

## 6 Special Message to the Congress Announcing Phase III of the Economic Stabilization Program and Requesting Extension of Authorizing Legislation. *January 11, 1973*

*To the Congress of the United States:*

During 1969, the annual rate of inflation in the United States was about six percent. During my first term in office, that rate has been cut nearly in half and today the United States has the lowest rate of inflation of any industrial country in the free world.

In the last year and a half, this decline in inflation has been accompanied by a rapid economic expansion. Civilian employment rose more rapidly during the past year than ever before in our history and unemployment substantially declined. We now have one of the highest economic growth rates in the developed world.

In short, 1972 was a very good year for the American economy. I expect 1973 and 1974 to be even better. They can, in fact, be the best years our economy has ever experienced—provided we have the will and wisdom, in both the public and private sectors, to follow appropriate economic policies.

For the past several weeks, members of my Administration have been reviewing our economic policies in an effort to keep them up to date. I deeply appreciate the generous advice and excellent suggestions

we have received in our consultations with the Congress. We are also grateful for the enormous assistance we have received from hundreds of leaders representing business, labor, farm and consumer groups, and the general public. These discussions have been extremely helpful to us in reaching several central conclusions about our economic future.

One major point which emerges as we look both at the record of the past and the prospects for the future is the central role of our Federal monetary and fiscal policies. We cannot keep inflation in check unless we keep Government spending in check. This is why I have insisted that our spending for fiscal year 1973 not exceed \$450 billion and that our proposed budget for fiscal year 1974 not exceed the revenues which the existing tax system would produce at full employment. I hope and expect that the Congress will receive this budget with a similar sense of fiscal discipline. The stability of our prices depends on the restraint of the Congress.

As we move into a new year, and into a new term for this Administration, we are also moving to a new phase of our economic stabilization program. I believe the

system of controls which has been in effect since 1971 has helped considerably in improving the health of our economy. I am today submitting to the Congress legislation which would extend for another year—until April 30 of 1974—the basic legislation on which that system is based, the Economic Stabilization Act.

But even while we recognize the need for continued Government restraints on prices and wages, we also look to the day when we can enjoy the advantages of price stability without the disadvantages of such restraints. I believe we can prepare for that day, and hasten its coming, by modifying the present system so that it relies to a greater extent on the voluntary cooperation of the private sector in making reasonable price and wage decisions.

Under Phase III, prior approval by the Federal Government will not be required for changes in wages and prices, except in special problem areas. The Federal Government, with the advice of management and labor, will develop standards to guide private conduct which will be self-administering. This means that businesses and workers will be able to determine for themselves the conduct that conforms to the standards. Initially and generally we shall rely upon the voluntary cooperation of the private sector for reasonable observance of the standards. However, the Federal Government will retain the power—and the responsibility—to step in and stop action that would be inconsistent with our anti-inflation goals. I have established as the overall goal of this program a further reduction in the inflation rate to  $2\frac{1}{2}$  percent or less by the end of 1973.

Under this program, much of the Federal machinery which worked so well during Phase I and Phase II can be elimi-

nated, including the Price Commission, the Pay Board, the Committee on the Health Services Industry, the Committee on State and Local Government Cooperation, and the Rent Advisory Board. Those who served so ably as members of these panels and their staffs—especially Judge George H. Boldt, Chairman of the Pay Board, and C. Jackson Grayson, Jr., Chairman of the Price Commission—have my deep appreciation and that of their countrymen for their devoted and effective contributions.

This new program will be administered by the Cost of Living Council. The Council's new Director will be John T. Dunlop. Dr. Dunlop succeeds Donald Rumsfeld who leaves this post with the Nation's deepest gratitude for a job well done.

Under our new program, special efforts will be made to combat inflation in areas where rising prices have been particularly troublesome, especially in fighting rising food prices. Our anti-inflation program will not be fully successful until its impact is felt at the local supermarket or corner grocery store.

I am therefore directing that our current mandatory wage and price control system be continued with special vigor for firms involved in food processing and food retailing. I am also establishing a new committee to review Government policies which affect food prices and a non-Government advisory group to examine other ways of achieving price stability in food markets. I will ask this advisory group to give special attention to new ways of cutting costs and improving productivity at all points along the food production, processing and distribution chain. In addition, the Department of Agriculture and the Cost of Living Council yesterday and today announced a number

of important steps to hold down food prices in the best possible way—by increasing food supply. I believe all these efforts will enable us to check effectively the rising cost of food without damaging the growing prosperity of American farmers. Other special actions which will be taken to fight inflation include continuing the present mandatory controls over the health and construction industries and continuing the present successful program for interest and dividends.

The new policies I am announcing today can mean even greater price stability with less restrictive bureaucracy. Their success, however, will now depend on a firm spirit of self-restraint both within the Federal Government and among the general public. If the Congress will receive our new budget with a high sense of fiscal responsibility and if the public will continue to demonstrate the same spirit of voluntary cooperation which was so important during Phase I and Phase II, then

we can bring the inflation rate below  $\frac{2}{2}$  percent and usher in an unprecedented era of full and stable prosperity.

**RICHARD NIXON**

The White House,

January 11, 1973.

**NOTE:** On the same day, the President signed Executive Order 11695, continuing and modifying the Cost of Living Council, and the White House released announcements of the appointments of John T. Dunlop as Council Director and of 10 members of the Labor-Management Advisory Committee. The announcements are printed in the Weekly Compilation of Presidential Documents (vol. 9, p. 21).

Also released was the following related material: the text of the draft bill; the transcript of a news briefing on Phase III programs by George P. Shultz, Secretary of the Treasury and Chairman of the Cost of Living Council; and fact sheets on the history of the economic stabilization program and the new actions and procedures of Phase III. The fact sheet on Phase III is printed in the Weekly Compilation of Presidential Documents (vol. 9, p. 22).