

# Text of the Address and Executive

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WASHINGTON, June 13—Following are the prepared text of President Nixon's address tonight and the text of his Executive order "providing for the stabilization of the economy":

## The Address

I want to tell you tonight about some strong actions I have ordered today with regard to the American economy—actions which will be important to you in terms of the wages you earn and the prices you pay.

But first, since we have been hearing so much in the past few months about what is wrong with the American economy, let us look at some of the things that are right about our economy. We can be proud that the American economy is by far the freest, the strongest and the most productive economy in the whole world. It gives us the highest standard of living in the world. We are in the middle of one of the biggest, strongest booms in our history. More Americans have jobs today than ever before. The average worker is earning more today than ever before. Your income buys more than ever before.

In August, 1971, I announced the new economic policy. Since then, the nation's output has increased by a phenomenal 11½ per cent—a more rapid growth than in any comparable period in the last 21 years. Four and a half million new civilian jobs have been created—more than in any comparable period ever. At the same time, real per-capita disposable income—meaning what you have left to spend after taxes and after inflation—has risen by 7½ per cent. This means that, in terms of what your money will actually buy, in the past year and a half your annual income has increased by the equivalent of four extra weeks' pay. When we consider these facts, therefore, we can see that in terms of jobs, of income, of growth, we are enjoying one of the best periods in our history.

## Rising Food Prices Cited

We have every reason to be optimistic about the future. But there is one great problem that rightly concerns every one of us. This is rising prices, and especially rising food prices. By the end of last year we had brought the rate of inflation down to 3.4 per cent, giving us the best record against inflation in 1972 of any major industrial nation. But now prices are going up at unacceptable high rates.

The greatest part of this increase is due to rising food prices. This has been caused in large measure by increased demand at home and abroad, by crop failures abroad and by some of the worst weather for crops and livestock here in America that we have ever experienced. Whatever the reasons, every American family is confronted with a real pressing problem of higher prices. I have decided that the time has come to take strong and effective action to deal with this problem.

Effective immediately, therefore, I am ordering a freeze on prices. This freeze will hold prices at levels no higher than those charged during the first eight days of June. It will cover all prices paid by consumers. The only prices not covered will be those of unprocessed agricultural products at the farm levels, and rents.

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## Order by President

# Nixon Freezing Prices

Wages, interest and dividends will remain under the present control systems during the freeze. The reason I have decided not to freeze wages is that the wage settlements reached under the rules of Phase III have not been a significant cause of the increase in prices. As long as wage settlements continue to be responsible and noninflationary, a wage freeze will not be imposed.

## 60-Day Limit to Freeze Set

The freeze will last for a maximum of 60 days. This time will be used to develop and put into place a new and more effective system of controls which will follow the freeze. This new Phase 4 set of controls will be designed to contain the forces that have sent prices so rapidly upward in the past few months. It will involve tighter standards and more mandatory compliance procedures than under Phase 3. It will recognize the need for wages and prices to be treated consistently with one another.

In addition to food prices, I have received reports from various parts of the country lately of many instances of sharp increases in the price of gasoline. Therefore, I have specifically directed the Cost of Living Council to



President Nixon meeting with Congressional leaders at the White House yesterday. From the left are Carl Albert, House Speaker; Mr. Nixon; Mike Mansfield, Senate majority leader; Hugh Scott, Senate minority leader, and Gerald R. Ford, House minority leader. The members of Congress were briefed on the economic message that the President delivered later last night.

The New York Times/Mike Lien

develop new Phase 4 measures that will stabilize both food prices at the retail store and the price of gasoline at the local service station.

In announcing these actions, there is one point I want to emphasize to everyone listening to me tonight: The Phase 4 that follows the freeze will not be designed to get us permanently into a controlled economy. On the contrary, it will be designed as a better way to get us out of a controlled economy, and to return us as quickly as possible to the free-market system.

We are not going to put the American economy in a straitjacket. We are not going to control the boom in a way that would lead to a bust. We are not going to follow the advice of those who have proposed actions that would lead inevitably to a permanent system of price and wage controls. Such actions would bring good headlines tomorrow and bad headaches six months from now for every American family, in terms of rationing, black markets, and eventually, a recession leading to more unemployment.

It is your prosperity that is at stake. It is your job that is at stake. The actions I have directed today are designed to deal with the rise in the cost of living without jeopardizing your prosperity or your job.

Because the key to curbing food prices lies in increasing supplies, I am not freezing the price of unprocessed agricultural products at the farm level. This would reduce supplies instead of increasing them and would eventually result, inevitably, in even higher prices for the foods you buy at the supermarket.

Beginning in 1972, we embarked on a comprehensive new program for increasing food supplies. Among many other measures, this has included opening up 40 million acres for crop production. In the months ahead, as these new crops are harvested, they will help hold prices down. But unfortunately, this is not yet helping in terms of prices you pay at the supermarket today.

#### Demand for U.S. Farm Goods

One of the major reasons for the rise in food prices at home is that there is now an unprecedented demand abroad for the products of America's farms.

Over the long run, increased food exports will be a vital factor in raising farm income, in improving our balance of payments and in supporting America's position in the world. In the short term, however—when we have shortages and sharply rising prices of food at home—I have made this basic decision: In allocating the products of America's farms between markets abroad and those in the United States, we must put the American consumer first.

Therefore, I have decided that a new system for export controls on food products is needed—a system designed to hold the price of animal feedstuffs and other grains in the American market to levels that will make it possible to produce meat and eggs and milk at prices you can afford.

I shall ask the Congress, on an urgent basis, to give me the new and more flexible authority needed to impose such

a system. In exercising such authority, this will be my policy. We will keep the export commitments we have made as a nation. We shall also consult with other countries to seek their cooperation in resolving the worldwide problem of rising food prices. But we will not let foreign sales price meat and eggs off the American table.

I have also taken another action today to stop the rise in the cost of living. I have ordered the Internal Revenue Service to begin immediately a thoroughgoing audit of the books of companies which have raised their prices more than 1.5 per cent above their January ceilings. The purpose of the audit will be to find out whether those increases were justified by rising costs. If they were not, the prices will be rolled back.

#### Government Spending Cited

The battle against inflation is everybody's business. I have told you what the Administration will do. There is also a vital role for the Congress. The most important single thing the Congress can do in holding down the cost of living is to hold down the cost of government. For my part, I shall cannot afford, no matter how noble sound their names. If these budget-busters became law, the money would come out of your pocket—in higher taxes, higher prices or both. There are several specific recommendations I have already made to the Congress that will be important in holding down prices in the future. I again urge quick action on all of these proposals.

Congress should give the President authority to reduce tariffs in selected cases in order to increase supplies of scarce goods and hold down their prices. This action will help on such scarce items as meat, plywood and zinc. In particular, the tariff on imported meat should be removed.

Congress should provide authority to dispose of more surplus commodities held in Government stockpiles.

Congress should let us go ahead quickly with the Alaska pipeline, and so combat the shortage of oil and gasoline. I will also soon send to the Congress a major new set of proposals on energy, spelling out new actions I believe are necessary to help us meet our energy needs and thereby lessen pressures on fuel prices.

In its consideration of new farm legislation, it is vital that the Congress put high production ahead of high prices, so that farm prosperity will not be at the cost of higher prices for the consumer. If the Congress sends me a farm bill, or any other bill, that I consider inflationary, I shall veto such a bill.

Beyond what the Administration can do, and what the Congress can do, there is also a great deal that you can do. The next 60 days can decide the question: whether we shall have a continuing inflation that leads to recession, or whether we deal responsibly with our present problems, and so go forward with a vigorous prosperity and a swift return to a free market.

You can help, by giving your Senators

and Congressmen your support when they make the difficult decisions to hold back on unnecessary spending.

You can help, by saying no to those who would impose a permanent system of controls on this great, productive economy of our which is the wonder of the world.

#### Must Avoid Permanent Controls

Let there be no mistake: If our economy is to remain dynamic, we must never slip into the temptation of imagining that, in the long run, controls can substitute for a free economy or permit us to escape the need for discipline in fiscal and monetary policy. We must not let controls become a narcotic—and we must not become addicted.

There are all sorts of seemingly simple gimmicks that would give the appearance or offer the promise of controlling inflation — but that would carry a dangerous risk of bringing on a recession, and that would not be effective in holding down prices. Rigid, permanent controls always look better on paper than they do in practice.

We have much to be thankful for here in America. We are the best-clothed, best-fed, best-housed people in the world—the envy of every nation. This year, for the first time in 12 years, we are at peace in Vietnam—and our courageous prisoners of war have returned to their homes. This year, for the first time in a generation, no American is being drafted into the armed forces. This year, we find our prospects brighter than at any time in the modern era for a lasting peace, and for the abundant prosperity such a peace can make possible.

Next Monday, I will meet at the summit with General Secretary Brezhnev of the Soviet Union. Based on the months of preparatory work that has been done for this meeting, and based on the extensive consultation and correspondence we have had, I can confidently predict that out of our meetings will come major new progress toward reducing both the burden of arms and the danger of war, and toward a better and more rewarding relationship between the world's two most powerful nations.

Today, in America, we have a magnificent opportunity. We hold the future—our future—in our own hands. By standing together, by working together, by joining in bold yet sensible policies to meet our temporary problems without sacrificing our lasting strengths, we can achieve that America has not had since President Eisenhower was in this office: full prosperity without war and without inflation. This is a great goal, and a goal that together we can reach.

On Jan. 11, 1973, I issued Executive Order 11695, which provided for establishment of Phase 3 of the economic stabilization program. On April 30, 1973, the Congress enacted, and I signed into law, amendments to the Economic Stabilization Act of 1970, which extended for one year, until April 30, 1974, the legislative authority for carrying out the economic stabilization program.

#### Executive Order

During Phase 3, labor and management have contributed to our stabiliza-

tion efforts through responsible collective bargaining. The American people look to labor and management to continue their constructive and cooperative contributions. Price behavior under Phase 3 has not been satisfactory, however. I have therefore determined to impose a comprehensive freeze for a maximum period of 60 days on the prices of all commodities and services offered for sale except the prices charged for raw agricultural products. I have determined that this action is necessary to stabilize the economy, reduce inflation, minimize unemployment, improve the nation's competitive position in world trade and protect the purchasing power of the dollar, all in the context of sound fiscal management and effective monetary policies.

Now, therefore, by virtue of the authority vested in me by the Constitution and statutes of the United States, particularly the Economic Stabilization Act of 1970, as amended, it is hereby ordered as follows:

#### SECTION 1

Effective 9:00 P.M., E.S.T., June 13, 1973, no seller may charge to any class of purchaser and no purchaser may pay a price for any commodity or service which exceeds the freeze price charged for the same or similar commodity or service in transactions with the same class of purchaser during the freeze base period. This order shall be effective for a maximum period of 60 days from the date hereof, until 11:59 P.M., E.S.T., Aug. 12, 1973. It is not unlawful to charge or pay a price less than the freeze price and lower prices are encouraged.

#### SECTION 2

Each seller shall prepare a list of freeze prices for all commodities and services which he sells and shall maintain a copy of that list available for public inspection, during normal business hours, at each place of business where such commodities or services are offered for sale. In addition, the calculations and supporting data upon which the list is based shall be maintained by the seller at the location where the pricing decisions reflected on the list are ordinarily made and shall be made available on request to representatives of the economic stabilization program.

#### SECTION 3

The provisions of this order shall not extend to the prices charged for raw agricultural products. The prices of processed agricultural products, however, are subject to the provisions of this order. For those agricultural products which are sold for ultimate consumption in their original unprocessed form, this provision applies after the first sale.

#### SECTION 4

The provisions of this order do not extend to (A) wages and salaries, which continue to be subject to the program established pursuant to Executive Order 11695; (B) interest and dividends, which

continue to be subject to the program established by the Committee on Interest and Dividends and (C) rents, which continue to be subject to controls only to the limited extent provided in Executive Order 11695.

#### SECTION 5

The Cost of Living Council shall develop and recommend to the President policies, mechanisms and procedures to achieve and maintain stability of prices and costs in a growing economy after the expiration of this freeze. To this end, it shall consult with representatives of agriculture, industry, labor, consumers and the public.

#### SECTION 6

A. Executive Order 11695 continues to remain in full force and effect and the authority conferred by or pursuant to Executive Order 11695 including authority to grant exceptions and exemptions under appropriate standards issued pursuant to regulations.

B. All powers and duties delegated to the chairman of the Cost of Living Council by Executive Order 11695 for the purpose of carrying out the provisions of that order are hereby delegated to the chairman of the Cost of Living Council for the purpose of carrying out the provisions of this order.

#### SECTION 7

Whoever willfully violates this order or any order or regulation continued or issued under authority of this order shall be subject to a fine of not more than \$5,000 for each such violation. Whoever violates this order or any order or regulation continued or issued under authority of this order shall be subject to a civil penalty of not more than \$2,500 for each such violation.

#### SECTION 8

For purposes of this executive order, the following definitions apply:

"Freeze price" means the highest price at or above which at least 10 percent of the commodities or services concerned were priced by the seller in transactions with the class of purchaser concerned during the freeze base period. In computing the freeze price, a seller may not exclude any temporary special sale, deal or allowance in effect during the freeze base period.

"Class of purchaser" means all those purchasers to whom a seller has charged a comparable price for comparable commodities or services during the freeze base period pursuant to customary price differentials between those purchasers and other purchasers.

"Freeze base period" means

(A) The period of June 1 to June 8, 1973; or

(B) In the case of a seller who had no transactions during that period, the nearest preceding seven-day period in which he had a transaction.

"Transaction" means an arm's length sale between unrelated persons and is considered to occur at the time of shipment in the case of commodities and the time of performance in the case of services.