report goes on to say, "continued slow growth and rising unemployment would result in unacceptably high social and economic costs producing political pressures for an excessive swing from restrictive to expansionary policies."

While the experts see an economy "closer to the need for an expansive policy" than the Administration believes, they are perhaps more sensitive to international considerations. As the report puts it:

Price Rise Forecast

"A serious United States recession, would, of course, have important repercussions abroad. Countries with difficulty balance-of-payments positions will be seeking to improve their current accounts by, among other things, increased exports. A too weak domestic demand picture in the United States would be an obstacle to this."

The survey foresees growth in the second half of 1974 at an annual rate of only 1.5 per cent, compared with the 4 per cent projected by the Administration.

The Paris experts see consumer prices rising at an annual rate of 9.25 per cent in the second half of this year, compared with the 7 per cent h

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target of the Administration. For the first half of 1975, the survey estimates inflation at an annual rate of 7.5 per cent.

There will be 5.75 million Americans unemployed in the first half of next year, or 6.25 per cent of the labor force, according to the report. The Administration sees unemployment getting no higher than 6 per cent.

The experts believe that the American trade balance will swing into a deficit this year in the range of \$2-billion to \$4-billion, and they forecast an even bigger deficit next year—\$5-billion to \$7-billion.

The \$13-billion more the United States must pay yearly for its oil after price increases at the end of 1973 was cited as the reason for the projected deficit.

Expectations that the United States will report a large trade deficit for June have caused the dollar value to sag recently against European currencies.

Yesterday, bankers noted, the Federal Reserve Bank of New York supported it against the West German mark and the Dutch guilder, while the Bank of France was supporting the dollar against the franc. 3 emds dash

Gold at \$149; Dollar Gains

BRUSSELS, July 25 (UPI)—The price of gold today shot up to \$149 an ounce, its highest level in a month, as the dollar gained ground in all major markets.

The metal that had plummeted from a high of \$165 an ounce in early June to a low of \$128 on July 4 opened at

\$145 in London and \$145.50 in Zurich. It was marked down 50 cents when the London price was fixed in the morning, but in the afternoon it rose to \$149. This was the closing price both in London and Zurich. It was the highest London rate since \$150 on June 25 and highest in Zurich since \$150.50 that same day.

In Frankfurt, where the dollar opened at 2.51 marks, lowest since July 10, it closed

at 2.5480, almost three pfennigs up on yesterday's close at 2.509.

In Zurich, the dollar closed at 2.9335 Swiss francs, up from 2.898 yesterday; in Paris at 4.69 French francs, up from 4.6630; in Amsterdam at 2.595 guilders, up from 2.5613, and in London at \$2.3908 to the pound, better than yesterday's 2.395.

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