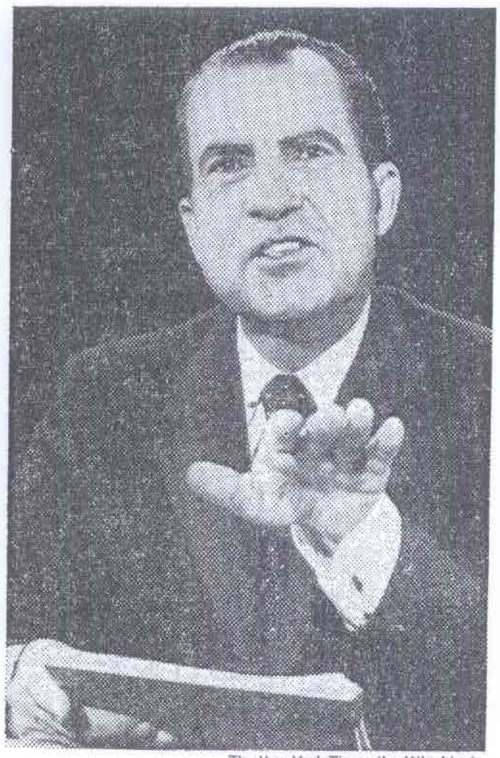
JUN 1 8 1970

NIXON ASKS FOR RESTRAINT ON WAGE-PRICE DEMANDS; BARS MANDATORY CONTROL



The New York Times (by Mike Lien)

POLICY UNCHANGED

But President Sets Up 'Inflation Alert' Plan and Output Panel

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Transcript of Nixon speech is printed on Page 24.

By ROBERT B. SEMPLE
Special to The New York Times

WASHINGTON, June 17—President Nixon announced to the nation today that he was standing by his basic strategy against inflation and recession.

In a long-awaited television speech on the economy, he urged business and labor to support him in his efforts and to display "social responsibility" by moderating demands for price and wage increases.

Instead of outlining important departures from his basic economic strategy, the President sought to buttress his strategy by naming two new governmental bodies.

One, the National Commission on Productivity, will suggest ways of lowering prices through increased industrial productivity. The other, the Regulations and Purchasing Review Board, will examine the Government's contribution to inflation.

Wage-Price Controls Out

In addition, he said he would establish an "inflation alert" system to focus public attention on excessive wage-price settlements and called on Congress to shore up specific weaknesses in the economy.

Mr. Nixon rejected outright any direct wage-price controls as both a temporary expedient and a threat to individual freedom.

And while lecturing business and labor to "raise their sights by lowering their demands," he pledged that he would never

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single out specific industries or labor leaders for Presidential criticism.

"I believe this is the right program at the right time and for the right purpose," the President said. "There is no more important goal than to curb inflation without permitting severe disruption."

Then he added: "This is an activist Administration and should new developments call for new action in the future, I shall take the action needed to attain the goal."

None of the new devices announced by the President would involve "jawboning" as commonly understood—that is, the firm use of the moral authority of the Presidency to prevent excessive wage-price increases. Nor would they involve direct confrontations between Government, business or labor.

New 'Alert' System

Under the "inflation alert" system, the Council of Economic Advisers would study and make public "outstanding cases of price or wage increases"—but only after such increases had taken place.

The National Commission on Productivity — with six representatives each from labor, management and the public and five from Government—will not recommend the specific wage-price guideposts used in previous Administrations but will suggest ways of increasing output per man hour, thereby reducing pressures on business to raise prices to maintain profit margins.

And the Regulations and Purchasing Review Board will confine itself exclusively to a detailed examination of the impact of Federal purchasing and import policies on domestic price levels.

Of the three new devices, Government officials attached the greatest importance to the productivity commission. Productivity — usually defined as output per man hour—has declined during the recent economic slowdown. Increased productivity is regarded as the key to raising wages without causing inflation because it allows business to raise wages and improve profits without raising prices.

Congressional reaction to the speech divided along predictable but not necessarily partisan lines.

Republicans generally hailed it as a reasonable and responsible approach to orderly growth.

Senator Edward M. Kennedy, Democrat of Massachusetts, applauded Administration officials for "painting themselves out of their ideological corner on price and wage restraint."

Proponents of even firmer Government action, by contrast, criticized the President's remedies as too little, too late and too soft.

Assurances on Credit

"What the President proposes is to tell business and labor to drive slow," said Representative Henry Reuss, Democrat of Wisconsin, "without setting any speed limits."

Mr. Nixon said little about high interest rates—except to assure businessmen of sufficient credit and a steadily growing money supply—and this brought howls from advocates of easier money.

This criticism was muted somewhat when Wright Patman, chairman of the House Banking and Currency Committee, made public a letter from the President saying that he would use standby authority to control interest rates and credit if he decided it would serve the nation's economic objectives. But Mr. Nixon challenged Mr. Patman's assertion that such controls were needed now to avert a "mounting economic crisis."

Speaking slowly and in a low voice, Mr. Nixon said he was trying to manage the delicate transition from a wartime to a peacetime economy. Two major factors, he said, made the task especially difficult: the threat of a recession caused in part by reduced Federal spending on defense and the threat of continued inflation fueled by a decade "in which this nation lived far beyond its means."

During his tenure as President, he admitted, "unemployment has increased, the price index continues to rise, profits have gone down, the stock market has declined [and] interest rates are too high." He conceded, too, that some of his own remedies had been slow to take hold.

But he reaffirmed his faith in those remedies and predicted htat the twin techniques of a stringent fiscal policy marked by reduced Federal spending and a flexible monetary policy assuring business plenty of credit would bring inflation under control without triggering a recession.

"I am convinced," he said, "that the basic economic road we have taken is the right road, the responsible road, the road that will curb the cost of living and lead us to orderly expansion."

Mr. Nixon returned time and again to the theme of preparing for a peacetime economy — a theme that his principal economic speechwriter, William Safire, had worked all yesterday and part of last night to refine and embellish.

To achieve economic security and progress, the President declared, "we need no artificial dependence on the production of the weapons of war."

On the contrary, he said, a well-run peacetime economy would mean greater benefits for all Americans, would "give us more room in the Federal budget to meet human needs at home," and would make possible, "a much more enduring prosperity."

However, he asserted, the transition period could bring dislocation and pain, and for that reason he promised to adhere to a flexible monetary policy. For that reason, too, he called on Congress to take eight steps "to help the people who need help most in a period of economic transition:"

¶Approve legislation submitted over a year ago to provide unemployment compensation for five million more workers.

¶Pass the Manpower Training Act, which provides an automatic increase in training funds in periods of high unemployment.

¶Give greater authority to the Small Business Administration to stimulate banks and other lending institutions to make loans to small businesses at lower interest rates.

¶Approve new legislation, which Mr. Nixon promised to submit shortly, enabling the Department of Transportation to provide emergency help to financially troubled railroads.

¶Exercise restraint on spending to avoid a large budget deficit. The Administration is now estimating the deficit for fiscal year 1971, which begins July 1, at $1.3-billion, but Congress has before it several legislative items that could push the shortfall to $5-to $6-billion.

Blames Democrats

If the President placed much of the burden for a successful transition to peacetime on the Congress, he placed nearly all of the blame for his present difficulties on the Democrats.

While conceding that his own policies would require more time to work, he insisted that they would have been unnecessary in the first place had not his Democratic predecessors in the 1960's accumulated budget deficits totaling $57-billion over 10 years.

"He attempted to blame everyone but himself and his advisers," former Vice President Hubert H. Humphrey declared in a statement. Mr. Humphrey also criticized Mr. Nixon for failing to recommend specific wage-price guidelines and display "effective Presidential leadership."

Mr. Nixon rejected not only direct controls but any other form of "incomes policy"—a broad phrase used to describe almost any technique short of controls to put pressure on business and labor to keep prices and wages down.

Some of his aides had hoped that the "inflation alert" system would be used to focus public attention on potentially inflationary wage-price settlements before they occurred. But Mr. Nixon would not, in the end, accept the idea.