
STEMMING INFLATION

The Office of Emergency Preparedness and the 90 - Day Freeze

Harry B. Yoshpe
John F. Allums
Joseph E. Russell
Barbara A. Atkin

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF EMERGENCY PREPAREDNESS
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iv

THE WHITE HOUSE

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On August 15, 1971, I announced a series of measures designed to stabilize the economy at home and to help our country maintain its rightful economic position in the world. Among these measures was the first peacetime wage-price freeze in our history.

In prescribing the 90-day freeze, I set down several guiding principles: we would move toward a greater stability of wages and prices, but we would do this without fastening on the Nation a permanent straitjacket of controls and without creating a huge bureaucracy. These principles prompted the establishment of the interagency Cost of Living Council under the chairmanship of the Secretary of the Treasury, the designation of the Office of Emergency Preparedness as the central instrument to administer the freeze, and the reliance upon the coordinated teamwork of the other Federal departments and agencies.

Under the leadership of Director George A. Lincoln, the Office of Emergency Preparedness succeeded in holding the line while we worked out the longer term measures needed to maintain wage-price moderation and improve our position in the changing world economy. All Americans can take pride in this accomplishment, for it was their splendid cooperation and support that, in the final analysis, made it possible for the program to succeed.

As we take the road back toward wage-price stability and the operation of free market forces, it is important that we provide, for the benefit of future generations, a full record of this experience. I am pleased that a comprehensive history of the management of the wage-price freeze has been prepared. And I hope that this book will promote a more general appreciation and a deeper understanding of the problems encountered and the lessons learned in this undertaking.



August 1972

Foreword

On Sunday night, August 15, 1971, President Nixon announced a "New Economic Policy"—a comprehensive program of interlocking measures designed to bring inflation under control, stimulate the economy, and correct the acute disequilibrium that had developed in the Nation's international economic position. Included in this program was a provision for a 90-day wage-price freeze as a necessary first step to curb the persistent inflation and to buy time during which a longer-term and more flexible policy for reasonable wage and price behavior would be worked out.

Here was a new initiative, unprecedented in America's peacetime experience. To be sure, authorizing legislation had been enacted a year earlier, and even before then there was strong public sentiment for curbing inflation. Yet, few people in the Summer of 1971 expected the President to take the course of direct government intervention in private wage-price decisions. By his action President Nixon took the question of direct stabilization controls in a nonwar setting out of the realm of political and academic debate and made it a new chapter in American economic history.

It is a chapter replete with unique experience in organization, management, policy, and operations; we should not ignore it in setting public economic policy in the future. In my capacity as Director of the President's Office of Emergency Preparedness, I was privileged to have been charged with the administration of the wage-price freeze. Early in the freeze I directed the compilation of a comprehensive historical record of the experience, so that we may determine what has been good and bad, useful and harmful, and so that we may have, for our future guidance, a better appreciation of the causes and conditions for both our successes and shortcomings.

Such a record should be of considerable interest—to public officials charged with planning and administering government programs; to scholars interested in the Government's efforts to fashion and implement public policy; and to the general public concerned with the performance of its Government, particularly in fields like economic stabilization which so intimately affect their daily lives.

Publication of this historical record, it is hoped, will help to meet these needs by providing a deeper appreciation and understanding of OEP's role in the wage-price freeze.

G. A. Lincoln

G. A. LINCOLN
Director

**Office of Emergency Preparedness
Executive Office of the President
Washington, D.C.
August 15, 1972.**

Preface

A few days after the President's announcement of the wage-price freeze, Mr. George A. Lincoln, Director of the Office of Emergency Preparedness, asked me to take the lead in planning and developing a comprehensive historical account of the Agency's experience in managing this program. Such an account, he felt, would serve the public interest, and the most favorable time to prepare it was while the experience was fresh in the minds of the participants and the records were most readily available.

The project was carried out by a small team of professional historians. Besides directing and coordinating the undertaking, I wrote Chapters I, VIII, and IX. John F. Allums collaborated with me in the overall planning of the task and contributed Chapters II and III. Joseph E. Russell wrote Chapters IV, V, and VI and lent strong editorial support to the entire work. Barbara A. Atkin wrote Chapter VII, prepared the Chronology, and assisted Mr. Russell with the heavy burdens of editing the final manuscript and preparing it for the printer. All worked together as a team, sharing sources of information and commenting on one another's draft manuscripts. While each assumes responsibility for his or her chapters, the total history represents contributions of ideas and labor from the entire group.

Of special significance was the cooperation and encouragement we received from the Director and the entire staff at every stage in the preparation of this history. Being on the scene almost from the outset of the freeze and set up strategically with a Special Staff relationship to the Director, the historians had ready access to all official files. They were in an extraordinarily good position to collect, screen, and organize important materials relating to the freeze while it was still in progress. They supplemented the written record with interviews with key personnel to clarify facts and round out their interpretation. The historians visited four Regional Offices and obtained comprehensive after-action reports from all 10 Regional Directors.

The historians' indebtedness to the Director and the staff both at the headquarters and in the field is immeasurable; without this top-level interest and support, this volume could not have been produced in its present scope and depth or completed in the time

allotted for the purpose. The "Bibliographical Note" at the end of this volume names some of the people who reviewed our manuscripts and offered many helpful suggestions for their improvement. It would not be feasible to list the many additional people who provided assistance. We do wish to single out, however, Jerome Brussell, who designed the cover and produced all the organization charts; Alice Bandy, who made available the basic documentation in the Director's files; Carol Wanner and Nan Dever, who provided us with library and congressional materials; and Theresa Moorleghen, Jeanne Criss, and Anne Lockhart, who steadfastly and patiently typed manuscripts and provided secretarial assistance.

The authors sought to observe the standards of scholarship associated with the historical profession. They made every effort not merely to chronicle the events, but to analyze objectively the problems encountered, show how they were met, and explain the reasons underlying policy and administrative decisions. Whatever merit this book may have is due in no small measure to the cooperation and assistance we received from all who participated in administering the freeze. Needless to say, the authors assume full responsibility for the organization and presentation of the subject, for any opinions expressed or implied, and for any errors of detail or judgment.

HARRY B. YOSHPE
Historian

Contents

	Page
PRESIDENTIAL STATEMENT	v
FOREWORD by George A. Lincoln, Director, Office of Emergency Preparedness	vii
PREFACE	ix
I. THE PRESIDENT'S ECONOMIC PROGRAM ...	1
Historical Context	1
Problems Besetting the Nixon Administration	4
The Decision at Camp David	8
The New Economic Policy	11
The Wage-Price Freeze	12
Legislative Base	14
The Freeze Order	17
Apparatus for Administering the Freeze	19
The Cost of Living Council	19
OEP: The "Operating Agency" for CLC	21
II. ORGANIZATION: STRUCTURE, STAFFING, SUPPORT	26
Underlying Concepts	26
Nature of the Task	26
Environment of the Freeze	26
Resources Available for the Task	28
Lincoln's Concept of Crisis Management	28
National Office Organization	29
Field Organization	36
Building an Operational Staff	42
General Policy on Staffing	42
The Staff Expands	44
Integrating the Newcomers	45
Staffing Problems	47
Evaluation of Staffing Policy	49
Administrative, Logistical, and Technical Support	50
Administrative and Logistical Support	50
Technical Support	52
III. MANAGING THE FREEZE	53
Directing the Program	53

	Page
Setting the Course and Pace	53
Techniques and Instruments of Control	54
Coordination and Liaison	55
National Office	55
Regional Offices	58
Communications and Operational Control	60
Operations Center	60
Communications Section	61
Communications within the System	61
Communications with the Public and Outside Agencies	65
Responding to Public Inquiries	66
Correspondence Section	66
Congressional and Public Affairs Office	67
Inquiry Review Section	68
Operational Feedback and Reporting	70
Daily Economic Stabilization Report	71
Daily and Weekly Reports to CLC	71
IV. POLICY AND GUIDANCE	74
Legal Base	74
Operative Principles	75
Formulation of Guidance	76
Dissemination and Interpretation of Policy	78
Major Policy Determinations	80
Transaction and Seasonality Rules	80
Prices	82
Wages	86
Teachers' Salaries	89
Rents	91
Looking Forward	92
V. EXCEPTIONS AND EXEMPTIONS	96
Authority	96
Policy	97
Organization	99
The Statistical Picture	101
Significant Cases	105
Wages and Fringe Benefits	105
Government Service Charges	107
Prices and Rents	109
Transition	114
Conclusions	115
VI. COMPLIANCE AND ENFORCEMENT	117
The Goal: Voluntary Compliance	117

	Page
Authority and Procedures	118
The Record of Compliance	121
Enforcement	123
Rent Cases	127
Wages and Salaries	127
Price Lists	131
Price Violations	133
Sporting Events	135
The Question of Constitutionality	138
Conclusions	141
VII. BUILDING PUBLIC UNDERSTANDING	143
Initial Response to the Freeze	143
Freeze Requirements and Public Information	145
Public Information Network	147
National Office Organization	147
Field Network	148
Public Information Activities	150
Relations with the News Media	150
Press Releases	151
Coverage by the News Media	153
The Speakers' Program	155
Trade Associations and the Spread of Information	157
Coordination with State and Local Governments	159
Congressional Relations	161
Responding to Public Concerns	162
VIII. PLANNING FOR THE POSTFREEZE PERIOD ..	168
Looking Beyond the Freeze	168
What Comes Next?	168
OEP Inputs to Phase II Planning	170
The Postfreeze Program	172
OEP Links to the Postfreeze Program	178
Continuity of Freeze Rules	179
Issue Papers	179
Detail of Personnel	181
Planning for IRS Takeover	182
Redirection of OEP Efforts	186
IX. CONCLUDING OBSERVATIONS	189
Benchmarks of Success	190
Consumer Price Index	190
Wholesale Price Index	191
Other Encouraging Signs	192
Points of Conflict	193
OEP Management of the Freeze	194

	Page
Organization	195
Administrative Management	196
Policy Guidance	198
Exceptions and Exemptions	199
Compliance and Enforcement	200
Informing the Public	200
Transition to Phase II	201
Overall Assessment	202
LIST OF ABBREVIATIONS	205
CHRONOLOGY	206
EXHIBITS	223
1. Economic Stabilization Act of 1970 (Public Law 91-379), August 15, 1970	224
2. Executive Order No. 11588, Providing for the Stabilization of Wages and Prices in the Construction Industry, March 29, 1971	225
3. Public Law 92-15, May 18, 1971, amending Section 202 of the Economic Stabilization Act of 1970	228
4. Executive Order No. 11615, Providing for Stabilization of Prices, Rents, Wages, and Salaries, August 15, 1971	229
5. Cost of Living Council Order No. 1, August 17, 1971, delegating authority to the Director, Office of Emergency Preparedness	231
6. OEP Economic Stabilization Order No. 1, August 19, 1971, delegating to the Secretary of the Treasury "certain administrative and operating functions relating to the implementation of the program" ..	232
7. Treasury Department Order No. 150-75, August 19, 1971, delegating authority to the Commissioner of Internal Revenue	233
8. Internal Revenue Service Delegation Order No. 117, August 20, 1971, delegating authority to IRS Regional Commissioners, District Directors, and Service Center Directors	233
9. OEP Economic Stabilization Regulation No. 1, Stabilization Regulations for Prices, Rents, Wages, and Salaries, August 20, 1971	234
10. Executive Order No. 11627, Further Providing for the Stabilization of the Economy, October 15, 1971	239
11. Economic Stabilization Act Amendments of 1971 (Public Law 92-210), December 22, 1971	244
BIBLIOGRAPHICAL NOTE	257
INDEX	271

Illustrations

	Page
<i>Frontispiece</i> —The Cost of Living Council Meeting with the President	ii

Figures

1— Office of Emergency Preparedness (Organization Chart)	31
2— OEP Organization for Economic Stabilization Activities	34
3— Office of Emergency Preparedness Regions	37
4— OEP Regional Office Organization for Economic Stabilization	38
5— Wage-Price Freeze Organization	41
6— Flow of Communications	62
7— Postfreeze Organization	175

Tables

1— Detailed Personnel: Agency Affiliation	45
2— Detailed and Appointed Personnel: OEP Office Assignment	47
3— Number of Inquiries by OEP Regions and Percentages by Category, August 28-November 9	68
4— Correspondence on Exception/Exemption Requests ..	102
5— National Office Review of Regional Denials of Exemption Requests	104
6— Disposition of Complaints by IRS	122
7— OEP's Disposition of Potential Court Cases	122
8— Phase I Suits Filed by the U.S. Government	126
9— All Phase I Suits	126
10— Availability of Ceiling Price Information, November 1-5, 1971	133
11— Required Reporting of Price and Wage Increases ...	173
12— Changes in Consumer Prices, Selected Months, 1971 ..	190
13— Changes in Wholesale Industrial Commodity Prices, Selected Months, 1971	192

I

The President's Economic Program

HISTORICAL CONTEXT

The President's prescription of a wage-price freeze on August 15, 1971 marked the first time America had undertaken a program of this sort in peacetime. Such action had been taken during World War II and again during the Korean War as part of a kit of direct controls which, together with various indirect controls, were designed to achieve economic stabilization.¹ In both instances, a wage-price freeze was imposed when the country mobilized for war. Productive capacity was being fully utilized, unemployment was low, and increased demands for goods and services coupled with shortages or the anticipation of shortages had produced unacceptable "demand-pull" inflation.

The inflation situation in the summer of 1971 was significantly different from the wartime situations mentioned above. The United States was winding down its involvement in the Vietnam War. It was a period of slack demand, idle productive capacity, and high unemployment (although the economy had definitely turned upward into the rising phase of the business cycle). And yet, to the dismay of many observers in our society, including economists in and out of government, it was also a period of excessive inflation—an aftermath of the war-stimulated excessive demand of 1966–1968, unrestrained by existing fiscal policy.

Containment of the destabilizing forces was first sought through the application of indirect controls, embracing first restrictive and later expansive fiscal and monetary policies.² The Administration's

¹ For a discussion of the use of direct and indirect controls under wartime conditions, see Thomas B. Worsley, *Emergency Economic Stabilization* (Washington: Industrial College of the Armed Forces, 1971).

² These policies operate by decreasing or increasing total demand and the effective money supply of the economy, without interfering directly with the operation of the market mechanism and its system of making choices competitively. For a comprehensive discussion of the role and use of these indirect stabilization instruments, see G. L. Bach, *Making Monetary and Fiscal Policy* (Washington: Brookings Institution, 1971).

PRESIDENT'S ECONOMIC PROGRAM

“game plan,” involving use of fiscal and monetary instruments, however, failed to achieve an acceptable combination of reduced inflation and acceleration of the economy's economic growth rate. It was this shortfall in the operation of the indirect controls in an environment of comparative peace, rather than any parallels to the conditions prevailing in 1942 or 1951, that accounted for President Nixon's recourse, in 1971, to a new economic policy embracing an integrated package of measures designed to bring the Nation to higher employment, greater price stability, and a stronger international position. The precipitating factor in this decision was the progressive deterioration of the U.S. balance of payments and attendant pressures on the dollar at mid-year.

The use of indirect stabilization tools in the period after World War II was a recognition of the Government's responsibility even in peacetime for helping to maintain sustained economic growth and stability.³ The remarkable achievements of the free enterprise system had always been marred by periods of economic stagnation, recession, and depression. Prior to the 1930's, cyclical fluctuations with alternating periods of prosperity and depression had come to be accepted as normal; and the Federal Government did little to counter these. The Great Depression of the Thirties opened a new era in American economic thinking. That depression dragged on for a dozen years; at its lowest point, nearly one out of four of the labor force was unemployed. The Government's response to this situation was to intervene extensively in the American economy; but even so, the depression lingered on until it was ended by the mobilization demands of World War II.

With the close of that war, Congress resolved to take more direct responsibility for ensuring continued economic growth and checking the recurrence of severe economic fluctuations. This resolution was embodied in the Employment Act of 1946, which declared it to be “the continuing policy and responsibility of the Federal Government to use all practicable means . . . to promote maximum employment, production, and purchasing power.” The Act ranks as a landmark in the history of American economic policy, symbolizing national aspirations and a new responsibility of government to promote economic stability at high levels of employment. These objectives have had widespread support. The design of policies that would achieve these objectives and reconcile

³ For a good compilation of select materials on this subject, see *Economic Policies for National Strength: The Quest for Sustained Growth and Stability*, Stephen R. Chitwood, ed. (Washington: Industrial College of the Armed Forces, 1968).

conflicts among them, however, has posed a challenge of formidable proportions.⁴

In the quarter century since the passage of the Employment Act, the indirect monetary, fiscal, and debt management policies were preferred over direct controls as the appropriate tools for promoting economic growth and stability. Except for the Korean War years, direct controls were avoided. Each succeeding Federal administration, Republican and Democratic alike, acknowledged the Government's responsibility to maintain maximum employment, production, and purchasing power. There were differences in the extent of the commitment and in the particular policies and techniques used, but each administration acknowledged the first importance of a strong, growing, and stable national economy. Indeed, such an economic environment had come to be viewed not only as a domestic imperative, but also as essential to the stature, power, and security of the United States in the international arena.⁵

Efforts to promote economic growth and stability for much of the period following the enactment of the Employment Act were reasonably successful. The Nation avoided a major depression. Recessions were shallow and of short duration. Real output grew markedly, and until 1965 the rate of price increases (other than the surge in 1950-51—the first year of the Korean War) was kept within tolerable bounds.

But there were difficulties ahead in ensuring a continued full-employment and non-inflationary environment. The Nation in 1965 already faced a serious balance-of-payments problem with no real solution in sight. The increased influx of young people into the labor force—a result of the baby boom in the late 1940's—threatened to create undesirable levels of unemployment. And the deepening involvement of the United States in the Vietnam conflict increased government spending which was not offset by increased revenues. These fiscal trends resulted in a Federal Government budget deficit of \$25 billion in Fiscal Year 1968.⁶ There was no

⁴ Lester V. Chandler, "Economic Stability," in *The Nation's Economic Objectives*, Edgar O. Edwards, Editor (Chicago: University of Chicago Press, 1964.)

⁵ Useful sources on direct and indirect stabilization tools are Maurice W. Lee, *Toward Economic Stability* (New York: John Wiley & Sons, Inc., 1966); Clifton H. Krepes, Jr., and Olin S. Pugh, *Money, Banking and Monetary Policy*, 2d ed. (New York: Ronald Press Co., 1967); Lester C. Thurow, ed., *American Fiscal Policy* (Englewood Cliffs, New Jersey: Prentice Hall, Inc., 1967).

⁶ *Economic Impact of the Vietnam War*, Special Report Series No. 5, Center for Strategic Studies, Georgetown University (New York: Renaissance Editions, Inc., 1967); U.S. Congress, Joint Economic Committee, *Economic Effect of Vietnam Spending*, Senate Report No. 394, 90th Cong., 1st Sess. (Washington: Government Printing Office, 1967).

PRESIDENT'S ECONOMIC PROGRAM

desire to invoke direct price and wage controls; at the same time, adequate fiscal and monetary restraints were applied too late to cope effectively with the inflation. Quasi-voluntary restraints through wage-price guideposts and moral suasion by the President introduced in the early sixties, had little real effect after 1965, in the face of the Vietnam War situation.⁷ At the time President Lyndon B. Johnson left office, the economy had been brought to practically full employment, but not without significant inflation.⁸

PROBLEMS BESETTING THE NIXON ADMINISTRATION

The Nixon Administration embarked on restrictive fiscal and monetary policies in the hope of cooling the overheated economy and achieving gradual disinflation. Unemployment, which had reached a low of 3.3 percent in February 1969, was expected to increase somewhat, but the Administration accepted this as a "trade-off" for greater price stability. A gradual expansion of the economy would be sought after mid-1970. The Administration rejected proposed remedies by way of direct wage and price controls or an "incomes policy" such as the guideposts and moral suasion strategy of earlier administrations.

The new administration was soon confronted, however, with a perverse combination of what came to be called "the worst of both worlds"—recession and inflation. The economy began to slip into recession in late 1969. Monetary and fiscal policies were reversed to provide stimulus in place of restraint, but recovery was too slow. In mid-1971, about one-fourth of the Nation's manufacturing capacity was idle. Unemployment was estimated at about 6 percent

⁷ John Sheahan, *The Wage-Price Guideposts* (Washington: Brookings Institution, 1967); George P. Shultz and Robert Z. Aliber, eds., *Guidelines, Informal Controls, and the Market Place: Policy Choices in a Full Employment Economy* (Chicago: University of Chicago Press, 1966); U.S. Congress, Joint Economic Committee, *The Wage-Price Issue: The Need for Guideposts* (Washington: Government Printing Office, 1968).

⁸ Robert J. Gordon, "The Recent Acceleration of Inflation and Its Lessons for the Future," *Brookings Papers on Economic Activity*, Arthur M. Okun and George L. Perry, editors. (1:1970), pp. 8-47; Gottfried Haberler, *Inflation: Its Causes and Cures; With a New Look at Inflation in 1966* (Washington: American Enterprise Institute for Public Policy Research, 1966); Walter W. Heller, *New Dimensions of Political Economy* (Cambridge, Mass.: Harvard University Press, 1966); Arthur M. Okun, *The Political Economy of Prosperity* (Washington: The Brookings Institution, 1970); Arthur M. Okun and others, *Inflation: The Problems It Creates and the Policies It Requires*, Charles C. Moskowitz Lectures, No. 10 (New York: New York University Press, 1970).

of the Nation's labor force, and inflation remained near the 4 percent annual rate level.⁹

By then, it was clear, the upward wage-price spiral had long lost any war-induced "demand-pull" character. Here was a new virus of inflation. Few economists could speak with confidence about its causes or its cure. It seemed to have become a self-sustaining process, living on its own momentum under "cost-push" —a direct result of wage and price increases in excess of gains in productivity. This new type of inflation seemed to lend support to the thesis of John Kenneth Galbraith and others that market competition was a thing of the past. The economy, they contended, had come to be dominated by giant firms and strong unions; and the public was being victimized by their monopoly power.¹⁰ How else could one explain the fact that even in the midst of substantial unemployment the unions were demanding and getting wage increases in excess of average increases in productivity per man-hour? Or how could one explain that the prices of manufactured goods continued to rise while some 25 percent of the plant capacity for producing these goods remained idle?

In the face of mounting inflation, the Nixon Administration found itself under pressure to adopt an incomes policy, even though experience with such a policy at home and abroad was far from a happy one.¹¹ Nonetheless, the public was in a mood for more direct action to cope with the twin evils of inflation and unemployment. In the judgment of Herbert Stein, member of President Nixon's Council of Economic Advisers and one of the principal architects of the Administration's stabilization program, the clamor for an incomes policy was in part, at least, politically motivated.

... The opposition to the Administration found it very convenient and effective to take this line because it made them the champions of price stability and full employment without having to accept any responsibility. As long as the President didn't accept the advice to use an income policy, he was responsible for the performance of the economy. And if he did take the advice, he would be responsible for the difficult task of making it work.¹²

Actually, the Nixon Administration did take several steps along

⁹On the Nixon economic game plan see Herbert Stein, "Beyond Inflation," Remarks at the 17th Southern Trust Conference, Chattanooga, Tennessee, May 15, 1969; Worsley, *Emergency Economic Stabilization*, pp. 95-107.

¹⁰John K. Galbraith, "Wage-Price Controls—The Cure for Runaway Inflation," *The New York Times Magazine*, June 7, 1970.

¹¹On the experience of other countries with controls, see Lloyd Ulman and Robert Flanagan, *Wage Restraint: A Study of Incomes Policies in Western Europe* (Berkeley: University of California Press, 1971).

¹²"What's Next for the American Economy," Remarks at Pepperdine University, Los Angeles, Calif., November 1, 1971.

PRESIDENT'S ECONOMIC PROGRAM

the lines of an incomes policy. In an address to the Nation on June 17, 1970, the President announced a number of actions "that will help to move us ahead more quickly towards our goal of full employment, economic growth, and reasonable price stability in peacetime." Three actions were keyed to the fight against inflation: (1) Appointing a National Commission on Productivity, composed of representatives from business, labor, the public, and government, to explore means of improving productivity in the economy and achieving "a balance between costs and productivity that will lead to more stable prices"; (2) Instructing the Council of Economic Advisers to prepare "inflation alerts," to be made public by the Productivity Commission, spotlighting significant wage and price increases and analyzing their impact on the general price level; and (3) Establishing a Regulations and Purchasing Review Board within the Federal Government to examine all government actions "to determine where Federal purchasing and regulations drive up costs and prices." U.S. import policy, the President added, would be reviewed "to see how supplies can be increased to meet rising demand, without losing jobs here at home."

While taking these steps to combat inflation and calling on business and labor to help hold down the cost of living, the President was opposed to the imposition of wage and price controls, "however politically expedient that may seem."

Controls and rationing may seem like an easy way out but they are really an easy way into more trouble—to the explosion that follows when you try to clamp a lid on a rising head of steam without turning down the fire under the pot. Wage and price controls only postpone a day of reckoning, and in so doing they rob every American of a very important part of his freedom.

This was not the time, the President asserted, for Congress to "play politics with inflation" by granting him standby authority to impose wage and price controls. Rather, he hoped that Congress would cooperate with him on a program specifically designed "to help the people who need help in a period of economic transition from a wartime to a peacetime economy." While pressing for that program, the President emphasized: "There is no more important goal than to curb inflation without permitting severe disruption. This is an activist administration, and should new developments call for new action in the future, I shall take the action needed to attain that goal."¹³ Despite President Nixon's avowed opposi-

¹³ "Economic Policy and Productivity," The President's Address to the Nation, June 17, 1970, in *Weekly Compilation of Presidential Documents*, June 22, 1970, pp. 774-781.

tion to direct controls, Congress enacted the Economic Stabilization Act of 1970, granting him standby powers to impose wage and price controls.

The Council of Economic Advisers proceeded with inflation alerts—the first two in August and December, 1970. Leaders of the opposition in Congress, however, criticized these “after-the-fact handslappings,” and urged the President to institute a 30- to 60-day freeze on wage and price increases, using his standby authority, and then to formulate guidelines for longer-range wage and price restraints.¹⁴

In a speech before the National Association of Manufacturers in December 1970, outlining stabilization actions and proposals to stimulate the economy toward full growth and employment, President Nixon sharply criticized the bargaining processes and extraordinarily high wage settlements in the construction industry. And in March 1971 he issued an Executive order, based on the Economic Stabilization Act of 1970, establishing a tripartite Construction Industry Stabilization Committee to moderate wage-price increases in that industry.¹⁵

Along with these difficult problems on the domestic scene, the United States' international economic position approached a point of crisis by mid-1971. Inflation at home was pricing the country's goods out of the world market and exacerbating the existing trade deficit. The balance of payments, already unfavorable in the sixties, deteriorated sharply and dangerously in 1970–71. This erosion in the United States' trade and balance-of-payments position triggered and was accentuated by enormous outflows of short-term capital, which placed severe strains on America's international

¹⁴ Worsley, *op. cit.*, pp. 103–104. For a discussion of the enactment of the Economic Stabilization Act of 1970, see below, pp. 14–17.

¹⁵ See “The President's Remarks” at the annual meeting of the National Association of Manufacturers in New York City, December 4, 1970, reprinted in *Weekly Compilation of Presidential Documents*, December 7, 1970, pp. 1623–1629; Executive Order 11588, March 29, 1971 (Exhibit 2). For a comprehensive report on this program, see Harry Lenhard, Jr., “Economic Report—Construction Wage Stabilization Efforts Provide Tests for Nixon's Phase 2,” *National Journal*, November 6, 1971.

PRESIDENT'S ECONOMIC PROGRAM

financial status.¹⁶ This mounting financial crisis, Stein reflected later, dictated the timing of the decision to institute wage-price controls and perhaps the decision to do it at all. As he put it:

. . . The outflow of dollars from the United States reached flood proportions in the Summer (of 1971), there was some loss of gold and a further and larger loss of gold was at least a danger. Some decisive action had to be taken on that front. The action taken was to close the gold window, suspending the convertibility of dollars into gold . . . The decision to close the gold window opened the prospect of all kinds of panicky reactions including a massive flight from the dollar at home and abroad. Action that would unmistakably indicate the government's determination to protect the real value of the dollar was needed, and nothing could serve this function so well as a wage-price freeze.¹⁷

THE DECISION AT CAMP DAVID

All the above mentioned considerations converged in the President's decision, August 15, 1971, to change his economic "game plan." That Sunday evening, after a busy weekend at Camp David, the President made a dramatic announcement of a "New Economic Policy" designed to achieve, as he told the Nation, "a new prosperity without war." Such a program, he said, would require action on three fronts—creating new jobs, halting inflation, and protecting the position of the American dollar "as a pillar of monetary stability around the world." The range of actions taken and proposed that evening, the President observed, was "the most comprehensive New Economic Policy to be undertaken by this Nation in four decades."¹⁸

This momentous change in course was effected in a surprisingly short time and in complete secrecy. Only some two weeks before the August 15 announcement, Dr. Paul W. McCracken, Chairman of the Council of Economic Advisers, had entered a strong rebuttal of John K. Galbraith and other advocates of wage-price controls.¹⁹

¹⁶ See Statements by Paul A. Volcker, Under Secretary of Treasury for Monetary Affairs, before the Subcommittee on International Trade of the Senate Finance Committee, September 13, 1971, and the Subcommittee on Foreign Economic Policy, House Foreign Affairs Committee, September 21, 1971; see also Paul W. McCracken, Chairman, Council of Economic Advisers, "Can Economic Stability and Progress Be Achieved?," Remarks before the Economic Club of Detroit, Detroit, Michigan, November 1, 1971; *Current Foreign Policy—International Aspects of President Nixon's New Economic Policy*, Department of State Publication 8619, Economic Foreign Policy Series 3, November 1971 (Washington: Government Printing Office, 1971); Peter G. Peterson, "A Foreign Economic Perspective," and "The United States in the Changing World Economy: Statistical Background Material," both dated December 21, 1971.

¹⁷ "What's Next for the American Economy," November 1, 1971.

¹⁸ "The Challenge of Peace," address by the President on nationwide radio and television, Sunday, August 15, 1971, White House press release.

¹⁹ "Galbraith and Price-Wage Controls," *Washington Post*, July 28, 1971.

In the two weeks before the fateful weekend at Camp David, few people had been privy to the President's determination on a new course of action. Necessary planning and studies proceeded secretly in various agencies and offices of the Federal Government.²⁰

Still, there were indications that the President was considering, if not actually moving toward, a change in policy. To be sure, on June 29th Treasury Secretary John B. Connally announced the President's rejection of wage and price controls along with several other proposals to stimulate the economy and curb inflation.²¹ Less than one month later, however, Federal Reserve Board Chairman Arthur F. Burns urged the Administration to take further steps to control inflation. Testifying before the Joint Economic Committee on July 23, Burns said: "In my judgment, and in the judgment of the Board as a whole, the present inflation in the midst of substantial unemployment poses a problem that traditional monetary and fiscal remedies cannot solve as quickly as the national interest demands." He added:

The inflation we are confronted with has become deeply rooted since its beginning in 1965. The forces of excess demand that originally led to price inflation disappeared well over a year ago. Nevertheless, strong and stubborn inflationary forces, emanating from rising costs, linger on. I wish I could report that we are making substantial progress in dampening the inflation spiral. I cannot do so.

The Administration, Burns felt, should establish a wage-price review board and resort to compulsory arbitration to keep wages and prices down in industries that especially affected the public interest.²²

Though he kept reiterating his dislike for wage and price controls, President Nixon, at an impromptu news conference held August 4th, indicated that he would reconsider his position if a full-scale Congressional debate convinced him that controls could be enforced without putting the economy in a straitjacket.

. . . with regard to wage-price boards, I have still not been convinced that we can move in that direction and be effective. . . . As far as we are concerned, we have an open mind in terms of examining various proposals to see if there is a new approach which we may not have thought of.

I have serious doubts that they will find such a new approach, but I do want to indicate that we will examine it because we all agree that the wage-price

²⁰ "The Presidency—Recollections of Camp David," *National Journal*, September 18, 1971, p. 1934.

²¹ *Congressional Quarterly Almanac, 92nd Congress, 1st Session . . . 1971* (Washington: Congressional Quarterly, 1972), pp. 691, 692.

²² *Ibid.*, p. 692.

PRESIDENT'S ECONOMIC PROGRAM

spiral is a significant danger to this expanding economy. The question is what do we do about it, without going all the way to a totally controlled economy.²³

The same day Treasury Secretary John B. Connally elaborated on this theme and even posed some of the specific questions in the price-wage control field "which need exploring." Among these, he told the press, were:

1. How effective have various approaches been?
2. What type of organization would be set up to administer the program? Would there be only one national Board, or many regional and local ones? How would they be staffed, by volunteers, government employees?
3. How would legislation be implemented? How would it be enforced? What would be the penalties for violation? Would there be roll back authority? What if workers strike against a decision? What type of appeal from decisions would there be?
4. What will be the criteria for appropriate wage and price action? How would it affect escalator clauses in existing wage pacts? Will industries be allowed price increases where prices and profits are low to start? Would low wage workers, say those at the poverty level, be denied wage increases?
5. How comprehensive should the scope of these measures be? Would interest rates, both rates paid and received, be controlled? If interest rates were controlled, would there also have to be controls on allocation of credit determining who was or wasn't eligible? Would legal and medical fees be included? Taxes? Prices of homes, businesses, stocks, bonds, tuition, rents, trade-in's?
6. What would be the effects upon our balance of trade? Would any form of controls build in a significant disadvantage for our goods relative to those imported into this country and to the competitive position of our products abroad?
7. What happens when such legislation is no longer needed? How will we tell when such legislation is no longer needed?

"If these questions are objectively and exhaustively pursued, analyzed and discussed," Connally asserted, "the result undoubtedly will be a clearer definition of terms and conditions presently under discussion and bring into clearer focus the actual economic situation of the nation."²⁴

Still, few even among the economists had any notion that a radical change in policy was in the offing. The White House moved with utmost secrecy for fear that premature disclosure might have adverse effects both on the international and domestic scenes. Most of the individuals who worked on various parts of the new policy were not fully aware of what was involved until they heard or read the President's speech.

²³ See *Weekly Compilation of Presidential Documents*, August 9, 1971, Vol. 7, No. 32, p. 1124. Extracts reprinted in *U.S. News and World Report*, August 16, 1971, pp. 76-80.

²⁴ Department of the Treasury News Release, August 4, 1971.

THE NEW ECONOMIC POLICY

The President's program had several objectives: (1) to deal with the problem of inflation; (2) to stimulate the economy immediately and improve efficiency and competitiveness over the long-run; and (3) to strengthen America's position in the world economy by improving the international monetary and trading system and providing relatively quick balance-of-payments benefits. These objectives and the specific measures announced for their implementation were deemed interlocking and mutually reinforcing. In testimony before a subcommittee of the House Foreign Affairs Committee, Paul A. Volcker, Under Secretary of the Treasury for Monetary Affairs, emphasized the interrelationship of the steps in the domestic and international areas:

... success in the domestic elements of the program is essential to lasting success in the international sphere. Domestic stability is a prerequisite to international stability. If we do not resolve the problems of eliminating inflation and improving our productive efficiency while creating more jobs at home, we will not maintain the improved competitive position which is necessary to genuine and lasting improvement in our international financial position.²⁵

Indeed, Administration spokesmen asserted, each element of the President's program interlocked with other elements in such a way that the effectiveness of the whole would be greater than the sum of the parts, taken individually.²⁶

Specifically, the program consisted of the following:

- 1) A 90-day freeze of all prices, rents, wages, and salaries.
- 2) Creation of a Cabinet-level Cost of Living Council to make the basic decisions concerning the 90-day freeze, the postfreeze economic stabilization program, and the eventual transition back to a free-market economy.
- 3) Temporary suspension of the full convertibility of the dollar into gold, thus letting it "float" to its own level in relation to foreign currencies.
- 4) Imposition of a temporary surcharge on imports into the U.S., generally at a rate of 10 percent.
- 5) A recommendation for changes in the tax laws which would:
 - a) restore, effective August 15, 1971, an accelerated investment tax

²⁵ Statement before the Subcommittee on Foreign Economic Policy of the House Foreign Affairs Committee, September 21, 1971.

²⁶ Release of White House press conference of Hon. John B. Connally, Secretary of the Treasury, Hon. George P. Shultz, Director, Office of Management and Budget, and Hon. Paul W. McCracken, Chairman, Council of Economic Advisers, August 15, 1971; Volcker, Statement before the Subcommittee on International Trade of the Senate Finance Committee, September 13, 1971.

PRESIDENT'S ECONOMIC PROGRAM

credit at the rate of 10 percent for one year, followed by a permanent credit at the rate of 5 percent; b) repeal the 7 percent excise tax on automobiles as of August 15, 1971; and c) advance to January 1, 1972 the increase in personal income tax exemptions then scheduled to take effect a year later.

6) Reduction of Federal expenditures in Fiscal Year 1972 by \$4.7 billion, to be achieved mainly by a 5 percent cut in Federal employment and a postponement for 6 months of the Federal pay increase scheduled for January 1, 1972. Further, the President proposed a 3-month deferral of the effective date of general revenue sharing, and a one-year postponement of welfare reform.²⁷

THE WAGE-PRICE FREEZE

In this August 15 announcement, President Nixon emphasized two characteristics of the freeze. First, it was to be temporary. "To put the strong vigorous American economy into a permanent straitjacket," he said, "would lock in unfairness and stifle the expansion of our free enterprise system." Second, while Government sanctions would be invoked if necessary to support the freeze, the President did not anticipate the establishment of a huge price-control bureaucracy. Reliance would be placed on the voluntary cooperation of all Americans to make this freeze work. "Working together," he was confident, "we will break the back of inflation, and we will do it without the mandatory wage and price controls that crush economic and personal freedom."

Further insights into the plans for implementing the freeze were presented in various briefings given immediately after August 15 by Mr. Arnold Weber, who became the Executive Director of the Cost of Living Council. His description may be summarized as follows:

- a. The freeze order was comprehensive in scope.
- b. Although simple in concept, the freeze was inherently complex in implementation.
- c. The Administration did not institute a system of controls in the sense that there were rules to permit the dynamic adjustment of wages and prices. The system of controls that would permit such movement would fall in the planning

²⁷ For a detailed exposition, see "Explanatory Material on the President's Economic Program," White House release, August 15, 1971. The freeze action was spelled out the same day by Executive Order 11615, issued under the authority of the Economic Stabilization Act of 1970 as amended. The imposition of the temporary surcharge on imports was announced by Presidential Proclamation 4074, also on August 15, 1971, by which the President declared a "national emergency" and called upon the public and private sectors "to make the efforts necessary to strengthen the international economic position of the United States."

PRESIDENT'S ECONOMIC PROGRAM

for Phase II [the postfreeze Economic Stabilization Program]. Clearly, the freeze was a "control" in the technical sense but not to the degree of establishing a set of criteria to permit adjustments.

d. The Cost of Living Council was also charged with the development of Phase II policy.

e. The freeze was imposed with little warning because of the desire to avoid anticipatory wage and price increases. That is, if firms and unions were aware that a freeze would be imposed some undoubtedly would have raised wages and prices in anticipation. This is what happened in the Korean War and it created a sharp sense of inequity while giving further impetus to inflation in the short-run.

f. Many policy decisions were still to be made. Policy had already been promulgated on some issues, such as the disallowance of deferred wage increases and of price increases where substantial transactions had not occurred during the preceding 30 days. No one, however, as yet presumed to have answers to all the questions that would arise.

g. Since the President did not want a large bureaucracy, and since part of the program involved a five percent cut in Government personnel and other budgetary stringencies, available resources had to be used. The Office of Emergency Preparedness was therefore given the responsibility for setting up the national service and compliance machinery, with ten Regional Centers. An 'in-place' structure was thus used, and other departments and agencies were asked to provide resources to augment this structure as needed.²⁸

The Administration saw the freeze as providing "shock treatment" to the escalation of wages and prices. It was hoped that this treatment would be temporary and would have beneficial therapeutic effects. It was obvious from the first that, in an economy as complex and diverse as that of the United States, the freeze could only serve as a holding operation, administering a temporary restraint. Imbalances of all sorts would be frozen into the system, and the longer the freeze went on the more serious would become the resulting inequities. Complaints and petitions for relief could be expected to mount and require an ever-increasing apparatus for administration and enforcement.

The Administration hoped for public acceptance of this temporary restraint until means could be designed to alter permanently the pressures that fanned the inflation. If the inflation were not to flare up anew, the freeze would have to be followed by a stabilization program that would be fair to all segments of the economy and still be firm enough to be effective. Unless it were fair in dealing with the inevitable and irresistible pressures for change, it would not be acceptable and it would not work. And unless it had force behind it, it would suffer the same fate as other toothless schemes tried in this country and abroad in the past.

²⁸ Arnold R. Weber, University of Chicago Graduate School of Business, Chicago, Ill., Letter to G. A. Lincoln, Director, Office of Emergency Preparedness, January 7, 1972.

PRESIDENT'S ECONOMIC PROGRAM

The President made clear from the outset that governmental restraints upon free-market forces would be necessary until the inflationary pressures were brought under control. The Nation had been operating under the freeze only some 3 weeks when the President announced before a special joint session of Congress that the freeze would not be extended beyond the 90 days. But he assured the Congress and the American people that with the expiration of the freeze the necessary steps would be taken to prevent the recurrence of runaway inflation.

As we consider what follows the freeze, let us bear in mind that prosperity is a job for everyone—and that fighting inflation is everybody's business.

Let us remember, also, that nothing would be more detrimental to the new prosperity in the long-run than to put this Nation's strong free enterprise system in a straitjacket of Government controls.

Regimentation and Government coercion must never become a way of life in the United States of America. That means that price and wage stabilization, in whatever form it takes, must be only a way station on the road to free markets and free collective bargaining in a new prosperity without war.²⁹

The challenge for the Administration was to make the freeze work and, looking beyond its expiration on November 13, to design a strategy of controls that would be equitable and still avoid the central planning, regimentation, and compulsion that may be inevitable under emergency conditions but which would be clearly unacceptable as a permanent feature.

Legislative Base

The President imposed the wage-price freeze under authority provided in the Economic Stabilization Act of 1970. First enacted on August 15, 1970, this Act was extended and amended on three occasions. At the time of the freeze, the Act was not due to expire until midnight April 30, 1972.³⁰

The policy of having standby legislation to permit the imposition of a general freeze at the onset of an emergency had been the subject of extensive Congressional study and debate. No President

²⁹ *A New Prosperity Without War and Without Inflation*. Message from the President of the United States Concerning His Economic Policies, House Doc. No. 92-162, 92nd Cong., 1st Sess., September 9, 1971 (Washington: Government Printing Office, 1971), pp. 3-4.

³⁰ See Public Law 91-379, 84 Stat. 799 (as amended by P.L. 91-558, 84 Stat. 1468; P.L. 92-8, Stat. 13, and P.L. 92-15, 85 Stat. 38).

had been disposed to ask for such authority, and until mid-1970, no Congress was disposed to grant it.³¹

In mid-1970, with the persistence of inflation despite fiscal and monetary restraints, the issue again came up for Congressional consideration. A number of economists (notably John Kenneth Galbraith), labor leaders, mayors of large cities, and others came out strongly for a temporary freeze on prices and wages. Some directed their fire specifically at unions and large corporations, while others supported a more general approach to controls.³²

Seemingly convinced that the indirect approach would not suffice, Congress moved to give the President standby authority to use a freeze as a check on inflation. In support of the legislation, House Majority Leader Carl Albert argued that the President and his advisers "are prescribing the wrong medicine for the particular inflationary virus now infecting the Nation." Restrictive fiscal and monetary policies, Albert noted, were appropriate for combating traditional demand-pull inflation, but the cost-push inflation then besetting the country required the imposition of direct controls.³³

On August 15, 1970, the President signed the measure into law, though he gave notice that he did not want the freeze authority and would not use it. Were it not for the need to renew some important provisions of the Defense Production Act, Nixon said, he would have vetoed the bill. A freeze on wages and prices, he said, "simply does not fit the economic conditions which exist today." If Congress felt that wage-price controls should be mandatory, the President added, it should "face up to its responsibilities and make such controls mandatory."³⁴

The Act authorized the President to "issue such orders and regulations as he may deem appropriate to stabilize prices, rents, wages and salaries," but not at levels below those prevailing on May 25, 1970. Such orders and regulations, the Act stipulated, "may provide for the making of such adjustments as may be neces-

³¹ Bernard M. Baruch, Chairman of the War Industries Board in World War I, was the leading exponent of standby authority and fought for it consistently over the years. For Baruch's proproncy of this concept, see Harry B. Yoshpe, *A Voice in the Wilderness: Baruch's Proposals for an Overall Price Ceiling and Standby Control Authority*. (Washington: Industrial College for the Armed Forces, March 1964) (Publication No. R-232). For a discussion of a Congressional attempt to legislate standby authority early in 1953, with the lifting of price and wage controls under the Defense Production Act, see *ibid.*, pp. 84-91; see also "The Question of Standby Controls for Emergencies," Ch. IX in *Emergency Economic Stabilization*, Harry B. Yoshpe, editor (Washington: Industrial College of the Armed Forces, 1964) pp. 91-98.

³² Worsley, *Emergency Economic Stabilization*, pp. 100-101.

³³ *Congressional Record*, July 31, 1970, p. H7508.

³⁴ *Congressional Quarterly Almanac, 91st Congress, 2nd Session, 1970* (Washington: Congressional Quarterly, Inc., 1971), p. 435.

PRESIDENT'S ECONOMIC PROGRAM

sary to prevent gross inequities." Willful violations of any orders or regulations were made punishable by fines up to \$5,000, and injunctions might be obtained to enforce them.

An amendment to the Economic Stabilization Act, adopted on May 18, 1971, precluded the President from singling out "a particular industry or sector of the economy upon which to impose controls" unless he made a specific finding that the wages or prices in that industry or sector had increased at a rate which was grossly disproportionate to the rate for the economy as a whole. The legislators imposed this limitation on the President's power because they had reservations about applying specific controls to a single industry, as the President had done in March 1971 with respect to union-negotiated wages in the building construction industry. Workers subject to wage controls, the Congress feared, would have no protection against the continued rise in the cost of living. And an industry subject to price controls would lack protection against increases in the prices of products or materials it purchased. For these reasons, sponsors of this legislation blocked the President from applying controls to any one sector of the economy.

The economic stabilization legislation continued to be a matter of political dispute. Before its enactment, President Nixon had stated emphatically that he would not take the Nation down the road of wage and price controls. Actually, direct controls had been no less repugnant to the Johnson Administration. As early as the winter of 1967-68, there was speculation in the press and hints by some public officials that if the inflation continued or got worse, the President might seek authority to impose wage and price controls. There were then, as later in the Nixon Administration, divergent views as to how the growing inflation might be best restrained. Most economists in and out of the Government, however, continued to view direct controls over prices and wages as the tools of last resort.³⁵ The 1968 Report of the Council of Economic Advisers made clear the Johnson Administration's opposition to wage-price controls:

While such controls may be necessary under conditions of an all-out war, it would be folly to consider them as a solution to the inflationary pressures that accompany high employment under any other circumstance. They distort resource allocation; they require reliance either on necessarily clumsy and arbitrary rules or the inevitably imperfect decisions of government officials; they offer countless

³⁵ Chamber of Commerce of the United States of America, "What's the Issue," transcript of radio broadcast, Mutual Broadcasting System, December 7, 1967; see also *A Perspective on Wage and Price Controls*, proceedings of a conference held by the Chamber of Commerce of the United States of America, April 5, 1968.

temptations to evasion or violation; they require a vast administrative apparatus. All these reasons make them repugnant. Although such controls may be unfortunately popular when they are not in effect, the appeal quickly disappears once people live under them.³⁶

Subsequently, Republicans called the freeze measure a "political charade" intended to embarrass the President. By early 1971, however, the Administration supported the extension of this standby authority.³⁷

The Freeze Order

Executive Order 11615, promulgated by the President on August 15, 1971, established a general freeze on prices, rents, wages and salaries. These were to be "stabilized" for 90 days at levels no greater than the highest of those pertaining to "a substantial volume of actual transactions" by the seller of commodities or services during the 30-day period ending at midnight, August 14, 1971, for the same commodities or services. If no transaction occurred in that period, the ceiling was to be "the highest price, rent, salary or wage in the nearest preceding 30-day period in which transactions did occur." The freeze order covered all commodities and services with the exception of raw agricultural products. Persons selling or providing commodities or services were to maintain records of their highest price or recent charges during the specified base period, and were to have these available for public inspection. Violators of the freeze were made subject to injunction actions by the Department of Justice or to a fine of up to \$5,000 for each violation.

It is significant to note that Executive Order 11615, based as it was on the Economic Stabilization Act of 1970, covered only prices, rents, wages, and salaries; it did not cover interest rates, dividends, or profits. Extension of the freeze to these areas was considered at the August 13-15 meetings at Camp David, but was rejected. Whatever the merits of this decision, critics of the Administration's program charged that these omissions made it evident that the entire program was slanted in favor of big business.

Asked about "a freeze on interest" at the White House news conference on August 15, just before the President's announcement, Treasury Secretary Connally replied:

. . . We didn't include the freeze on interest for the simple reason that it was the combined judgment of everyone that it might work at cross-purposes. . . . We

³⁶ *Annual Report of the Council of Economic Advisers*, 1968, p. 119.

³⁷ Worsley, *op. cit.*, p. 102.

PRESIDENT'S ECONOMIC PROGRAM

did not do it because we didn't know how to effectively do it. It is almost impossible to make it apply to interest rates.³⁸

The Administration in mid-August 1971, Connally later indicated, felt that interest rates in the 30 days preceding the freeze were too high, and those existing on May 25, 1970—the basic base period—were even higher. Any announced ceilings on interest rates, Administration spokesmen feared, might rapidly become “floors,” as had been the case in the past. “We did not want to risk stabilizing interest rates at those high levels,” Connally said later. “We took the risk of excluding interest from the freeze and we were right.”³⁹ While interest was thus excluded from the freeze, Connally made a special plea to lending institutions to go along with the anti-inflation program. “We certainly expect that they will live up to the wage-price freeze in the interest they charge,” he said. “It’s my hope that interest rates will come down.”⁴⁰

Dividends were, like interest, excluded from the freeze order. But in his address of August 15, announcing the freeze action, President Nixon did call upon corporations “to extend the wage-price freeze to all dividends.”⁴¹ The Cost of Living Council put out guidelines on the subject; and at a news conference held September 28, 1971, Commerce Secretary Maurice H. Stans reported that pledges had been obtained from all but 38 of 1,250 of the Nation’s largest corporations to refrain from dividend increases during the freeze.⁴²

In the case of profits, the Administration opposed the imposition of an excess profits tax. Profits were declining at the time anyway, and the Administration feared that a freeze on profits would discourage the capital investment needed to create new jobs.⁴³ Even some Democratic economists like Gardner Ackley and Arthur Okun took a dim view of an excess profits tax.⁴⁴ President Nixon’s attitude was clear on this point. In his address to the Nation on

³⁸ White House press conference cited in note 26 above. The Credit Control Act of 1969 (Public Law 91-151) did authorize the President to delegate to the Federal Reserve Board authority to regulate interest rates as part of a credit control program, which may be instituted under certain circumstances. These circumstances require a Presidential determination that controls are necessary to prevent inflation generated by the extension of credit in an excessive volume. Such a determination did not appear to be justified under the conditions in the Summer of 1971.

³⁹ Statement before the House Banking and Currency Committee, October 27, 1971.

⁴⁰ Bureau of National Affairs, *A Special Report*, August 16, 1971.

⁴¹ “The Challenge of Peace,” August 15, 1971.

⁴² *New York Times*, September 29, 1971.

⁴³ “The Presidency—Recollections of Camp David,” *National Journal*, September 18, 1971, p. 1934; “Putting a Lid on Profits: Who Gets Squeezed?,” *U.S. News and World Report*, November 29, 1971, p. 551.

⁴⁴ “The Freeze: Planning for Thin Ice,” *Newsweek*, September 13, 1971, p. 83

October 7, 1971, announcing his decisions on the postfreeze program, he explained why he would not fix limits on profits.

... Many of my good friends in the field of politics have advised me that the only politically popular position to take is to be against profits.

But let us recognize an unassailable fact of economic life. All Americans will benefit from more profits. More profits fuel the expansion that generates more jobs.

More profits means more investment, which will make our goods more competitive in America and in the world.

And more profits means there will be more tax revenue to pay for the programs that help people in need. That's why higher profits in the American economy would be good for every person in America.

With the Government's putting a lid on wages and other costs, however, it was conceivable that in some circumstances exorbitant profits could be made. Rather than tax such excess or "windfall" profits, Nixon expected that under governmental policy in the Phase II program business "should pass along a fair share of its cost savings by cutting prices."⁴⁵

APPARATUS FOR ADMINISTERING THE FREEZE

The Cost of Living Council

By Executive Order 11615, the President established the Cost of Living Council (CLC) and delegated to it the authority conferred on him by the Economic Stabilization Act of 1970. The President designated Treasury Secretary John B. Connally to head the Council. A Texas Democrat, Connally had joined the Nixon Administration in February 1971 and soon emerged as the President's leading spokesman on the economy.⁴⁶

Executive Order 11615 further designated a Special Assistant to the President to serve, under the direction of the Chairman, as Executive Director of the Council. The President appointed Arnold R. Weber to this job. A 42-year-old economist from the

⁴⁵ See text of President Nixon's address in *New York Times*, October 8, 1971.

⁴⁶ Other members of the Council included the following: Dr. Paul W. McCracken, Chairman of the Council of Economic Advisers, designated as Vice Chairman; Clifford M. Hardin, Secretary of Agriculture; Maurice H. Stans, Secretary of Commerce; James Hodgson, Secretary of Labor; George Romney, Secretary of Housing and Urban Development; George P. Shultz, Director, Office of Management and Budget; George A. Lincoln, Director, Office of Emergency Preparedness; and Virginia H. Knauer, Special Assistant to the President for Consumer Affairs. Dr. Arthur F. Burns, Chairman of the Board of Governors of the Federal Reserve System, was designated to serve as "adviser" to the Council. Executive Order 11615 inadvertently omitted the Secretary of Housing and Urban Development from the Council's membership; this was corrected by Executive Order 11617, dated September 2, 1971.

PRESIDENT'S ECONOMIC PROGRAM

University of Chicago, Weber had joined the Nixon Administration in January 1969 as Assistant Secretary of Labor for Manpower. In July 1970 he was appointed Associate Director of the Office of Management and Budget. Weber was at the point of returning to his teaching post when he was recruited for the Council job.

Along with the delegation of the President's powers under the Economic Stabilization Act of 1970, Executive Order 11615 specified the following responsibilities of the Council:

a) Development and recommendation to the President of "additional policies, mechanisms, and procedures to maintain economic growth without inflationary increases in prices, rents, wages, and salaries after the expiration of the 90-day period specified in Section I of this Order."

b) Consultation with labor, industry, business, farm, and public representatives concerning the design of such policies, mechanisms, and procedures.

c) Guidance in all its actions by "the need to maintain consistency of price and wage policies with fiscal, monetary, international and other economic policies of the United States."

d) Informing the agricultural, industrial, and labor sectors and the public at large concerning "the need of controlling inflation" and encouraging and promoting voluntary action to that end.

The Council was thus to be the policy body for the freeze program. It could define terms, make exceptions or exemptions, issue regulations or orders, and take other necessary actions. The Council was authorized to redelegate any of its authority and to call on other Federal or State agencies for help in administering the order. Further, the Council could require the maintenance of appropriate records or other evidence needed in carrying out the provisions of the Executive order and request the submission of such information for examination.

To assist the Council in day-to-day policy and administrative decisions, Connally established an Executive Policy Committee (EPC) under the chairmanship of the Council's Vice Chairman, Dr. McCracken. Other members were Weber, George A. Lincoln, Director of the Office of Emergency Preparedness, and Charls E. Walker, Under Secretary of the Treasury. Meeting almost daily, EPC reviewed and resolved many policy issues and presented others to the Council for consideration in developing freeze policies and regulations.

OEP: The "Operating Agency" for CLC

At the White House press conference on the evening of August 15, Connally mentioned the creation of the Council to supervise the freeze and the decision to "delegate" the administrative management task to the Office of Emergency Preparedness. The fact that OEP had only about 300 people in its employment, Connally emphasized, should make it evident that "we don't anticipate that there is going to be any building up of any huge bureaucracy throughout the country" to administer the freeze. "It is a different animal entirely," he added, "from wage-price controls as we normally speak in those terms."⁴⁷

OEP Director George A. Lincoln was spending the weekend on his ranch near Denver, Colorado, when he got word from the White House late on August 14 to return to Washington the following day. He came back in time to alert his staff and Regional Directors to the impending message from the President and the call to action. Thus, "without warning," one periodical noted, "President Nixon plucked the tiny agency out of the anonymity of the U.S. Government Organization Manual to supervise the wage-price freeze."⁴⁸ In the same vein, another periodical characterized the assignment of "so vast and complex an undertaking" to Lincoln and his "tiny cadre of trouble-shooters," as a seemingly "implausible piece of casting." The article continued:

. . . The OEP is a flyspeck on the Federal table of organization—an obscure bureaucratic cranny with a meager staff (308), a modest budget (\$9.5 million), an ancient headquarters (the Army of the Potomac used it during the Civil War) and only eight regional offices in all the wrong places (e.g., Olney, Md., Denton, Texas, and Maynard, Mass.). Its expertise, moreover, consists mostly of directing recovery operations after hurricanes, tornadoes and earthquakes and making contingency plans for stabilizing the economy in case of nuclear war. Its directorship was once one of Washington's least glamorous jobs. But Mr. Nixon has grown fond of his man Lincoln, a retired Army brigadier general of 64 with an imposing personnel file (Rhodes scholar, West Point professor, co-author of five books) and a deceptively countrified manner. And OEP's lean, limber look obviously appealed to the President in contrast to the elephantine price-control bureaucracies of the World War II and Korean War eras.⁴⁹

Addressing the National Association of Food Chains some three weeks after OEP's assumption of this management task, OEP Director Lincoln observed, "I have . . . been asked why we are so charged." His response was as follows:

. . . Perhaps by a process of elimination. We had the only economic stabilization planning mission in Government—for use in wartime. So we had a little capital.

⁴⁷ White House press conference cited in note 26 above.

⁴⁸ *Time*, August 30, 1971.

⁴⁹ "OEP: Disaster is Its Speciality," *Newsweek*, August 30, 1971.

PRESIDENT'S ECONOMIC PROGRAM

We are a part of the President's Executive Office. We are accustomed to calling on and coordinating the great Federal agencies in connection with natural disaster operations. We are accustomed to getting to the emergency situation quickly and, perhaps equally important, getting out quickly. We have no vested interest in staying with an emergency task after it is done.⁶⁰

Lincoln had many years' experience as a national security specialist, defense economist, and military planner. He served in several strategic planning and military-political-economic assignments during and after World War II under Generals George C. Marshall and Dwight D. Eisenhower, and as an adviser to several Presidents and Secretaries of State and Defense. Just prior to his appointment as Director of OEP in January 1969, Lincoln retired from the Army. He came to OEP from the faculty of the U.S. Military Academy, where he had headed the Department of Social Sciences. In his capacity as Director of OEP, he was a statutory member of the National Security Council and assisted the President in coordinating the Federal response to economic crises and natural disasters, and in planning the national non-military defense efforts toward meeting contingencies ranging from limited war to all-out nuclear attack.

Lincoln had gained a reputation as an able administrator. He developed a broader concept of OEP's mission in the area of preparedness for, and management of, emergencies involving the President and his Executive Office. This "crisis management" extended to actively involving OEP in current emergencies. Thus, by special Presidential assignment, Lincoln was charged with policy direction, coordination, and surveillance of the Nation's oil import program, with the advice of an interagency committee under his chairmanship. Similarly, he came to chair a Joint Board of Fuel Supply and Fuel Transport, which identified short-term energy fuels and power problems and coordinated Federal remedial action. Also, in the face of recurring rail strikes, Lincoln, under assignment from the President, developed the priorities to guide the Secretary of Transportation in allocating means of transportation and directing the movement of essential goods. OEP's effectiveness as a troubleshooter in these crisis situations unquestionably had an important bearing on the President's decision to charge the agency with the management of the freeze program.

Over the years, too, the OEP's Economic Stabilization Division, under the leadership of Mr. Leonard A. Skubal, had been developing and coordinating government plans for maintaining and

⁶⁰ Remarks before the National Association of Food Chains, September 8, 1971.

stabilizing the civilian economy under emergency conditions. These plans included measures for both direct and indirect controls, draft legislation, the charting of the organizational structure, and preparations to staff it. The planning in the stabilization area, as in all other fields of the OEP mission, was in terms of three principal contingencies: international tension that would call for some tentative measures; so-called "limited war" mobilization; and general war, including massive nuclear attack.

The OEP Economic Stabilization Division developed and refined general programs for direct stabilization controls in limited war situations, as well as preparedness capabilities for the administration of controls at State and local levels in nuclear attack situations. With the advice and assistance of consultants and advisory committees, OEP staffers developed concepts for standby controls in specific industries, with regulations tailored to their unique characteristics. Much was done to design the structure and plan for the manning and logistic support of the Economic Stabilization Agency proposed for activation in an emergency. The Division's plans contemplated a general freeze or stop order covering all prices, wages, salaries, and rents immediately upon the onset of a substantial mobilization, to be followed by the spot handling of urgent problems arising under the freeze and by the rapid development of standards for adjustments, exemptions, and refinements that would be required.

The plans and programs that the Economic Stabilization Division had on hand had been prepared primarily upon the basis of wartime scenarios. They had only to be adapted to meet the needs of the non-mobilization situation in which they now were to be used. The advance work of the OEP planners, therefore, provided valid concepts that were useful from the outset.⁵¹

The Office of Management and Budget and the Council of Economic Advisers brought Skubal into the planning prior to the freeze. He served as a member of a task force that developed a number of papers reviewing and assessing U.S. and foreign experience with wage-price constraints, the peculiar set of factors which induced the President to create the Construction Industry

⁵¹ Enclosure to Memorandum, W. C. Truppner, Assistant Director for Resource Analysis, to Laurent E. Morin, Planning Review, November 16, 1971. Subj: After-Action Reports on OEP's Role in the Wage-Price Freeze; F. Joseph Russo, "Phase II of the New Economic Program," presentation at the University of Denver Symposium, Denver, Colo., November 18, 1971; Darrell M. Trent, Deputy Director, OEP, Statement before the House Armed Services Committee's Subcommittee on Civil Defense, December 9, 1971; Leonard A. Skubal, "Critique of OEP's Role and Performance in the Economic Stabilization Program of the New Economic Policy," January 1972.

PRESIDENT'S ECONOMIC PROGRAM

Stabilization Committee, and problems and alternatives in wage-price stabilization. The group also set out the major options in the form of guidelines with explicit criteria: a wage-price review board, a temporary freeze, selective industry actions, and general wage-price controls. For each of these options, they set forth their views on structure, implementation, required resources, anticipated operational problems, and probable effectiveness.

In presenting the staffing requirements in connection with the basic options, the task force proposal ranged up to 13,000. The President, in choosing his options, settled on a Phase I staff of fewer than 4,000. Using OEP's preparedness concepts, Skubal made a useful contribution to the work of the task force in shaping the President's freeze program. He had a direct role in the design of stabilization regulations and in shaping some of the thinking that went into the organizational structuring and policies of the freeze and the postfreeze stabilization programs.⁵²

OEP's activities in managing the freeze began immediately after the President's August 15th pronouncement. On August 17, the Cost of Living Council formally delegated to the Director of OEP "responsibility and authority to implement, administer, monitor, and enforce the stabilization of prices, rents, wages and salaries," as directed by Section 1 of Executive Order 11615. Significant policy decisions were to be made only after consultation with the Council. Other departments and agencies were expected to provide necessary assistance, and the Director was authorized to redelegate administrative and operative functions relating to the implementation of the program.⁵³

OEP was thus charged with managing the freeze. It was authorized to:

- 1) Provide overall management and direction from Washington for the operations based there and for field operations, generally through ten Regional Offices, which were to work in cooperation with 360 local offices of the Internal Revenue Services (IRS), Treasury Department, and 2,819 local offices of the Agricultural Stabilization and Conservation Service (ASCS), Department of Agriculture.

- 2) Develop, in conjunction with other Federal agencies, critical policy questions and issues and suggest to CLC the answers to these questions and issues.

⁵² Interviews with Leonard A. Skubal, September 21, 1971, and January 14, 1972; "Pre-Freeze Activity," Enclosure to Memo, Truppner to Morin, November 16, 1971, Subj: After-Action Reports on OEP's Role in the Wage-Price Freeze.

⁵³ Cost of Living Council Order No. 1, August 17, 1971, Subj: Delegation of Authority to the Director, Office of Emergency Preparedness.

PRESIDENT'S ECONOMIC PROGRAM

3) Respond to queries at both the national and local levels on the application and interpretation of policy.

4) Ensure, through the OEP network of Regional Offices and with the assistance of IRS, that there was compliance with the wage-price-rent freeze, and enforce compliance when necessary.

5) Receive and consider requests for exceptions and exemptions.

6) Keep the public fully and promptly informed of the freeze policies and procedures, the decisions made, and the guidelines developed in response to questions and answers raised, and gain general public understanding and acceptance of the program.

7) Monitor the progress of the program, determine how well and how rapidly requests for exceptions and exemptions were being processed and how promptly inquiries were being answered, and maintain a full record of these for analysis and formal reporting.

8) Collaborate with other Federal agencies in planning the post-freeze policy and procedures and give advice and assistance to the Council in this regard.

The role of OEP in these mission areas will be the subject of subsequent chapters in this history.

II

Organization: Structure, Staffing, Support

UNDERLYING CONCEPTS

Four factors influenced the development of OEP organization and staffing arrangements for administering the wage-price-rent freeze: the nature of the task, the environment of the freeze, the resources available to do the job, and the Director's concept of crisis management.

Nature of the Task

OEP's mission was to administer a freeze on wages, salaries, prices, and rents; its principal task was to hold the line for 90 days while the Administration was preparing for the following stage. Although the freeze lacked the complexity of a system of detailed controls with provisions for extensive adjustments to changing economic conditions, its administration was still a massive undertaking. Moreover, the task was complicated by the continuing requirements of OEP's ongoing programs, some of which were too important to be shunted aside, even for a few days. Because of these other responsibilities, the Director wore two distinct operational hats: one as administrator of the freeze and the other as Director of OEP's regular programs. For this reason, he wanted OEP's organization and staffing arrangements during the 90-day freeze to reflect two major considerations: they had to expedite the achievement of freeze objectives, and they had to permit OEP's most important regular programs to continue without major interruptions.

Environment of the Freeze

Coming as it did in a period of relative international calm (and

not in the midst of a large-scale war or in the wake of a nuclear attack as contemplated in OEP's economic stabilization planning), the freeze had no rival for public attention. Of particular moment was the fact that it was the first time in the history of the United States that wages and prices had been frozen for reasons other than the economic dislocation caused by large-scale military procurement in wartime.

The public generally welcomed the freeze as a positive step by the President to come to grips with the continuing problems of inflation. Support of the program, however, was not unanimous. Spokesmen for organized labor, who had been urging the President to impose direct controls on the economy, claimed that the freeze imposed inequitable sacrifices on working people. The reaction of some Governors, mayors, and other political leaders was influenced by considerations of how the freeze would affect their particular responsibilities and constituents. The media saw the freeze as the outstanding news event of the year and reacted accordingly. Everyone—business leaders, labor spokesmen, Congressmen, government officials, small businessmen, landlords, tenants, school teachers, housewives, and reporters—looked to Lincoln and his small agency for answers to their questions about the freeze.

Many of the questions that deluged OEP on August 16 and the next few days reflected concern over the unequal impact of the freeze on individuals and different sectors of the economy. The complex U.S. economy is constantly changing and the freeze unavoidably caught some individuals, businesses, and industries in a less advantageous position than others. The freezing of this imbalance for 90 days inevitably produced inequities and hardships.¹

Since the success of the freeze depended largely on voluntary compliance, it was imperative that the public be strongly encouraged to continue to support the freeze despite the uneven hardships resulting from it. An immediate and overriding task was to convince the public that the freeze was necessary to the economic health of the Nation and that it would be administered fairly, consistently, and effectively. Lincoln saw his part of this task mainly in terms of: rapidly developing rules more specific than the generalities in the legislation and Executive order; quickly disseminating information about the freeze to the public; encouraging voluntary compliance; receiving, investigating, and forwarding complaints of noncompliance; and placing pressure on those who did not comply voluntarily.

¹ See pp. 97–98, 115–116.

ORGANIZATION

Resources Available for the Task

Because of the President's opposition to building up a large bureaucracy, Lincoln knew he would have to achieve the desired public impact and other aspects of his mission with the resources of his small agency, supplemented by the resources available to him as a member of the President's staff. These resources were substantial. With the cloak of Presidential authority, Lincoln's strength was not measured by the small number of people in his agency; it was measured by the size of the mission assigned him and by the resources which he could draw from the departments and other agencies of the U.S. Government. During the first few days of the freeze, Lincoln tapped this vast Federal reservoir and soon found that it would supply the resources needed to supplement those of his own agency.

Even the resources of his own agency were more valuable than its small size might indicate to the casual observer. Among his staff of some 300 persons (professional and clerical) were many with extensive experience in coordinating and managing government programs to cope with wartime emergencies, natural disasters, rail strikes, national fuel and power shortages, and other crises. Some staff professionals were specialists in particular areas, but most were generalists, able to operate effectively in crisis situations of varying kinds. Further, the agency and its staff were experienced in working with members of other Federal agencies as a team in planning for and reacting to emergency situations and had a clearly defined and periodically exercised cross-agency emergency network. OEP had an Operations Center and a communications system which were immediately modified to cope with the new demands put upon them. Finally, OEP's small field organization was highly experienced in interagency coordination, in dealing with State and local governments, and in adapting to emergencies.

The situation had required the President to depend on an existing agency to administer the freeze—one that could start operating on the day following his declaration. Fortunately, OEP proved to be such an agency. As Lincoln expressed it, "When the freeze hit, OEP was already an operating outfit, and I was confident that my people could do the job."²

Lincoln's Concept of Crisis Management

During his 2½ years as Director, Lincoln had oriented OEP

² Lincoln, interview with OEP historical staff, February 3, 1972.

toward an operational approach that emphasized quick conversion of activities and resources from a normal to a crisis footing and had developed a staff trained and experienced in his concept of crisis management. He had come to believe that effective management of a crisis situation depends on action consistent with certain principles. Briefly, these principles are:

1. Make your mission in the crisis the central guide to your actions—focus on the objective.

2. Respond to the crisis quickly and positively and keep the action moving—don't let the workload pile up—stay up on the power curve.

3. Keep the future open as long as you can; don't limit your operations or field of maneuver until you have to.

4. Make your administration fair, consistent, and credible to the public.

5. Exercise central control and establish single, direct lines of control over the resources under your direct command.

6. Delegate to other agencies responsibility for managing their own applicable resources while maintaining a strong coordinating role over the use of these resources.

7. Delegate responsibility for routine matters to lower echelons when feasible.

8. Keep organizational changes to a minimum, making only those necessary to accommodate important changes in your mission—adapt what exists rather than trying to create something new.

9. Provide for effective coordination at all echelons. Teamwork is the key to success. Stress routine lateral coordination as well as that emanating from higher levels.

10. Dispatch immediately all information to everyone who needs it.

11. Insure continuous, reliable, and fast feedback from your operations. Follow up quickly to avert bottlenecks and crises.

12. As the one in charge, keep yourself free to orchestrate the entire operation—don't get mired down in details.

Lincoln's implementation of these concepts of crisis management will be noted from time to time in this and succeeding chapters of the history.

NATIONAL OFFICE ORGANIZATION

Lincoln's task was complicated by his continuing responsibility for a wide range of functions other than the freeze. OEP's normal

ORGANIZATION

role includes: developing policy, plans, and programs to deal with wartime emergencies, certain peacetime crises, and natural disasters; coordinating and guiding the activities of Federal agencies in preparing for and dealing with these emergency and crisis situations, including plans for continuity of government and for resource management; and, in the case of natural disasters, managing the President's Disaster Relief Fund. The Director of OEP also has major responsibilities involving oil import policy and related energy problems, stockpiles of strategic and critical materials, and industrial mobilization planning, as well as those flowing from his membership on the National Security Council.

To carry out these responsibilities, Lincoln had developed a headquarters organization with command lines and functional assignments as shown in Figure 1. This organization had served him well, and he wanted the freeze to disturb it as little as possible. In his opinion sudden and drastic organizational changes confuse the staff, confuse the many Federal agencies with routine relationships with OEP, and result in lost motion. Also, he foresaw that the full impact of OEP's new mission and the resources needed to carry it out would not be clear for several days. Meanwhile, he wanted to avoid precipitate actions that would narrow his field of maneuver.

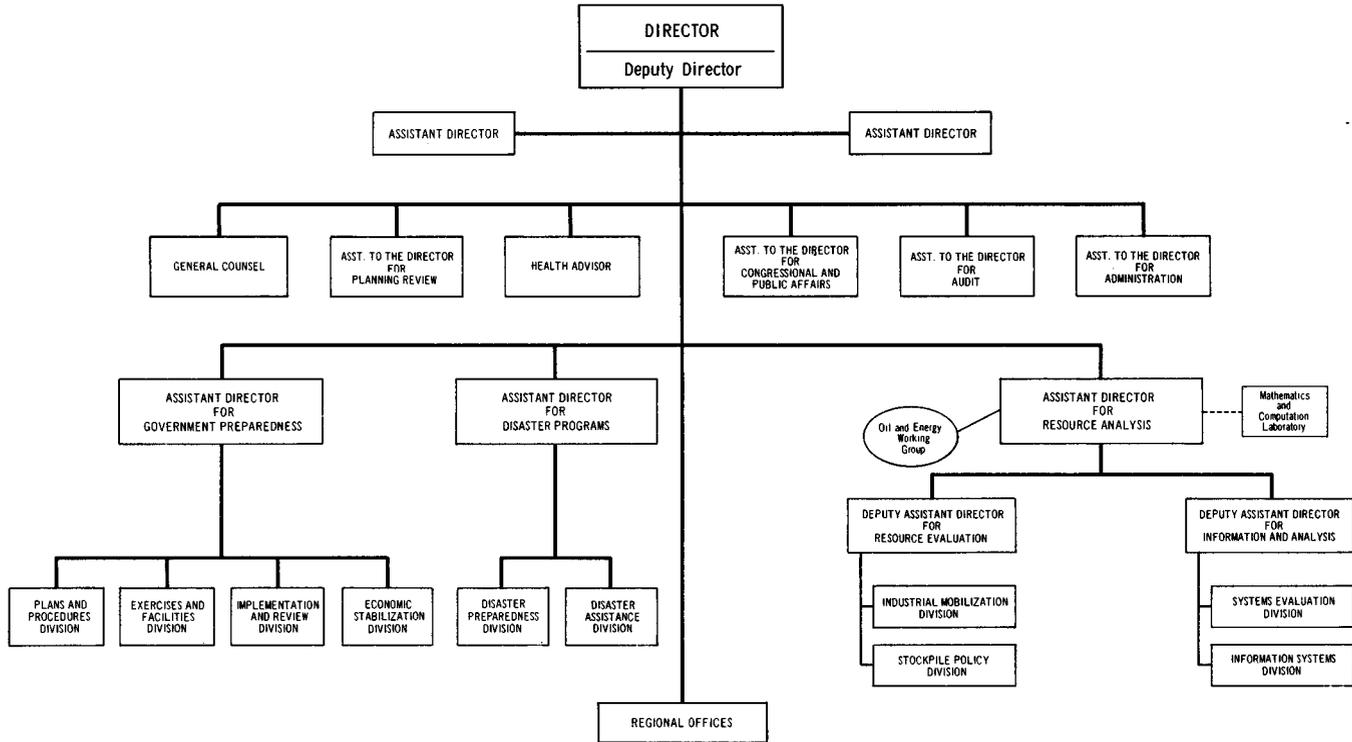
At the same time, Lincoln recognized that OEP's normal organization was not adequate for administering the freeze. He was also aware that OEP's prior planning for economic stabilization, while valuable in several respects, did not offer a ready solution to his organizational problem, particularly at the national level. This planning had been directed toward a wartime situation, either nuclear or limited, and contemplated establishment of an Office of Defense Resources (ODR) at the apex of a system of control agencies (including an Economic Stabilization Agency) superimposed on the regular Federal structure.³ Such a system would take months to activate. Lincoln needed an immediate solution, and he decided for the moment to solve his problem by setting up a provisional organization to keep things under control while a more suitable organization was being devised in the light of emerging developments.

The provisional freeze organization with which OEP set forth on August 16 was roughly its regular organization, with important changes. One of the first and most important of these changes was

³See *Office of Defense Resources, Resource Mobilization for Limited War*, July 1966, and the *Manual for Regional Emergency Operations, Economic Stabilization Agency*, August 1969.

FIGURE 1

OFFICE OF EMERGENCY PREPAREDNESS



ORGANIZATION

ORGANIZATION

the transformation of the Government Preparedness Office into an Operations Office.⁴ From the first day of the freeze and throughout the 90-day period that office was the main link between Washington and the field. The Operations Office dispatched messages and directives to the field and received inquiries, reports, and requests for assistance from the field. The office processed these messages to OEP staff divisions and appropriate Federal agencies, and followed up to assure rapid response. In the first 2 weeks of the freeze, this office also handled direct inquiries from the public.

Another important and early change was the reordering of OEP's priorities to give prime emphasis to the wage-price stabilization mission, while continuing with minimal disruption certain essential activities. The natural disaster, oil policy, and stockpile activities were carried on at essentially prefreeze levels; but all other activities were subordinated to the freeze. This reordering of priorities made most OEP personnel available temporarily for staffing the new freeze functions. At the same time, since the regular organization was not radically altered, some staff members could conveniently devote part of their time to OEP's continuing functions.

The freeze had been under way only a few days when it became evident that further organizational changes were needed in the National Office. Lincoln asked the Deputy Director, Mr. Darrell M. Trent,⁵ to give his personal attention to the matter and propose the necessary changes. By August 21 the situation had developed sufficiently to delineate the substantive activities involved in managing the freeze: overall management and operational direction; participation in policy formulation and rulemaking; responding to questions on the application and interpretation of policy; processing requests for exceptions and exemptions; informing the public of freeze policies and procedures and gaining public understanding and support of the freeze; enforcing compliance with freeze policies, rules, and directives; and monitoring, reporting, and recording the progress of the freeze.

⁴ This office was headed by Mr. Eugene Quindlen, who had directed Government Preparedness activities since the inception of OEP. His 30 years of Federal service—most of it in the fields of government preparedness, program planning, and evaluation activities—included active duty as an officer in the U.S. Army (1942-46) and assignments with the Office of Emergency Preparedness, the Office of Civil and Defense Mobilization, the Federal Civil Defense Administration, the Veterans Administration, and the Federal Security Agency.

⁵ Trent became Deputy Director of OEP in August 1970, while continuing to serve as Executive Secretary of the President's Property Review Board, a post he was appointed to in April 1970. Over the previous year he had served as Deputy Assistant to the President, with policy responsibilities involving development and coordination of domestic affairs programs and with responsibility for White House liaison with certain Federal agencies, including OEP.

It was apparent by this time that other Federal agencies would support OEP by assigning high-caliber personnel to help administer the freeze. It had also been agreed that the Internal Revenue Service and the Agricultural Stabilization and Conservation Service would become part of the field structure, as discussed below.

The organizational structure that Trent proposed reflected these developments.⁶ It also reflected an awareness of Lincoln's concept of crisis management and of his directive that certain of OEP's day-to-day missions continue with minimum disruption. Lincoln approved the new organization on August 21, 1971; with a few minor changes this organization remained in effect throughout the freeze. The organization for economic stabilization activities is shown in Figure 2.

Natural disaster personnel continued their normal duties relatively undisturbed by the freeze, although they did have to move their quarters to another building to make room for Federal agency personnel brought into the OEP National Office. Their duties kept them fully occupied throughout the freeze period, for during that period the President declared seven major disaster areas in the United States.

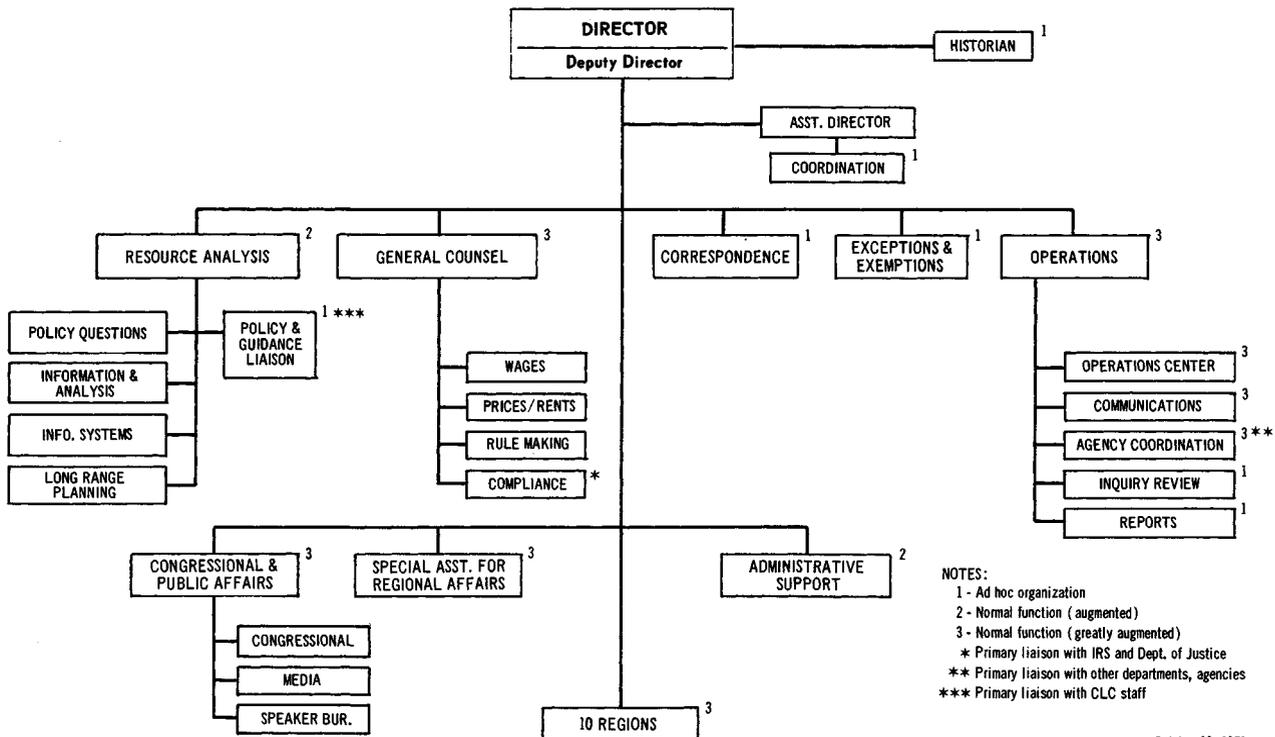
The impact of the freeze on the Resource Analysis Office, headed by Mr. William C. Truppner,⁷ varied from activity to activity. As indicated above, the Oil and Energy and Stockpile Policy activities continued without substantial interruption.

Most of the remainder of Resource Analysis personnel participated actively in the freeze, although some were able to continue at least part of their normal duties. The Office of Resource Evaluation, called the Policy Questions Office during the freeze, drafted policy statements for consideration by CLC and produced the Stabilization Program Guidelines. The Office of Information and Analysis created a computer-based reporting system to facilitate OEP management of the freeze and keep CLC apprised of freeze developments. The Economic Stabilization Division was temporarily transferred from the Government Preparedness Office to

⁶ Trent was assisted by J. Ray O'Connell, Assistant to the Director for Administration, John P. Cannon, Special Assistant for Regional Affairs, and E. R. Heiberg and Anthony A. Smith, Special Assistants to the Director for coordination and other purposes.

⁷ Since joining OEP in 1967, Truppner had served as Assistant Director for Resource Analysis. He also chaired the Working Group of the President's Oil Policy Committee. His previous government experience included positions with the War Production Board in World War II, the National Production Authority and Defense Production Administration in the Korean War, and 8 years as Director of the Office of Industrial Mobilization, Department of Commerce.

FIGURE 2
OEP ORGANIZATION FOR ECONOMIC STABILIZATION ACTIVITIES



NOTES:
 1 - Ad hoc organization
 2 - Normal function (augmented)
 3 - Normal function (greatly augmented)
 * Primary liaison with IRS and Dept. of Justice
 ** Primary liaison with other departments, agencies
 *** Primary liaison with CLC staff

Resource Analysis, where it assisted in the planning for Phase II. This division was returned to Government Preparedness on July 25, 1972.

The Office of the General Counsel, under Mr. Elmer F. Bennett,⁸ was given several tasks. It reviewed draft policy proposals for legality and consistency before they were sent to CLC for consideration. It converted CLC policy into regulations in a form suitable for publication in the *Federal Register*. Further, the General Counsel's Office advised the OEP Regional Offices and the headquarters staff on interpretation of CLC rulings.

A greatly expanded Office of Congressional and Public Affairs was charged with responding to congressional inquiries, pressing a vigorous public information program through the public media, and providing staff guidance and materials to regional public information officers. The public information effort included a Speakers' Bureau to arrange speaking engagements and provide speech material.

The Special Assistant for Regional Affairs monitored and reported on developments in the Regional Offices. He served as a coordinator and trouble shooter for regional matters at the National headquarters, assisted in inspections of the Regions, and advised on regional staffing and organizational matters.

Several activities unique to the freeze resulted in the creation of completely new staff elements. A special Coordination Office, under Assistant Director Haakon Lindjord,⁹ exercised continuous overview of operations, coordinated the work of the various staff elements, eliminated bottlenecks, and generally sought to improve OEP's administration of the freeze. A Policy and Guidance Liaison Office developed policy proposals for consideration by CLC and served as OEP's interface with that agency. An Exceptions and Exemptions Office staffed all requests for exceptions and exemptions from the freeze. A Correspondence Section expedited responses to all correspondence concerning the freeze coming into

⁸ Bennett's career includes several years of private law practice dealing primarily with antitrust and natural resource problems; service as General Counsel and subsequently Under Secretary of the Department of Interior; and service as General Counsel and Assistant to the Director of the Public Land Law Review Commission. He left the latter position in May 1970 to become Special Assistant to the Director of OEP for oil and energy matters. He became General Counsel in July 1971 and was sworn in as an Assistant Director of OEP on November 29, 1971.

⁹ Before coming to OEP in January 1969, Lindjord was on the professional staff of the U.S. Senate Subcommittee on National Security and International Operations, having joined the staff upon retirement as a Colonel, U.S. Army, in 1968. During his 27 years in the Army he served in various command and staff positions, including that of Director, Policy Planning Staff, Office of the Assistant Secretary of Defense (International Security Affairs).

ORGANIZATION

the National Office. A Compliance Branch, established in the Office of the General Counsel, processed those compliance cases forwarded by the OEP Regional Offices and maintained liaison on legal matters with the Regional Offices, the Internal Revenue Service, the Justice Department, and CLC. Separate sections were also established in the General Counsel's Office to deal with rulemaking, wages, and prices and rents. A Historian's Office was immediately established to record the story of OEP management of the freeze.

FIELD ORGANIZATION

Another important development was the expansion of the OEP field organization from eight to 10 regions to conform with the 10-region structure of several other Federal agencies. Immediately following the President's speech on the evening of August 15, Lincoln held a telephone conference with his Regional Directors, who had been directed to listen to the speech. He ordered them to move their headquarters from their isolated locations to the large cities in which the Federal Regional Councils¹⁰ were located and to set up regional service centers in these cities.

The uniform Federal regional structure called for 10 uniform regions for all affected agencies, with regional offices all located in the same 10 major cities. On March 1, 1971, OEP had realigned its regional boundaries to conform substantially to this pattern, but with only eight regions. Upon the advent of the freeze, Regions 1 and 6 were split to form two new regions with headquarters in New York City and Kansas City. Regional Service and Compliance Centers, renamed "OEP Regional Offices" on August 30, were established in the 10 major cities designated in the uniform structure.¹¹ All 10 of the relocated Regional Offices were open for business by Wednesday, August 18, as ordered by the Director. Figure 3 shows the regional boundaries and the location of the 10 Regional Offices.

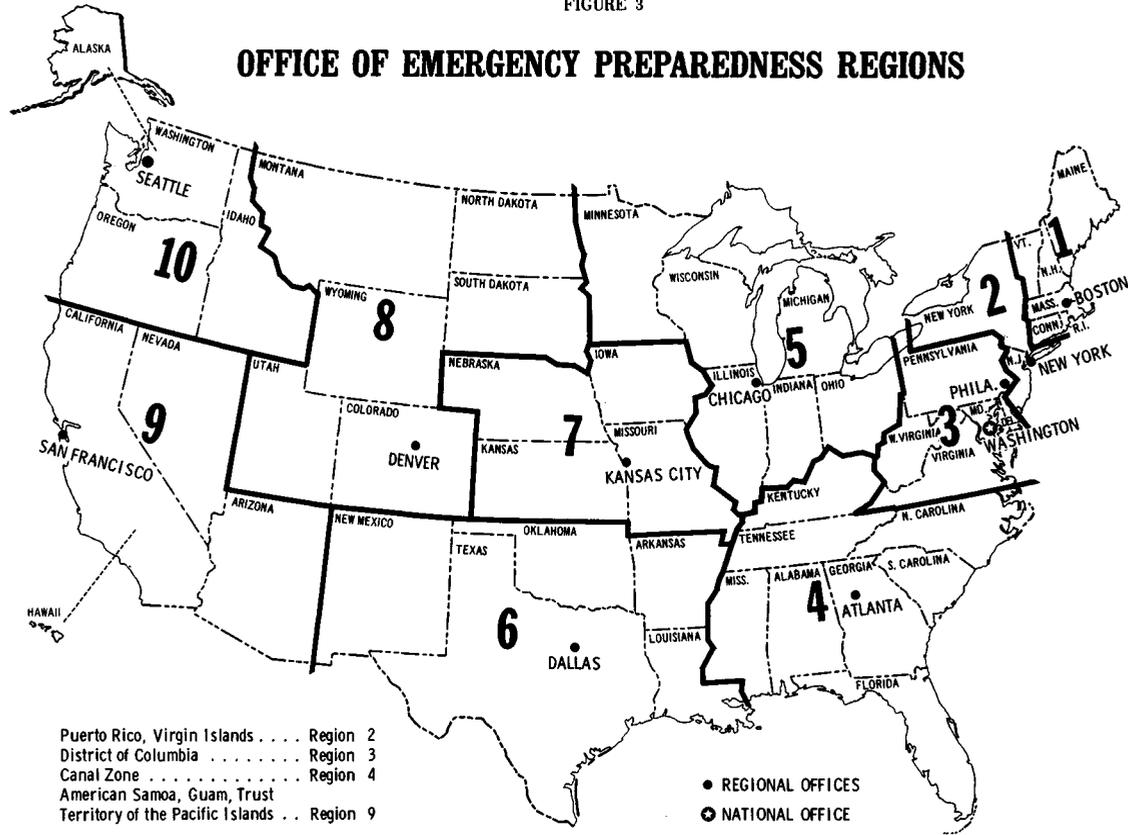
The Regional Directors were told to use the organization chart in the *Manual for Regional Emergency Operations—Economic Stabilization Agency* as a guide in organizing for their new mission

¹⁰ Federal Regional Councils are composed of the senior field representatives of the Federal agencies administering grant programs in the respective regions.

¹¹ Before the freeze, OEP Regional Offices were generally established in isolated locations at Federal relocation sites. These were maintained to provide Federal departments and agencies with alternate operating and communications facilities under certain conditions of national emergency.

FIGURE 3

OFFICE OF EMERGENCY PREPAREDNESS REGIONS

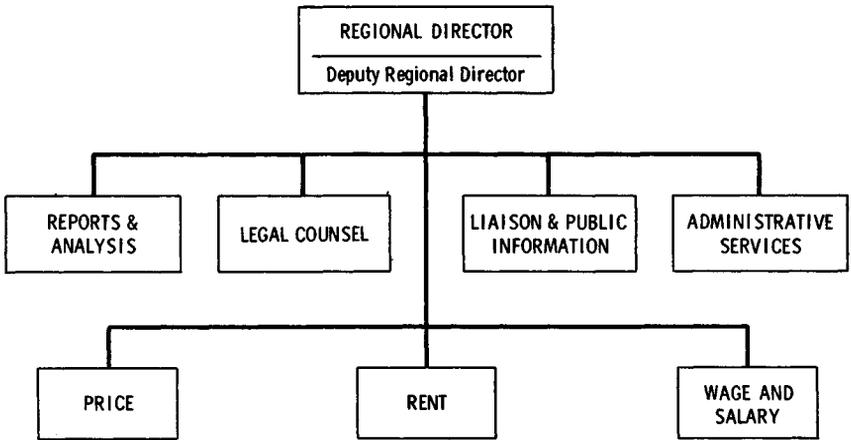


Puerto Rico, Virgin Islands Region 2
 District of Columbia Region 3
 Canal Zone Region 4
 American Samoa, Guam, Trust
 Territory of the Pacific Islands . . . Region 9

ORGANIZATION

AUGUST 18, 1971

FIGURE 4
**OEP REGIONAL OFFICE ORGANIZATION
 FOR ECONOMIC STABILIZATION**



(see Figure 4). Some Regional Directors added an Operations-Communications Section and an Office of Exceptions and Exemptions. They were to look to the field offices of the General Services Administration (GSA) for administrative support and of the Civil Service Commission (CSC) for help in obtaining an expanded staff. Concurrently, the Washington offices of GSA and CSC issued instructions to their regional offices to give OEP Regional Directors the highest priority assistance.

During the first 2 weeks of the freeze the principal business of the Regional Offices was to answer questions and inform the public about the freeze; to serve as focal points for receiving complaints and reports of alleged violations; and to act as channels for transmitting information and queries on various aspects of the freeze to the National Office.¹² The initial public impact on these offices is indicated by the telephone company's estimate that as many as 10,000 calls an hour were dialed to OEP's New York office on the day it opened.

Lincoln did not intend, however, for OEP's Regional Offices to carry the full load of information and compliance activities. As

¹² Implementing Instructions to OEP Regional Directors, Message No. 2, August 15, 1971.

early as the evening of August 15, he agreed to the idea of getting another agency to assist in these activities.¹³ After considering the pros and cons of delegation to various agencies, he decided on the Internal Revenue Service (IRS). In his view, the IRS appeared to be most suitable because it had:

a. A nationwide network of offices readily accessible to most Americans.

b. A large and widely distributed staff with requisite skills and experience in investigation and compliance procedures and in dealing with the public.

c. A somewhat seasonally reduced workload on income tax activities, which permitted a substantial number of the field personnel to assume additional duties during the 90-day freeze.

For the above reasons the Director on August 19, after consulting with the Secretary of the Treasury, delegated to that official "the responsibility and authority for the establishment, operation and maintenance of local service and compliance centers." The functions exercised by these centers included: dissemination of information and guidance to the public; receipt, analysis and evaluation of complaints concerning violations; and, under the coordination and policy guidance of the Director of OEP, the investigation of complaints and enforcement of the stabilization of prices, rents, wages and salaries.¹⁴ On the same day, the Secretary of the Treasury charged the taxpayer assistance network of the Internal Revenue Service with operating these local service and compliance centers.¹⁵ Also on August 19, the Director arranged for the county offices of the Agricultural Stabilization and Conservation Service (ASCS) to function as information centers for the rural areas of the United States.¹⁶ A few days later, on August 25, Lincoln requested that IRS officers, incidental to their visits on tax matters, make spot checks to help monitor compliance with the freeze.¹⁷

As a result of these developments, the field organization for administering, implementing, monitoring, and enforcing the economic stabilization program was completed and was functioning satisfactorily by the end of the second week of the freeze. The relationship of the field organization to the National Office of OEP

¹³ The proposal was contained in Leonard Skubal's Memorandum for the Director, August 15, 1971, Subj: Action Items and Required Policy Guidance.

¹⁴ OEP Economic Stabilization Order No. 1, August 19, 1971.

¹⁵ Treasury Department Order No. 150-75, August 19, 1971.

¹⁶ Lincoln, Memorandum for the Record, August 19, 1971, Subj: Telecon with Secretary Hardin.

¹⁷ Ltr, Lincoln to Connally, August 25, 1971.

ORGANIZATION

and CLC is shown in Figure 5. The field organization remained essentially unchanged throughout the remainder of the freeze.

OEP Regional Offices conducted intensive public information programs; coordinated and monitored the information and enforcement activities of the IRS and the information activities of the ASCS offices; and gave the IRS and ASCS offices policy guidance, technical assistance, and other forms of support related to the economic stabilization program. Following CLC and OEP National Office guidelines, the Regional Offices gave interpretations of specific freeze situations and problems. They identified and sent to the National Office those policy issues that could not be resolved in the field, and after September 3, 1971, they were authorized to deny requests for exemptions in cases where clear precedents had been established.¹⁸ They reported on a daily, weekly, and ad hoc basis to the Director and other National Office officials on various aspects of the program, including its effectiveness and its impact on the public. Furthermore, the Regional Offices maintained continuous contact with the regional offices of other Federal agencies and with Governors, Attorneys General, and other State officials.¹⁹

Seven IRS Regional Offices monitored and supported the economic stabilization activities of 58 IRS District and 302 Subdistrict Offices. All IRS offices responded to direct public requests for information and supported the ASCS county offices in their responses to such requests. The IRS offices investigated allegations of noncompliance and reported each week to the OEP Regional Offices on economic stabilization activities.

The ASCS county offices responded to direct public requests for information, handled local media contacts, transmitted complaints to the nearest IRS office and reported, as requested by OEP, on economic stabilization activities within their respective counties.

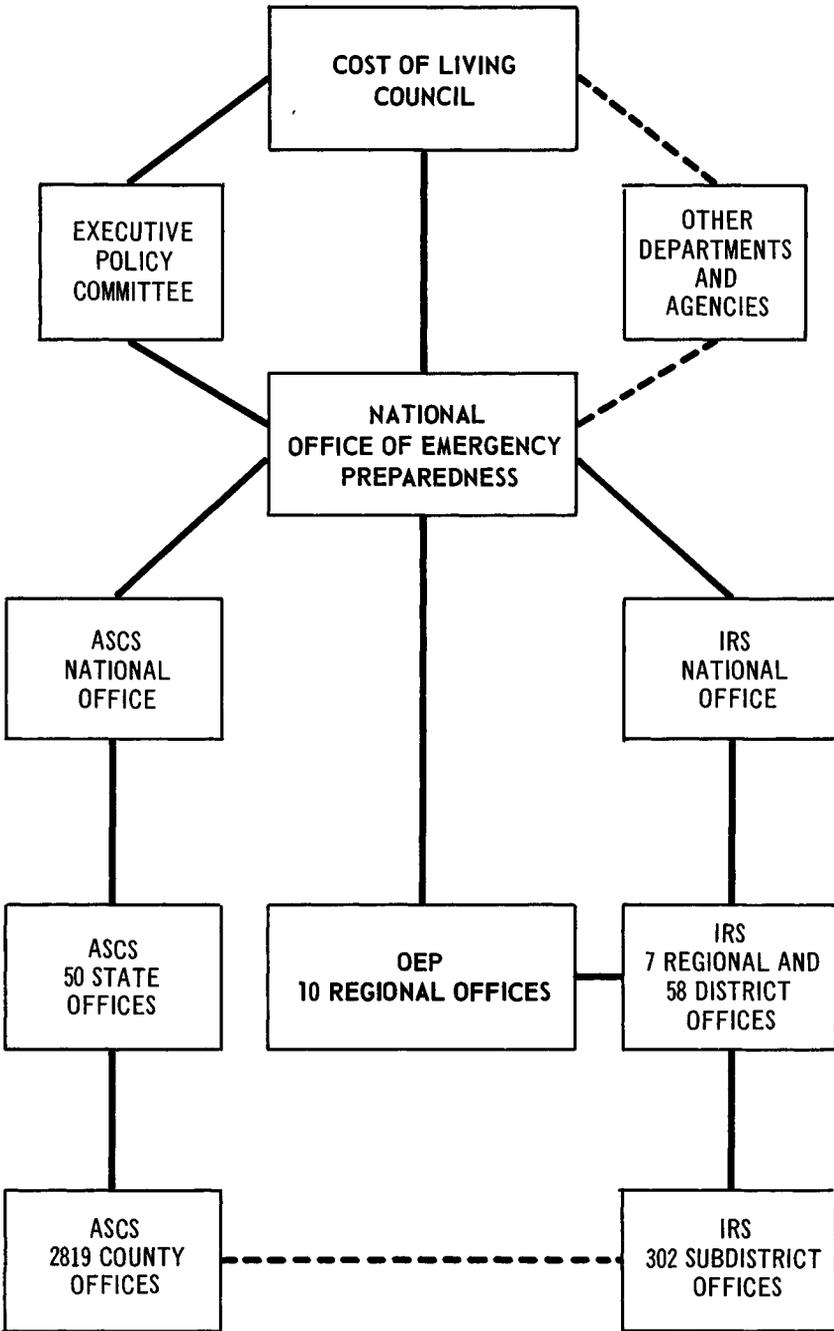
The completed freeze organization afforded a framework within which Lincoln could effectively discharge his dual responsibilities during the 90-day freeze. It reflected sensitivity to the peculiar conditions of the 90-day period, particularly the need to provide a rapid response to public concerns over various implications of the freeze. It facilitated the task of welding together an operating staff composed largely of persons from other agencies and allowed OEP to coordinate smoothly with the agencies associated with it in

¹⁸ See Chapter V.

¹⁹ At the request of OEP, each State Governor (and the Governor of Puerto Rico) appointed a person to serve as official liaison between his office and the respective OEP Regional Office; see Lincoln, Memo for the Chairman, CLC, August 25, 1971.

FIGURE 5

WAGE-PRICE FREEZE ORGANIZATION



ORGANIZATION

administering the freeze. Finally, the organizational structure reflected the Director's precepts of crisis management.

BUILDING AN OPERATIONAL STAFF

General Policy on Staffing

OEP's policy for developing an operational staff for the freeze differed greatly from that reflected in OEP's economic stabilization plans developed to meet war emergencies. As mentioned earlier, these plans called for a system of control agencies, one of which was an Economic Stabilization Agency. Under this system, important operational responsibilities would have been delegated to Federal agencies consistent with their normal peacetime functions. OEP would have been abolished, and its personnel used to help staff the Office of Defense Resources, the Economic Stabilization Agency, and other elements of the control structure. Key positions in the new agencies, however, would have been filled by activating the National Defense Executive Reserve (NDER) at both national and regional levels.²⁰ Additional staffing would have been provided by detailing predesignated technical personnel from Federal agencies and by recruiting technical and clerical personnel from the private sector.

The game plan actually used for the freeze was vastly different. The President placed the OEP Director in charge of administering the freeze under the general guidance of the Cost of Living Council, and the only delegations of operational functions to other Federal agencies were those that Lincoln made to the Secretary of the Treasury (for IRS) and the Secretary of Agriculture (for ASCS). Furthermore, the President had stated emphatically that he did not want a large bureaucracy administering the freeze and that he intended that the other Federal agencies provide the personnel needed to augment OEP's staff. It is not surprising, then, that OEP's staffing policy varied so much from the advance script and that Executive Reservists saw little action in the freeze.

In addition to the President's views on staffing, there were several cogent reasons for not giving the Executive Reservists a more prominent role. Lincoln summarized these reasons as follows:

²⁰ The NDER is a pool of key personnel from industry and other sectors of society selected and trained to fill important positions in the Federal Government in time of emergency.

While I was pressed by some to activate the NDER immediately, I postponed action for several reasons. First, we did not know the magnitude of the undertaking. Second, most of the Executive Reservists had responsible jobs in industry and would have had difficulty in getting detached. They could not go to work the next morning (Monday, August 16) and we needed people immediately. Third, the Executive Reservists are generally senior people in their organizations and would have wanted to work with major policy determination. But we had a freeze, not a system of economic controls, and what we needed most was operators in the field, not experts advising on policy. Fourth, I saw a real conflict of interest developing if we used Executive Reservists over a period as long as the 90-day freeze. We had to keep the public with us, and I wanted to give the press no opportunity to allege conflict of interest. Finally, within 24 hours it was clear to me that I was going to get excellent cooperation from the Federal agencies and that this would do the job. So, I told each Regional Director to bring in his Executive Reservists, brief them thoroughly, and add them to his communications net—to keep them posted, get them to help us keep the public informed, and to the extent feasible use them for speaking engagements.²¹

Having decided against the formal activation of the Executive Reservists, Lincoln laid down the following policy for expanding the staff. First, the greatest possible use would be made of OEP personnel. Second, the freeze organization would be fleshed out with personnel detailed from other agencies. Third, as a last resort, personnel would be recruited on a temporary basis from the private sector.

In general, Lincoln left the implementation of this policy to subordinates in the National Office and to the Regional Directors. He did, however, take a personal hand in a few instances. In his telephone conference on Sunday night, August 15, he advised the Regional Directors to look to the Civil Service Commission (CSC) at the regional level for primary assistance in staffing. Also, during the early days of the freeze, he personally enlisted the help of a few high-level government officials in other agencies in overcoming some especially critical personnel shortages. His policy, however, was to depend on the cooperation of the Federal agencies represented on CLC, the substantial pressure that the Office of Management and Budget (OMB) could bring to bear on Federal agencies when necessary, the active support of the Civil Service Commission both in Washington and in the field, and the hard work of his own Personnel Office.

The OEP Personnel Office in Washington shouldered the burden of arranging for Federal agency personnel to work with OEP. The first morning of the freeze, Mr. J. Ray O'Connell, Assistant to the Director for Administration, and Mr. Charles Pierce, Chief of the OEP Personnel Division, visited key officials of the Civil Service Commission and obtained their assurance of full cooperation in

²¹ Lincoln, interview with the OEP historical staff, February 3, 1972.

ORGANIZATION

meeting OEP's manpower needs at both the national and regional levels.

OMB also helped to solve OEP's staffing problems. Heads of Federal agencies were asked to instruct their regional directors to provide OEP Regional Offices with the personnel they needed. OMB also requested the Regional Councils and the Federal Executive Boards to give all possible assistance. OMB sent a representative to each of OEP's new Regional Offices to help with the liaison activities involved in the massive borrowing of personnel. This added assistance aided the OEP Regions in forming their staffs and becoming operational in record time.

The Regional Directors depended heavily on the initiative and assistance of the Regional CSC personnel. In a number of instances, OEP Regional Directors asked the Federal agencies to assign specified individuals, and these requests were usually honored. CSC was highly cooperative in working with OEP Regional Offices. The CSC Regional Directors participated in the staffing process, advising on the kind of persons to get from each agency, and contacting Federal agencies to encourage their cooperation. In some Regions, the Chairman of the Federal Executive Board helped out by contacting Federal agencies and by encouraging them to comply with OEP's staffing requests.

The Staff Expands

Vigorous implementation of this policy of drawing on other agencies led to a rapid increase of OEP's staff. The National Office staff, which numbered about 230 at the beginning of the freeze, expanded to 381 by the end of the first week and leveled off at about 415 during September and October.²² About 185 of these people were on loan from other agencies.²³

The regional staff expanded even more dramatically. On August 15, the total force for the eight-region structure was about 70, ranging from six to nine at each office. By the end of the first week the total strength for the new 10-region structure was just over 280, with staffs ranging from 18 to 36. On October 1, near the height of operations, total strength in the Regional Offices was about 390.

Persons detailed to OEP came from some 40 Federal agencies. On

²² This figure of 415 includes those OEP employees who had no part in administering the freeze and those who devoted only part of their time to it. When appropriate adjustments are made for these employees, the strength of the freeze staff in the National Office was about 340 at the peak of activity.

²³ See Table 1.

October 22, the Defense Department headed the list with 98, the Department of Labor was second with 49, and the Department of Health, Education, and Welfare was third with 43. Table I gives a breakdown of Agency personnel detailed to OEP at the national and regional levels.

TABLE I.—Detailed Personnel: Agency Affiliation
(October 22, 1971)

Department/Agency	National Office	Regions	Total
Defense:			
Army	24	28	52
Air Force	6	1	7
Navy	4	3	7
Other	12	20	32
(Sub-total from Defense)	(46)	(52)	(98)
Labor	15	34	49
Health, Education, and Welfare	10	33	43
Agriculture	13	25	38
Treasury	12	22	34
General Services Administration	5	29	34
Commerce	23	10	33
Housing and Urban Development	8	21	29
Interior	8	7	15
Office of Economic Opportunity	4	11	15
Justice	3	9	12
Transportation	2	10	12
Small Business Administration	2	9	11
Veterans Administration	—	11	11
Federal Trade Commission	3	3	6
Central Intelligence Agency	6	—	6
Civil Service Commission	—	6	6
All other agencies	25	8	33
Totals	185	300	485

Integrating the Newcomers

The persons detailed from Federal agencies brought to OEP a wide range of professional, technical, operational, management, administrative, and clerical skills, and they were urgently needed in all these categories. At the National Office detailed clerical personnel were assigned to almost all offices concerned with freeze activities, with the largest share of them going to the offices responsible for legal interpretations, correspondence, and exceptions and exemptions. Professionals from other Federal agencies were used principally in a liaison capacity with their respective agencies and in providing technical advice in their particular areas of expertise. A few, however, were used in management and operational roles.

ORGANIZATION

At General Lincoln's personal request, the Department of Defense detailed a few officers who played key management roles throughout the freeze. These skilled staff officers had previously served with OEP and were familiar with its procedures and policies. Several of the professionals from the Office of Civil Defense (since redesignated Defense Civil Preparedness Agency) helped manage the Operations Center; they were able to fit readily into this assignment because their normal duties bring them in close contact with OEP's Government Preparedness Office. The U.S. Army Inter-agency Communications Agency (USAICA), an element of the U.S. Army Strategic Communications Command, provided skilled operators to augment OEP's communications capability.

Some thought was given to putting the detailed agency personnel into separate groups according to areas of expertise. The Director rejected this course, however, because he believed it would unnecessarily prolong the period of adjustment that would have to take place before the newcomers became useful to the organization. Integration of the incoming personnel into the appropriate OEP offices from the outset put the newcomers immediately into the center of action; this practice probably was an important factor in maintaining high morale throughout the freeze. It also enabled OEP to weed out and expedite the return to their home agencies of the small number of detailees who did not adjust readily to the demands of the situation.

The largest number of individuals detailed to the National Office were integrated into the Operations Center, with the General Counsel's Office and the Resource Analysis Office respectively in second and third place, as shown in Table 2.

Detailed personnel played different and relatively more important roles at the regional level. The OEP contingent in most Regions was only large enough to staff the offices of the Regional Director and the Deputy Director and in some Regions to provide the cadre for operations-communications and administrative services. Thus, at the regional level, detailed personnel filled all professional and almost all clerical spaces in the offices dealing with freeze functions. They filled all but one public information slot, all but one exceptions and exemptions slot, and a substantial number of positions in the operations-communications and administrative services categories.

TABLE 2.—Detailed and Appointed Personnel: OEP Office Assignment
(October 8, 1971)

Office	Agency Details		Temporary Hires		
	Professional	Clerical	Professional	Clerical	Consultants
Director	—	—	—	—	1
Assistant Director	3	—	—	—	—
Historian	1	1	—	—	2
Resource Analysis	21	4	1	—	2
Exceptions & Exemptions ..	10	4	—	1	—
General Counsel	32	16	—	4	1
Congressional & Public Affairs	12	1	1	3	1
Correspondence	5	15	2	3	—
Government Preparedness (Operations Center)	48	3	—	2	—
Administration	1	3	—	5	—
Regional Affairs	8	1	—	—	—
Disaster Programs	—	1	—	1	—
Oil & Energy	1	—	—	—	—
Subtotal	142	49	4	19	7
Region 1	24	9	—	3	1
Region 2	28	19	1	—	1
Region 3	22	16	—	1	2
Region 4	23	11	—	—	—
Region 5	25	9	—	—	—
Region 6	14	8	—	4	1
Region 7	24	10	—	2	—
Region 8	21	1	—	8	—
Region 9	18	11	—	—	—
Region 10	13	9	—	—	—
Region Offices Subtotal	212	103	1	18	5
Grand Total	354	152	5	37	12

Staffing Problems

OEP encountered a few significant problems in developing an operational staff. One problem arose from the assignment of some persons who proved to be unsuitable for the rigorous work of the freeze. Most agencies realized from the beginning the importance of sending motivated and well qualified persons. When those assigned failed to measure up, OEP used several means to correct the situation. In some cases they were returned to their agencies as being unsuitable for the assignment, and the sending agencies were asked to replace them with individuals better equipped for the

ORGANIZATION

assignment. Another approach sometimes found feasible was to bring such persons to required effectiveness by on-the-job training.²⁴

Initially, many agencies detailed personnel on a short-term basis—1 to 2 weeks in some cases, and 1 to 2 months in others. One agency sent a different person every day to fill its contribution of one clerk-typist to Region 1.²⁵ This rapid turnover of personnel negated the value of expertise gained on the job, expertise sorely needed as the freeze progressed and technical questions became increasingly difficult.

By September 3, the turnover problem had become acute, and Lincoln called on OMB for help. He cited OEP's need for an expanding reservoir of expertise to cope with the increasingly difficult problems of the freeze. Unnecessary rotation of personnel, he emphasized, was highly prejudicial to this requirement. He suggested that all agencies be directed to assign personnel for the duration of the freeze at both national and regional levels. A few days later, he raised the problem at a CLC meeting and was promised cooperation from those members whose agencies were contributing personnel to OEP.²⁶ At about the same time, the Director sent to each agency that had persons detailed to OEP a list of that agency's personnel whom he wished to retain for the duration of the freeze. These actions, supplemented by cross-training of specialists at the regional level, substantially solved the turnover problem.²⁷

The problem of personnel shortages was much harder to solve. While shortages existed until the final days of the freeze, the problem was serious in only two categories: clerk-typists and lawyers. The shortage of typists became evident fairly early; on August 27 the Director told representatives of CLC, OMB, IRS, and ASCS that the most important personnel problem at that time was a shortage of secretarial help.²⁸ The Director told OEP's Personnel Office to appeal to the Federal agencies generally but to concentrate on the Department of Defense and the Civil Service Commission, and, if this proved insufficient, to run ads in the newspapers. The

²⁴ One Region reported that some of its offices obtained excellent results from a "buddy" system—that is, an inadequately qualified person was assigned to work with a highly qualified person in the same specialty. Allums Report on visit to Region 3, November 11, 12, 1971.

²⁵ After-Action Report from Region 1.

²⁶ These agencies were the Departments of the Treasury, Agriculture, Commerce, Labor, and HUD and the Federal Reserve System.

²⁷ Lincoln, Weekly Report to Chairman, CLC, October 9, 1971.

²⁸ Lincoln, Memorandum for the Record, August 28, 1971, Subj: Meeting on Management of Economic Stabilization Program.

shortage of clerk-typists was never completely eliminated, but the most pressing needs were met, principally through contributions by the Department of Defense and through recruitment from the private sector.

Although OEP officials welcomed several Federal Power Commission lawyers who volunteered their services on August 16, they did not foresee, during the first days, the need for such numbers of lawyers as were later required. At the outset of the freeze, the OEP General Counsel, Mr. Elmer Bennett, had only two attorneys. The Office expanded slowly at first, and on September 3 had eight attorneys, far too few to keep up with the workload. By mid-September a backlog of 400 requests for legal interpretations had piled up. Following an urgent appeal from Lincoln to the Chairman of CLC, additional attorneys and other specialists were made available from several Federal agencies.

The General Counsel's Office eventually reached a peak strength of 28 attorneys, 11 specialists, and 20 secretaries. This staff began to reduce the backlog of work and kept the situation under fair control until the last two weeks of the freeze. At that time another shortage of attorneys developed, mostly as a result of the departure of several attorneys to private employment and transfer of several others to the staffs being recruited by the Pay Board and Price Commission.²⁹

Evaluation of Staffing Policy

OEP Regional Directors and key officials in the National Office unanimously endorsed the policy of augmenting OEP's operational staff with personnel detailed from other Federal agencies.³⁰ In their judgment, the detailed personnel, with a few exceptions, were capable, highly qualified, cooperative, enthusiastic about their assignments, and dedicated to making the freeze a success. Most Regional Directors attested to the cooperative spirit of the contributing agencies and the excellent work of Civil Service Commission officials in making these high-caliber people available to them.

OEP officials at headquarters and in the Regions commented on the high morale of both detailed and regular personnel throughout the freeze, despite the long hours and hectic pace. Regional Direc-

²⁹ Bennett, Memorandum for the Director, November 10, 1971, Subj: The Conduct of the Freeze, Office of the General Counsel.

³⁰ See the After-Action Reports from National Office divisions and Regional Offices.

ORGANIZATION

tors noted that morale of detailed personnel declined somewhat during the last few weeks and attributed this to the letdown to be expected as one nears the completion of a highly challenging undertaking and to uncertainty on the part of some as to their status in the next phase of the program.

Headquarters and regional staffs made several suggestions for improving the use of detailed personnel under emergency conditions. All Federal agency heads, it was suggested, should agree at the outset of an emergency to assign their personnel for the duration of the emergency. The field offices of these agencies should be instructed from the first of their obligation to send capable people and assign them for the duration. Furthermore, each Region should establish a standby cadre of about 20 Federal agency personnel in its immediate area. The cadre should be composed of typists, stenographers, administrative assistants, computer operators, public information officers, and persons skilled in writing reports. It would receive periodic training in OEP responsibilities and functions and would be used to expand the regional staff when this was required by a natural disaster or other emergency.

The operational staff for the freeze was developed speedily and with high effectiveness. The use of personnel borrowed from Federal agencies was approved by almost everyone connected with administering the freeze. By and large, the detailed personnel were capable and highly motivated. They worked as a team with the OEP regulars, and their contribution was indispensable to the successful management of the 90-day freeze.

ADMINISTRATIVE, LOGISTICAL, AND TECHNICAL SUPPORT

Administrative and Logistical Support

The rapid expansion of OEP National and Regional staffs produced a rash of administrative and logistic support problems. Requirements for mailroom and messenger service, parking facilities, transportation after normal duty hours, provision of charts and other graphics, reproduction of press releases and reports and other documents, and enforcement of security measures were all greatly increased during the freeze. With only a modest increase in its staff,³¹ the Office of the Assistant to the Director for Administration handled these requirements without serious difficulty.

³¹ The staff increased from 15 to 16 professionals and from 18 to 27 clerical workers.

The matter of security did pose a problem. On the first day of the freeze, with the sudden "invasion" of the National Office by visitors and reporters, adequate control of persons entering security-restricted areas presented some difficulty. The situation was controlled by the issuance of temporary security passes to all new and detailed personnel and by requiring all employees to wear their security badges while on duty. These actions and the enforcement of other security measures resulted in strict compliance with OEP security policies throughout the remainder of the freeze.

Arrangements for covering the expenses of the freeze drew the Administration staff and other OEP officials into negotiations with the Treasury Department, GSA, and OMB. There were no problems with respect to salaries of persons from other Federal agencies, since these individuals were detailed to OEP on a non-reimbursable basis. The funding of other expenses, such as those resulting from temporary hire, relocating and equipping the OEP Regional Offices, installation and maintenance of communications and other equipment, and travel associated with the freeze, presented problems. Negotiations over the funding of these expenses lasted until June 1972, when it was finally agreed that these expenses would be paid from funds that Congress had made available to the Cost of Living Council.

The Assistant to the Director for Administration, J. R. O'Connell, worked closely with GSA to obtain suitable office space for the National and Regional Offices. The space problem in the National Office was solved by two means. First, the Disaster Programs and Stockpile Policy offices, which were not involved in the freeze, were moved to temporary quarters a few blocks from the National Office. Second, additional office space was obtained by renovating two old buildings adjacent to the headquarters building.

Obtaining space for the Regional Offices and equipping them were much bigger tasks, but these were handled expeditiously with the assistance of GSA. As related earlier in this chapter, all the Regional Offices were in their new locations by Wednesday of the first week of the freeze. Through the cooperation of GSA and private industry, particularly the telephone companies, logistical support was adequate by the end of the week and was improved thereafter. In some Regions, visits by Deputy Director Trent and O'Connell helped to assure superior office space and desirable locations for those Offices. GSA made special efforts to assist the Regional Offices in obtaining supplies and stationed GSA employees in several Offices to assist with procurement. The results achieved

ORGANIZATION

through these and other means caused the OEP Regional Directors to rate GSA's logistical support as outstanding.

Technical Support

The technical support rendered by the U.S. Army Interagency Communications Agency is described in the following chapter. Another source of valuable technical support was the Mathematics and Computation Laboratory (MCL), an element of the U.S. Army Corps of Engineers.

Some 55 MCL staff members, under the direction of Mr. Irving Gaskill, devoted a significant amount of their time to the development, support, and operation of the computer-based systems that helped OEP manage the freeze. MCL experts helped with the development and maintenance of the EMISARI³² system and its improvement; entered the rulings, exemption briefs, and news items into the system; and visited OEP Regional Offices to instruct the staff in its operation and uses. The MCL staff developed, maintained, and operated two other computer-based management systems: a computer-operated file to determine the status of staff actions on requests for policy guidance; and another such file to keep track of all incoming correspondence related to the freeze. MCL staff members also developed computer-based techniques for possible use in Phase II.³³

³² For a discussion of the EMISARI system, see pp. 64, 72.

³³ Irving Gaskill, Memorandum for OEP Historian, June 5, 1972, Subj: MCL Activities in the Wage Price Freeze. See also p. 184.

III

Managing the Freeze

DIRECTING THE PROGRAM

Setting the Course and Pace

Lincoln applied his concepts of crisis management (explained in Chapter II) to the direction and overall management of the freeze program, setting OEP's course according to the principle that the crisis mission should be the central guide to action. He reordered the Agency's priorities and modified its organization to accommodate the functions unique to the freeze. He made it clear to his staff that they were administering a freeze, not a system of economic controls. OEP's task was to hold the line while the Administration was preparing a program of controls to follow the freeze.

Along with this fixed objective, the OEP Director maintained a flexible posture in managing the freeze. He shifted the emphasis on specific functions quickly as new developments occurred. For example, when IRS and ASCS were able to take over the main responsibility for contact with the public, he ordered the OEP National and Regional Offices to concentrate on direction, supervision, and analysis of the program. Later, as the outlines of the postfreeze program became visible, he placed increased emphasis on making the transition as smoothly as possible.

The Director set a fast pace for his management team—it was double time almost all the way. Annual leaves were postponed for most OEP employees, and long hours and 6-day work-weeks were the norm, not the exception. Only during the last few weeks did the pace begin to ease. Until then an 80-hour week was the usual work load for the Director and key members of his staff, and many others put in equally long days and weeks.

Lincoln set this fast pace because he believed that quick and positive response is a cardinal requirement in a crisis situation. In

MANAGING THE FREEZE

his view, those managing the freeze had to act quickly and positively to let the people know that an agency of the Government was "minding the store." For this reason, the National Office staff began manning the telephones on the first day of the freeze, and continued this service until the field offices were able to take over.

Believing that in a crisis situation prolonged deliberation permits too many problems to pile up, Lincoln established short deadlines for decision and action. To keep the work load from piling up in the National and Regional Offices, he directed that the backlog of written inquiries not be allowed to exceed the total of 3 days average input, and that a system be set up to monitor this activity. He also directed IRS to set a goal of resolving each week as many complaints as it received the preceding week. By and large, once the management system was in full swing, these targets were met.

Questions that required legal interpretations or new policy guidance usually could not be answered in this time frame, but were handled as rapidly as their complexity permitted. In the case of new guidance, this meant fast staff work to frame the questions properly for decision by the Cost of Living Council. CLC decisions were released to the press immediately if newsworthy, and all policy statements were distributed to field offices by teletype as soon as final wording was agreed upon.

The Director's policy of fast pace, quick response, and short deadlines enabled him to maintain the momentum of his initial fast start and make optimum use of his resources. Or, as he expressed it, his organization was able "to stay up on the power curve." It sought in this way to forestall unnecessary questions from the public and keep to a minimum violations that might have resulted from ignorance.

Techniques and Instruments of Control

Lincoln believed that as the freeze administrator he should avoid immersion in details so that he could be free to orchestrate and direct the entire operation. As a general rule he took no telephone calls except from ranking officials in the Government. While he granted requests for appointments to many representative groups from private sectors of the economy, his practice was to leave any extended discussions to staff members. To avoid being swamped by minutiae he delegated some functions, adapted his regular man-

agement team to the exigencies of the freeze, and created some new management subsystems to deal with special functions.

In his role of freeze administrator, Lincoln exercised central control and established a single, direct line of command over his resources. There were suggestions at the time that the responsibility for administering the freeze be divided among several Federal agencies. In the Director's judgment, however, such a course would have been unwise. Coordinating the actions of a new decentralized system in a fast moving situation, he believed, would have been an almost impossible task. Moreover, he could not make broad delegations to the agencies without policy to guide them, and the necessary policy guidance did not exist at the outset of the freeze. Consequently, as mentioned in Chapter II, personnel from other Federal agencies were integrated into OEP's staff.

While he maintained a single, direct line of control over his organization, the Director found that frequently there was no time for briefings up and down the line. Therefore, when necessary, he laid the requirement directly on the person who was to do the job. As soon as there was time for it, this person briefed the chiefs of intervening echelons on what he was doing.

The Director stressed teamwork as the key to success in administering the freeze program and established coordinating mechanisms at all levels to promote it. He made sure that pertinent information was dispatched to everyone who needed it—the members of CLC, the Federal agencies in Washington and in the field, the State Governors, and the general public. While the Director used the news media to help spread information to the public, he depended on direct channels to get prompt and accurate information to his own field structure.

COORDINATION AND LIAISON

National Office

Coordination within the National Office was accomplished principally through two special instruments: (1) the Coordination Office, consisting of three special assistants to the Director and headed by Assistant Director Haakon Lindjord, and (2) the Daily Coordination Meeting attended by the members of the Coordination Office and the chief or the executive officer of all major headquarters offices participating in the freeze.

MANAGING THE FREEZE

During the first week of the freeze, the Director appointed three special assistants to help coordinate the activities of the greatly expanded national staff: E. R. Heiberg, III, Anthony A. Smith, and Richard L. Berkman. Berkman was replaced by G. Lee Butler early in September.¹ On August 22 the three special assistants were assigned to the newly formed Coordination Office.

Heiberg worked mainly with organizational matters, OEP Regional Office operations, and Federal agency support. Smith concentrated on the internal organization and functioning of the Washington office, policy questions, and compliance activities. Berkman concentrated on policy issues and was also Executive Secretary of EPC. Butler, Berkman's replacement, served as Executive Secretary of EPC, worked on policy issues, and toward the end of the freeze served in a liaison capacity with CLC, the Pay Board, and the Price Commission. These individuals knew OEP well, had no bureaucratic aspirations there, and were held in high regard as professional public servants by OEP personnel. They served well as coordinators, bottleneck-breakers, troubleshooters, innovators, and expeditors.

While comprising a secretariat of expeditors, these special assistants were not in the chain of command. Most of their work was done by personal or telephone contact, although they occasionally produced staff papers on problems of interagency or intra-agency coordination. They could execute special assignments rapidly because they were not expected to assist in normal bureaucratic operations. The three special assistants reported to the Director on CLC and EPC policy matters, to the Deputy Director on organizational and field problems, and to the Assistant Director on in-house operational and management problems. Lindjord and the three special assistants had immediate access to the Director and every member of OEP, and could speak for the Director outside and inside the Agency.

The institution of the Coordination Office provided a second channel for matters requiring the Director's attention. The Executive Assistant, Mr. Thomas J. Simmons, continued to handle on-

¹ Colonel Heiberg, who had served as Lincoln's executive assistant in 1969-70, was on loan from the Office of the Chief of Staff, U.S. Army, as was Lt. Col. Smith. Smith was just completing a year's tour at OEP when the freeze hit, and his tour was extended for the duration of the freeze. Mr. Berkman, who served in OEP's Planning Review Office from 1969 to 1970, returned to OEP to help out in the early days of the freeze, but left on September 6 to return to Harvard Law School. His successor, Major Butler, had been detailed to OEP from the U.S. Air Force Academy for part of the summer of 1971 and was called back for the duration of the freeze.

going OEP matters, while the Coordination Office handled the economic stabilization load.

The central coordinating mechanism in the National Office was the Coordination Meeting held each day at 5:00 P.M. in the Director's conference room. Assistant Director Lindjord usually chaired the meetings, although occasionally Deputy Director Trent acted as chairman. The following attended these meetings: the members of the Coordination Office; the chief, the executive officer, or another representative of each headquarters office engaged in freeze activities; and the OEP Historian.² The meetings were designed to ensure that all offices were following compatible policies, to provide a forum for discussing problems and, if possible, to solve problems on the spot. The strong spirit of cooperation that prevailed enabled Lindjord to resolve most problems within the meeting, but in a few instances the final decision was deferred to the Director.

At the beginning of these meetings the participant from each office turned in a brief written report on the activities in his area. These reports were assembled and distributed that evening as the Daily Economic Stabilization Report to the Director.

The executive officers spoke for their chiefs at Coordination Meetings and subsequently informed them and their staffs of actions taken. These officers played a key role in the freeze because they maintained an overview of stabilization matters within their respective offices and could respond instantly on specific problems affecting their areas of operation.

Lincoln himself played the leading liaison role with other Federal agencies at the national level. His most important functions in this connection were performed through his membership on CLC and the Council's Executive Policy Committee. In his work with these bodies, he had the support of his Policy and Guidance Liaison Office, headed by Mr. Louis Neeb. Through this office OEP funneled to EPC and CLC its proposals for actions on policy issues and guidance.

Another important link with CLC was the Executive Secretary of EPC, who was provided by OEP. This official attended daily

²The Assistant to the Director for Administration, Mr. J. R. O'Connell, the Special Assistant for Regional Affairs, Mr. John P. Cannon, and the Chief of the Correspondence Section, Mr. Douglas Johnston, usually attended these meetings. The executive officers who usually attended were: Mr. William Baird for the Operations Office, Mr. Orcutt P. Drury for Resource Analysis, Major John Simpson for the General Counsel, Mr. Spence Perry for Exceptions and Exemptions, Col. Howard M. Steele for Congressional and Public Affairs, Mr. Lloyd Eno for Policy Questions, and Mr. John Chesley for Information and Analysis.

MANAGING THE FREEZE

meetings of EPC and explained to OEP's Policy Questions and General Counsel staffs the actions taken at these meetings.³

Liaison with the IRS and ASCS National Offices was maintained through IRS and ASCS representatives in the Operations Office, frequent visits, telephone calls, continuous courier service, and, in the case of IRS, use of facsimile equipment. Copies of all reports, instructions to the field, guidance papers, press releases, and other significant documents were rapidly distributed to these offices. The OEP, IRS, and ASCS offices in Washington coordinated with each other all guidance on operational procedures before sending it to their respective field offices. These techniques helped to ensure effective working relationships among the three agencies throughout the freeze.

Personnel from other Federal agencies who were assigned to the Policy Questions, Operations, and General Counsel's Offices played an important but informal liaison role. They used their home agency connections to supplement their own expertise and kept their home agencies informed of important developments in the freeze.

The Compliance Branch of OEP's General Counsel's office had a valuable liaison role. Through it, the Department of Justice provided current information to OEP on the status of suits brought against the Government and of private suits involving freeze matters, as well as the status of suits filed by the Government to enforce the economic stabilization program.⁴

Regional Offices

The Operations Office provided the principal means for coordinating activities at the regional level, but the Director also used other coordinating techniques, including direct telephone contacts with his Regional Directors. Deputy Director Trent made a number of visits to the Regional Offices. One special assistant, E. R. Heiberg, kept regional activities under surveillance and visited the Regional Offices to note and discuss special problems. The Special Assistant for Regional Affairs, John Cannon, helped expedite the solution of regional problems and reported daily to

³ E. R. Heiberg, After Action Report, November 12, 1971, p. 1. The position of Executive Secretary was held in turn by Richard L. Berkman, G. Lee Butler, and Patricia Spencer. Butler took over Neeb's liaison functions when the latter moved to the Price Commission.

⁴ Bennett, Memorandum for the Director, November 10, 1971, Subj: The Conduct of the Freeze, Office of the General Counsel.

the Director and at the Coordination Meetings on special aspects of regional activities. The Director's Executive Assistant, Thomas Simmons, also helped coordinate sensitive aspects of regional activities while continuing to assist the Director in his management of OEP's nonfreeze functions.

Although there were some variations, the OEP Regional Offices had substantially similar arrangements for internal coordination and external liaison. Internal coordination was accomplished through such traditional devices as central direction, staff meetings, informal conferences, and daily reports. In some Regions, responsibility for reports and correspondence control was assigned to an administrative or operations officer; in others, the Deputy Director supervised such activities.

External liaison was accomplished by a variety of means. The Regional Director usually played the dominant liaison role with the Federal agencies in his Region. But in some cases most of the liaison activity was delegated to an administrative officer. All the Regional Offices had an IRS official and an ASCS official assigned for liaison with their respective agencies. Close liaison was also maintained between the OEP regional public information offices and the corresponding offices of the Internal Revenue Service.

In each Region the assistant U.S. Attorney who worked in the OEP office was the main link with the Department of Justice. He consulted with the IRS and the OEP Regional Directors on matters of enforcement and was responsible for the documentation of Potential Court Cases.⁵

All Regional Directors maintained liaison with the State governors and mayors of large cities in their Regions, and some designated a specific member of their staff to serve in this capacity. Each of the governors appointed a member of his staff to serve as the principal point of contact with OEP. Some Regional Directors established special liaison arrangements with mayors of large cities.

These arrangements contributed to a closely coordinated effort at the regional, State, and local levels. OEP Regional Directors, in their after-action reports, stated that relationships with IRS and ASCS were generally excellent, although there were instances of strain between some OEP Regional Offices and the IRS offices. ASCS activities were never of a volume or complexity to cause much strain, and no problems were reported.

⁵ See p. 119.

COMMUNICATIONS AND OPERATIONAL CONTROL

The National Office's principal interface with the field was the Operations Office, which was under the direction of Mr. Eugene J. Quindlen. His Special Assistant, Mr. William D. Baird, was named executive officer. The Operations Office was organized functionally into an Operations Center and Communications, Inquiry Review, Agency Coordination, and Reports Sections.⁶ Initially this office was also OEP's main point of contact with the public, as it handled telephone inquiries from all over the United States. By the second week, however, OEP Regional Offices and IRS and ASCS field offices had taken over most of this activity. Also, by this time, the newly created Correspondence Section and the greatly expanded Congressional and Public Affairs Office were responding to public inquiries at the national level. Thus, on August 27, the Operations Office was relieved of its task of responding to telephone queries from the public.⁷

Operations Center

The Operations Center served as the hub of communications linking the OEP National Office with other Federal agencies in Washington and with all participating field offices. Quindlen selected three senior staff members to direct activities in the Operations Center on a rotational basis: Mr. Leonard Reese, Mr. Avery E. Kolb, and Mr. Wayne Althaus. The Center was in business on the first day of the freeze and functioned on two 8-hour shifts throughout most of the freeze period. It was the focal point for information and guidance to the OEP Regional Offices and the IRS offices. It was the central point for collecting, collating, and distributing information and messages flowing to the National Office from the field structure and the main vehicle for distributing freeze information within the National Office. It maintained a running file on incomplete actions and kept the Director and the OEP management staff informed of the status and progress of program implementation. As a central depository of information on operational aspects of the freeze, the Center maintained files on guidance issued by the OEP Director, outgoing and incoming

⁶ The Inquiry Review and Agency Coordination Sections are discussed on pp. 68-70, and the Reports Section on pp. 70-73.

⁷ OEP Press Release 407, August 27, 1971.

messages, incomplete actions (action suspense files), reports from the Regions, and other operational matters.⁸

Communications Section

The Communications Section was developed from the austere prefreeze communications capability that served OEP's Natural Disaster Operations Center. This capability consisted principally of a Teletypewriter Exchange Service (TWX) terminal, a facsimile (FAX) terminal, and two secretaries experienced in their operation. The facilities and staff were rapidly expanded. By the end of the second week, the Communications Section had two TWX terminals, two FAX terminals, and a GSA Advance Record System (ARS) terminal. The TWX system is owned by Western Union, while ARS is owned by and serves the Federal Government. In both of these systems, a message is typed into the sending terminal, transmitted over telephone lines, and retyped by the receiving terminal. Facsimile transmission also uses telephone lines, but reproduces an exact facsimile of the original.

The Communications Section was headed by Mr. Robert Mills, who was drawn from OEP's Government Preparedness Office. He was assisted by a communications supervisor from the U.S. Army Interagency Communications Agency (USAICA) and seven experienced teletype operators, six from the USAICA and one from GSA. This staff transmitted, processed, and accounted for all messages, and by the end of the second week was effectively handling OEP's requirements for TWX and facsimile communications. During the period August 15 to November 12 it handled some 1,900 outgoing and 2,500 incoming messages.

OEP developed a diverse, flexible, and versatile communications system during the freeze. This system provided a rapid and reliable means of transmitting orders, requests, and information to those administering the freeze and receiving feedback from the field. Figure 6 shows those means of communication other than telephone and mail contacts that were available to various offices involved in administering the freeze.

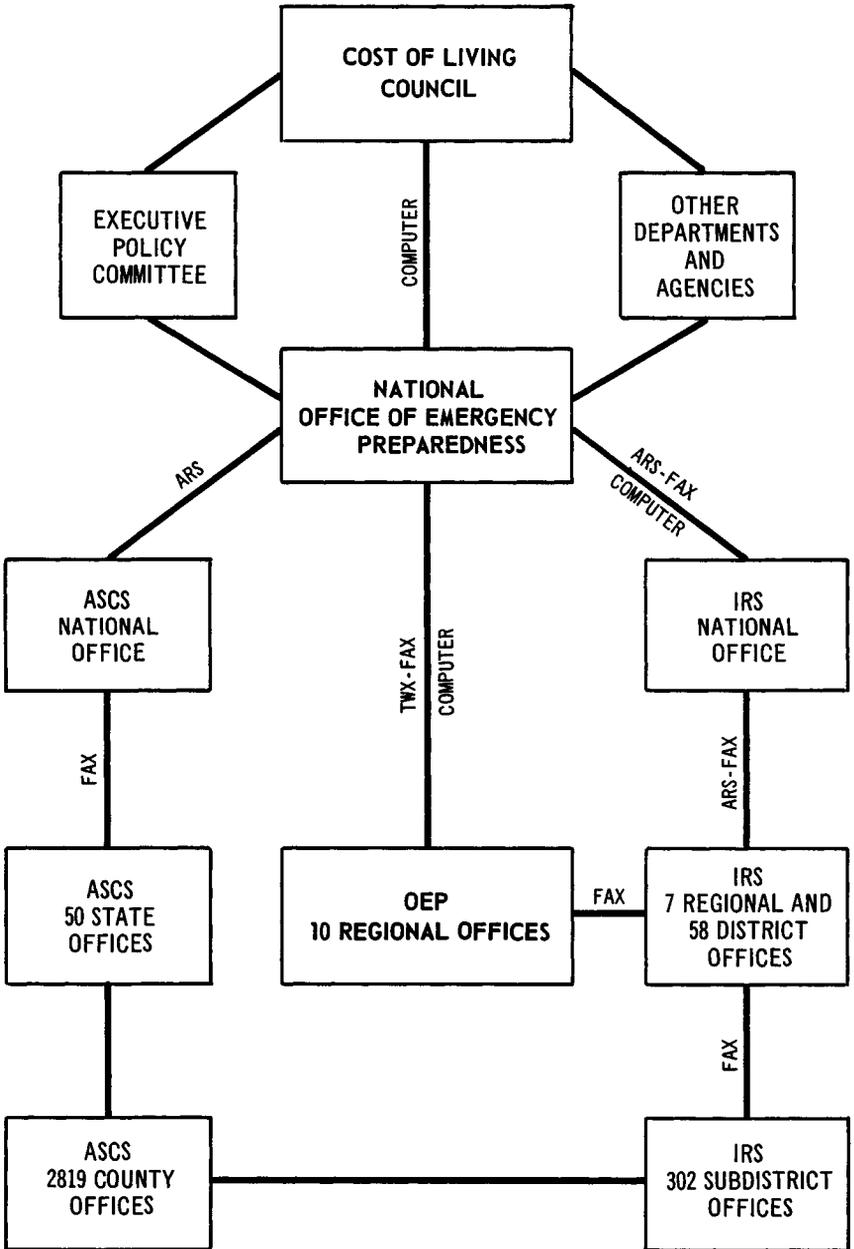
Communication Within the System

Though usually taken for granted, meetings, telephone contacts, the mails, and messenger services were important channels of com-

⁸ OEP Operations Center Standard Operating Procedure, October 24, 1971, p. 22a.

FIGURE 6

FLOW OF COMMUNICATIONS



munication. The freeze greatly increased requirements for messenger service, and additional messengers were added quickly at both the National and Regional levels. The U.S. Postal Service was used to distribute some types of operational and administrative guidance and for the transmission of bulky reports.

Requirements for telephone services increased greatly under the impact of expanded staffs and accelerated activity. To meet these requirements telephone workers put forth an all-out effort to install additional service. By the end of the first week of the freeze, the number of telephone stations in the national headquarters had almost doubled, and those in the Regional Offices had increased by several times.

Telephones were constantly used for contacts between headquarters and the field. Both commercial telephone service and the Federal Telecommunications System (FTS) connected all Federal agencies involved in administering the freeze, with FTS being the officially preferred channel. The telephone was usually used when the national staff requested urgent ad hoc reports on conditions in the field. Occasionally, official directives and instructions were initially transmitted by telephone, with hard copy coming later. Facsimile transmissions were sent by telephone, almost always by FTS, and the telephone was essential to the computer-based system discussed later in this chapter.

The OEP Director kept in close contact with his Regional Directors by telephone. He talked to one or more of them individually almost every day, and on several occasions he talked with them as a group in telephone conferences. To ensure an open line for incoming calls from the National Office, two unlisted commercial telephones were installed in each OEP Regional Office. To prevent these phones from being used routinely, the numbers were known only by senior officials. The Special Assistant for Regional Affairs provided a "hot-line" service for expediting urgent actions between the Regions and the National Office when the Director and Deputy Director were not available.

While the Operations Center used telephone channels extensively, it sent most official messages to the IRS and ASCS National Offices and to the field by ARS or facsimile. These means not only expedited the flow of essential information, but by producing hard copy they also facilitated record-keeping and the monitoring of suspense files, both highly essential to OEP's central control system. Hard copy communications from the Operations Center were numbered in three series: ALPHA messages, addressed to all OEP

MANAGING THE FREEZE

Regional Offices, IRS District Offices, and the IRS and ASCS National Offices; BRAVO messages, addressed to all OEP Regional Offices; and CHARLIE messages, to single addressees.

Facsimile channels were especially useful for transmitting formats, official forms, news items, and material such as legal documents in compliance cases that had to be transmitted without error. Since facsimile messages were transmitted by telephone, they could be sent to any office with a telephone connection and compatible facsimile equipment. OEP's National Office could send facsimile messages to all OEP Regional Offices and to the IRS National and District offices, but not to ASCS offices inasmuch as their facsimile equipment was not compatible with that of OEP. ASCS weekly reports were collected by the State offices and FAX'ed to the ASCS National Office, where a consolidated weekly report was prepared and submitted to OEP.

During the course of the freeze, OEP's communications capability was increased by the development of a computer-based information system known as EMISARI (Emergency Management Information System and Reference Index). EMISARI served two important purposes: it was an element of OEP's operational feedback and reporting system (described later in this chapter), and it was a supplementary channel for disseminating guidance and information to the OEP Regional Offices. It also afforded an additional channel for person-to-person communication among the Regional Offices as well as between the Regional Offices and the National Office.

Data stored in EMISARI on a constantly updated basis included CLC rulings and interpretations in question-and-answer form; summary statistics on requests for exemptions and reports of violations; briefs of all rejected requests for exemptions, briefs of pertinent news items, and selected economic indicators. By use of a key-word search technique, specialists could retrieve items from EMISARI in a display tailored to individual needs.

EMISARI connected the OEP National Office with CLC and the OEP Regional Offices by means of UNIVAC terminals. Since each terminal permitted the insertion of questions as well as the insertion and retrieval of information, the system constituted a communications channel as well as a storehouse for information. EMISARI was used extensively by those who availed themselves of its special capabilities, but was not widely adopted as a person-to-

person communications system.⁹ During the last few weeks of the freeze, the IRS National Office was also tied into this computer system to facilitate the transfer of information in the transition period.

Communications with the Public and Outside Agencies

Administration of the freeze also required frequent communication with Members of Congress, Federal and State agencies, and the general public. Much of the communication was face-to-face, in the form of walk-in visits at the OEP-IRS-ASCS offices, OEP staff appearances before public groups, and Regional Directors' visits to Governors and other State officials to explain various aspects of the freeze. The telephone, however, was the most frequently used link between those administering the freeze and the general public, the Congress, and the press. Altogether, the vast majority of the approximately one million public queries about the freeze were initially raised by telephone, and most were answered the same way.

The importance of the U.S. Postal Service as a communications channel is indicated by the approximately 55,000 letters from the public addressed to OEP about some aspect of the freeze.¹⁰ Mail channels were also used to send printed Stabilization Program Guidelines and other materials, including official correspondence, to Governors and State officials.

In contacting Governors and other State officials, OEP frequently used the National Communications Network, which the U.S. Army Strategic Communications Command operates for the Defense Civil Preparedness Agency. This system, known as NACOM-I, can send TWX messages to these State officials via the State Emergency Operating Centers. OEP's less urgent communications with these officials, however, went through the Regional Offices.

OEP used the press, radio, and television extensively to support its public information program. Use of the media and other communications channels for this purpose is discussed in Chapter VII.

⁹ The EMISARI System was designed by Dr. Murray Turoff of the OEP Information Systems Division. A brief, nontechnical account of the system's design, development, capabilities, and characteristics is given by Robert Kupperman and Richard H. Wilcox in OEP Report ISP-108, "EMISARI—An On-Line Management System in a Dynamic Environment," May 1972.

¹⁰ Approximately 52 percent of these letters were mailed to OEP Regional Offices, which redirected about 6,000 to the Internal Revenue Service. OEP Weekly Summary Report to CLC Chairman, November 13, 1971, p. 11.

RESPONDING TO PUBLIC INQUIRIES

The approximately one million inquiries generated during the freeze came from people in all walks of life. Inquiries entered the management system at all levels through letters, telegrams, telephone calls, and walk-in visits. Thirty-nine percent of the questions concerned prices, 30 percent wages, and 31 percent rents.

The OEP National Office had three divisions that handled inquiries: (1) a Correspondence Section handled correspondence coming to the National Office; (2) a greatly enlarged Congressional and Public Affairs Office handled all inquiries from the press and telephone inquiries from Congressmen and Senators; and (3) an Inquiry Review Section in the Operations Office handled questions coming from the field via the OEP Regional Offices.

Correspondence Section

The general public was advised to direct questions and complaints to the local IRS and ASCS offices, and the great majority of people who asked questions about the freeze did contact these offices. A substantial number did not, but wrote letters to the OEP National Office, Secretary Connally, other members of CLC, or the President. Rather than rerouting these letters to the field offices, OEP set up a special Correspondence Section to handle them. Lincoln established this section as a high quality operation, using two of his best young staff members, Douglas Johnston and William Fletcher, to head it. They reported to the Director without intermediaries. The professional nucleus of this section was provided by young employees (including some on "intern" status), who quickly built an esprit that carried them through the challenges of the freeze.

The Correspondence Section routed to the appropriate Federal agencies in Washington letters with fairly simple questions that could be answered on the basis of existing guidelines. Wage questions, for example, were sent to the Department of Labor. Questions cutting across several areas but requiring only minimum interpretation of existing guidance were answered directly by the Correspondence Section. It routed all other mail according to areas of responsibility—to Exceptions and Exemptions for requests in that area, to the General Counsel for rulings and interpretations, and to Policy Questions for issues requiring new guidance.

The Correspondence Section tried to keep its backlog of unanswered letters below a 3-day average intake, and after it had been operating a few weeks it was generally successful in meeting this goal. Letters from Members of Congress often required more careful staffing than ordinary letters and usually took longer to answer. There was also a substantial delay in answering letters that raised complex legal questions or issues on which there was no CLC guidance.

During the 90-day period, the Correspondence Section processed more than 27,000 letters, including more than 3,000 from Members of Congress. A record of this correspondence was entered into the computer system, which provided a comprehensive printout for quick reference and also facilitated control of follow-up correspondence.¹¹

Congressional and Public Affairs Office

The Congressional and Public Affairs Office (CPA), under the direction of Mr. David J. Pattison, handled all questions from the press and all questions raised in telephone calls from Members of Congress. CPA greatly expanded its staff with detailed personnel to meet the onslaught of freeze business.

When CPA could not answer congressional inquiries on the basis of information on hand, it usually asked the callers to submit their questions in writing. In such cases the incoming letters were processed by the Correspondence Section, as described above. Telephone calls from congressional offices ranged from an average of 200 calls a day in the first weeks of the freeze to a low of about 40 a day later on. In urgent cases, the CPA staff immediately sought answers from the appropriate OEP office and, when necessary, from the CLC staff, and relayed them promptly to the Member of Congress.

Questions from trade associations, the press, and the media generally averaged around 400 per day during the first few weeks, leveled off to around 100 per day, and rose again in the last few weeks as callers sought information on the postfreeze program.¹² Most of these questions dealt with operational matters and could be answered from information on hand. If not, the answers were

¹¹ Cost of Living Council, *Economic Stabilization Program Quarterly Report Covering the Period August 15 Through December 31, 1971* (Washington: Government Printing Office, 1972), p. 13. Hereinafter cited as *CLC Quarterly Report, August 15-December 31, 1971*.

¹² Howard Steele, *After-Action Report on the Freeze*, November 22, 1971.

MANAGING THE FREEZE

quickly obtained from the appropriate OEP staff office and given to the media. Where questions involved new policy guidance, CPA referred the callers to the CLC staff.

Inquiry Review Section

Approximately 80 percent of the public's questions were received initially by local IRS and ASCS offices. Table 3 gives an OEP regional breakdown of OEP-IRS inquiries for the period August 28 to November 9, 1971. By referring to OEP's published guidance,

TABLE 3.—*Number of Inquiries by OEP Regions and Percentages by Category^a*
August 28-November 9

Region	Total Inquiries	Wage (%)	Price (%)	Rent (%)
1—Boston	63,275	30	30	40
2—New York	183,379	22	37	41
3—Philadelphia	81,100	33	36	31
4—Atlanta	69,389	35	44	21
5—Chicago	146,140	34	40	26
6—Dallas	51,890	36	47	16
7—Kansas City	33,392	40	42	18
8—Denver	21,925	35	36	29
9—San Francisco	123,194	28	38	34
10—Seattle	27,794	32	48	20
Total	801,478 ^b	30	39	31

^a The figures for each Region include all inquiries received by IRS and OEP in that OEP Region.

^b If inquiries received before August 28 and all inquiries received directly at the National Office and by ASCS are added to this figure, the grand total of inquiries received comes to about one million.

the ASCS and IRS offices were able to answer most questions immediately. When the office receiving a question could not provide an answer, it referred the question to the next higher level in the system.¹³ The offices participating in this information system were ASCS county offices, IRS Subdistrict and District Offices, OEP Regional Offices, and the OEP National Office.¹⁴ OEP Regional

¹³ ASCS county offices referred their questions to the nearest IRS office.

¹⁴ To provide a uniform basis for reporting and controlling responses to public contacts, OEP furnished all ASCS and IRS offices with a single, standardized check list form. See Robert Kupperman, Memo to Regional Directors, August 26, 1971, Subj: OEP Form 401-OEP Contact Record.

Offices, making use of official guidance and agency experts assigned to them, were able to answer the vast majority of questions referred to them by IRS as well as the 28,000 letters addressed directly to them. The Regions did, however, forward to the National Office about 1,100 questions they were unable to answer.

Questions coming from the Regional Offices were received in the National Office's Operations Center. Some were addressed specifically to the General Counsel's Office or to the Office of Exceptions and Exemptions, and were referred to these offices. The remainder went to the Inquiry Review Section, which was directed by Mr. Arnold C. Lewis.

In some instances the Inquiry Review Section was able to send an immediate reply based on standard answers in recently available guidance or on replies developed for similar queries from other sources. The great majority of questions, however, were referred to the agency representatives in the Agency Coordination Section, who provided draft responses. During the first few days, questions were directed to these experts without regard to their specialized knowledge. Subsequently, however, they were asked to advise on stabilization matters related to their normal duties. For example, Treasury personnel provided advisory opinions on the surcharge on imports, and HUD personnel on rents and housing.¹⁵

After advisory opinions had been received from the Agency Coordination Section, Inquiry Review referred to the General Counsel those questions involving legal interpretations and to the Policy Questions staff those involving issues for which there was no approved guidance. These policy issues were considered by CLC or its Executive Policy Committee.

When CLC action resulted in new guidance on the subject, this was widely disseminated and the Inquiry Review Section notified the Regional Office initiating the question of the applicability of the new policy statement to its specific inquiry. When an interpretation given by the National Office was thought to have general applicability, an information copy of it was sent to all Regional Offices.

Almost all of the 1,100 policy questions which the Regions referred to the National Office required at least some processing by the General Counsel's Office. This office also provided legal interpretations for some 2,200 questions referred to it by the Cor-

¹⁵ These experts contributed to OEP's daily report to CLC by highlighting significant items within their areas of expertise, assisted in the preparation of certain studies and surveys and in drafting the Stabilization Program Guidelines, and occasionally participated in conferences with industry representatives.

MANAGING THE FREEZE

response Section and the Policy Questions Office. When any interpretations were of general applicability, the Operations Office dispatched them to all Regional Offices for guidance.

During the freeze it was suggested that the system of handling inquiries in the National Office be revamped to reduce the possibility of inconsistent responses. It was pointed out that the system in use permitted four sections in the National Office to issue interpretations—Inquiry Review, Correspondence, General Counsel, and Congressional and Public Affairs. There was a possibility that one office's responses would not be consistent with those coming from another office. The Director was aware of the organizational problem, but declined to change the system in the midst of the freeze because of the program's relatively short duration. Inconsistency of response was minimized by the fact that personnel responding to public questions were all guided by the same, constantly updated policy statements. The daily Coordination Meetings and other coordination mechanisms also helped. The determination as to which questions called for a new policy statement was made in some cases by the Policy Questions Office and in the final analysis by Lincoln himself.

OPERATIONAL FEEDBACK AND REPORTING

Public reaction to the freeze was widely discussed by the news media, by pollsters, and by popular magazines and business journals. The most direct expression of public attitudes, views, and reactions took the form of telephone calls and letters to those administering the freeze. While these provided some information on the progress of the freeze, Lincoln also felt it necessary to require the Regional Offices and the divisions of the National Office to submit regular reports of their activities.

During the first few days of the freeze, a reporting system was hastily created by the OEP staff. As the freeze organization settled into place, the Reports Section became a separately organized activity in the Operations Office, with a regularly assigned staff headed by Mr. George Hotchkiss.

Lincoln charged Deputy Director Trent with the responsibility for developing a standardized reporting system that would provide reliable information on public reactions to the freeze and record important developments in its implementation. Trent assigned the task to Mr. Robert H. Kupperman, Deputy Assistant Director for

Information and Analysis. The system that evolved after a few weeks was a Daily Economic Stabilization Report to the Director, a Daily Report to the Cost of Living Council, and a Weekly Report to the Cost of Living Council. Kupperman's staff produced the weekly reports, and the Coordination Office produced the two daily reports, as explained below. These standard reports were supplemented by numerous ad hoc reports on particular problems.

Daily Economic Stabilization Report

The Daily Economic Stabilization Report kept the Director informed of significant developments and problems connected with administration of the freeze. The report was prepared from inputs by the OEP Regional Offices and by major headquarters offices involved in the freeze. The Special Assistant for Regional Affairs and the Reports Section of the Operations Office submitted narrative accounts of regional activities. Until October 6, the Reports Section was also responsible for collating regional statistical summaries on correspondence, exemptions, inquiries, and other activities. After October 6, the data on these activities were entered into OEP's on-line computer system and were readily available to the National Office in summary form. The Information Systems Office was thenceforth responsible for providing the daily statistical data when it was requested.

All inputs, whether from the Regions or the National Office divisions, were submitted at the daily 5:00 p.m. Coordination Meeting; the coordination staff consolidated them into a daily report to the Director. This report was used as an in-house OEP management tool. It provided a forum for free discussion of problems—each office had a clear shot at the Director's evening reading.

Daily and Weekly Reports to CLC

During the first several weeks of the freeze the Director provided a Daily Report to the Cost of Living Council, covering the highlights of the freeze. The developments and data included were essentially a digest of those in the Daily Economic Stabilization Report to the Director, polished and condensed by the Coordination Office. The Daily Report to the Council was discontinued after September 25, since the Weekly Report and occasional special reports were considered sufficient to meet the Council's needs at that stage of the freeze.

MANAGING THE FREEZE

The first official weekly report to the Council covered the period beginning September 4, 1971. The format of the report reflected OEP's initial reporting experiences and also CLC specifications on data to be reported. The report was prepared by the Information and Analysis Office from material submitted by the OEP Regional Offices and by the major National Office divisions involved in the freeze. Data submitted by an OEP Regional Office reflected the activities of that office as well as those of the IRS field offices in the Region. The activities of the ASCS field offices were not covered; however, 10 percent of the ASCS offices did report data on the public inquiries they received. These reports, transmitted to the OEP National Office through the ASCS State and National Offices, enabled OEP to estimate the number of inquiries from the Nation as a whole.

The Weekly Report summarized the general situation. It highlighted developments concerning policy formulation and promulgation, interpretation of policy, complaints of alleged violations, exceptions and exemptions, suits involving the wage-price freeze, congressional and public affairs, and selected economic indicators. Statistical data on inquiries, alleged violations, exceptions and exemptions, and litigation were included.

The Systems Evaluation Division prepared the statistics on inquiries from data submitted by the Regional Offices. Until October 6, the tables were prepared by hand; subsequently, they could be obtained as printouts from EMISARI. This was possible because OEP had developed a special computer program called IRS SUM which aggregated the IRS data and the Regional Office data and automatically inserted the Regional summaries into EMISARI. The National Office could retrieve the information in nationwide summary tables as well as summary tables for each OEP Region.

The Bureau of the Census compiled more detailed statistics on alleged violations and on requests for exemptions. The OEP National and Regional Offices and IRS District Offices gathered data on these activities in considerable detail and sent them to the Bureau of the Census for keypunching and computer processing. The data on suits were prepared by the OEP General Counsel's office in coordination with the Department of Justice.

Lincoln used the reports to identify problem areas, but never acted on the problem without obtaining additional information. He used the Coordination Meetings, his Special Assistant for Regional Affairs, direct phone calls, and other means to verify facts and judgments, particularly in the first few weeks of the freeze.

His careful testing of the reported problems in the early weeks improved the objectivity and balance of reports received during the remainder of the freeze.

Some Regional Directors indicated at the end of the freeze that they had found National Office requirements for reports extremely burdensome. They found the preparation of the statistics to be a time consuming process and noted that the requests for special reports that came from different parts of the National Office were not adequately coordinated and sometimes duplicated each other. Statistical accuracy suffered because of the frequent shifts in reporting formats and some confusion as to the definition of reporting categories.¹⁶

During the freeze, Lincoln had realized the need for greater coordination of requests for special reports, and he made the Operations Office the focal point for all such requests. Stabilization of the format for routine reports also lessened the workload in the Regional Offices.

¹⁶ See Regional Directors' After-Action Reports to OEP Historian.

IV

Policy and Guidance

LEGAL BASE

While the legislative authorization for the freeze was contained in the Economic Stabilization Act of 1970, the broad outlines of freeze policy were set forth in Executive Order 11615. The order limited prices and wages during the freeze period to levels attained in a substantial volume of transactions by each individual or business during the 30-day period ending August 14, 1971. This rule was qualified, however, by a provision in the Economic Stabilization Act of 1970 that ceilings could not be established below levels prevailing on May 25, 1970.

The provisions of the Executive order were clarified in the days following the President's announcement of the freeze. After receiving authority from CLC Chairman John B. Connally to "implement, administer, monitor, and enforce" the program,¹ OEP Director George A. Lincoln issued Economic Stabilization Regulation 1, which specified more precisely the provisions of the order and defined 13 key terms. The regulation also exempted stocks, bonds, and exports from the freeze. OEP did not issue any additional Economic Stabilization Regulations, but it amended the first regulation five times to adjust terminology and clarify the dates of the freeze and of the base period.² The documents on which implementation and enforcement of the freeze rested were, therefore, substantially complete as of August 20, 1971.

All further policy determinations were made on an ad hoc basis, in response to specific problems that arose, or were expected to arise, during the freeze period. As will be explained more fully later, policy decisions were circulated within Government channels in the Stabilization Program Guidelines (SPG) and were published in the *Federal Register* as Economic Stabilization Circulars (ESC).

¹ CLC Order No. 1, August 17, 1971.

² See Exhibit 9 for the regulation and amendments.

This guidance differed from the regulation discussed above in that its legal force was not as broad. Each of the 26 ESC's began with the statement:

This circular is designed for general information only. The statements herein are intended solely as general guides drawn from OEP Economic Stabilization Regulation No. 1 and from specific determinations and policy statements by the Cost of Living Council and do not constitute legal rulings applicable to cases which do not conform to the situations clearly intended to be covered by such guides.

The Circulars were not intended, therefore, to have the kind of broad application that would be appropriate to a more carefully codified set of Government regulations. The statement makes it clear, however, that they were issued as having legal force in the situations "clearly intended to be covered," and they were so interpreted by the courts. Two suits which the Government brought against landlords and won, for instance, involved interpretations of the transaction rule and the rule on capital improvements.³

OPERATIVE PRINCIPLES

The possibility of formulating a codified set of regulations tailored to various sectors of the economy was considered but was rejected as inappropriate to a short-term control program. The goal during the freeze was to give authoritative answers to specific questions that arose regarding the extent of coverage of the freeze order and the ways in which it affected particular transactions. The system of price and wage controls suited to a long-range program was not established until the beginning of Phase II.

The coverage of the freeze was comprehensive. Although there were specific exceptions, such as raw agricultural products and exports, the freeze was intended to affect all segments of the economy. Application to concrete situations was governed by the need to be consistent, stringent, and reasonable.⁴

Consistency, a requisite of any government program, was of special importance in the freeze because of the decisive economic impact of the decisions. Both the policies set by CLC and the interpretations made by OEP had to give equal treatment to all those who found themselves in comparable situations.

Stringency was called for because of the nature and goals of

³ See p. 127.

⁴ G. A. Lincoln, Remarks Before the National Association of Food Chains, September 8, 1971; and *CLC Quarterly Report, August 15-December 31, 1971*, p. 6.

POLICY

the freeze: as an emergency measure of brief duration, it was by definition an inflexible program. Most individuals and businesses that were caught at a disadvantage were told that little relief would be available until after the 90-day period. This policy meant that loopholes were excluded from the guidance as far as possible, only a few exemptions were granted, and all violations, no matter how minor, were subject to enforcement measures.

Despite this "hard line," however, a policy of reasonableness was maintained. There were regulations, for example, allowing seasonal price increases, the pass-through of some taxes, and increases in some insurance premiums.

FORMULATION OF GUIDANCE

The freeze administration utilized elements of several agencies plus the newly formed CLC and its small staff. The short deadlines and the sensitive nature of many decisions made it essential to have close coordination among all agencies concerned, and a highly cooperative spirit did in fact prevail.

Most guidance was formulated in response to specific questions coming from businessmen, landlords, unions, trade and professional associations, government officials, and individuals affected by the freeze. Sometimes the answers were broadened to cover a wider field than that specifically raised by the questioner, and some guidance was formulated in anticipation of questions that were considered likely to arise.

In the early days of the freeze, Lincoln established procedures for channeling policy issues to the Executive Policy Committee (EPC) and CLC for answers. As explained in Chapter II, personnel in ASCS, IRS, and OEP Regional Offices responded to questions as they arose in all cases where existing guidance was applicable. In the OEP National Office, inquiries were answered by the Inquiry Review Section, Correspondence Section, General Counsel's Office, and the Office of Congressional and Public Affairs. When any of these offices decided that a question required a new policy determination, they sent it to Mr. Edward R. Saunders, Jr., the Deputy Assistant Director for Resource Evaluation. His staff, greatly expanded to cope with freeze tasks,⁵ drafted suggested

⁵ From the normal staff of about 20, seven were sent off to another building to continue handling stockpile and industrial mobilization matters; the remaining group was expanded to 33 by personnel detailed from other agencies. This group was known as the Policy Questions Office during the freeze.

answers to policy questions (and disseminated the guidance after decisions had been made). The drafts usually contained two or more optional responses with the pros and cons for each and a recommended action. They were sent to the General Counsel, who supplied any necessary legal precision to the wording and forwarded the drafts to Lincoln.

As a member of both the Executive Policy Committee and the Cost of Living Council, Lincoln took the questions and proposed answers to the meetings of these policymaking bodies. To assist him in coordinating policy questions and decisions, he named Mr. Louis Neeb to a newly created post of Special Assistant to the Director for Policy and Guidance Liaison. During the freeze Neeb accompanied Lincoln to meetings of EPC and CLC and coordinated the revision and refinement of policy statements that they directed.

In theory, everything that could be settled by an interpretation of existing guidance was handled by the OEP staff and only those questions requiring a new policy determination were sent to EPC. In fact, most questions with a major economic impact went to EPC. Since the line between interpretation and new policy was hard to define anyway, Lincoln preferred to take the questions of greater impact to the daily EPC meetings for resolution. By following this procedure he kept the policy echelon informed of all significant issues, achieved coordination in a rapidly moving situation, and assured broad participation in decisions in controversial cases.

The Executive Policy Committee chose one of the options, sometimes altering the wording, or directed either the OEP or the CLC staff to write a new statement. The most basic policy decisions and those that were particularly sensitive or controversial were referred to CLC, but after the first week of the freeze EPC resolved about 90 percent of the questions itself.⁶ Although OEP was the source of most of the questions and proposed answers, some came from the CLC staff and from other Federal agencies. Members of CLC sometimes presented policy questions from their own areas of activity directly to the Council.⁷ The guidance was put in question-and-answer form at first, but there was a gradual transition to direct statements of policy as the issues became more complex.

⁶ Lincoln, Remarks to the Pay Board and Price Commission, October 22, 1971.

⁷ Copies of the discussion papers submitted to EPC, with marginal notations of actions taken, are kept in OEP's files. They are referred to in this history as EPC Notes.

DISSEMINATION AND INTERPRETATION OF POLICY

Whatever the source of the proposals, all policy decisions were turned over to Saunders for official dissemination. He sometimes found it necessary to rephrase the policy statements in the interests of consistency, clarity, or responsiveness to the original questions; these changes were worked out in coordination with the General Counsel.

There was also an unofficial dissemination through the press and other media. The policy statements were released in Washington, at first by the Treasury Department and later by CLC and OEP, and in the Regions by the OEP Regional Offices. This public dissemination is discussed in Chapter VII, but it should be noted here that Regional Directors were cautioned not to rely on press accounts of policy decisions, since they did not always agree with the officially disseminated guidance.

A high priority was placed on speed in developing responses to policy questions. Once OEP had formulated a proposed response to a question, Lincoln took it to the early morning EPC meeting and, if necessary, to the CLC meeting in late afternoon on the same day. When EPC or CLC had approved a policy statement, OEP immediately circulated it within headquarters, sent it by teletype to OEP Regional Offices and IRS Regional and District Offices, and put it into the EMISARI computer system. Within a few days, 10,000 printed copies of the guidance were distributed to 28 Federal agencies, all OEP, IRS, and ASCS field offices, all State Governors, and a few other organizations.

A loose-leaf manual called Stabilization Program Guidelines (SPG) served as the principal repository of official guidance throughout the freeze. All material inserted into the SPG was coded so that decisions in the same subject area would automatically appear under the same tab. The manual, which was designed, printed, and in use before the freeze was a week old, was generally acclaimed by OEP and IRS personnel as an indispensable tool for keeping track of the steady stream of policy statements. IRS, in cooperation with the Government Printing Office, handled the actual printing and distribution of the original manual and the materials to be inserted into it.

The SPG manual was not released to the public, but reporters and interested citizens could inspect copies at OEP and IRS offices. Some Regional Offices made it a practice to send copies of relevant guidance to State agriculture officials, public utilities, labor unions,

and associations of bankers, real estate brokers, educators, and similar groups. Beginning on August 24, the Council distributed 10 million copies of a small booklet, "The Wage-Price Freeze: Questions and Answers," which contained the questions most frequently asked at that time. Copies were available at OEP, IRS, and other Government offices, including all local post offices.

Most of the guidance became available to the public when it appeared in OEP Economic Stabilization Circulars (ESC), which were printed in the *Federal Register*. OEP's Office of the General Counsel reviewed all SPG material as it came out and adapted it to a form suitable for the *Register*. The question-and-answer form was replaced by direct statements, and some other minor changes in wording were made. About 70% of the SPG material appeared in the 26 Circulars. Two compilations of this material were also published as Circulars 101 and 102, which pulled together the guidance according to subject areas and made some minor changes in wording dictated by later clarifications or interpretations.⁸

The breadth of dissemination of policy decisions depended on their degree of applicability. Decisions that were relevant only to the questioner were communicated to him by letter. Decisions that would be applicable to others were also published in the SPG manual, which was used by Government personnel in responding to questions from the public. Determinations of broader application were included in the Circulars and printed in the *Federal Register*, and much of this material was also included in press releases.

No less important than the guidance itself was the prompt, authoritative interpretation of its provisions. As detailed in Chapter III, personnel in the OEP-IRS-ASCS network used existing guidance to respond to questions as they arose, forwarding up the line those queries they were unable to handle. For the approximately one million inquiries received during the freeze, the "last stop" for authoritative rulings was the OEP General Counsel, who issued rulings on about 3,300 questions. To handle these interpretations, as well as compliance work and preparation of the Economic Stabilization Circulars, the General Counsel's staff was expanded from five to nearly 60, of whom 28 were attorneys.

Lincoln considered the ability to respond quickly to questions

⁸ Circulars 1-10 were replaced by Circular 101 on September 21, and Circulars 11-20 by Circular 102 on October 22. Circular 102 contained a comprehensive subject index. These Circulars were available for public sale and enjoyed a wide distribution.

POLICY

an essential ingredient of successful freeze administration. He felt that businesses and other organizations should not be required to operate in the dark and that they would appreciate a prompt response, even if it was not the one they had hoped for. Regional Directors gave the headquarters staff high marks for generally prompt and adequate answers to their questions, but complained of delays in getting guidance on some of the more complex issues that were referred to EPC or CLC, and of the vagueness of some guidance.⁹ The Regions included in their daily reports to the Director a list of the questions they had submitted that remained unanswered, noting how long they had waited for an answer. The National Office's goal was to reply to all questions within 3 days.

MAJOR POLICY DETERMINATIONS

As noted earlier, policy decisions were concerned mostly with defining the coverage of the freeze order. This provided a much simpler set of directives than would have been necessary if an attempt had been made to allow a pass-through of cost increases and similar adjustments. Nevertheless, the guidance that was developed reached a remarkable degree of complexity. About 450 policy decisions were printed in the SPG manual, ranging from simple, one-line answers issued in the first weeks to elaborate explanations of policy that covered several pages. It is obviously impossible to summarize or even catalog these policies here, but a few key decisions in each economic area will be discussed as examples of the types of issues that arose.

Transaction and Seasonality Rules

A policy of basic importance to all elements of the economy was the use of actual transactions during a base period as the means of determining ceiling prices. The Executive order set the terms:

Prices, rents, wages, and salaries shall be stabilized for a period of 90 days from the date hereof at levels not greater than the highest of those pertaining to a substantial volume of actual transactions during the 30-day period ending August 14, 1971, for like or similar commodities or services.¹⁰

⁹ After-Action Reports from Regional Directors to the OEP Historian mentioned delays in obtaining guidance on price lists and on the prices of school milk, wood products, railroad car demurrage, and ski facilities. The problem of vague or confusing guidance was associated mainly with wage contracts, teachers' salaries, and insurance premiums.

¹⁰ Executive Order 11615, August 15, 1971, Sec. 1.a.

Economic Stabilization Regulation 1 provided the following definitions:

Base Period: . . . the period from July 16, 1971, through August 14, 1971, and, in the event that no transaction occurred in the latter period, the nearest preceding 30-day period in which a transaction did occur: *Provided, however,* That prices, rents, wages, and salaries need not be established at levels less than those prevailing on May 25, 1970.

Substantial volume of transactions: . . . The ceiling price is the price at or above which 10 percent of the actual transactions during the base period were made, except that in the case of posted and effective prices during the base period, the base period itself will be considered to have begun at the time of the increase in posted and effective prices.

When a question was submitted by a seller who had taken a large order during the base period for delivery during the freeze and wanted to know whether this order constituted a “transaction,” the answer was:

A transaction takes place when the seller ships the product to the buyer, not when the order is received. In the case of a service, the transaction takes place when the service is performed.¹¹

In ordinary business and legal usage, “transaction” can have a range of meanings, including an oral agreement, written contract, deposit, complete payment, or delivery. By defining transaction as delivery (shipment), CLC made sure the freeze order would affect the economy in the most decisive and immediate way possible. Except by requiring price rollbacks, there was no way the order could have been made more immediate; other options would have delayed the impact to a greater or lesser extent.

Besides blocking price increases that were included in contracts calling for delivery during the freeze, this definition ruled out wage increases covered by previously negotiated contracts and rent increases provided for under leases. All rent increases were stopped, even when advance deposits had been made or rent had been paid in advance, as long as occupancy had not occurred at the higher rental rates prior to August 15. The most heated dispute over application of the transaction rule concerned advance sales of tickets to sporting events.¹² Many also questioned the rule allowing increases in tuition and school room-and-board charges when advance deposits had been made; this rule (discussed below) was based on the thesis that an educational institution performs part of its service to the student before the actual beginning of classes.

The use of the transaction rule had the evident purpose of giving equal treatment to prices, wages, and rents. It was necessary

¹¹ ESC 7, September 2, 1971, Sec. 401 (e); ESC 101, Sec. 302 (1).

¹² See pp. 135–138.

POLICY

to spell out in guidance, however, how it applied in each area, as will be seen in the following sections.

The seasonality rule also applied across the board to prices, wages, and rents. It permitted sellers to increase their prices to the levels charged in the previous year if they could demonstrate that their prices had undergone "large and distinct fluctuations" at a specific time in each of the 3 years prior to the freeze. Examples given were Puerto Rican hotel rates, auto dealers' selling prices at the time of introduction of new models, and wage rates for some seasonal agricultural workers.¹³ Some important interpretations of this rule were those that denied its applicability to fuel oil and coal prices. A similar negative ruling was rendered in the case of several potash producers, whose normal seasonal price variations had been disrupted in 1969 and 1970 because of domestic market aberrations related to international dumping.

Prices

Price ceilings were not as easy to determine as was popularly imagined. Policy makers had to take into account such factors as seasonal discounts and promotional discounts offered during the base period, quantity discounts, and differing prices in different market areas. Specific rulings were made on subjects as diverse as business mergers, advertising rates, foreign tours, State regulated liquor prices, railroad freight rates, second hand cars and furniture, auctions, Christmas candy, trading stamps, and sale of real estate.¹⁴ This list is only the top of the iceberg, but is sufficient to give some idea of the variety of problems encountered.

The more complex issues involved considerable staff work and were not always put to rest by the first policy statement on the subject. As the President's Council of Economic Advisers said: "Because of the complexities of the markets for many goods and services . . . , it proved difficult to develop precise definitions that applied with equal effect in all situations."¹⁵

The application of the transaction rule to prices was fairly straightforward. Perhaps the most rigorous application was to long

¹³ ESC 101, Sec. 303. When auto dealers introduced 1972 models they were allowed to sell at the full list price of 1971 models instead of using the prices charged for 1971 models during the base period, a period of traditionally large discounts. See p. 134 for application of the seasonality rule to propane gas prices.

¹⁴ ESC 101, Secs. 401-408; ESC 102, Secs. 303 and 401-405. See Chapter V for exceptions and exemptions.

¹⁵ *Annual Report of the Council of Economic Advisers, January 1972* (Washington: Government Printing Office, 1972), p. 77.

term contracts calling for delivery during the freeze. Certain castings, forgings, and special machines are produced for various industries in "job shops" using designs that are unique for each purchaser. Because of the high cost of tooling, quantity production runs are made at infrequent intervals, sometimes 2 or 3 years apart. When contracts for such items called for delivery during the freeze, a seller was held to the price of the previous delivery of the same products, even if his contract called for a higher price and production costs exceeded the ceiling price.¹⁶

A similar ruling was given in the case of commodity futures that matured during the freeze; regardless of the contract price, the ceiling price was determined by deliveries during the base period.¹⁷ Futures contracts for raw agricultural products were not affected by the freeze because of the exemption of such products.

The policy of "reasonableness" was illustrated in such rulings as the one upholding rate increases by public utilities. Under widely used formulas, increased fuel costs in July resulted in rate increases for August. Even though bills reflecting these increases were not prepared or sent out until September, the increases were upheld on the grounds that delivery had taken place before the freeze. The decision involved millions of dollars for some large utility companies.¹⁸

As noted above, OEP applied the transaction rule to services by saying the transaction took place when the service was performed. It was usually easy to date the base period transactions by this rule, but it proved difficult in cases where the performance included several steps. An advertising company, for instance, usually completes work on a magazine or television advertisement in several stages, and the service might be thought of as having been performed for the purchaser long before the advertisement appears in print or is seen by the public on TV. Adhering to a rigorous application of the transaction rule, however, OEP required delivery of at least one unit of the final service (actual appearance of the advertisement) in order to fix a transaction date.¹⁹

The transaction rule applied to renewals of insurance policies. If a rate increase was announced prior to August 15 and a substantial number of transactions (renewals) occurred at the in-

¹⁶ ESC 102, Secs. 402 (5), 403 (3).

¹⁷ ESC 101, Sec. 403 (13); ESC 102, Sec. 403 (1).

¹⁸ ESC 102, Sec. 406 (5); EPC Notes, September 17, 1971.

¹⁹ SPG 3.1901.

POLICY

creased rates, then the higher rates could apply to the renewals occurring during the freeze.²⁰

Premiums on group health insurance policies that are based on experience-rating formulas are normally increased to reflect increases in such factors as average cost per claim and frequency of claims. Insurance companies were allowed to increase premiums on such policies during the freeze to reflect experiences on actual costs and changed conditions of risk (such as the age-sex distribution of groups) but were not allowed to reflect anticipated cost increases nor to use new formulas that would result in higher premiums.²¹

An atypical application of the transaction rule was made for tuition. The first ruling, which did not mention deposits, stated that tuition increases that had been announced prior to August 15 could take effect.²² A later ruling stated that tuition and room and board increases had to have been confirmed by deposits during the base period.²³ When it was later defined that a service transaction takes place "when the service is performed,"²⁴ it was apparent that the rule on tuition did not conform to this definition. A new policy statement reiterated the rule—that tuition increases could remain in effect if they had been announced and at least one deposit had been received prior to August 15—and added the following explanation:

This treatment of the student-school relationship is unique to tuition and room and board transactions and does not apply to any other form of transaction. . . . The use of prior announcement and payment to show completion of transactions results from the unique arrangement schools have with their enrolled students. Although the level of service performed by schools varies with the school year, certain year-round services are available to enrolled students, i.e., access to research facilities (libraries), administrative support, student guidance activities, etc.²⁵

Many inquiries were received about the interpretation of this ruling, and many students and parents complained that tuitions should have been frozen along with their sources of income. Numerous organizations tried without success to apply the rationale for tuition increases to other situations, such as the advance sale of tickets to college football games.

²⁰ ESC 101, Sec. 407 (5,6).

²¹ ESC 102, Sec. 407 (2).

²² ESC 1, August 24, 1971, Sec. 407.

²³ ESC 3, August 28, 1971, Sec. 401 (b). The Circular did not include a statement that ESC 1 was superseded, and this oversight led to some compliance problems.

²⁴ ESC 7, September 2, 1971, Sec. 401 (e).

²⁵ ESC 15, September 23, 1971, Sec. 403 (1); ESC 102, Sec. 403 (5). See also p. 110.

A seller could price a new commodity or service by applying the percentage markup he was receiving on his most similar item or (if that rule did not apply) by using the prevailing price for comparable items in the same area. A slight change in appearance or slight functional modification did not, however, qualify a product as "new."²⁶ The 1972 model cars, for instance, were not considered new products, so the sticker prices on them were the same as those on 1971 models. As noted above, the seasonality rule allowed retailers to sell at the full sticker price instead of following the actual prices charged during the base period. Automobile manufacturers who converted items that were optional on 1971 models into standard equipment on 1972 models were allowed to include the normal price of the options in the prices charged for the 1972 models. On the other hand, new features that had not previously been offered as options, such as new anti-pollution equipment, did not justify price increases.²⁷

A manufacturer was not allowed to make a change in business practices as a way of circumventing the freeze.²⁸ A seller could not reduce the quality of a commodity or service unless he reduced the cost proportionately.²⁹ A transportation company, for instance, could not eliminate a route or decrease frequency of service without reducing fares proportionately, unless the appropriate regulatory agency stated that the reduction was due to a decrease in demand.³⁰

Dues paid to organizations such as professional associations, unions, and country clubs were considered fees for services and thus were frozen. However, members could be assessed a prorated share of the costs of increased services.³¹ Several compliance cases resulted from this ruling, including Recommended Courts Cases³² against three unions, but no suits were filed.

A ruling was issued in the early days of the freeze to the effect that State and local taxes were not frozen. The principle followed in later clarifications was that government fees and service charges were frozen, but taxes were not. Thus, the freeze did not affect income taxes, sales taxes, property taxes, license fees, or legal penalties. It did, however, cover fees for water, gas, and sewer

²⁶ ESC 101, Sec. 402 (4); ESC 102, Secs. 401 (1), 402 (1,2).

²⁷ *CLC Quarterly Report, August 15-December 31, 1971*, p. 19.

²⁸ ESC 102, Sec. 402 (4).

²⁹ ESC 101, Sec. 402 (9).

³⁰ ESC 102, Sec. 407 (11). See p. 135 for application to a local transit company.

³¹ ESC 101, Sec. 403 (5); ESC 102, Sec. 403 (4).

³² See p. 120.

POLICY

service, road and bridge tolls, and utility franchise fees.³³ Merchants were allowed to increase prices to cover increases in “surcharges or other sales or excise taxes,” but had to absorb increases in “property or business taxes.”³⁴ This ruling caused some confusion, as there are many types of taxes in general use and even wider variations in the terminology applied to them. Two cities were in the process of installing new parking meters (with increased rates) when the freeze was announced and had to backtrack because the parking fee was frozen.

The prices of commodities exported to other countries were not frozen,³⁵ but imported commodities were subject to the freeze. Increases in U.S. customs duties and tariffs, including the 10 percent surcharge imposed as part of the New Economic Policy, could be passed on to the ultimate buyer. This was true even if the imported item was transformed or incorporated into another product, as when an imported engine was used in an automobile that was assembled in this country. Sellers were free to absorb the surcharge themselves, but if they passed all or part of it on they were obliged to specify the amount on the sales ticket or provide the information to the purchaser upon request.

Importers and resellers could also pass on other increases in costs of imports, such as price increases by foreign suppliers and increases caused by fluctuations in world currencies, as long as the imported item was not physically transformed or incorporated into another product.³⁶ These rules on imports had a significant impact on utility companies using imported fuel. They had to absorb increases in fuel prices, since the fuel was transformed in the production of electricity.³⁷

Wages

The prohibition of wage increases covered all forms of remuneration, including fringe benefits such as paid vacations, holidays, and employer contributions to insurance and pension funds. The prohibition covered all wage earners, including military personnel and employees of Federal, State, and local governments.³⁸

³³ ESC 1, August 24, 1971, Sec. 402; ESC 101, Secs. 406 (5), 407 (8), 410; ESC 102, Secs. 401 (4), 407 (8).

³⁴ ESC 102, Sec. 402 (8).

³⁵ Economic Stabilization Regulation 1, Sec. 4; see ESC 102, Sec. 401 (7).

³⁶ CLC Order No. 2, August 17, 1971; Economic Stabilization Regulation 1, Sec. 5; ESC 101, Sec. 404; ESC 102, Sec. 404.

³⁷ ESC 101, Sec. 403 (10).

³⁸ ESC 101, Secs. 501, 502. See p. 104 for exceptions and exemptions.

Economic Stabilization Regulation 1 connected the transaction rule with wages and salaries, saying that "remuneration shall be based upon a substantial number of actual transactions for services of like or similar nature."³⁹ The rule was applied to remuneration in a limited way, however. It did apply to fees charged by a doctor or lawyer; as with other purchased services, rates prevailing in at least 10 percent of the transactions in the base period could be maintained during the freeze.⁴⁰ The rule was not applied, however, to wage earners by category. The fact that 10 percent of the employees of a particular firm or of the workers in a given category had received an increase in wages or fringe benefits before the freeze did not entitle others in the same category to the increase.⁴¹ For most wage-earners, wages during the freeze were determined by the individual's wages during the base period.

From another point of view, the freeze on wages applied to job categories rather than to individuals. A person could be promoted to a higher level job and thus obtain increased pay. Apprentices, learners, and persons hired on probation could be promoted in normal fashion, according to programs established before the freeze, and thus receive pay increases.⁴²

Over a hundred rulings on wages and fringe benefits appeared in the Circulars. Some idea of the complexity of policy making can be seen from a partial listing of topics covered: workers on strike, professional athletes, severance pay, returning veterans, incentive pay plans, piece rates in the California raisin harvest, deferred cost-of-living increases, Idaho gold miners, State minimum wage laws, wage cases pending before regulatory agencies, legal holidays, "lag dates" in steelworkers' contracts, profit sharing, construction workers under the Davis-Bacon Act, workers transferred to new locations, clergymen's salaries, and Americans working for U.S. firms abroad.

A critical question arose as to how the freeze affected wage contracts negotiated during the 90 days and covering retroactively work performed before August 15. There were several instances where contracts had expired before the freeze but employees had continued working during wage negotiations. CLC ruled that, once a new contract was signed, a wage increase could be paid

³⁹ Economic Stabilization Regulation 1, August 20, 1971, Sec. 2 (b) .

⁴⁰ ESC 101, Sec. 407 (3) .

⁴¹ This situation arose, of course, only when there was no wage contract; when there was a contract and a wage increase had taken effect before the freeze, all workers received the increase.

⁴² ESC 101, Sec. 503; ESC 102, Sec. 503.

retroactively for the time before the freeze, but not for the period of the freeze. Furthermore, the parties had to demonstrate that they did not change their bargaining position in order to compensate for or absorb the impact of the freeze.⁴³

The question of whether a contract was actually in effect by August 15 or not came up several times. A contract which had been signed by management and union officials before August 15 but was ratified by workers after the freeze began was allowed to stand. In another case, a contract was offered by management and accepted and signed by the union before the freeze, but was not signed by management until August 16; this was also allowed to stand.⁴⁴ In these cases, since the effective date of the wage agreement and the accrual of pay both antedated the freeze, the wage increase applied both to the prefreeze period and to the freeze period itself. Although labor leaders contended that wages had been absolutely frozen, there were many borderline situations like these in which CLC allowed pay increases.

Fringe benefits could not be increased during the freeze, and this led to some problems. Firms normally grant a paid vacation after a specified period of service, such as 1 year, and increase the vacation time with added years of service. When the specified period of service was completed during the freeze, employees were not allowed to take the vacations because they were seen as increases in fringe benefits. In the final days of the freeze, however, the rule was reversed and the vacations were allowed on the grounds that they had been accrued during the year or years of work and were not therefore a new or added benefit.⁴⁵

A similar decision concerned stock options, which some firms grant to employees at periodic intervals. The initial ruling was that no new stock options could be issued and that existing stock options could not be exercised during the freeze period unless the right to exercise them expired before November 14.⁴⁶ CLC later ruled that stock options could be issued "for the same number of shares as in the base period (adjusted, if necessary, for stock splits and stock dividends) and under the same terms and conditions."⁴⁷

⁴³ ESC 101, Sec. 502 (3); ESC 102, Sec. 505 (6).

⁴⁴ ESC 101, Sec. 502 (30,35).

⁴⁵ ESC 102, Secs. 502 (2), 504 (8); reversal in ESC 25, November 10, 1971, Sec. 502 (1).

⁴⁶ ESC 101, Sec. 504 (3); ESC 102, Sec. 502 (14).

⁴⁷ ESC 25, November 10, 1971, Sec. 504 (1). See CLC press release, November 10, 1971.

Teachers' Salaries

Teachers' salaries were one of the most hotly debated issues of the freeze. Since the freeze was imposed just before the opening of a new school year, the time when a majority of the Nation's two million teachers would normally receive salary increases, it had a greater impact on members of this profession than on any comparable group. This situation was aggravated by two factors: the feeling of many teachers that their profession is consistently underpaid and should have been exempted from the freeze to begin with, and the ambiguities found in the freeze regulations that attempted to deal with unique features of teachers' contracts. The result was a serious problem of opposition to the freeze by a large and influential group, with widespread instances of noncompliance.

Those who set freeze policies had no intention of putting teachers' salaries in a favored position. The special rules made for teachers (which applied also to school administrators, cafeteria workers, etc.) were intended only to prevent teachers from suffering inequities because of unique contractual or salary conditions.⁴⁸

The date on which a teacher or administrator begins work in relation to a new school year is often hard to determine, since he may be working at home, in a library, or at a professional meeting. Depending on local rules and the teacher's choices, he may have his pay spread over 9 months, 12 months, or some in-between period, not necessarily coinciding with the period of actual work. If a pay increase based on longevity or intended for all teachers in a system went into effect with the fall term, it was often nearly impossible to answer the critical question of whether a pay increase was or was not "in effect" for a particular teacher before August 15.

OEP regulations allowed all teachers who were eligible to be paid over a 12-month period, but had opted for a 10-month plan, to receive a pay increase which was in effect in their school district before August 15.⁴⁹ Otherwise, some teachers would have suffered an inequity merely because of the pay plan they had chosen.

Another complicating factor was the form of teachers' contracts. A union's contract with an employer affects all workers impartially; during the freeze, a worker under a union contract received a pay increase even if he was on vacation or was laid off during the base period. A nonunion worker, on the other hand, generally has a wholly individual contract with his employer, with terms of em-

⁴⁸ Interview with G. A. Lincoln, February 3, 1972.

⁴⁹ ESC 2, August 26, 1971, Sec. 501 (h).

ployment and compensation tailored to him. The teacher's situation lies somewhere between these points: there is usually a fixed pay scale and uniform contract for all teachers, but each teacher signs the contract individually. This made it difficult at times to tell whether a teacher was governed by an individual or a group contract, and, therefore, on what date a pay increase took effect for him.

The salary question was easily settled for teachers who were clearly on individual contracts. Aside from the 10 month/12 month rule noted above, teachers on individual contracts were governed by a simple rule: those who were eligible to accrue pay at the increased rates before August 15 obtained the increase; others did not.⁵⁰

Where there was a system-wide contract, the interpretation was more difficult. The salient regulation was:

In the case of school systems that have negotiated a system-wide contract which is applicable to all teachers in the system and which makes all teachers eligible to receive payments prior to August 15, all teachers may receive these increased payments if any one teacher either performed work or was accruing pay prior to August 15.⁵¹

This rule clearly permitted raises for many teachers, perhaps as many as 80 percent of the 2.1 million in the country, as the National Education Association estimated. But it also opened the door to misinterpretations. Some school systems seized on this "golden sheep rule," as it came to be called, and began granting pay increases to all their teachers providing at least one had worked before August 15. This was often done regardless of their individual eligibility and even in the absence of a system-wide contract. The golden sheep rule applied only to those teachers who were made eligible, under a system-wide contract, to accrue pay before August 15.

In the face of the widespread noncompliance that resulted, Arnold Weber and other CLC spokesmen began taking a "hard line" on teachers' pay by putting the narrowest possible interpretation on the rules,⁵² and this led to widespread charges that CLC had reversed its earlier ruling. The confusion was largely resolved in mid-September when OEP issued new guidance clearly separating system-wide contracts from individual contracts. It stated that

⁵⁰ ESC 5, August 31, 1971, Annex 2; ESC 13, September 13, 1971, Annex 1.

⁵¹ ESC 5, August 31, 1971, Annex 2. Originally published in a CLC press release on August 26, 1971.

⁵² See Statement of Arnold R. Weber to the Press, September 3, 1971, and press accounts of it on September 4, including *Washington Post*, p. 4, *New York Daily News*, p. 2.

all teachers under system-wide contracts who were eligible to accrue pay before August 15 could receive the fall pay increases, and added:

If, in fact, such a contract makes all teachers eligible to accrue pay prior to August 15, it is irrelevant whether "any one teacher" performed work or accrued pay prior to August 15. If the employment arrangement requires that a teacher begin work to be eligible for pay, then the date of beginning work is the date the teacher is eligible to accrue pay.⁵³

This supplement, carefully prepared by lawyers in the OEP General Counsel's office, resolved most of the confusion on teachers' salaries, according to reports from Regional Directors.⁵⁴

Rents

The rent freeze applied to all residential and commercial properties, including hotel rooms and trailer courts, and to the rental of furnishings and provision of services connected with rental properties. Tenants could not, for instance, be required to pay utility bills that had formerly been paid by the landlord, unless rents were lowered proportionately. A ceiling rent was determined for each house, apartment unit, hotel room, or similar unit by actual rentals during the base period—the most recent 30-day period during which the property was occupied. Units not previously rented were priced at the same level as similar units in the same locality. The rental rate was set by transactions in the base period, and "transaction" meant performance of the service, that is, occupancy of the property by the renter. It did not matter when a rent increase was announced, a lease was signed, a deposit was made, or even when the rent was paid.⁵⁵

The transaction rule was applied to rents in a limited way. If a hotel room was rented many times during the base period, the ceiling rent was determined by the level attained by the highest 10 percent of the rentals. The transaction rule could not be used to equalize rents on several units in the same building or owned by the same firm. Rather, each dwelling or commercial unit had its own ceiling.

The amount of guidance issued on rents was much smaller than that on prices or wages. Reports from OEP Regional Offices indi-

⁵³ ESC 13, September 16, 1971, Annex 1.

⁵⁴ Memo, Leonard Reese to Lincoln, September 18, 1971, Subj: Regional Reports on Teachers' Salaries. The compliance problems resulting from this policy situation are covered on pp. 128–131.

⁵⁵ Economic Stabilization Regulation 1, August 20, 1971, Secs. 2 (c) and 3 (b); ESC 101, Secs. 601, 602.

POLICY

cated that problems of interpretation in this area were relatively minor. There were a few rulings, however, that are of general interest. Subject to a number of qualifications, a property that underwent capital improvements could be treated as a new rental unit and thus draw higher rent.⁵⁶ In government aided housing programs that charge a fixed percentage of tenants' income as rent, rents could increase as a tenant's income increased, but the percentage charged could not be increased.⁵⁷

Formula rentals and the pass-through of certain taxes presented some difficult policy questions. Most formula rental agreements are found in leases for commercial property, though they may also apply to rental of residences and commercial equipment, such as aircraft. For example, a commercial tenant might agree to pay for all taxes, insurance, and repairs plus a fixed monthly rent; in such a case the owner is in effect investing his money at a fixed rate of return and does not assume the normal duties of a landlord. In a residential lease, a tenant might agree to normal rent plus payment of the property taxes.

It was ruled early in the freeze that increases in occupancy taxes on rental dwelling units could not be passed on to tenants.⁵⁸ The position on the pass-through of property taxes underwent several changes, partly because it was intertwined with formula rentals. The final ruling, published on October 20, was that increases in property taxes could be passed on if the effective date of the increase was before the freeze.⁵⁹

The use of formula rentals was at first approved only for new commercial tenants—those whose leases began during the freeze and who operated businesses different from those of previous tenants. In early October the ruling was changed to allow all formula rental agreements to remain in effect during the freeze, except that certain specific types of rent increases were forbidden.⁶⁰

LOOKING FORWARD

As the freeze neared its end, OEP's attention shifted to smoothing the way for the post-freeze program. An important contribution in the policy area was to provide to the Pay Board and Price

⁵⁶ ESC 101, Sec. 601 (21); see also p. 127.

⁵⁷ ESC 101, Sec. 601 (5,10).

⁵⁸ ESC 3, August 28, 1971, Sec. 602 (d).

⁵⁹ ESC 21, October 20, 1971, Sec. 602; see also Sec. 602 in ESC's 7, 17, and 19.

⁶⁰ See Sec. 602 in ESC 17, September 30; ESC 19, October 6; and ESC 21, October 20, 1971.

Commission a number of people familiar with policy writing and interpretation. OEP's Policy and Guidance Liaison Office became the nucleus of the Price Commission's policy staff, and other OEP and detailed personnel were attached to the Board or the Commission either for the transition period or as permanent staff members.

OEP also contributed to the formulation of Phase II policy by highlighting the problems encountered during the freeze and suggesting some solutions. On October 22 Lincoln and eight members of OEP's freeze staff briefed the members of the Pay Board and the Price Commission on major policy issues that would need to be resolved by those bodies. OEP's compilations of major policy problems were submitted to the Pay Board and the Price Commission on October 29.

The paper for the Price Commission described 38 issues and singled out 10 of these as requiring earliest attention.⁶¹ Most of the priority items concerned the alleviation of hardship situations, such as allowing steel processors, lumber companies, and grocery wholesalers to pass on increases in their costs, lest a prolonged profit squeeze should result in permanent damage to many businesses. Similarly, it was suggested that sellers of imported goods be allowed to pass on price increases, even when the imported item was transformed or incorporated into another product. The hardship imposed on the die casting, forging, and metal stamping industries, which operate under long term contracts, was also cited, and it was pointed out that relief could be obtained by redefining "transaction" or by allowing formula pricing, as had been done for the insurance industry.

Some items of lower priority were: exempting auction sales and sales of secondhand items, because the fair market price is elusive and policing is therefore difficult; allowing industries to pass on the costs of using cleaner fuels when these were required by anti-pollution laws; and exempting all regulated industries (electric, gas, telephone, and transportation), leaving price control in this area to the existing regulatory agencies.

In the area of rents, changes in the application of the seasonality rule and of formula rentals were suggested, as was special treatment of apartment rents in New York City. Authorities in New York had begun on July 1, 1971, to phase out the State rent control program dating from World War II because of the dire shortage

⁶¹ Problem Areas Related to Sales of Goods and Services and Rentals and Sales of Property which Deserve Early Attention by the Price Commission, October 29, 1971.

POLICY

of decent housing in the city. The controls had made renovation of older buildings uneconomical, with the result that thousands of buildings had been abandoned. New York authorities had accepted the prospect of rent increases of 80-100 percent after renovations, but the freeze re-imposed rent control and stopped most renovation work.

The companion paper for the Pay Board listed 17 policy issues, only three of which were designated as high priority items.⁶² These were: allowing equalization of the wages being paid for the same type of work within one plant or company; allowing cost-of-living increases covered by wage contracts to take effect, since they are seen as "catch up" rather than "move ahead" raises; and eliminating salary differences among teachers in the same system which resulted from some getting raises and others being denied them under the freeze.

Greater leniency was suggested in allowing employees to obtain fringe benefits, such as health insurance, pension plans, added days off, and the right to join thrift incentive plans. It was also pointed out that merit and longevity increases are important for morale and could be allowed without being inflationary.

In his briefing of the Pay Board and Price Commission on October 22, Lincoln summed up the main lessons learned from the freeze. He emphasized the vastness and complexity of the problems involved in trying to control all aspects of the economy, even for 90 days. He stressed the need for consistency of policy and the need to respond quickly to questions and problems as they arise, to keep from being snowed under by them. He also mentioned the importance of teamwork among the many Federal, State, and local agencies and private entities involved in this type of fast moving program. Lincoln recognized that it might be appropriate in Phase II to exempt many areas that had been tightly controlled during the freeze, but added: "we have to keep in mind the purpose of this great effort, which is to get the rate of inflation down to 2 or 3 percent by the end of next year. That purpose seems to me to be overriding."⁶³

OEP's Regional Directors evaluated the guidance they received and were required to interpret and apply, with adjectives ranging from "generally adequate" to "superb" and "outstanding." The problems they encountered with the policy statements—undefined terms, vague formulations, inconsistencies, reversals, and delays in

⁶² Problem Areas Related to Wages and Salaries which Deserve Early Attention by the Pay Board, October 29, 1971.

⁶³ Lincoln, Remarks to the Pay Board and Price Commission, October 22, 1971.

getting answers—were usually attributed to the fact that the freeze was launched with a minimum of advance planning and policy had to be written in piecemeal fashion, in response to concrete problems. Regional Directors generally found the guidance on rents the clearest and that on wages and salaries the most difficult to interpret. They were acutely aware of the problems that OEP's stringent application of the freeze order had caused for businesses and recommended that a number of exceptions and adjustments be made at the outset of Phase II.⁶⁴

⁶⁴ Regional Directors' After-Action Reports to OEP Historian.

V

Exceptions and Exemptions

AUTHORITY

Whenever wage and price controls have been imposed on the American economy, a means has been provided for exempting individuals or specified groups in order to alleviate hardships or meet special emergency requirements. Conforming to this pattern, the Economic Stabilization Act of 1970 gave the President the authority to "provide for making of such adjustments as may be necessary to prevent gross inequities."¹

As this authority was delegated from the President to the Cost of Living Council and redelegated to the Director of OEP, the concept of "adjustments" was further defined and a policy spelled out. The President told CLC it could "make exceptions or grant exemptions,"² and CLC Chairman Connally added that "significant policy decisions shall be made only after consultation with the Council."³ OEP's own regulation on the subject gave the first comprehensive statement of the policy:

The Director of the OEP at his discretion may make exceptions to or grant exemptions from the prohibitions listed in Section 2 of this regulation for the purpose of preventing or correcting gross inequities.⁴

The terminology used in this area was not further defined for the general public. During the freeze, the terms "exceptions and exemptions" usually appeared in tandem, with no apparent distinction being made between them. A clarification approved for staff use defined an *exception* as a policy decision "which applies to an entire class of individuals or organizations" and an *exemption* as the "waiver of a ruling for the benefit of a single individual or organization."⁵ The distinction is adhered to in this history,

¹ Economic Stabilization Act of 1970, Sec. 202.

² Executive Order 11615, August 15, 1971, Sec. 4.a.ii.

³ CLC Order No. 1, August 17, 1971.

⁴ OEP Economic Stabilization Regulation 1, August 20, 1971, Sec. 4.a. The "prohibitions" covered the whole range of prices, wages, salaries and rents.

⁵ Executive Policy Committee (EPC) Notes, September 24, 1971.

although it was not widely disseminated or applied during the freeze. The discussion in this chapter relates primarily to the category of exemptions.

An Office of Exceptions and Exemptions was established in OEP headquarters on August 18 under the direction of Mr. Christopher A. Norred, Jr. A Foreign Service Officer, Norred had been on detail to OEP from the Department of State for two and a half years. He was just preparing to return to the State Department when Lincoln asked him to head this office for the duration of the freeze. Mr. Spence W. Perry was appointed executive officer and in this capacity represented the Exceptions and Exemptions office in the daily Coordination Meetings, in which the interrelationships of all freeze activities were worked out.⁶

POLICY

In order to see how the policy on exceptions and exemptions fitted into the overall strategy of the freeze, it is useful to compare the situation to the inception of controls in World War II and the Korean War. In both these previous cases, prices and wages were initially frozen, but regulations were issued within a matter of weeks to provide for adjustments, some of which were required by the basic legislation. This was possible because a skeleton staff had been assembled during a period of voluntary restraints which had preceded the freeze. The transition from the period of "freeze" to a later period of more flexible regulation was thus made gradually. During the initial freeze period, exceptions of an emergency nature could be made, but most adjustments were postponed until relevant regulations had been issued.

In the 1971 control program, on the other hand, there was no "warm up" period of voluntary controls before the freeze was imposed, so the freeze was maintained for a longer period in order to provide time to plan strategy, form structures, and assemble the expert staff required to administer the long-range control program. Another unique feature of the 1971 program was that the second phase was begun on a fixed date instead of by a gradual transition. The small, quickly assembled staff that administered the freeze could make exceptions and exemptions, but as in previous control programs most relief was postponed until the second phase.

It was inevitable that a freeze of such duration would impose

⁶ On executive officers and Coordination Meetings, see pp. 55-57.

EXEMPTIONS

hardships on some individuals and organizations. The freeze caught some employers who had just granted a wage increase, manufacturers who had just experienced an increase in the cost of materials, and retailers whose wholesale prices had just risen. On the other side of the wage-price spiral, many wage earners whose earnings had been eaten away by cost-of-living increases were prevented by the freeze from obtaining catch-up raises. Some employee groups were caught after they had canceled one group insurance plan but before a new one had taken effect. Some landlords had just made improvements to their property with the intention of raising rents, and numerous other large and small businesses were thwarted in the normal execution of their plans.

Nevertheless, the strategy of the freeze was to ask all who were disadvantaged by it to bear with the hardship in the traditional American spirit of belt tightening during a war or other crisis. At his press conference on August 16, Secretary Connally said on the subject of exemptions: “. . . we don't anticipate making any except in most extreme and dire cases of hardship and inequity.”⁷ It was thus clear from the first that the policy on exemptions was to be stringent. Lincoln adhered to this policy and impressed it on others. In denying a price increase to New York school bus contractors, for instance, he told them:

It is hoped that the bus contractors involved will accept their share of the burden in stopping inflation and will not use the needs of students, including those handicapped, to attempt to receive preferential treatment during a period when all are being asked to make sacrifices.⁸

The purpose of the exemption authority, as noted above, was “to prevent or correct gross inequities.” Regional Directors asked that “gross inequity” be defined so they would have a more precise criterion by which to review requests, and Norred suggested that the criterion could be “the degree of individual hardship.”⁹ No formal definition was adopted, however, so there was no predefined situation that could be counted on to trigger an exemption. Rather, the Director applied the criterion of “gross inequity” to each case as it arose.

In making decisions on individual exemption requests, Lincoln was careful to maintain the consistency of treatment on which public support for the freeze was based. Even the Girl Scouts of America were required to rescind a dues increase. In the absence

⁷ Department of the Treasury News, August 16, 1971, p. 19.

⁸ Msg Charlie 129, September 10, 1971, quoted in *New York Times*, September 11, 1971, p. 1.

⁹ EPC Notes, September 1, 1971.

of an elaborate bureaucracy to investigate every request, the best way to assure equal treatment to all was to deny requests except in a very few, unusual cases. The strategy employed therefore had much in common with that used for compliance, which was to demand compliance of all, whether violations were major or minor. In all, only five requests for exemptions were granted: three allowing increases in fringe benefits, and two allowing increases in local water rates.

ORGANIZATION

The Office of Exceptions and Exemptions had a staff of about 25 people, who reviewed all exemption requests and related correspondence received in the National Office. The professional staff members were specialists on prices, wages, or rents on detail from the Departments of Commerce, Labor, Agriculture, Housing and Urban Development, and other Federal agencies.

Exemption requests had to be submitted in writing to an OEP Regional Office or the National Office (not to IRS or ASCS offices). An applicant was required to identify his organization, state how the freeze was believed to be grossly inequitable, and specify the relief sought. This had to be done in considerable detail, often with supporting affidavits.¹⁰ Regional Directors were told to discourage exemption requests because of the short duration of the freeze. Applicants were informed, however, of their legal right to pursue this administrative remedy and were assisted in filing the exemption requests if they chose to do so. The normal procedure was to file a request at a Regional Office; but those that were sent to the OEP National Office or to CLC were handled in Washington in order to provide the quickest possible response.

Each Regional Office had a small staff division for processing exemption requests. The initial analysis of cases was done by the specialists on prices, wages, etc., who had been drawn from various Federal agencies to make up the Regional Office freeze staff. Some cases involving small businesses were also evaluated by the local office of the Small Business Administration.

In the first two weeks of the freeze all requests were forwarded to OEP headquarters for a decision. On September 3, Regional Directors received authority to deny, but not grant, exemptions in

¹⁰ "Provisional Guidance on Exceptions and Exemptions," OEP Message 18, August 18, 1971; see OEP Press Release 395, August 20, 1971.

EXEMPTIONS

cases where a clear precedent had been established; after that they forwarded only novel or complex cases to Washington.¹¹ The delegation of denial authority for use in instances where there were clear precedents provided faster settlement of cases and reduced the load of decision making in Washington. All denials by Regional Directors were reviewed at the National Office to assure uniformity of policy application.¹²

Exemption requests received at OEP headquarters were analyzed by Norred's staff, with assistance from the General Counsel on legal questions. IRS was asked to investigate 70 exemption cases, and all but 14 of the investigations were completed before November 13. Because of the time required for these investigations, however, most of the complex exemption cases did not come up for a decision until the latter half of the freeze.

The results of these investigations and studies were presented, along with staff recommendations, to the OEP Director. The Director sought the advice of the Executive Policy Committee on the more difficult cases and took up with CLC those involving significant policy decisions. Early in the freeze period he selected several particularly persuasive applications and discussed them with the Committee and the Council in order to determine more precisely what the policy on exemptions should be. Throughout the freeze he consulted with EPC and CLC on unusual exemption requests before exercising his authority to grant or deny them.

Requests for reconsideration of a decision, sometimes accompanied by additional information, were submitted through the same channels as the original requests. As stated earlier, OEP headquarters reviewed all denials, but there was no provision for administrative appeal of decisions to higher levels of authority. Those who felt they had been unjustly dealt with had available the recourse of taking CLC or OEP to court to force the reversal of a decision.

OEP publicly announced the first 14 denials made by the National Office in generic terms, such as, "A bicycle manufacturer was denied a price exemption." At the suggestion of the Executive Policy Committee, however, the names of persons and companies were added to the denial announcements in the belief that this would increase the public impact. This policy was followed from September 2 to October 9.

¹¹ OEP Messages Bravo 125, August 31, 1971, and Alfa 43, September 3, 1971.

¹² As will be indicated below, two exemptions that had been denied by Regional Directors were later granted by the OEP Director; both authorized increases in municipal water rates.

In early October complaints began to come to OEP that it was unfair to announce the names of those denied exemptions. Those who had violated the freeze, knowingly or not, were allowed to discontinue the illegal practice without any public announcement. Those who were denied exemptions felt they had even more right to anonymity, since the pursuit of a legal remedy should not be penalized by unfavorable publicity. On October 9 EPC agreed that exemption denials should thenceforth be given to the press only as statistics, without names or case descriptions.¹³

THE STATISTICAL PICTURE

Despite the crisis atmosphere that characterized the freeze period, OEP sought to keep accurate records and to compile statistical reports as an aid to better management and evaluation. While the figures on exemption requests may not be absolutely accurate, they do provide a picture of the task that confronted the staff and give some idea of the impact of the freeze on the economy.

The number of items of correspondence on exceptions and exemptions received during the freeze was 5558. Of these, 4532 were received at the Regional Offices and 1026 were received directly at the National Office. In addition to those received directly, the National Office received 1231 pieces of correspondence from Regional Offices, so the total received in the National Office was 2257. It should be noted that these figures give the number of items of correspondence, not of actual exemption requests.

Table 4 gives a breakdown of the ways in which this correspondence was handled. As indicated in the table, many who applied for an exemption did not actually need one, because the desired action was not in violation of freeze regulations. Even when a request was denied, the petitioner was sometimes advised to explore means of meeting his needs within existing regulations, and this was sometimes possible. Some applications were rejected because they came from trade associations or other organizations not eligible to file for exemptions. (Petitions were accepted only from individuals or organizations actually affected by the freeze.)

¹³ EPC Notes, October 9, 1971.

EXEMPTIONS

TABLE 4.—Correspondence on Exception/Exemption Requests

	Regional Offices	National Office	Totals
No exemption needed	309	162	471
Not eligible to file	89	...	89
Request withdrawn	209	23	232
More information requested	242	112	354
Requests denied	2365	865	3230
Exemptions granted .....	...	5	5
Congressional referrals answered .....	...	157	157
Cases reconsidered and denied .....	...	234	234
Under investigation by IRS on Nov. 13 .....	...	14	14
Total actions taken	3214	1572	4786
Forwarded to National Office	1231	...	...
Additional correspondence received	87	685	772
Total correspondence received	4532	2257	5558

Note: The first figure in the second column (162) includes all National Office cases in which no exemption was needed or the applicant was not eligible to file for an exemption. "Additional correspondence received" includes duplicate correspondence on some cases plus correspondence received in the last few days of the freeze period and forwarded to IRS, the Pay Board, or the Price Commission. The figure at the bottom of the right hand column (5558) was obtained by adding vertically in the right hand column, not by adding horizontally.

Some applicants withdrew their requests after discussing the matter with an IRS or OEP representative and finding that they had weak grounds for an exemption. Some gave the impression that they wanted only to be "talked into" abiding by the freeze, and when this was done they withdrew their requests. Some submitted applications that were incomplete or obscure and were asked to supply more information.

A total of 3230 requests for exemptions were denied, and 73 percent of the denials were made by the Regional Directors. These were cases where a clear policy had been established at the national level and generally involved relatively slight hardships. Some were essentially complaints about basic policies—the situations where a wage or price increase had been announced before the freeze but could not be put into effect, or where a rate increase had been authorized by a regulatory agency but the effective date fell within the freeze period. Some requests appeared to have been made for the record, with no real expectation of approval. Some employers, for instance, requested authorization for wage increases simply to satisfy the employees or the union that all avenues had been explored. As noted earlier, Regional Directors referred the more intricate cases and those involving new policy decisions to the

National Office. The 1231 cases that were forwarded constituted 27 percent of the correspondence received in the Regional Offices.

Many of the 157 congressional referrals in Table 4 were equivalent to denials. A constituent would write his Congressman for help in obtaining an exemption, and the Congressman would refer the letter to OEP. OEP usually asked the Congressman to inform his constituent that he could file a formal request if he wished, but that it would probably result in a denial. The 14 cases still under investigation by IRS on November 13, plus 19 others received shortly before that date, were transferred to IRS for processing as part of Phase II. In addition (not shown in Table 4), 45 requests pertaining to Phase II were forwarded to the Pay Board and 112 to the Price Commission.

Correspondence on exceptions and exemptions received in Regional Offices fell into the following categories: 45 percent pertained to prices, 36 percent to wages, and 19 percent to rents. Percentages based on correspondence received in the National Office showed that 48 percent pertained to prices, 40 percent to wages, and 12 percent to rents. There was, therefore, a significant decrease in the proportion of rent cases considered at the national level as compared to the regional level. Many rent cases were uncomplicated and thus were more likely to be resolved at the regional level. Another reason for the slight differences in percentage figures is that large industries and unions were more likely to apply directly to the National Office.

Some indication of the extent of the hardship experienced can be obtained by comparing the number of exemption requests to the number of businesses or persons that were potential applicants. There were 11.6 million business establishments in the country, for instance, but fewer than 2,500 applied for exemptions. There were 23.6 million renter occupied housing units in the country, but fewer than 1,000 requests for rent exemptions were received. There was a civilian labor force of 78 million, but there were only about 2,000 requests for wage exemptions.¹⁴

Table 5 shows the results of the National Office's review of denials made by Regional Directors. OEP terminated this review process on November 12 and forwarded all cases that had not been reviewed to IRS, which channeled requests to the Pay Board or the Price Commission.

¹⁴ Some exemption requests, of course, covered several rental units or many employees. Source of figures: U.S. Bureau of the Census: *Statistical Abstract of the U.S. for 1971* (Washington: Government Printing Office, 1971), pp. 210, 459, and 673.

EXEMPTIONS

TABLE 5.—*National Office Review of Regional Denials of Exemption Requests*

Denials affirmed by OEP Director	1077
Exemptions granted	2*
No action necessary	40
Additional information or guidance requested	96
Cases not reviewed due to lack of time	1150
(forwarded to IRS)	
Total denials made by Regional Directors	2365

*These two exemptions are not in addition to the five given in Table 4 but are part of that total. The two given here, both pertaining to municipal water rates, were denied by Regional Directors but later granted at the national level.

SIGNIFICANT CASES

Wages and Fringe Benefits

There were a few exceptions—policy decisions affecting classes of individuals—that permitted increases in wages or fringe benefits. One permitted wage increases for military personnel who were in combat zones, missing in action, prisoners of war, or hospitalized as war casualties. Construction workers covered by the Davis-Bacon Act could receive increases in certain circumstances. Social Security could be added as a fringe benefit. Some forms of personal income were defined as “not wages or salaries” and therefore not covered by the freeze; these included child support, alimony, welfare payments, and workmen’s compensation. Those who retired before or during the freeze were allowed to receive increases in pension benefits that had been planned before the freeze. Bona fide promotions were permitted; and apprentices, learners, and persons hired on probation who were advanced at normal times to increased duties or levels of responsibility were allowed to receive the higher pay commensurate with their new positions.¹⁵

Forty percent of the requests for exemptions received at the National Office were for increases in wages or in fringe benefits. All requests for wage increases were denied. Most increases in the employer contribution to fringe benefits were also denied, but three exemptions were granted permitting implementation of group health-insurance plans (all granted on September 29). Two of the plans also included optional life insurance. The exemptions

¹⁵ Guidance on wages and salaries, including all excepted categories, is in Sections 502, 503, and 504 of OEP’s Economic Stabilization Circulars (ESC); see also ESC 101, Sec. 410.

allowed employees of the State of Texas, teachers in Missouri, and teachers in Columbia County, Florida, to be covered by new group-insurance policies that took effect during the freeze.¹⁶ Employees had been enrolled in these new plans prior to the freeze, but the effective date of the policies fell within the freeze period. In Texas and Missouri, old group policies had been terminated in anticipation of the new policies, leaving many employees with no health insurance or else no life insurance. Some employees were unable to obtain insurance except as part of a group.

The only possible alternative to exemptions was to have the employees pay the employer contribution themselves. This would have been difficult administratively, since the plans required 100 percent participation. The relative poverty of many employees was also taken into consideration. In one department of the Texas State government, 41 percent of the employees were earning less than \$4,000 a year, which meant that the monthly cost of about \$12.50 per person could have been a hardship. It was therefore judged that refusing to allow the group plans to go into effect would be a gross inequity and that an exemption should be granted.¹⁷

At the same time that these exemptions were granted, the volunteer firemen in the State of Nebraska were told they could inaugurate new group life insurance policies. A recent Nebraska law had required all municipalities and rural fire boards to buy \$2,000 worth of life insurance for each volunteer fireman, but OEP had ruled against this on September 1 on the grounds that it was an increase in fringe benefits. When the matter came up again, however, as an exemption request, it was decided that group life insurance for volunteer firemen should be considered a gratuity rather than a wage or fringe benefit, and in that case it was not covered by the freeze.¹⁸

One group insurance case illustrated the way government regulations can complicate people's lives in unexpected ways. The Woodmen Accident and Life Company of Lincoln, Nebraska, had contracted to provide group health and life insurance for the 12 employees of a manufacturing firm, beginning September 1. This firm canceled a Blue Cross/Blue Shield group health policy (which

¹⁶ The exemption for Texas was granted to the Texas Public Employees Association. Two other exemptions were sought on behalf of Texas State employees, but both were denied. One was sought by the State for all its employees, the other by the Texas Public Employees Association for 6,600 low income employees. See OEP Press Release 455, September 29, 1971.

¹⁷ EPC Notes, September 16, 25, 27, and 29, 1971.

¹⁸ EPC Notes, September 21, 22, 23, 1971.

EXEMPTIONS

had no life insurance provision) in anticipation of the new policy. The intervention of the freeze prevented the new policy from taking effect, and the situation was gravely complicated on September 12 by the accidental death of one employee. The question of whether he had or had not been covered by the life insurance policy was of critical importance to his widow and five children, who were eligible for \$10,000 in death benefits from the new policy.¹⁹

Although a request for an exemption was denied, it was later discovered that there was no need for an exemption because the premiums for the new policy were lower than for the old one, which meant there was technically no increase in fringe benefits.²⁰ By the time this was discovered, however, the firm had dropped the Woodmen's policy and gone back to the earlier health insurance policy. The matter was finally resolved when the Pay Board allowed all fringe benefits of this type to be applied retroactively,²¹ which made it possible for the family of the deceased employee to receive the death benefits.

The Texas Public Employees Association and the Governor of South Carolina both requested exemptions for wage increases for low-paid State employees. The Texas group used as a criterion the Federally established poverty level, and South Carolina used \$6,000 a year. These increases were disallowed on the grounds that failure to obtain them did not constitute a gross inequity. The question of how persons of low income were affected by the freeze was clarified on September 22 by the issuance of the following "Supplemental Information":

No formal exemptions are provided solely because of low income. However, the following provisions do afford substantial relief to persons of low income: (a) Wages are not frozen below minimum wage standards of general application; (b) Wages are not frozen where increases are necessary to eliminate unlawful discriminatory wage practices; (c) There is no freeze on welfare payments; and (d) There is no freeze on increases in coverage or benefits under Social Security.²²

The reference to minimum wages meant that employees actually covered by minimum-wage laws could obtain wage increases up to

¹⁹ EPC Notes, November 12 and 24, 1971.

²⁰ ESC 102, Sec. 504 (10).

²¹ *Federal Register*, December 7, 1971, p. 23219.

²² SPG 4.0852. The extension of the Economic Stabilization Act, signed on December 23, 1971, exempted from regulation the wages of "any individual whose earnings are substandard or who is amongst the working poor." No definition of "the working poor" was provided in the law, and CLC interpreted the exemption as applying to those earning less than \$1.90 an hour. After a Federal District Court ruled on July 14, 1972 that this was less than Congress intended, CLC raised the cutoff level to \$2.75 an hour. This decision, along with earlier exemptions, left free from wage controls 56 percent of the Nation's 58 million nongovernment, nonfarm workers. (See *New York Times*, July 25, 1972, p. 1).

the minimum wage. Discriminatory wage practices would be, for instance, those based on age, sex, or race. If a State increased its legal minimum wage during the freeze, wages could be raised to comply with the law. However, an increase in minimum wages for specific occupational groups, such as teachers, could not be put into effect during the freeze.²³

Government Service Charges

The fourth and fifth exemptions granted during the freeze allowed increases in local water rates. They are discussed here in the context of decisions on other government service charges.

At the time the freeze was imposed many American communities were faced with the need to expand or improve their water and sewer facilities, often because of new Federal or State requirements for pollution abatement. In various places, water supplies failed to meet recommended levels of purity, water pressure was insufficient to control fires, or raw sewage was being dumped into lakes and rivers, causing water problems for other cities. New construction or other major new costs in water systems are usually covered by bond sales; and State laws and the bond brokers require that, before bonds are sold, the water or sewer rates be set at a level sufficient to repay the bonds. Rates are usually set by public authority just high enough to cover such costs.

The question of increases in government service charges was presented to OEP early in the freeze. The Los Angeles City Council had granted a 12 percent electricity rate increase on July 19 to the Los Angeles Water and Power Department, a municipally owned utility. The utility had sold \$39 million in bonds on August 11 and planned to sell a like amount on October 21, all to be paid for by the rate increase, which was to take effect on August 21. However, the imposition of the freeze blocked the rate increase and eliminated \$6.3 million in increased revenue that would have come in during the 90-day period. The utility applied for an exemption, stating that 3,000 to 4,000 employees would have to be laid off if the rate increase were not approved.²⁴ OEP denied the request on August 26, after consulting with CLC. Within the next few weeks Los Angeles stopped construction on a new hydroelectric power plant, but laid off only about 400 construction workers. An appeal to OEP for a reconsideration was also denied.

²³ ESC 102, Sec. 502 (5).

²⁴ EPC Notes, August 24, 1971.

EXEMPTIONS

During the first two months of the freeze the National Office denied exemptions to about a dozen other cities that wanted to increase rates for water, sewer service, or trash collection. Portland, Michigan, wanted to increase sewer rates from \$7.67 to \$25.34 per quarter in order to build a new sewage treatment facility that had been ordered by the State of Michigan. New Orleans proposed increases in sewer and water rates and the wages of city employees. The needs of these cities to abide by State laws on bonded indebtedness and to control water pollution were given careful consideration, but it was decided in all instances, as in the Los Angeles case, that rate increases could be deferred until after the freeze. In some cases applicants had not demonstrated that alternative methods of financing would not suffice for the freeze period.

The basic policy in this area was that taxes were not frozen but that charges made by a municipality for specific services, such as water, sewer, or gas service, were subject to the freeze; they could not be increased, nor could new charges be inaugurated.²⁵ There was some discussion of modifying this policy to allow more flexibility. The possibility of allowing cities to establish a sewer service charge to cover costs formerly covered by taxes was rejected.²⁶ A later proposal to except from the freeze all municipal water and sewer rates was also rejected.²⁷

On October 13, however, CLC approved the decision that put Cresco, Iowa "on the map." Cresco was authorized to increase water and sewer rates, because it was already in default on payments for construction of a sewage disposal plant and had no alternative way to raise money. Its case was similar to previous ones except for the extremity of financial distress, which was considered equivalent to imminent bankruptcy.²⁸ A similar exemption for water rates was granted to West Daviess County Water District, Owensboro, Kentucky, on November 4. Without the increase the District would not have been able to meet bond payments due in March 1972, and might have been forced into receivership.²⁹

Both of these water-rate exemptions had originally been denied by OEP Regional Offices, but the cases were reviewed and the exemptions granted at the national level. The proposal to grant a blanket exception for water and sewer rates was discussed again on October 21 but was deferred to the Price Commission, since the

²⁵ See p. 92.

²⁶ EPC Notes, September 13, 1971; SPG 3.1509, issued September 14, 1971.

²⁷ EPC Notes, October 9 and 12, 1971.

²⁸ EPC Notes, October 12 and 13, 1971; OEP Press Release 470, October 13, 1971.

²⁹ EPC Notes, November 4, 1971; OEP Press Release 485, November 5, 1971.

rate increases would not take effect until after November 13. The Farmers Home Administration reported at that time that it had a backlog of 300 requests from small municipalities for loans for water facilities but could not grant such loans until rate increases sufficient to repay them were authorized.³⁰

A North English, Iowa, request for a water-rate increase to pay for drilling a new well presented a unique problem. The old well casing had deteriorated to the point where the water contained five times the recommended level of dissolved solids and large amounts of sodium. Protracted use of such water can cause health problems, particularly for persons on low-sodium diets. The yellowish color and bad odor of the water caused sales of beer and soft drinks in the town to rise sharply.

To drill a new well the town had to increase water rates by 50 percent, and it requested an exemption for this increase. The OEP Regional Office denied the request because OEP did not have authority to grant an increase that would take effect after November 13; a second request, submitted at the national level, was denied on November 13. To the great relief of the people in North English, Phase II regulations left room for the rate increase, and work on the new well was allowed to proceed.³¹ The case illustrates a difficulty experienced by several other cities: that it was impossible to obtain authorization during the freeze period for a rate increase that would take effect after November 13, since OEP could not grant it and the Price Commission was not yet operative.

Prices and Rents

The first policy decision on prices that could be called an exception was included in the original Executive order, which excepted all "raw agricultural products" from the freeze.³² With the assistance of the Department of Agriculture, OEP produced a lengthy list of foodstuffs to clarify what was "raw" and what was "processed." The category of raw products was stretched somewhat to include semiprocessed foods like shelled nuts and honey that had been strained from the comb and put into jars.³³

OEP also classified fish products as raw agricultural products;

³⁰ EPC Notes, October 21, 1971.

³¹ The Price Commission authorized all regulated public utilities to raise their rates providing the increase was approved by the local regulatory agency. See *Federal Register*, December 16, 1971, Sec. 300 (16).

³² Executive Order 11615, August 15, 1971, Sec. 1.c.

³³ ESC 101, Sec. 409 (2).

EXEMPTIONS

these were excepted from the freeze “until they are shelled, shucked, skinned, or scaled.”³⁴ Some problems arose in determining precisely when fish becomes a processed product, since some modification of raw fish normally occurs aboard the fishing vessels.

Processors of foodstuffs were inevitably caught in a squeeze between the unregulated prices of raw foods and the regulated prices of their products. Packing companies in Texas that process yearling beef presented an urgent exemption request in October, claiming that a 2 cents a pound increase in yearlings on the hoof had wiped out their 1½ cents a pound margin. They stated that 26 packing companies were heading for bankruptcy and massive layoffs of personnel. This request was referred to the Price Commission.³⁵

An expansion of the exceptions list came on August 20 when OEP listed as excepted categories: raw agricultural products, school tuition, stocks and bonds, and exports; a few days later tuition was removed from this list.³⁶ The tuition question was later clarified by the stipulation that increases that were announced and on which deposits had been made before the freeze would be allowed to stand. School room and board charges were handled according to the same norms.³⁷

The policy of “holding the line” was firmly maintained with respect to individual price exemptions. Some firms did lose money because of the freeze, but their resources were generally sufficient to absorb these losses for the brief period of 90 days. When they were not, and bankruptcy appeared to be a real possibility, the case was usually presented to CLC for guidance.

CLC policy required that firms claiming imminent bankruptcy should first utilize all other means of relief, leaving an exemption from the freeze as a last resort. CLC took the position that, if imminent bankruptcy were accepted as sufficient reason for an exemption, the exemptions would become a mechanism for propping up inefficient firms that were on the verge of failure before the freeze. This view was embodied in a statement accepted by the Executive Policy Committee on September 2:

Impending bankruptcy per se should not be a justification for exemption. It may, however, be accepted as one criterion in considering requests for exemptions. The burden of proof lies with the petitioner in demonstrating the validity of

³⁴ ESC 101, Sec. 409 (4).

³⁵ EPC Notes, October 21, 1971. The Price Commission allowed purchasers of raw agricultural products to pass on price increases provided they did not increase profit margins.

³⁶ OEP Economic Stabilization Regulation 1, August 20, 1971, Section 4.b; Amendment omitting tuition August 23, 1971.

³⁷ ESC 102, Sec. 403 (5); see p. 84.

his difficulties. Specifically, he must demonstrate that all the alternatives to exemption (reducing costs, improving efficiencies, etc.) open to him have been exhausted.³⁸

Besides exhausting all other means of relief, the petitioner had to show that the bankruptcy was due to the freeze rather than to poor management, that the firm would survive if an exemption was granted, and that inflationary effects of the exemption would be minor.³⁹

The leading case on this issue was that of the Kentucky Transport Corporation, a trucking firm whose sole customer was the A & P grocery chain. The firm had reduced its rates in February and May 1971, with the understanding that they would be raised again in early August, when a 30 percent wage increase and the purchase of new equipment would add to costs. On August 6, the trucker and grocery chain agreed to a rate increase, to take effect August 22. A & P did not intend to pass its increased costs on to its customers. When the rate increase was blocked by the freeze, the order for new equipment was canceled; but even so the company stated that it would soon be bankrupt without the rate increase. The case was extensively investigated by IRS and OEP and was analyzed by Labor and Commerce Department experts in Washington. The exemption was denied on October 6.⁴⁰ Noting the decision the next day, *The Wall Street Journal* quoted a CLC analyst as saying the denial was necessary in order to avoid "a stream of other requests" of a similar nature.⁴¹ In mid-October OEP was informed that Kentucky Transport had avoided bankruptcy by obtaining a loan from A & P on favorable terms.

The dilemma over whether to grant exemptions in cases of alleged imminent bankruptcy or severe financial loss troubled OEP throughout the freeze. It seemed unjust, on the one hand, to deny relief to those who were particularly disadvantaged by the timing of the freeze announcement. On the other hand, if a policy of granting exemptions in "hardship cases" had been adopted, the stream of exemptions could well have undermined public support for the freeze by giving the impression that it was not being enforced equitably. The dilemma was resolved in favor of holding the line in all cases. After the Kentucky Transport request was denied, OEP denied about a dozen others that included a claim of

³⁸ EPC Notes, September 23, 1971.

³⁹ *Ibid.*

⁴⁰ EPC Notes, September 1, 9, 14, 24, and October 13, 1971. OEP Press Release 466, October 7, 1971.

⁴¹ *Wall Street Journal*, October 7, 1971, p. 1.

EXEMPTIONS

imminent bankruptcy, but whose circumstances were less urgent.⁴²

The claims of severe hardship came from many parts of the economy, but there was a concentration of cases in one segment—the distributors and fabricators of steel. Most steel prices had increased about 7 percent in June and another 8 percent in early August, and few users of steel had raised their prices to cover the August increase before the freeze was announced on August 15. Steel is generally the major cost item for distributors and fabricators of steel products (often over 50 percent of costs), and some also had to cover recent wage increases. One pipe manufacturer in Texas asked that either the users of steel be allowed to raise their prices or that the steel makers be forced to roll theirs back. The latter solution was impossible, since the steel price increase antedated the freeze; but the case is a prime illustration of the kind of squeeze that inevitably accompanies any price freeze. When presented on September 27 with a list of 22 exemption requests for steel forgers, foundries, finishing mills, and makers of steel tanks, shelving, stampings, pipe, screws, and wire, the Executive Policy Committee did not find any of the companies in such dire straits as to warrant an exemption, and all were denied. Requests from eight other steel users were denied within the following week.

A different kind of pressure was presented by an exemption request from three bus companies in New York City. The companies, which provided most of the transportation for school children in the city, threatened to stop running buses if the exemption was not granted, and this loss of service would have produced chaotic results in the school system. There had been no price increase for three years, and a new 3-year contract called for prices to increase from \$87 a day to \$108 a day per bus. The companies claimed this increase was needed to cover higher wages, equipment costs, license fees, and increased obligations included in the new contracts. The request was denied because the IRS investigation determined that the companies would experience only small losses during the freeze and could make these up during the balance of the contract period.⁴³

School lunch prices also presented unique problems, largely because many States forbid deficit operation of lunch programs. Since the cost of milk and other foods had increased since the previous school year, about 25 school districts asked for exemptions to increase prices on lunches or milk, and two States asked for

⁴² Interview with C. A. Norred, Jr., November 18, 1971.

⁴³ EPC Notes, September 14, 17, and 22, 1971.

blanket exemptions for all their school districts. Proposed increases ranged from 5 to 15 cents on lunches and from 1 to 5 cents for a half-pint of milk. The Executive Policy Committee agreed to consider exemption requests when programs were operating at a deficit and could not legally do so, additional funds were not available, all other remedies had been exhausted, and the program would probably terminate in the absence of an exemption. No exemptions for school lunches were granted, however.⁴⁴

The West Coast dock strike, which began July 1, 1971, necessitated a shift to air freight for food and other essential items shipped to Hawaii. The State of Hawaii also chartered two ships to bring goods from Vancouver, B.C., Canada, a move which increased shipping costs between 35 and 40 percent. (Goods were moved by surface from western States in the U.S. to Vancouver.) The Governor of Hawaii requested exemptions to allow the higher air freight and shipping costs to be added to goods sold in Hawaii, claiming that this was the only way to assure that essential goods would be available. The problem persisted even after the long-shoremen returned to work early in October, since the added costs had already been incurred. No exemption was granted in this case, however.

As November 13 approached, the conviction grew that most pending cases could best be handled by deferring relief to Phase II. The Central Railroad of New Jersey was such a case. The firm had been in bankruptcy since March 1967, and its operations were closely regulated by Federal and State laws. A special agreement with the U.S. Department of Transportation stipulated that a 20 percent fare increase be effected as part of a program that was intended to show the railroad could be self-sustaining. This increase was approved by the State of New Jersey on August 4, 1971, but was delayed by the freeze until after November 13.

The Yellow Cab Company of Philadelphia also had a serious problem concerning a rate increase. The Pennsylvania Public Utility Commission approved a 10 cent per mile rate increase on September 10, and the company claimed it would have to cease operations at the end of September if the increase was not effected by then.⁴⁵ A cessation of operations would have thrown the company's 4,000 employees out of work and eliminated 90 percent of

⁴⁴ EPC Notes, September 28, 1971; Cf. also October 20 and 28, 1971.

⁴⁵ The claim was that the company's liquid assets would at that time drop below the amount required for it to remain a self-insured motor carrier of passengers under Pennsylvania law, and that it would have to cease operations at that point. See EPC Notes, October 18, 1971.

EXEMPTIONS

Philadelphia's cab service. The denial of the exemption on October 18, however, did not result in any cessation of service.

REA Express presented an urgent request for rate increases for freight moving into or out of New York City, claiming heavy financial losses because of increased costs in the New York area. OEP refused to act on this until the appropriate Federal regulatory agencies had approved the increases, and Phase I ended before this occurred.⁴⁶

A number of small businesses made claims of imminent bankruptcy, but it was often difficult to perceive the exact relationship between the bankruptcy and the freeze. A small furniture company admitted that its losses were due to poor management, but it had recently fired the president who had set prices too low to cover costs. The company stated it would have to make price increases ranging up to 12 percent in order to avoid bankruptcy. A nonprofit environmental magazine was losing over \$10,000 a month and wanted to increase subscription prices. A purchaser of old newspapers found he could not attract a sufficient volume of papers at the prices he was paying and said he would have to pay more or go out of business. A home for maladjusted boys and one for the aged said they would have to close unless they could increase rates. These requests were all deferred until Phase II.

As noted earlier, only 12 percent of the exemption requests received at the National Office related to rents, and very few of these were presented to CLC. Many came from landlords of fairly low income who rented out a house or a few apartments and said they were losing money on them; but the amount of money that would be lost over the 90 days was fairly small. There were also requests from large apartment complexes, but there were no cases in which an exemption was granted.

TRANSITION

President Nixon outlined his plans for Phase II in an address to the Nation on October 7 and in a subsequent Executive order which established the Pay Board and the Price Commission. These actions focused public attention on the postfreeze period and generated a number of exemption requests related to that period. OEP referred all requests that clearly pertained to Phase II to the Pay Board, the Price Commission, or IRS.

⁴⁶ EPC Notes, November 8, 1971.

The major problem in the last two weeks of the freeze was determining who should handle the requests received during that time, since only OEP had authority to grant exemptions through November 13, and only CLC after that date. Norred proposed that, in order to have time to clear out its backlog, OEP should stop accepting requests on October 29, referring all others to IRS to be processed. It was decided, however, that OEP should process all requests through November 13. After November 8, Regional Directors either issued denials or transferred cases to the appropriate IRS office. On November 12 the OEP Regional Offices transferred all case files to local IRS offices, and the OEP National Office transferred all of its exemptions files to the IRS National Office.

CONCLUSIONS

The record of exemption requests received and of actions on them tells us something about the way the freeze affected the economy. The number of requests received was small in relation to the potential applicants, indicating that businessmen were generally accepting the restrictions imposed by the freeze. The tone of most applications and of petitioners' conversations with OEP was one of acceptance and understanding, even when petitions were being denied.⁴⁷ This general public acceptance made it possible to adhere to the firm policy on exemptions, which was considered essential to the success of the freeze.

Public acceptance seemed to stem primarily from the general desire to conquer inflation. The average citizen was willing to bear a temporary inequity if he saw it as a means of slowing inflation, since this would provide everyone with long range gains in real purchasing power. There was some resistance, however, to the policy of allowing so few exemptions. Denials that generated the most criticism were those affecting wage increases, group insurance plans, school lunch programs, water or sewage facilities, and small businesses.⁴⁸

Many small businessmen complained that they were treated too harshly. It was argued that large corporations could absorb losses for 90 days and make them up later, but losses in the same period by a small, one-owner business could be disastrous. Businesses were

⁴⁷ C. A. Norred, Jr., Memorandum for the Record: Post Action Critique of the Freeze and Exemptions Processing, November 10, 1971.

⁴⁸ See After-Action Reports from Regional Directors to OEP Historian, Regions 1, 4, 6, 8, 10.

EXEMPTIONS

also affected differently according to the method of merchandising used. Some use inflated "list prices" and offer large discounts and specials, which could easily be discontinued during the freeze, whereas in other businesses the list price is the normal selling price and may represent only a small markup.

The Administration's recognition of these inequities was reflected in the statement released as background for the President's speech announcing plans for Phase II:

If a program is to be durable, it must appeal to the American people as basically fair. Arbitrariness and inequity will be tolerated briefly for an important purpose, as it is being tolerated during the freeze. But this will not last for long. Therefore, more concern for fairness is required, even though perfect fairness is difficult to attain.⁴⁹

Solutions to most of these inequities were found early in Phase II, when moderate increases in prices, wages, and rents were allowed and some segments of the economy were entirely decontrolled. Whether more could have been done to ease the burdens during the freeze itself is an open question. Most of OEP's Regional Directors felt that more exemptions should have been granted. They were the ones who held the "front line" positions, dealing directly with merchants, landlords, school superintendents, wage earners, etc., and were therefore perhaps more impressed with the need for relief than with the need to maintain a national strategy. Other suggestions made by Regional Directors in After-Action Reports were: allowing Regional Directors to grant exemptions in some cases of a local nature and involving small sums, thus avoiding the fanfare of national publicity; having more detailed policies and procedures planned in advance of need; providing earlier relief from the inequities of the freeze; and making the transition from freeze to postfreeze periods a gradual one.

⁴⁹ Background Paper on Post-Freeze Economic Stabilization Program, The White House, October 7, 1971.

VI

Compliance and Enforcement

THE GOAL: VOLUNTARY COMPLIANCE

An essential ingredient of the New Economic Policy was the use of emphatic means to slow inflation. The President felt the situation called for more than an incomes policy that would depend entirely on voluntary support, so he imposed a wage-price freeze that was backed by legal sanctions. At the same time, he sought to avoid the establishment of a large enforcement staff by appealing for voluntary support of the freeze.

The vast majority of the American people, the President felt, would support the freeze and comply with it voluntarily, thus making an elaborate enforcement mechanism unnecessary. In his August 15 address, he stated:

. . . while the wage-price freeze will be backed by government sanctions if necessary, it will not be accompanied by the establishment of a huge price-control bureaucracy. I am relying on the voluntary cooperation of all Americans—workers, employers, consumers—to make this freeze work.¹

Compliance with the freeze was voluntary in the sense that it was willingly given, not in the sense that it would have been forthcoming in the absence of any law. Most laws in a well run society enjoy widespread public support and are therefore complied with willingly. Penalties for infractions are intended for the few who do not comply willingly. By applying the sanctions provided by law, the government eliminates pockets of noncompliance and convinces the members of the law-abiding majority that the sacrifices they are making are imposed impartially on all.

The freeze was not much different from other legal obligations, therefore, in terms of the degree of voluntary compliance expected. It was unique in that it imposed unfamiliar obligations with no advance warning. This is why it was essential to launch a vigorous

¹“The Challenge of Peace,” Address by President Richard Nixon, August 15, 1971.

COMPLIANCE

public education effort using the press, TV, and speeches to groups of citizens. This educational effort sought to clarify the obligations imposed and convince the public that curbing inflation was a major national priority and that the means being employed would achieve that goal. This effort to educate and convince was complemented by well publicized actions to ferret out violators, investigate complaints, and enforce legal sanctions when voluntary compliance was not forthcoming.

For the freeze to succeed it had to have the support of businessmen, union leaders, and landlords—the major decision makers in the Nation's economic structure—as well as of the general public. Both the general public and the economic decision makers supported the freeze, but some complaints were heard from the latter group. While all desired a stable economy, not all agreed that a freeze was the best way to achieve it. Particular regulations or interpretations were criticized on the grounds that they placed the burdens more heavily on some economic groups than on others. These reservations might not have been expressed in a major war or crisis; but in a “business as usual” atmosphere the average American does not expect to be asked to make sacrifices beyond the level of minimal inconvenience. From the general public, on the other hand, there was little tolerance for violators. During the 90-day freeze, public opinion was strongly on the side of compliance by all.

AUTHORITY AND PROCEDURES

OEP's mandate to enforce the freeze included the authority to require businesses to keep adequate records and to request the Justice Department to take violators to court.² OEP later delegated to IRS the authority to investigate all complaints and to monitor compliance by making spot checks of business establishments.³ IRS District and Subdistrict offices were the normal places for filing complaints, but they were also accepted at ASCS offices and forwarded to IRS. IRS agents performed all the investigations related to complaints.

When IRS investigators determined that there was a violation, they tried to obtain immediate compliance and were able to do so

² CLC Order No. 1, August 17, 1971.

³ OEP Economic Stabilization Order 1, August 19, 1971; Msg 29, August 29, 1971; Ltr, Lincoln to John B. Connally, Secretary of the Treasury, August 25, 1971; Msg Alfa 43, September 3, 1971.

in 98.6 percent of such cases.⁴ They normally settled the simple complaints by phoning the alleged violator to obtain his side of the story and, if there was a violation, asking him to comply. In these cases the violator was asked to submit a signed statement of his intention to comply. Where some difficulty was encountered either in obtaining the facts or in gaining compliance, a visit to the site was made.

Investigators gave special attention to what were called “major complaints”—those expected to have substantial impact either economically or in terms of publicity. Examples of the latter were complaints against celebrities, public officials, and governmental entities; multiple complaints against the same party; and complaints that had been made public through the mass media. Those that might have a major economic impact included complaints against chain stores or national organizations, rent cases involving a large number of tenants, and wage cases involving a large number of employees. These “major complaints” were also the most likely to be given a follow-up check to make sure an agreement to comply was actually carried out.

IRS agents also conducted spot checks on businesses they visited in the normal course of their duties. These spot checks were begun early in the freeze period, and in mid-September were put on a more formal basis with a carefully designed sampling system and reporting requirement.⁵ Agents checked wage agreements, leases, prices, and the adequacy of ceiling price records. When a violation was discovered, the proprietor was asked to correct it. If he did so, no further action was taken. If he did not comply, the violation was recorded in the IRS District Office and processed thereafter in the same manner as a citizen’s complaint.

IRS offices forwarded to an OEP Regional Office those cases they could not resolve. They normally included in the file affidavits from complainants and similar material that would be required for litigation. The 214 such cases received by OEP Regional Offices were designated Potential Court Cases (PCC’s), but only a small percentage of these actually reached the courts. The Regional Director and the Assistant U.S. Attorney assigned by the Justice Department collaborated on processing compliance cases. They were able to obtain compliance in some cases and closed others by a determination of “no violation.” Unresolved cases were reviewed for adequacy of documentation and then forwarded to the Na-

⁴Based on figures in Table 6, below.

⁵Msg Bravo 201, September 21, 1971, giving the text of a message from the Deputy Commissioner of IRS to all Regional Commissioners.

COMPLIANCE

tional Office. At this point the Regional Director sent the violator a "last chance" telegram asking for a reply within 24 hours and indicating that the Government might take "further action" if he did not comply.

The 73 cases forwarded to the National Office were designated Recommended Court Cases (RCC's). Compliance activities in the National Office were centered in the office of the General Counsel, Mr. Elmer F. Bennett, who established a Compliance Branch to evaluate and process compliance cases. This Branch was headed for two months by Mr. Raymond Snead and for the final month by Mr. Charles A. Gibb. Snead was a former OEP employee detailed from the Treasury Department, and Gibb was detailed from IRS. OEP's liaison with the Justice Department was greatly assisted by having one of the Department's own attorneys, Mr. Charles R. McConachie, present through most of the freeze to help review cases and assure the adequacy of evidence. Constant liaison was maintained with Assistant Attorney General L. Patrick Gray III and with the General Counsel for CLC.⁸

A further effort was made at the national level to close cases by obtaining compliance. "Jawboning" was in fact a major component of the compliance effort; it was successfully practiced by IRS officials, by OEP's Regional and National Offices, and by Justice Department attorneys. The National Office also closed some cases by a determination of "no violation" after fully reconsidering the legal evidence. Changes in policy or in its interpretation resulted in the closing of some cases.

Only those cases that appeared suitable for litigation were forwarded to the Justice Department. Decisions as to whether litigation was warranted were made at periodic meetings attended by OEP Director Lincoln, Assistant Attorney General Gray, and the Executive Director of CLC, Mr. Arnold R. Weber. Lincoln and Weber sought to bring violators to court as quickly as possible, in order to maintain a vigorous pace of enforcement. The Justice Department, on the other hand, was understandably inclined to move more deliberately and emphasized the need for strong evidence before taking cases into court. All cooperated in the effort to get strong cases quickly, and the record (see Table 8) indicates a reasonably successful achievement of this goal.

A means of assuring compliance that received little publicity

⁸The position of CLC General Counsel was held successively by Mr. Arnold Lewis and Mr. William E. Nelson. At the beginning of Phase II, Nelson became chief of the Economic Stabilization Section of the Civil Division in the Department of Justice.

was use of the Federal Government's purchasing power. The Federal Regulations and Purchasing Review Board, headed by Mr. Caspar Weinberger, declared on August 20 that in placing contracts for goods and services Government officials "should consider, as a decisive factor, whether contractors are in compliance with the freeze."⁷ The Department of Defense ordered its contracting officers to carry out this directive and to report any suspected violations of the freeze.⁸

THE RECORD OF COMPLIANCE

Compliance with the freeze was generally high. Most people were upset by continually rising prices and seemed ready to support any program that promised to halt inflation. While it is true that the public was more interested in stopping price increases than pay increases, there was still a general willingness to go along with the program in hope that it would bring some improvement.

The most objective measure of general compliance was the IRS spot checks of businesses's all over the country. Formal, systematic checks were begun in mid-September and covered a total of 85,444 business establishments during the remainder of the 90-day period. IRS found that 91.8 percent of those visited were in compliance, and an additional 4.2 percent agreed to comply when told they were violating the freeze. The remaining 4 percent did not comply immediately; complaints were filed at IRS offices and were then processed along with complaints from the general public. Many of these violators did comply when a little more pressure was applied.⁹

If it is assumed that these percentages are statistically valid for business establishments in general, this would mean that non-compliance, whether deliberate or inadvertent, was limited to about 8 percent of all business establishments. Even this figure must be qualified, as it includes instances where one or two items in a market were overpriced, out of perhaps 20 or 30 checked.

Analysis of the complaints received by IRS also attests to widespread support for the freeze. Of the complaints processed during the freeze, 62 percent resulted in a finding of "no violation"; 37

⁷ *Federal Controls* (Washington: Bureau of National Affairs), August 20, 1971.

⁸ *Daily Report for Executives* (Washington: Bureau of National Affairs), August 20, 1971.

⁹ Source: OEP Weekly Summary Report to CLC Chairman, November 13, 1971. See Chapter IX for evidence of compliance with the freeze based on the Consumer Price Index and the Wholesale Price Index.

COMPLIANCE

percent did involve violations, but the parties agreed to comply as soon as the violation was brought to their attention. This left less than one percent to which enforcement procedures had to be applied. Table 6 shows the way IRS responded to all complaints received during the freeze.

TABLE 6.—Disposition of Complaints by IRS

IRS found no violation	24,547	(62.2%)
IRS obtained compliance	14,701	(37.3%)
IRS forwarded to OEP as PCC's	214	(0.5%)
IRS retained for Phase II processing	6,925	
Total complaints received	46,387	

Note: The percentages apply to the total processed in Phase I, which was 39,462. The abbreviation PCC means Potential Court Case, which was explained above. The 6,925 complaints retained by IRS represent just over one normal week's flow of complaints, which was about 5,000 during the latter weeks of the freeze. Source of these figures is OEP Weekly Summary Report to CLC Chairman, November 13, 1971, and OEP General Counsel's list of PCC's, November 13, 1971.

The OEP actions listed in Table 7 include those taken at the Regional Offices as well as at the National Office. The Table shows the status of cases on the day the freeze ended and the status on December 2. By that date OEP had disposed of the six cases it held when the freeze ended: two by a finding of "no violation," two by compliance, and two by referral to the Justice Department.

TABLE 7.—OEP's Disposition of Potential Court Cases

	Nov. 13	Dec. 2
No violation	25	27
Compliance obtained	70	72
Held by OEP	6	0
Cases returned to IRS	76	76
Forwarded to Justice Department	37	39
Total Potential Court Cases	214	214

Source: OEP General Counsel's lists of PCC's, November 12 and 13, 1971, revised on December 2 on basis of interview with John D. Simpson, Executive Assistant to General Counsel. Some of the cases listed in the first two categories were resolved after referral to the Justice Department; the total number of cases actually forwarded to the Justice Department was therefore somewhat more than the 39 shown in the table.

The cases designated "no violation" included some borderline situations in which the evidence against the violator was so weak that taking the case to court would not be worthwhile. The cases returned to IRS required some further investigation or documentation and were subsequently resolved under the processes established

for Phase II. From the 39 cases referred to it, the Justice Department filed eight suits involving only Phase I violations. Eleven cases regarding tickets for sporting events were held in abeyance because they hinged on pending suits, and 10 teacher salary cases were dropped when the salary increases were granted.¹⁰

The Bureau of the Census tabulated data on the freeze. Its report on complaints of violations showed that 75 percent pertained to prices, 19 percent to rents, and 6 percent to wages. The reported price violations were listed by business category, and the three largest categories were: retail trade, 56 percent; services and repairs, 8 percent; and insurance, 7 percent. It should be noted that these percentages are based on alleged violations and that 62 percent of those alleged proved to be unfounded. Individuals (as opposed to businesses or organizations) made 78 percent of the violation reports.¹¹

ENFORCEMENT

Executive Order 11615 authorized civil suits for injunctions and criminal suits with fines of up to \$5,000 per violation.¹² An injunction simply forces a particular violator to comply with the law, whereas a fine has the added effect of punishment, one purpose of which is to deter others from similar violations. All Government suits brought to enforce the freeze were suits for injunctions. It was felt they would be sufficient to ensure compliance, and they were preferable in that they can be processed more quickly and require less of a burden of proof than do criminal suits.

Reliance on injunctive suits fitted in with the strong emphasis on voluntary compliance that characterized this program. It also seemed more suitable than levying fines in many instances, because new policies and regulations were issued every few days and the public had a limited time in which to assess its obligations and clarify the legal status of the many regulations and interpretations that were issued. For the same reasons, those charged with enforce-

¹⁰ These cases are discussed in subsequent sections. The 10 remaining cases were either incorporated into suits involving both Phase I and Phase II violations or dropped due to lack of sufficient evidence. It is worth noting that Phase I violations were not simply dropped because Phase I had ended; as late as March 7, 1972, the Justice Department filed suit against Robert Dedoes of Kalamazoo, Michigan, for a rent violation that occurred in Phase I. The suit was later expanded to include a Phase II violation and was unresolved as of this writing.

¹¹ Source: OEP Weekly Summary Report to CLC Chairman, November 13, 1971.

¹² Executive Order 11615, Sec. 7.

COMPLIANCE

ing the freeze felt that if they could obtain injunctions in several cases they would thereby make it easier to obtain voluntary compliance from others in similar circumstances. Injunctions would prove to the skeptical that the regulations were legally enforceable and that the Government was serious about enforcing them.

The effort to bring several typical cases of noncompliance to a head early in the freeze period was partially motivated by a desire to establish the "credibility" of the freeze itself. Some consumer groups and labor unions had fixed on the nonavailability of price lists as evidence that prices were not effectively controlled while wages had been rigidly frozen. The AFL-CIO established "watch-dog" groups throughout the country to monitor price increases.¹³ A report appearing in the *New York Times* charged that 98 out of 102 Manhattan markets checked by one union group were violating the freeze because they did not have "price lists" available. Although this story was based on an erroneous interpretation of the regulations, it and others like it had considerable negative impact.¹⁴ The Administration's reports that the freeze was working and voluntary compliance was at a high level were sometimes greeted with the suspicion that the data actually indicated "a lack of adequate monitoring and enforcement rather than patriotism and selflessness."¹⁵

Since opposition from newspapers, unions, and consumer groups could have undermined public confidence in the effectiveness and fairness of the freeze, an effort was launched in mid-September to step up enforcement efforts. IRS put new emphasis on monitoring prices, following up telephoned promises of compliance with on-site checks, and rapidly forwarding noncompliance cases to OEP.¹⁶ OEP speeded up its evaluation and processing of cases and forwarded to the Department of Justice several considered suitable for litigation.¹⁷ Between September 23 and 30 the Justice Department filed five suits for injunctions. In a statement to the press on September 26, Arnold Weber made it clear that these suits were intended to show the Government's determination to enforce the freeze: "Today's announcement . . . emphasizes our intention to

¹³ *Wall Street Journal*, October 15, 1971, p. 18.

¹⁴ "98 Markets Accused of Violating Price Freeze," *New York Times*, September 16, 1971. The failure to produce "price lists" was not a violation because the only requirement in effect at that time was that "a record" of transactions during the base period should be available.

¹⁵ *New York Times*, September 17, 1971, p. 25.

¹⁶ Msg Bravo 201, September 21, 1971, giving the text of a message from the Deputy Commissioner of IRS to all Regional Commissioners.

¹⁷ Messages Bravo 180, September 15; Alfa 87, September 20; and Bravo 212, September 27, 1971.

be more forceful when necessary. The problem we have to solve—economic stability—is a serious one and we are serious about it.”¹⁸

Although considerations of public impact and deterrent effect did motivate this push for litigation, publicity value did not determine the selection of individual cases. Three cases were local rent violations with a negligible impact on the national economy. The other two suits ran the danger of a negative public reaction because they attacked groups with considerable popular support—teachers and a football team. The cases were selected, in other words, more because they were available at the time than because they were considered ideal in terms of impact and deterrence.

The vigorous Government efforts to assure compliance did not quiet all doubts about the efficacy of the price freeze. A series of articles appearing on the front page of the *New York Times*, for instance, asserted that a survey of 22 stores had revealed price increases on 25 percent of the meat cuts covered by the survey and price increases of 25 percent on some types of fish.¹⁹ When IRS agents made a special check of meat prices in the same stores, however, they found only two violations.²⁰ In fact, the survey used by the *Times* bore little relation to ceiling prices established by the freeze and did not prove that any violations had occurred (as the article on fish prices admitted). Nevertheless, these and similar press accounts continued to belabor the theme that the price freeze was ineffective.

Besides the suits mentioned previously, three additional suits for injunctions were filed during the freeze. The eight suits with the U.S. as plaintiff are listed in Table 8. There were also several Phase II suits which included charges of Phase I violations; these are not included in the table, as they belong more properly to the history of Phase II.

In addition to the suits filed by the Government, there were over 80 suits on Phase I matters in which the Government was the defendant, filed an *amicus curiae* (friend of the court) brief, or

¹⁸ *Washington Post*, September 26, 1971.

¹⁹ *New York Times*, October 25 and 29, 1971, and November 1, 1971. The October 25 and November 1 articles are reprinted in *Economic Stabilization Legislation*, Hearings before the Senate Committee on Banking, Housing, and Urban Affairs, 92d Congress, 1st Sess. (Washington: Government Printing Office, 1971), pp. 334–339.

²⁰ *New York Times*, November 5, 1971, p. 28.

COMPLIANCE

TABLE 8.—Phase I Suits Filed by the U.S. Government

Date Filed	Defendant	Category	Outcome
Sept. 23	Jefferson Parish School Board	Teacher salaries	Lost
Sept. 24	Dwight L. Lieb	Rent	Won
Sept. 27	Atlanta Falcons	Ticket prices	(Pending)
Sept. 28	Jack L. Joyce	Rent	Won
Sept. 30	Martin J. DeStefano	Rent	Won
Oct. 18	Huber Investment	Rent	Won
Nov. 2	Intone Corp	Rent	Won
Nov. 11	Okla. City School Board	Teacher salaries	Dropped

simply took an interest because the suit involved the freeze. These suits are listed by category in Table 9.

TABLE 9.—All Phase I Suits

Category	U.S. Plaintiff	U.S. Defendant	Amicus Curiae	Private	Totals
Rent	5	2		1	8
Wages		11		2	13
Teachers' salaries	2	15	10	31	58
Sporting events	1	6		1	8
Other price cases	0	3		2	5
TOTALS	8	37	10	37	92

Sources: Memo, L. Patrick Gray III to Donald Rumsfeld, December 22, 1971, Subj: Status Report, Legal Proceedings under Executive Orders 11615 and 11627; interview with William E. Nelson, April 21, 1972. Suits charging both Phase I and Phase II violations are not included in this table.

There was strong public interest in the number of complaints being received, the way they were being investigated, and the actions taken against those who did not agree to comply. It was not always easy to satisfy this public desire for knowledge. As reported earlier in this chapter, 62 percent of the complaints were without foundation, and most of those who were in violation agreed to comply with little urging. The few "tough" cases remaining required thorough investigation and documentation before they could be taken to court, and no information was released on them until a suit was filed. The names of violators who complied willingly were rarely released at all, as the Government did not want to embarrass needlessly those who had violated the freeze through ignorance or inadvertence. This policy of maintaining the confidentiality of investigations also came in for some criticism from consumer groups, but was firmly adhered to by OEP as the most equitable solution to a difficult problem.

Rent Cases

Rent violations constituted the preponderance of the Government's Phase I suits, accounting for five of the eight suits filed. This came about because, in the limited time available, the rent cases were the easiest to verify and document and because aggrieved tenants were usually quite willing to appear as witnesses against their landlords. The complexities that delayed many price and wage cases were simply not present in the rent cases.

The first three rent suits were filed between September 24 and 30, and the Government had won all three by October 22.²¹ One landlord had made minor improvements to his apartments and claimed his rent increases were permitted to cover the cost of "capital improvements." The relevant regulation²² required that the cost of improvements be at least equal to three months' rent, while in his case they equaled about half of one month's rent. Another landlord had purchased his apartments in July and tried to raise the rents on September 1, but was turned back. The third case involved apartments near the University of Texas that had lower rates for the summer months than for the school year. In reverting to the winter rates at the end of August, the landlord tacked on an extra \$10.00 a month, but was required to give this up.

The fourth rent suit was against a large real estate firm renting over 1,000 units. The firm contended that the Government should regulate rents the way it did prices, using the "10 percent transaction rule,"²³ and had raised rents on about 37 houses to bring them up to the level of similar units. A judgment in favor of the Government was obtained on January 12, 1972.

Wages and Salaries

The Government's effort to prohibit pay increases that were authorized by contracts signed before the freeze, but scheduled to take effect during the freeze, was successful in the short run but aroused considerable opposition among the affected groups. The blunt opposition of organized labor and the hassle over teachers' salaries had impacts that outlasted the freeze.

²¹ See Table 8 for details.

²² OEP Economic Stabilization Circular (ESC) 101, Sec. 602 (21).

²³ The price of a commodity was held to that charged for at least 10 percent of transactions during the base period, whereas the rent on each dwelling unit was frozen separately. See pp. 80-82, 91-92.

COMPLIANCE

The first opposition to the freeze on wages came from Governor Preston Smith of Texas, who announced that, despite the freeze, 130,000 State employees would get pay increases authorized for September 1 and Texas teachers would receive their automatic increases. There was a question, according to the Governor, of "whether the President of the United States has the authority to overrule our Texas laws."²⁴ His Attorney General ruled the pay increases illegal, however, and a strong plea for compliance was sent to the Governor by CLC Chairman Connally. The Texans then deferred the pay increases and sought to have them authorized by an exemption, but this request was denied.²⁵

Although this incident quickly blew over, it was a harbinger of further problems. Opposition to the entire New Economic Policy from the AFL-CIO and its President, Mr. George Meany, was immediate and vociferous.²⁶ Labor quickly concluded, however, that it could do little to influence the administration of Phase I. "We're not advocating defiance," Meany told a news conference. "We're just not cooperating. If they can put it over without our cooperation, I guess they will."²⁷ Labor's influence was concentrated on the Congress, which was preparing to extend the Economic Stabilization Act and to take action on other aspects of the NEP. As will be seen later in this section, labor achieved some of its goals by this means.

The most serious opposition to the wage freeze in Phase I came from teachers. The National Education Association (NEA) issued a statement denouncing the application of the freeze to teachers. The American Federation of Teachers, an AFL-CIO union, took the same position. They felt the freeze order was discriminatory to teachers because it coincided with a new school year, the only time most teachers get pay raises, and also because of the seasonal nature of teachers' employment.²⁸

The policies on teachers' pay are discussed in Chapter IV and will not be repeated here. The confusion on the part of teachers, the press, and the public was due largely to this chain of events: OEP guidance on August 26 appeared to be quite liberal; the NEA estimated that it would allow 80 percent of the teachers to

²⁴ Quoted in *New York Times*, August 20, 1971, p. 1.

²⁵ See pp. 104-107 and Denton, *Texas Record-Chronicle*, August 23, 1971.

²⁶ See pp. 144-145.

²⁷ *New York Times*, August 20, 1971, p. 1.

²⁸ *New York Times*, August 20, 1971. See also testimony of Donald E. Morrison, President of NEA, October 5, 1971, in *Economic Stabilization*, Hearings before the House Committee on Banking and Currency, 92d Congress, 1st Sess. (Washington: Government Printing Office, 1971), pp. 173-198.

get pay increases. Arnold Weber's press statement on September 3, however, put a narrow interpretation on the guidance and was followed by estimates that only 20 percent would get increases. There was not, strictly speaking, any change in the regulations; but there was a change in the rhetoric of Government spokesmen and in the interpretations appearing in the press. Guidance issued on September 16 clarified the meaning of the regulations, but it was impossible then to overcome the teachers' feeling that the Government had altered its position and was discriminating against them. In a suit filed September 24, the NEA accused the Government of making "vague, inconsistent, and contradictory rulings, interpretations, and policy statements" and asked that CLC be prevented from blocking scheduled teacher salary increases.²⁹ Noncompliance on teachers' salaries was widespread and enduring.

The Government brought suit against the School Board of Jefferson Parish, Louisiana (on the west side of New Orleans) at the end of September in an attempt to establish a legal precedent for teacher pay compliance efforts. A pay increase of \$400 a year had been authorized, effective July 1. Teachers in Louisiana are employed on a continuing employment arrangement; they do not sign annual contracts. Many school employees, including some teachers, were working on a 12-month basis and had thus begun receiving the increased pay before the freeze. Most of the teachers, however, began work on August 26 and received no pay during the base period. They were, however, "employed" during the period in that they could not be dismissed without cause, could not seek other jobs, and could not draw unemployment insurance. The suit thus pinpointed the question of whether a pay increase authorized for all teachers in a system was "in effect" during the base period for teachers who were hired but not actually drawing pay.

Orleans Parish (largest in the New Orleans area) had originally complied with the freeze on teachers' pay, but its decision was challenged in a suit filed in a State court by the Orleans Educators' Association. The Parish lost this suit on October 1 and proceeded to grant the pay increase. The Federal Government then expanded its suit against Jefferson Parish to include Orleans. A decision against the Government was given in the combined suit on October 8.

The Government had argued that only those teachers who had

²⁹ *NEA v. CLC et al.*, filed September 24, 1971, in U.S. District Court, District of Columbia.

COMPLIANCE

actually worked during the base period were eligible for the pay increases. But the court, noting that Economic Stabilization Regulation 1 allowed pay increases to remain in effect if they were "paid or received or in effect during the base period," said that the salary increases in question were clearly "in effect" on July 1 and thus should remain in effect during the freeze. The court admitted that some of OEP's Circulars narrowed the range of allowable pay increases, but found these Circulars contradictory and inconsistent. It concluded:

The Court takes notice that the Federal agencies responsible for this gargantuan task have been swamped with myriad requests for administrative determinations. . . . Conflicting guidelines are perhaps inevitable because of the immediacy and urgency of the administrative inquiries. Nevertheless, the Court cannot elevate to the level of enforceable law the inconsistent and contradictory directives provided by the various Circulars. Instead, the Court will adhere to Regulation No. 1 as properly interpretive of the Executive Order.³⁰

The Government saw this loss as a serious blow to its stabilization efforts and appealed the decision. Efforts to obtain compliance were pressed forward in other States, where laws and contract details were different.

Several surveys were taken to ascertain the extent of noncompliance on teachers' salaries. An October 2 report showed apparent noncompliance by six southern States and 50 additional school districts.³¹ A more systematic survey at the end of October showed there was suspicion of noncompliance in 1,761 school districts. Almost all of these were concentrated in eight southern States plus California, Iowa, and West Virginia. It was reported at the same time that 364 districts had rolled back previous pay increases.³² Further investigation of the 11 States with major compliance problems produced the following results: Regional Directors considered 584 districts in those States to be in violation and had serious questions about more than 200 additional districts.³³

The Government's second effort to resolve the teacher pay issue in court came on November 11 with a suit against the Oklahoma City School Board. Under Oklahoma's continuing contract law, the teachers were bound by their contracts from July 1 onward.

³⁰ Opinion in *United States v. Jefferson Parish School Board*, U.S. District Court, E.D. Louisiana, October 8, 1971. Reprinted in *Economic Controls: 90 Days: August 16-November 13, 1971* (Chicago: Commerce Clearing House, 1971), pp. 9886-9891.

³¹ Memo, Avery E. Kolb to Lincoln, October 2, 1971, Subj: Regional Directors' Appraisal of School Salary Compliance Situation in Regions.

³² Memo, Kolb to Lincoln, October 29, 1971, Subj: Teachers' Pay Situation; Msg Bravo 297, November 1, 1971. The eight southern States were Florida, Mississippi, North Carolina, South Carolina, Tennessee, Kentucky, Arkansas, and Louisiana.

³³ Memo, Kolb to Lincoln, November 2, 1971, Subj: Regional Updating Reports on 11 States with Particular Problems in Teacher Pay Area.

Employees on 11- and 12-month contracts were actually working before August 15 and hence got raises, but those on 10-month contracts were not scheduled to begin work until August 23. The latter could not get the pay raise, according to the Government's interpretation of its regulations; but the School Board interpreted the regulations its own way and granted the increases.

OEP and IRS officials worked vigorously throughout the freeze to obtain compliance on teachers' pay, and they were successful in most cases. But there was still more noncompliance than in any other segment of the economy, and the short duration of the freeze did not allow time to settle many cases by court action.

The problem was resolved in Congress. After a week of hearings on extension of the Economic Stabilization Act, the House Banking and Currency Committee voted on November 4 to include in the extension of the Act the requirement that most wage increases covered by contracts made before the freeze should be paid retroactively.³⁴ The bill, also providing a 5.5 percent increase to Federal civilian and military personnel, was signed into law on December 22. The Pay Board's consequent regulation was explained as follows:

In general, retroactive payment of salaries and wages, including fringe benefits, of no more than seven percent is permitted where increases were called for in employment agreements, or practices that were agreed to or were in effect before the economic freeze was imposed on August 15, 1971, but were prevented from being paid because of the freeze.

Required to grant pay increases retroactively regardless of the amount of increases are all employers who, before August 15, 1971, raised prices, increased productivity, raised taxes, made appropriations, or otherwise raised funds to cover pay hikes prevented by the freeze.³⁵

This regulation rendered moot most pending litigation on wages and salaries held up by the freeze, including the suit against the Oklahoma City School Board. Table 9 above indicates that there were 71 suits involving wages and salaries, and most of these were still pending in court at the time of the Pay Board action.

Price Lists

The President's freeze order provided that "each person engaged in the business of selling or providing commodities or services shall

³⁴ *New York Times*, November 5, 1971, p. 1. Later Senate action on this provision softened the wording slightly but left it substantially intact. See *Congressional Quarterly Almanac*, 1971, Vol. 27, pp. 459-471.

³⁵ Pay Board Press Release, January 13, 1972; the regulation appeared in the *Federal Register*, January 27, 1972.

COMPLIANCE

maintain available for public inspection a record of highest prices or rents charged for such or similar commodities or services during the 30-day period ending August 14, 1971.”³⁶ While this appeared to be clear and precise, many questions quickly arose. For example, were merchants required to post lists of prices or merely to have record books available? Were merchants required to open confidential records to the public or only to Government inspectors? Were chain stores required to have records available at each outlet or only in a central office?

Merchants were reluctant to incur the considerable expense of preparing and printing price lists. Consumer groups, on the other hand, complained that they could not detect violations unless ceiling price information was readily available. The seller's obligations remained unclear during the first part of the freeze, until clarifying regulations were issued.

OEP moved in mid-September to tighten up the price list requirement. In reply to an inquiry from Mr. Ralph Nader, Director of the Center for the Study of Responsive Law, Arnold Weber said on September 16: “The retailer must maintain and have available for public inspection a list of his ceiling prices. The consumer can demand to see these ceiling price lists if he has a question.”³⁷ This letter was the first official or quasi-official use of the term “price lists” and became the basis for new guidance issued by OEP on September 25 and October 4.³⁸ The guidance provided that sellers must have available at each place of sale “ceiling price lists” from which they would supply information to the public in response to specific requests.

An alternative method of complying with the price list requirement was promulgated on October 14 and remained in force during the rest of the freeze period and into Phase II. This method consisted of the seller's posting large signs directing purchasers to Ceiling Price Information Request Forms, which had to be available in the store. The purchaser would indicate on the form the specific item for which he wished to know the ceiling price, and would receive an answer by mail within 48 hours.³⁹

The guidance establishing the alternative method also set a dead-

³⁶ Executive Order 11615, August 15, 1971, Sec. 1 (b).

³⁷ Ltr, Weber to Nader, September 16, 1971. The letter also responded to Nader's inquiries about wage exemptions for low income people, appeal proceedings, disclosure of CLC minutes, and possible consumer participation in policy formulation.

³⁸ ESC 16, September 25, 1971, Sec. 701 (1); OEP Press Release 464, October 4, 1971. See also ESC 19, October 6, 1971, Sec. 402 (2), and ESC 102, Sec. 402 (9).

³⁹ OEP Press Release 471, October 14, 1971; ESC 20, October 15, 1971, Sec. 402; ESC 102, Sec. 402 (9,10).

line of November 1 for the availability of price lists at each point of sale. This requirement was later dropped,⁴⁰ however, since the alternative method was working well and it was not clear what the Price Commission would require for Phase II. Some retail associations had insisted their members were supplying prices on an item-by-item basis but that preparing special price lists would be prohibitively expensive.⁴¹

IRS made a nationwide survey during the first 4 days of November to see how many businesses were providing ceiling price information to customers or at least promised to have it by November 5. It was found that 36 percent were not in compliance when checked, but most of those promised to comply by November 5.

TABLE 10.—*Availability of Ceiling Price Information,
November 1-5, 1971*

Price lists available at point of sale	1171	46%
Information available by mail within 48 hours	473	18%
Promised to comply by November 5	847	33%
No assurance of compliance	66	3%
Total stores checked	2557	100%

Source: *Msg Alfa 238*, November 4, 1971.

Price Violations

It was not surprising that 75 percent of all complaints received concerned prices, since people make dozens of retail purchases for every one rent payment or wage adjustment. Complaints of price violations flowed in, ranging from the trivial to the extremely complex; the vast majority were promptly resolved by IRS agents either because there was no violation or because the merchant quickly rolled back the price.

Consumers were often confused because of the many brands and sizes available or by special sale prices, and the formula for computing base prices was more complex than was generally realized. The difficulties consumers had in obtaining base price information also contributed to the large number of unfounded complaints. During the first half of the freeze, for instance, there were over a thousand complaints about gasoline prices—more than on any other item. Although a few of these were valid, most concerned

⁴⁰ CLC Press Release 26, October 27, 1971.

⁴¹ *New York Times*, October 29, 1971, p. 1.

COMPLIANCE

price increases that had occurred just before the freeze and hence were legal.⁴²

An increase in the price of propane gas (a type of liquefied Petroleum Gas, or LPG) also sparked numerous complaints and heated editorial comment. Ten companies located in Texas and Oklahoma announced increases of one cent a gallon about October 1. Since propane had been selling for 6 to 10 cents a gallon in that market area, the percentage increase was considerable. The companies said their prices had regularly gone up in the fall, because of increased winter demand for fuel, and were therefore justified by the seasonal price rule. The seasonal rule provided that, where prices had shown "a large, distinct fluctuation at a specific, identifiable point in time" during each of the past 3 years, the price could be raised during the freeze to the price in effect during the previous season.⁴³

While it was true that propane prices had generally risen in the fall, the timing of these increases varied widely. From the winter of 1970-71 to the time of the freeze the prices had risen steadily rather than fluctuated. The OEP General Counsel provided an opinion that the seasonal rule did not apply, and by October 22 OEP's Dallas office and IRS agents in that area had obtained rollbacks from all 10 companies.⁴⁴ This was the most significant price rollback occurring during the freeze period, representing a saving to consumers of about \$100 million a year.⁴⁵

There were numerous complaints on increases in premiums for group medical insurance. The guidance on insurance allowed formula-based premiums to increase to reflect changes in actuarial factors or cost increases that had occurred before the freeze, using methods of computation in use before the freeze. They did not allow premiums to increase to provide for future (projected) increases in hospital costs or doctors' fees.⁴⁶ The Connecticut General Life Insurance Company voluntarily rolled back rate increases in order to comply with this policy.⁴⁷ OEP's Kansas City office conducted lengthy investigations of premium increases in the Midwest,

⁴² See CLC Press Release 5, September 24, 1971, and *New York Times*, September 21, 1971, p. 1.

⁴³ ESC 101, Sec. 303.

⁴⁴ CLC Press Releases 23 and 24, October 20, 21, 1971; Memo, Bruce Marshall, OEP Dallas, to Bruce Whelihan, OEP Washington, October 22, 1971, Subj: LPG Price Increases.

⁴⁵ *Washington Post*, October 18, 1971, p. B-13; *Wall Street Journal* October 22, 1971, p. 2.

⁴⁶ ESC 102, Sec. 407 (2).

⁴⁷ CLC Press Release 14, October 6, 1971.

but the complexity of the factual situations in these cases prevented any resolution of the cases before the freeze ended.

As the freeze progressed, the Compliance Branch adopted more systematic means to locate price violations. When the Wholesale Price Index or the Consumer Price Index showed price increases on particular commodities, for instance, special checks were made on those items.⁴⁸

An interesting price case that eventually went to court was that of Cincinnati Transit, Inc., a private local bus company. The Cincinnati Public Utilities Director had, on June 23, 1971, approved certain reductions in scheduled service, which were to take effect on September 5. On the basis of an affidavit submitted by the company, the OEP General Counsel initially ruled that the schedule reductions could be made without a fare reduction. Additional facts later submitted by the City and other interested parties prompted a withdrawal of the earlier OEP ruling. OEP and IRS representatives were of the opinion that freeze regulations required a fare reduction commensurate with the service reduction and suggested a 5-cent cut. The company contended that no fare reduction was required, since the rider was getting the same service once he was on the bus.⁴⁹

Although there was nothing unique in the situation (the gradual erosion of local bus service has been a familiar phenomenon in many American cities for the past 20 years), there was at least a technical violation of freeze regulations. OEP ruled that it was a violation; the company filed a suit to reverse OEP's ruling; and on November 15 it raised fares by 5 cents, apparently violating Phase II regulations. The Government sued on December 17 regarding both violations; this suit was settled out of court, with the court approving the stipulated judgment on May 9, 1972. Cincinnati Transit agreed to reduce fares for stated periods, thus in effect returning the excess charges to its customers.⁵⁰

Sporting Events

Price increases on tickets for sporting events became one of the major bones of contention in the compliance area. Several pro-

⁴⁸ See OEP Weekly Summary Report to CLC Chairman, November 6, 1971, p. 1.

⁴⁹ Ltr, Lawrence J. Kemper, IRS, Cincinnati, to John Simpson, Office of OEP General Counsel, September 17, 1971, with attachments. For discussion of relevant policy, see pp. 80-82.

⁵⁰ Interview with William C. McCorriston, Economic Stabilization Section, Civil Division, Department of Justice, July 19, 1972.

COMPLIANCE

fessional and college football teams and some professional hockey teams increased the prices of tickets for the season beginning in the fall of 1971. These increases were usually announced during the preceding winter or spring, and many season tickets were sold during the spring and summer. The advent of the freeze on August 15 created unique problems of interpretation and enforcement with respect to these tickets. CLC discussed the matter early in September and ruled that admission prices for sporting events and other entertainments were frozen, and that those who had purchased tickets at higher prices should be reimbursed.⁵¹

This policy was clearly stated and firmly adhered to by the government, but was not readily accepted by some of the athletic clubs. The Government policy was that, for regular season games played during the freeze period, admission prices could be no higher than those charged for regular season games during the base period. Most football teams had not begun their 1971 season prior to August 15, so their base period fell during the 1970 season. Teams that had increased prices for the fall 1971 season were thus required to roll them back to 1970 levels, and this applied even to season tickets that had been sold long before August 15. The Government took the position that the "transaction" was completed only when the game was played, as this constituted delivery of the "service" that had been contracted for in advance. The teams in general took the position that, if the ticket had been paid for and delivered before August 15, the transaction was then complete and could not be affected by the freeze announcement.

Several teams rolled back all price increases that had been planned for the 1971 season. Others complied to the extent that they rolled back prices on tickets actually sold after August 15. On tickets that had been sold in advance, however, there was a major controversy that led to several court suits. A man who had purchased tickets for Atlanta Falcons games sued that team on September 10 on behalf of all Falcons ticket holders; he had purchased four season tickets on June 4, 1971, for \$7.50 per game, whereas the price the previous season had been \$6.00 per game.

The Falcons sued the U.S. Government on September 25, seeking a declaratory judgment; and the Government filed a counter suit on September 27, challenging the price increase. In their suit the Falcons stated they had sold 70 percent of their season tickets before August 15 and had made business plans and financial com-

⁵¹ ESC 102, Sec. 403 (2); see also CLC News Release dated September 9, 1971, and SPG 3.0963, 3.0969, and 3.0996.

mitments based on the increased revenue. They argued that the President did not intend for his Executive order to render illegal sales that antedated that order. The Falcons also pointed out that CLC was allowing increases in tuition and room and board to remain in effect if they had been announced and deposits had been made before August 15, although the "services" were actually delivered during the freeze period. They implied that the government was obliged to follow the same policy with regard to athletic tickets.⁵²

Long before this matter could be settled in court, four other professional football teams and one university had sued the government over the ticket issue. One of these suits was brought by the Miami Dolphins, who had played "preseason" (exhibition) games on August 7 and 13. Season tickets, of which 75 percent had been sold before the freeze began, included admission to these preseason games. The Dolphins contended that these two games, having been played during their base period, established the price level that should prevail during the freeze. The government's position was that preseason games differ substantially from regular games and cannot therefore be used to establish a base price.

The Dolphins suit also advanced several new arguments, including charges that the Economic Stabilization Act was unconstitutional and that OEP's order to make immediate cash refunds, without allowing the Dolphins any opportunity for a hearing, denied them equal protection of the laws and due process of law.⁵³

In order to avoid multiplying lawsuits, OEP signed agreements with other teams whose situations paralleled those of the Falcons or Dolphins to the effect that they would abide by the outcome of the suits already pending in court. These teams placed money in escrow or filed letters of credit to provide for the reimbursement of ticket purchasers should that be necessary.

One of the suits on the ticket issue was brought against CLC by the University of Southern California. For the 1971 season, the university had increased prices for reserved seats by 50 cents per game and had sold over 125,000 season tickets before the freeze began. When ordered to refund the increase, the university responded by suing CLC. The court ruled in favor of the university on May 12, 1972, saying in part:

⁵² On tuition policy, see p. 84.

⁵³ *Joseph Robbie et al. (Miami Dolphins) v. John B. Connally et al.*, in U.S. District Court, S.D. Florida, October 6, 1971. The constitutional issues are discussed later in this chapter.

COMPLIANCE

The fundamental legal issue is the meaning of the word "transactions" as it is used in the Executive Order and ensuing regulation. . . . No amount of interpretation or rationalization can remove the retroactive nature of the burden that the council here seeks to impose. . . . Nothing in the Executive Order or in Economic Stabilization Regulation No. 1 suggests restrictions on anything other than prospective charging and payment of prices.⁵⁴

The Government appealed this suit to the Temporary Emergency Court of Appeals, the special appeals court set up to handle Economic Stabilization cases, and won this appeal on September 18, 1972. The status of the other cases on ticket prices was still pending at this writing.

A unique problem was presented by two teams that opened the fall 1971 season in new stadiums. The teams argued that they were selling a "new product" featuring greater comfort and convenience for the spectator. One of these teams, the San Francisco Forty-Niners, compared its old stadium—wooden benches without backs, no parking facilities, inadequate restrooms—with its new situation in Candlestick Park, which had individual plastic seats and all the comforts expected by the modern fan. The St. Louis Blues Hockey Team similarly tried to justify price increases on the basis of improvements made to its Arena. CLC ruled that use of new facilities could justify price increases but not improvements to existing facilities.⁵⁵

THE QUESTION OF CONSTITUTIONALITY

Many suits that sought to override the Government's freeze policies or decisions charged that the Economic Stabilization Act of 1970 or some actions taken under it were unconstitutional. By October 26, 24 suits had been filed challenging the legislation on constitutional grounds.⁵⁶ The two most common arguments were that Congress had delegated law-making authority to the President, thus violating the constitutional separation of powers, and that the inadequacy of administrative and judicial review procedures created a situation in which people were denied their property without due process of law. The latter charge, for instance, was made by some landlords who had been ordered to refund rent increases even though no formal hearing had been held on the question of whether they had violated the law.

⁵⁴ *University of Southern California v. CLC*, U.S. District Court for Central California, May 12, 1972; reprinted in *U.S. Law Week* (Washington: Bureau of National Affairs), May 23, 1972, pp. 1179, 2762-63.

⁵⁵ ESC 102, Sec. 402 (6).

⁵⁶ *New York Times*, October 26, 1971, p. 66.

Those who raised the constitutional question were, of course, primarily interested in obtaining a particular wage increase or other direct benefit. Nevertheless, the constitutional question was of serious concern to Justice Department lawyers. Assistant Attorney General Gray admitted: "A lot of lawyers on the outside say the statute is barren, that it's unconstitutional on its face."⁵⁷

The suit in which the constitutional issues were most fully aired was that filed on September 10 by the Amalgamated Meat Cutters and Butcher Workmen, an AFL-CIO union. The suit sought an injunction to require eight meat packing firms to grant a 25-cent-an-hour wage increase to 50,000 workers. It asserted the wage increase was being withheld illegally, since both the Act and Executive Order 11615 were unconstitutional. The complaint said:

The Act is an unconstitutional delegation of legislative power to the President, in violation of the Constitution, Article 1, Section 1. The Act empowers the President to impose wage and price controls when and as he sees fit, without any standards established by Congress to guide the President in deciding whether economic conditions warrant such action, or the timing of such action, or the nature and extent of such controls.⁵⁸

The complainant also contended that Executive Order 11615 was unconstitutional because "nothing in the Economic Stabilization Act of 1970 . . . empowers the President retroactively to deprive persons of rights under existing contracts."⁵⁹

U.S. District Judge Aubrey E. Robinson, Jr., requested on September 30 that a three-judge panel be named to hear the case. The panel's decision, written by its chairman, U.S. Circuit Judge Harold Leventhal, found the Act and Executive order fully constitutional and therefore denied the union's motion.⁶⁰

Judge Leventhal's opinion upheld the right of Congress to delegate wide authority provided that Congress exercised "the essentials of the legislative function"—of determining the basic legislative policy and formulating a rule of conduct.

The key question is not answered by noting that the authority delegated is broad, or broader than Congress might have selected if it had chosen to operate

⁵⁷ Quoted in *Business Week*, October 23, 1971.

⁵⁸ *Amalgamated Meat Cutters and Butcher Workmen v. Connally et al.*, filed September 10, 1971, in U.S. District Court, District of Columbia, Count 1, Sec. 13.a. Reprinted in *Federal Controls*, (Washington: Bureau of National Affairs), October 5, 1971.

⁵⁹ *Ibid.*, Count 1, Sec. 12.a.

⁶⁰ Opinion of special three-judge District Court of the District of Columbia, rendered October 22, 1971. The other members of the panel were Judge Robinson and U.S. District Judge Charles E. Richey. The opinion was printed in *Federal Controls*, October 26, 1971, and in *Economic Stabilization Legislation*, Hearings before Senate Committee on Banking, Housing, and Urban Affairs on S-2712, 92nd Congress, 1st Sess., November 1-5, 1971 (Washington: Government Printing Office, 1971), pp. 132-150.

COMPLIANCE

within a narrower range. The issue is whether the legislative description of the task assigned sufficiently marks the field within which the Administrator is to act so that it may be known whether he had kept within it in compliance with the legislative will.⁶¹

Leventhal held that the 1970 Act was sufficiently precise to fulfill this requirement.

The court also held that review procedures were adequate. Any person charged with a violation could obtain judicial review by inserting a defense to the enforcement proceeding, the court said, adding, “. . . this provides ample judicial review for constitutional purposes.” The court also held that the Administrative Procedures Act (APA) was definitely applicable to this statute, which meant any citizen could seek an injunction against actions of the Government agency, in this case CLC. One provision of the APA is that public hearings be held in advance of rulemaking, but this requirement is waived when the agency finds “that notice and public procedure thereon are impracticable, unnecessary, or contrary to the public interest.”⁶² Public hearings were not held on freeze regulations because of the time factor.

The court did not agree to the union’s argument that a wage contract made before the freeze was immune from the effects of the Executive order. This argument was advanced frequently by other Labor leaders, who charged that the President had no authority to invalidate existing contracts. In support of the Government’s position, Leventhal cited a previous opinion, which stated:

Contracts, however express, cannot fetter the constitutional authority of the Congress. Contracts may create rights of property, but when contracts deal with a subject matter which lies within the control of the Congress, they have a congenital infirmity. Parties cannot remove their transactions from the reach of dominant constitutional power by making contracts about them.⁶³

Judge Leventhal’s opinion thus resolved most doubts about the constitutionality of the freeze and largely stopped any further discussion of the topic. Although the opinion applied directly only to Phase I, the principles enunciated were applicable to Phase II and were used in enforcing it. The opinion was thus of immense help to those charged with enforcement, both before and after November 13.⁶⁴

⁶¹ *Ibid.*, Sec. B.2, quoting the opinion in *Yakus v. U.S.*, which sustained the grant of price fixing authority in the Emergency Price Control Act of 1942. (Judge Leventhal was Assistant General Counsel for the OPA during World War II.)

⁶² *Ibid.*, Sec. B. 11.

⁶³ *Norman v. B.&O. R.R.* (1935), cited in the Justice Department’s response to the Amalgamated suit, *Federal Controls*, October 5, 1971.

⁶⁴ Interview with William E. Nelson, April 21, 1972.

CONCLUSIONS

One conclusion that arises from this study of compliance and enforcement is that there is a tremendous reservoir of good will in the American people that can be tapped when pressing national needs must be met. The general spirit of cooperation and support was reminiscent of historic crises in past decades and showed that Americans will pull together when convinced of the need to achieve common goals.

One must also conclude, in a more pragmatic vein, that more extensive advance preparation of specific regulations would have been of great benefit to the program. If the price list requirement, for instance, had been spelled out clearly on the first day of the freeze, it would have relieved both merchants and consumers of much anxiety and would have contributed to a greater coherence in the whole price control program. Similarly, if the regulations on teachers' pay had been formulated in advance, they could have prevented the uncertainty and bitterness that developed on this issue. Few would doubt, in fact, that every segment of the economy would be regulated more smoothly by the use of rules systematically prepared in advance than by those churned out "in the heat of battle"—after a freeze is already in effect. The problem was and is that it is extremely difficult to know well in advance what regulations would be appropriate for a given set of economic conditions.

A question frequently asked about the total enforcement effort was: why did the Government end up prosecuting teachers, football teams, and a few landlords when the major inflationary pressures against which the freeze was aimed obviously lay elsewhere? It seemed ironic that charges were pressed mainly against minor elements of the national economy. This occurred largely because the leaders of major industries and unions, and of most smaller economic units as well, realized from the outset that they would have to comply, and so they presented few enforcement problems. A few major economic entities, such as the propane producers, did have to be brought into line, but this was done in the realm of "voluntary" rather than enforced compliance.

The legal proceedings that were entered into, therefore, were directed against the small remnant that felt it could successfully defy the freeze. As Arnold Weber said in a review of the freeze, ". . . the primary objective of the compliance program was not so much to have a direct impact on the economic effectiveness of the

COMPLIANCE

freeze but to preserve the sense of equity and uniformity necessary to maintain the underlying consensus.”⁶⁵

This turn of events showed, among other things, the desirability of limiting an across-the-board freeze to as short a period as possible. The problem with a sweeping economic control program is that it catches in its net the millions of “little fish” as well as the big ones, and if they are held too long the little fish begin to require an undue amount of attention. The three-tier control system inaugurated with Phase II⁶⁶ allowed the Government to concentrate its efforts on the more significant economic entities. As Lincoln often noted, however, the circumstances prevailing during the freeze required the vigorous application of legal sanctions against all violators in order to maintain broad public support for the program.

⁶⁵ Arnold R. Weber, “The 1971 Wage-Price Freeze and Incomes Policy,” *Monthly Labor Review* (U.S. Department of Labor), April 1972, pp. 18–21.

⁶⁶ See p. 173.

VII

Building Public Understanding

President Nixon emphasized in his August 15 address to the Nation that the success of his program would depend on the cooperation of all the American people and on their willingness to sacrifice in the long-term public interest. OEP, as manager of the freeze, recognized that an important part of its task was to develop a wide-ranging information program that would secure the support of the public, business, and labor through knowledge and understanding.

OEP faced the problem of assuring support for a program that was unanticipated and that disrupted normal business practices in a peacetime economy. Fighting inflation is not ordinarily a glamorous or moving cause; for this freeze, there was no external enemy threat against which to rally patriotic support. Yet the great mass of citizens, recognizing inflation as a national disease, responded positively to the Administration's request for support. OEP strove to sustain this support by keeping the public well informed and aware of tangible signs of the success of the program.

INITIAL RESPONSE TO THE FREEZE

The wage-price freeze had an immediate personal impact on almost every adult American. The initial response was highly favorable. The President's dramatic move struck a responsive chord; "man-in-the-street" interviews following the August 15 announcement of the New Economic Policy (NEP) found praise for the President's courage and an enthusiastic determination to "pull together." A traditional American indicator of the public mood, the stock market, reflected this enthusiasm; the Dow Jones industrial average scored a record 32.93 point gain in a single day and ended the week with a healthy 24.89 point increase.

Evidence of polls, borne out by mail received by the White

PUBLIC UNDERSTANDING

House and OEP and by reports from Regional Offices, pointed to broad support of the program by a majority of citizens. An early outpouring of letters from teachers registering their opposition constituted the bulk of OEP's unfavorable mail.

The first reactions from industry were very favorable. Businessmen eagerly anticipated a revival of consumer confidence and increased sales as a result of the President's initiatives. W. P. Gullander, President of the National Association of Manufacturers, immediately declared: "The bold move taken by the President to strengthen the American economy deserves the support and cooperation of all groups." Although his statement avoided complete endorsement, it seemed to reflect the sentiment of a broad spectrum of business.¹ The U.S. Chamber of Commerce and other major business groups also endorsed the President's actions despite their philosophical and historical distaste for controls.

Organized labor was the source of the most vociferous protests against the freeze. The Executive Committee of the AFL-CIO had been on record since February 1966 as willing to cooperate with economic stabilization measures provided the restraints were equitably placed on all costs and incomes; it reiterated this position on August 9, 1971.² However, to George Meany, President of AFL-CIO, the wage-price freeze did not meet labor's requirements. On August 16, he labeled the freeze "patently discriminatory against working men and women."³ At an emergency session, the AFL-CIO Executive Council formally proclaimed its opposition. The Council declared its lack of faith in the ability of President Nixon "to successfully manage the economy for the benefit of the majority of its citizens"; it called on Congress to assert control over the economy, to provide an equitable, effective, and enforceable program. The Executive Council went on to state:

We will insist that controls on prices and wages be made equitable, and that all other forms of income—profits, interest rates, executive compensation, expense accounts, the prices of stocks and bonds—be brought under equal restraints.⁴

Among major labor leaders, only Teamsters President Frank E. Fitzsimmons pledged to "cooperate fully" with the NEP, including

¹ *New York Times*, August 17, 1971, p. 1.

² "The National Economy," Statement by the AFL-CIO Executive Council, August 9, 1971.

³ Quoted in *Newsweek*, August 30, 1971.

⁴ *Statement Adopted by the AFL-CIO Executive Council* (Washington: AFL-CIO), August 19, 1971, pp. 6-7.

the freeze. He did urge, however, correction of the "legislative omission" of a freeze on profits, dividends, and interest.⁵

Despite the opposition of labor leaders, early Gallup polls indicated that a majority of union members supported the freeze. On August 20, 65 percent of union families surveyed stated that they favored the President's program—as compared with 73 percent of all families.⁶ Union leaders predicted that the attitude of workers would shift when they personally felt the full impact of the freeze and its "discriminatory" aspects.

These attitudes were the backdrop against which the freeze administrators had to conduct the program. The basic objective of the public information program was to elicit compliance from all these sectors of the economy. But a further goal was to inspire and sustain positive support and assistance from the public.

FREEZE REQUIREMENTS AND PUBLIC INFORMATION

It was clear from the start of the freeze that its success would rest largely on an informed public. Given the nature of the 90-day freeze—the heavy dependence on voluntary compliance, the inevitable inequities and hardships, and the psychological objective of a revival of public confidence—a solid and extensive public information program was essential.

The strategy of the freeze was based on the premise that most Americans would obey a Presidential order, even one as disruptive of normal life as the freeze, if their obligations were clearly explained and if they believed the measures to be in the national interest. The first responsibility of the public information program, therefore, was to educate; the second was to persuade. The prerequisite to voluntary compliance was wide dissemination of information on these new requirements of the Government. In addition, the public information program had to convince those among the public who were adversely affected that their sacrifice was in a good cause and that, although it was impossible to avoid all inequities, the freeze was administered in as even-handed a manner as possible. Business and labor, the sectors which have the major economic impact, also had to be convinced of the need for

⁵ *Daily Report for Executives* (Washington: Bureau of National Affairs), August 19, 1971.

⁶ Gallup poll reported in *Washington Post*, August 29, 1971.

PUBLIC UNDERSTANDING

cooperation despite the suspension of their normal pricing and wage-bargaining practices.

For the first days after the announcement of the freeze, "convincing" was far less urgent than simply getting information to the public; this basic problem preoccupied a large portion of OEP and detailed employees. Although the answers to many questions had yet to be formulated, the Operations Center in the National Office had a major telephone answering service in place from the first morning of the freeze. To meet the urgent demands of the press, the Director and Deputy Director devoted much time to informal interviews, though no formal press conference was held. In addition, the Director permitted the press to observe the activity of the Operations Center for the first few days. Because of these efforts and the interest of the media, the news coverage of freeze operations during the first week was thorough, lively, generally favorable, and effective in conveying to the public the impact of the freeze.⁷

The goal during the first weeks of the freeze, when public enthusiasm was high, was to publicize the regulations through as many channels as possible and to give quick, consistent responses to questioners anxious to inform themselves. The task was largely one of getting the word out fast enough to satisfy the virtually insatiable information needs of the media and the public. Later, when the initial spontaneous support lessened under various economic pinches, OEP's public information program became more specialized and focused on specific problem areas.

From the outset Lincoln was aware of the need for a formal structure to meet the information requirement, and he took early steps to organize a public information network and program. Each of the components of the information program, though of different degrees of sophistication and efficiency, had a special role. Direct telephone and letter contact with the public served to answer immediate personal problems and to identify policy issues that had to be resolved. The use of the mass media to spread guidance forestalled many direct inquiries. Contact with trade and professional associations and State and local government units provided opportunities to channel pertinent information to special interest groups. All of these information routes were used to provide timely and detailed information to the public and to gain their coopera-

⁷ Public knowledge of the freeze was measured by Sindlinger & Co. to be 96 percent; the same firm found only 94 percent who were aware of the first moon trip. Albert E. Sindlinger, quoted in *Business Week*, August 28, 1971.

tion through understanding.⁸ The National Office shared with the Regional Offices the operational responsibility for these activities, while retaining the overall responsibility for management and coordination.

PUBLIC INFORMATION NETWORK

National Office Organization

The basic strategy for public information activities was developed by the Director's office in coordination with the Cost of Living Council (CLC). OEP's public information network centered around a greatly expanded Office of Congressional and Public Affairs (CPA), under the direction of Mr. David J. Pattison.⁹ CPA assumed the major responsibility for building broad understanding and popular support. This office coordinated the dissemination of information through the Regional Offices, where particular local problems could be squarely faced.

CPA was OEP's primary point of contact with Congress and State and local government associations, with business and professional associations, and with the public and press at the national level. A specially established Speakers' Bureau within CPA coordinated the considerable effort made to go out to the questioner's own ground. On August 27, when the field network was functioning efficiently and the flow of calls coming into the National Office diminished, CPA took over from the Operations Center the burden of answering calls from the public. It had already been handling all congressional calls. The calls from the public ranged from under 100 to about 500 a day during the remainder of the freeze.

A Correspondence Section, separate from CPA, was established to answer or forward for specialized handling all written inquiries from the public and Members of Congress. This office, under Mr. Douglas M. Johnston, processed about 27,000 letters and telegrams during the 3 months.¹⁰ The Section was taken over by Mr. William

⁸ Official policy dissemination within the CLC-OEP-IRS-ASCS chain is discussed on pp. 78-79.

⁹ Lt. Col. William Snyder, an economist on the Army War College faculty, served as Pattison's executive officer for the first 2 weeks; he was succeeded by Col. Howard Steele, who remained for the rest of the freeze. Mr. Bruce Whelihan came from the White House staff to be Special Assistant to the Director for Public Information, dealing primarily with the news media.

¹⁰ The general public was told to direct questions to the Regional Offices; however, in the interests of speed and practicality, those communications arriving directly in the National Office were handled there. See pp. 66-70 for a discussion of the handling of inquiries.

PUBLIC UNDERSTANDING

A. Fletcher toward the end of the freeze when Johnston moved to CLC.

The National Office developed and coordinated the total information program, while leaving most direct public contact to the local level. In the National Office, the time-consuming "walk-ins" by reporters, lobbyists, and anxious citizens were soon diverted to a Press Reception Room. Here, an average of 100 persons a day found OEP releases and circulars, plus CLC and Treasury Department releases provided as an added service. This procedure proved helpful in informing both the man in the street and the specialized inquirer.

Field Network

The OEP Regional Offices, which were the front line in the interaction with the public, labored under special handicaps in coping with the initial flood of inquiries. The Regions were in the spotlight before they had settled the matters of new office space, furniture, telephones, and personnel; calls began pouring into some Regional Offices before they had time to brief new employees on what few answers were available. The problem of accommodating the huge number of information requests remained serious throughout most of the freeze. To help meet the public's demands, the 360 local IRS offices and 2,819 ASCS county offices were drawn into the information business. The total OEP-IRS-ASCS information system received approximately one million inquiries during the wage-price freeze. In general, IRS handled most of the telephone inquiries, as well as routine correspondence.¹¹

The exact configuration of the information network varied from Region to Region. The IRS and OEP regional structures did not coincide, and each OEP Regional Public Information Officer (PIO) had to establish his own working relationships with the IRS and ASCS personnel. In addition, all OEP Regional Offices but one had to borrow PIO's from other agencies, which figured as a potential handicap. Given the diversity and breadth of the field network, guidance from the National Office was clearly needed to build a good team that would be well coordinated with Washington.

Deputy Director Trent, who had special responsibility for the coordination of field activities, devoted a major part of his energies to orchestrating and monitoring the regional public information

¹¹ Calls to ASCS constituted only about 3 percent of the total inquiries received.

effort. His goal was to present the program to the country as uniformly as possible in order to establish a broad base of public understanding and support. Trent and CPA invested considerable effort from the outset to make sure that the Regions built positive programs and that these were moving well. They sought first to secure experienced PIO's for each Region and then to formulate a centralized plan to assist the Regional PIO's.

The paramount importance of the Regional Offices' information activities received formal recognition in an August 22 meeting in the National Office with regional representatives. Trent stressed that each Regional Office was first of all an information office, in the broadest sense. He noted that continuing contact with people would be very important for determining what questions needed attention. Pattison reiterated that information flow was of first priority in the Regions, as it was in Washington. He promised that guidance for the Regional PIO's would be given high priority by the National Office.¹²

By the end of the first week of the freeze, CPA had sent the OEP Regional PIO's brief preliminary instructions, which included a requirement to establish contact with the IRS and ASCS PIO's.¹³ OEP and IRS soon worked out a division of responsibilities to guide their respective field offices. CPA, charged with the overall supervision of the program, provided guidance to the OEP Regional PIO's, who coordinated their activities with the IRS Regional PIO's. These PIO's were considered to be members of a Federal team; press conferences were held jointly by OEP and IRS, when possible, to display the team. The programs formulated by this team were implemented on the IRS District level. Here, the IRS PIO was responsible for disseminating information through his local media contacts. Detailed, policy-related questions beyond his scope were referred to the IRS or OEP Regional PIO.¹⁴

Subsequent guidance on public information activity in the field focused on specific areas of concern. The Regional Offices, for example, would receive draft press releases or other suggestions for publicity to meet some pressing issue. The guidance was somewhat sporadic, often verbal and improvised; the National Office never formulated broad guidelines for the daily operations of the Re-

¹² Memorandum for the Record, August 25, 1971, Subj: Regional Representatives Meeting, August 22, 1971, Morning and Afternoon Sessions.

¹³ Memo, David J. Pattison, Assistant to the Director for CPA, to OEP Regional Directors for Regional PIO's, August 22, 1971, Subj: Economic Stabilization Information Activity.

¹⁴ Msg Alpha 9, August 27, 1971, Subj: Federal Economic Stabilization Public Information Activity.

PUBLIC UNDERSTANDING

gional public information activity. The absence of generalized, formal instructions was attributed to the speed of events and to a widespread belief that decisions on local problems could best be made in the field. The variations in the style of Regional Directors, in the working relationships established with IRS, and in local problems seemed to argue for the more flexible, problem-oriented approach.

The public information task as envisaged for Washington and the Regions was discussed in depth in a conference for Regional PIO's held in Washington on September 17-18. The meeting permitted a mutual exchange of problems, many of which were solved on the spot. Lincoln, Trent, General Counsel Bennett, and the head of the Office of Exceptions and Exemptions, Christopher Norred, provided the PIO's with the background and rationale for certain important policy decisions. The discussion centered on areas of particular public concern and on ways to reduce confusion and promote understanding of the program.

PUBLIC INFORMATION ACTIVITIES

Relations with the News Media

In its attempt to reach the widest possible audience, OEP relied very heavily on the assistance of the news media. Both worked toward the goal of an informed public. The early guidelines made good copy and were given wide publicity; the reporting was accurate to an extraordinary degree, and those few cases of factual error were easily corrected. The first 2 weeks of the freeze received considerable attention under the impetus of the public's desire to inform itself and the eagerness of the press to accommodate this desire. Analytical stories appeared in the second week.

National news magazines and newspapers planning feature stories continued to request interviews throughout the freeze. The teacher salary problem was featured in press stories for the first 2 months of the freeze; other compliance cases, particularly as related to ticket sales for sports events, also attracted wide attention. However, the PIO's experienced considerable difficulty in maintaining the interest of the media in routine policy announcements. After the first month, the attention of the public and the press focused on speculation about Phase II developments and only returned to the freeze when sparked by major events or controversial cases.

Reporters remained very interested in data on violations—of the ceiling price list requirement and of propane gas and grocery prices, for example—and reacted unhappily to the decision of CLC and OEP not to release the name of a suspected violator before a suit had been filed. In support of its decision to withhold names, OEP pointed to the fact that a high percentage of violations was due to innocent misunderstanding and that many unfounded complaints were filed with the IRS. Moreover, there was the possibility of endangering legal proceedings by making a public accusation before a suit was filed.¹⁵

Lincoln did recognize the public's interest in compliance cases and urged the Regional Offices to give special attention to this subject. "The purpose of the publicity," he said, "should be to deter violators, to add to the flow of information to those who are unknowingly engaged in violations, and to indicate the positive operation of the program."¹⁶ The Regional Directors were instructed, however, to limit their comments in the compliance area to regional events, refer to general trends and approximate figures only, and avoid any detail on the status of a specific complaint, violation, or investigation. The National Office provided examples of compliance cases for use in regional press releases and speaking engagements.¹⁷

Press Releases.—The President's Economic Stabilization Program was run by a coalition of executive departments and agencies, each with its own public information staff. The small staff of the Cost of Living Council coordinated these independent voices to make sure the program was being described consistently.

The freeze was presented to the public primarily by the public affairs staffs of OEP and CLC, which worked through press releases, interviews, and TV appearances. With OEP catapulted into its freeze role and CLC organizing from base zero, no formal allocation of duties was made at the outset. The public affairs staffs of the two agencies soon established personal liaison, and by the end of August the CLC staff had assumed overall responsibility for the coordination of releases.

In general, OEP publicized the administrative decisions and rules, and CLC handled releases covering major policy developments and groundbreaking events, such as the first suit or exemption. There was natural overlap in responsibilities, and the

¹⁵ See p. 126.

¹⁶ Memo, Lincoln to Regional Directors, August 23, 1971.

¹⁷ Message No. 120, August 30, 1971, Subj: Public Presentations and Appearances.

occasional duplication caused concern about possible public confusion over which agency was responsible for particular actions.¹⁸

A *modus operandi* gradually developed between the two public affairs offices. OEP public information officers cleared their releases through their CLC counterparts, most often by telephone. If CLC vetoed a release, it did so in order to study further the policy to be announced or to issue the release itself for the greater impact. In these cases, since CLC had no field apparatus, OEP would incorporate the same information in its own releases for the customary local distribution by its Regional Offices.

Of the 89 releases issued by CPA during the 90-day freeze, 28 dealt with administrative decisions and policy rulings. These were the heart of the public information program. Lincoln often expressed his belief that in a crash program spreading the basic information comes before any storytelling. There were only four releases that might be categorized as "human interest" or feature stories and twice that number consisting of statistical compilations dealing with the response to the freeze.

Brief descriptions of the exemptions denied were catalogued in 26 releases. These advertised the firm policy on exemptions and conveyed the message that the freeze was being applied stringently but in an even-handed manner. Three releases described the exemptions granted. Finally, 20 releases featured examples of voluntary compliance, court suits, and other actions on complaints; these releases effectively emphasized the voluntary compliance noted throughout the country as well as the "teeth" ready to meet non-compliance.

While OEP had impelling reasons for its choice of subjects for its releases, the PIO's noted a basic difficulty: the reluctance of national papers to pick up OEP's releases. In an effort to avoid public relations gimmicks, the drafters of the releases had given them a dry, "regulatory" tone. The almost total absence of anecdotes likely to be picked up by the wire services made the public information job more difficult. Announcements that only clarified and reclarified policies lacked the punch to move editors to enthusiastic coverage.

The *New York Times* and the *Wall Street Journal* did a particularly thorough job of printing the policy Questions and Answers (Q&A's). Most newspapers, accustomed to the annual IRS Taxpayer column, ran the Q&A's in the same manner, but

¹⁸ See, for example, OEP Press Release 442, and CLC Press Release 6, September 24, 1971.

only during the first weeks. When the freeze became "old news," big-city newspaper coverage of new guidelines became more sketchy. Releases of statistics or exemption denials got even less coverage in the major papers.

On the local level, many newspapers only intermittently received Associated Press and United Press International coverage (often condensed) of freeze information released in Washington. In addition, the local press often ignored releases that were not written to encompass local statistics and human interest items in a livelier, more newsworthy style than that of the National Office releases. Local papers, however, were far more likely than national papers to print the details of the releases if the information were "localized" by the Regional Offices. Consequently, the localized release became OEP's principal medium for getting its message to the general public.

The Regional Offices issued 472 releases on freeze matters. The National Office in its directives to the Regions had stressed from the start of the freeze the important role of the press release in the Regional PIO's program. Lincoln, on September 8, asked his Regional Directors to continue using press releases originating in the National Office for localized distribution within each Region. The Regional Offices could reissue the full text as sent by CPA; however, Lincoln noted that editing to reflect specialized concerns of the Regions or communities might result in more comprehensive coverage by the regional and local media.¹⁹ Again on October 4 he stressed "the urgency of the timely publication and dissemination of Regional press releases."²⁰

There were almost as many methods to meet the requirement for the dissemination of local news as there were Regions. Close coordination between OEP and IRS proved the most common arrangement, and probably the most efficient. Most OEP Regional PIO's relied heavily on the IRS network to distribute the releases to local papers; some also asked IRS to rewrite the releases; other OEP PIO's preferred to work alone with their own mailing lists; and many worked out variations of these methods. On the periphery were the ASCS county offices, which received OEP releases for distribution to weekly newspapers and local radio stations.

Coverage by the News Media.—The final measure of the success of the public information effort was the extent of the public's awareness and support of the program. Regional Directors without

¹⁹ Msg Bravo 157, September 8, 1971.

²⁰ Msg Bravo 230, October 4, 1971.

PUBLIC UNDERSTANDING

exception voiced the conviction that the public was well informed of the broad outlines of the freeze, and they attributed this to the generally good coverage by the media.

The major national newspapers gave wide circulation to the early rulings and other major policy developments. Those businessmen and lawyers who needed complete and accurate accounts of the regulations resorted to the *Federal Register*, their association newsletters, and private news services. Two such news services, Bureau of National Affairs and Commerce Clearing House, extended their regular coverage of economic developments in the Government to report in depth on freeze regulations and policy developments. Each service increased its already broad circulation in business, labor, legal, and governmental circles. Furthermore, each published a new report specifically designed to cover the freeze, thereby attracting additional subscribers.

The depth and kind of news coverage in the mass media varied considerably. Geography, size and philosophy of the newspaper, the editor's whims, the availability of alternate sources of information, and the PIO's efforts—all influenced the sort of coverage the freeze received. Southern and Midwestern papers, for example, were more likely to cover the freeze sympathetically than those in the Northeast. In the Kansas City Region, the broadcasters and newspaper reporters held a special news conference with the Regional Director and PIO to pledge their support to OEP and its efforts.

Major announcements made in Washington were generally well covered in the larger cities through the wire services, the networks, and Washington correspondents. As a consequence, big-city media tended to ignore regional releases of regulations and the more prosaic decisions. This required the Regional PIO to focus on local problems for the media of small towns and communities. Every PIO discovered that press releases on local matters, plus personal contacts and efficient use of IRS resources, would secure good coverage.

While more suited to impressionistic reporting, the electronic media did help to convey the basic freeze information to their wide audiences. The television footage of OEP in the bustle of its first days brought the impact of the freeze to millions and gave them information on where to turn for help. CLC members and staffers handled most of the later Washington press conferences and guest appearances on network panels. Encouraged by the National Office, the Regional Offices made extensive use of television and radio.

Through frequent appearances on talk shows, panels, and press conferences, Regional Directors and their PIO's sought to build recognition in their new locations and to spread awareness that OEP and IRS were available to answer individual questions.²¹

In sum, the national and regional coverage by the news media was generally gratifying. The Government and the media were trying together, in a wide variety of ways, to inform the public as thoroughly as possible. Most important, the public wanted to be informed. As a result, the general public was surprisingly well aware of the broad aspects of the freeze, and special-interest groups were very well informed.

The Speakers' Program

Requests for speakers to address civic, trade, and professional organizations began to arrive in the OEP National and Regional Offices at the onset of the freeze. Speaking engagements received high priority in the information program. Speakers at meetings of large, nationally prominent associations had the opportunity to present specialized information directly applicable to pressing needs of the audience. Speakers could thus provide more detailed explanations, beyond those commonly published in the regular news media, which the associations could distribute to their members by way of circulars and newsletters. The Speakers' Program also offered a means of feeding back into the policy planning process any critical problems brought up by these audiences.

The Director and Deputy Director filled the first requests from major national associations, but special machinery was needed to handle the increasing volume of requests. Early in September, the Director established a Speakers' Bureau within CPA to prepare guidelines and sample speeches for the use of speakers, to maintain a list of approved speakers, and to schedule requests according to given priorities. OEP Regional Offices advised the National Office of requests from the most significant groups within the Region and honored other requests, as appropriate, without referral to the National Office.²²

Most of the speeches were given to trade and professional as-

²¹ The Boston Region handled 44 TV, radio, and newspaper interviews and talk-show appearances the first week of the freeze. In the Kansas City Region, the Regional Director gave 37 radio and eight television interviews, and four news conferences in three major cities between August 23 and 27.

²² Memo, Lincoln to All OEP Personnel, September 13, 1971, Subj: Speakers' Bureau.

sociations, retail federations, and chambers of commerce. The Speakers' Bureau generally booked requests only from major national and regional organizations; those organizations serving only a city or a State were referred to the appropriate Regional Office. By the end of the freeze, the Speakers' Bureau had filled 95 speaking engagements, broken down as follows: OEP National Office representatives (including staff detailed from other agencies), 68; OEP Regional Office representatives, 15; National Defense Executives Reserve (NDER) consultants, 5; other Federal agency representatives, 7.

On September 16, Lincoln requested OEP's 137 NDER economic stabilization consultants and advisory committee members to accept speaking engagements on invitation by OEP National and Regional Offices.²³ OEP Regional Directors were encouraged to extend similar invitations to members of their Regional Economic Stabilization Committees. All participants were given a "speakers' kit" of suggested speeches.

The short duration of the freeze made extensive use of the Executive Reservists difficult. The Speakers' Bureau hesitated to disrupt the Reservists' busy schedules or to request much traveling. Moreover, it was difficult to keep the Reservists abreast of rapidly multiplying regulations. In these circumstances, the Reservists would be forced to stick to the formal speech format, when most audiences preferred a question-and-answer session.

The National Office called upon only five Reservists to fill engagements during the freeze. At the Regional level, only the Boston, New York, and Chicago offices used their Executive Reservists as speakers. Most Regional Offices consulted with individual Reservists for feedback on business and public reactions. Regional Offices which used the Reservists most easily and profitably were those with long-standing habits of communication and personal friendships between the Regional Director and the Reservists.

The Regional Offices filled a total of 639 requests for speakers. The number per Region varied widely—from 16 in Dallas to 111 in San Francisco. The highly industrial and commercial Regions generally received more requests for speakers. Some Regional Directors and PIO's preferred to substitute for speeches direct mailings to special-interest groups, numerous press releases, and broad media coverage of difficult matters. In addition, geographical

²³ OEP's stand-by plans for economic mobilization had included provisions for the full activation of the NDER. For a discussion of the decision to use the Reservists only as speakers and as consultants on the public and business mood, see pp. 42-43.

size and degree of IRS participation in the Speakers' Program accounted for some of the differences in the number of speeches given. In some large Regions, IRS relieved OEP of obligations in areas far from the Regional Office.

The Regional Directors made the large majority of speaking appearances themselves, and in some Regions these filled most of their time. Some found the demands so heavy that careful screening of requests became necessary; in one Region it was decided that no group would be addressed unless at least 100 people were present.²⁴ About 95 percent of the engagements were by request; in a few cases, OEP offered speakers to meet some special problem.

The Speakers' Program on both the National and Regional levels was highly successful in communicating information to key groups. There were problems, of course, in the execution of the program. The press of time and lack of detailed information for the Q&A sessions were handicaps in the beginning. In addition, the speakers most in demand were key staff members whose preoccupation with the immediate problems of freeze management prevented them from filling more than a few very important engagements. Toward mid-October, the focus of attention moved to Phase II, and speakers had little information to satisfy the curiosity and quiet the anxieties of the public. OEP representatives were instructed not to answer questions or speculate on postfreeze policies, which were beyond OEP's responsibilities. No other agency was yet equipped to handle the questions. During the transition period, the Speakers' Bureau actively discouraged requests and referred as many as possible to Phase II agencies.

Trade Associations and the Spread of Information

OEP's emphasis on informing the major trade associations bore fruit when these organizations took over, in large part, the responsibilities of disseminating information through the business world.

Many Washington-based associations sent representatives to OEP's Press Reception Room daily to pick up the latest OEP and CLC releases. The information garnered from these releases was published in association newsletters and bulletins. The Grocery Manufacturers of America established a "freeze line," a 3-minute telephone message, which member companies could tap to receive

²⁴ After-Action Report to OEP Historian from Region 1, Boston, November 30, 1971.

PUBLIC UNDERSTANDING

current information 24 hours a day. Lincoln was impressed with the "freeze line" and directed CPA to call it to the attention of other major associations.

On September 2, OEP provided answers to 89 of a total of 94 special questions submitted by the U.S. Chamber of Commerce on behalf of its members; the other questions needed CLC resolution. The Chamber then included these questions and answers in a compilation of 250 Q&A's it distributed to over 1,300 trade associations and businesses. An OEP press release featured the good example set by the Chamber of Commerce and the Grocery Manufacturers of America in helping to disseminate information. "I am certain," Lincoln noted, "that the tremendous job being done by these associations has helped us greatly in achieving voluntary compliance with the President's program."²⁵

An October 7 press release further saluted 79 State and national trade associations whose members had adopted an anti-inflation emblem. The poster was distributed by associations affiliated with the American Retail Federation, the National Association of Retail Druggists, and the National Restaurant Association—a total representation of nearly one million retail establishments nationwide. Lincoln viewed the adoption of this emblem as "another welcome example of voluntary public support of the President's drive against inflation."²⁶

OEP encouraged major business associations and organizations of associations to pass along freeze information to their member organizations. Toward this end, OEP circulated useful ideas as they were developed by each group and responded to offers of assistance by other organizations. Selected guidelines also went out to a few specialized magazines and information offices for the benefit of their clientele. In addition, with the assistance of the Department of Commerce's Office of Business Services, the Director sent a letter on November 9 to 123 retail associations asking them to remind their members of the ceiling price list requirements.

On certain occasions, the flow of information was reversed and industry supplied the necessary facts to the freeze planners and administrators. Representatives of several major corporations and business associations met with the Director or his representatives to discuss policies as they applied to their industry and to suggest adjustments to fit the practicalities of implementation. Two proposals which became the basis for official policy changes involved

²⁵ OEP Press Release 437, undated.

²⁶ OEP Press Release 451, October 7, 1971.

modifications in the requirement to record the import surcharge and in the obligation to post ceiling price lists. Feedback from speeches before associations also went into the formulation of policy. The rules on new products and seasonality, for example, were shaped in part by the information obtained through such contacts.²⁷ The insights of several industry groups were also considered in Phase II planning.

Many businesses and municipalities, when unhappy with particular rulings or denied an exemption, requested special hearings to present their cases in person. The Director or Deputy Director granted a few requests of major importance, and lawyers in the General Counsel's office met fairly frequently with those having special legal problems. In a few cases, Pattison met with the petitioner and accepted a written exposition of his problem for processing through the prescribed channels. But the majority of the hundreds of requests for an audience were denied, because administrators' time was short and written requests were preferred to facilitate careful replies.

Coordination with State and Local Governments

When given operational responsibility for the freeze, OEP used its established contacts with State and local government officials to obtain their support for and active involvement in the Economic Stabilization Program. Within OEP, the Regional Directors have the principal responsibility for liaison with State and local officials; CPA coordinates with the State and local government associations, which are based in New York or Washington. Therefore, at the outset of the freeze, the Regional Directors moved immediately to meet with the Governors in their Regions; each Governor was asked to appoint a personal representative for regular liaison. The Governors and their designees communicated to OEP the problems encountered by State and local officials and their reading of public reaction to the freeze.

In order to inform the Governors promptly and thoroughly of relevant policy developments, OEP provided them with the Stabilization Program Guidelines and sent them and their State Attorneys General all other pertinent policy announcements. Messages to the Governors' offices from the National Office were usually relayed through the communications network operated by the Army for the Office of Civil Defense (since redesignated Defense Civil

²⁷ Interview with Darrell M. Trent, Deputy Director, February 15, 1972.

PUBLIC UNDERSTANDING

Preparedness Agency). In congressional testimony, Deputy Director Trent noted the importance of this network:

This communications system was of great help in delivering messages to the Governors during the 90-day freeze when timely receipt of information from Washington was of significant importance.²⁸

In addition, CPA coordinated with the National Governors' Conference to take advantage of its communications channels; the *Governors' Bulletin*, its weekly publication, carried to all Governors the CLC Q&A's and other information of interest to State officials.

Some Regional Offices were successful in actively involving the Governors' offices in the flow of information to the public. The Seattle Region, during the early days of the freeze, channeled information to the Oregon public through the Governor's office, maintaining daily contact to provide advice and answer questions. The link worked well but was no longer needed when IRS joined the network.

The State of California performed another sort of service for OEP, thanks to contacts made during the rail strike crisis earlier in the summer. Its Office of Emergency Services coordinated all requests for information from State agencies and employees. OEP also worked closely with the State Chamber of Commerce, which kept OEP informed of activities and attitudes within the State. Finally, the State Attorney General and State Superintendent of Schools sent a joint letter to all county and district school superintendents proclaiming support for the freeze and asking for their cooperation to make it work.

The Regional Directors worked closely with the mayors of major cities. Joint news conferences were frequent in the early days of the freeze, and in some cases close coordination and positive assistance extended throughout the freeze. In New York City, for example, a liaison task force set up by the Mayor's office stayed in almost daily communication with the Regional Office.

The National Office used the U.S. Conference of Mayors as its point of contact with the mayors. This group, together with the National League of Cities, publicized CLC and OEP policy pronouncements in newsletters to the mayors and managers of their member cities and the executive directors of State municipal leagues. Other national associations of local governments also gave

²⁸ Testimony by Darrell M. Trent, Deputy Director of OEP, before the House Armed Services Committee, Subcommittee on Civil Defense, December 9, 1971.

regular coverage to stabilization guidelines in their publications, thus easing OEP's burden of disseminating information.

On September 21, Lincoln briefed the heads of the Washington offices of the six principal organizations of State and local officials.²⁹ The briefing gave Lincoln an opportunity to assure continued rapport with these organizations, to acquaint them with OEP's stabilization role, and to discuss their problems regarding Phase I.³⁰

Throughout the freeze, the associations of State and local government officials stressed their desire to participate in the development of policy for Phase II. Despite the strong support of many Governors, mayors, and State legislators, as well as of the associations, there was wide recognition that State and local governments had particular problems that would need priority attention upon termination of the freeze.

Congressional Relations

The President's announcement of a wage-price freeze was greeted by statements of general support from most congressional leaders. The *National Journal* noted that "the program has won a sufficient degree of public support to make an open display of partisan politics dangerous."³¹ House Speaker Carl Albert urged Democratic cooperation:

The revitalization of our national economy must be our paramount domestic objective. So vital is that objective that all considerations of partisan political advantage must be scrupulously eschewed.³²

Members of Congress were, of course, greatly interested in specific freeze policies of concern to their constituents. OEP greatly expanded its congressional liaison function in order to respond to the inquiries and referrals. Telephone inquiries from congressional offices ranged from 40 to 200 a day, placing heavy demands on CPA's small staff. The highest volume of calls was received in late August, but there were many peaks as new issues arose. The Correspondence Section handled more than 3,000 congressional letters and referrals. These also came in waves. The single largest issue was the teacher salary question, but a consider-

²⁹ These groups were the National Association of Counties, National League of Cities, U.S. Conference of Mayors, International City Management Association, Council of State Governments, and National Governors' Conference.

³⁰ OEP Press Release 432, September 21, 1971.

³¹ "Congress to Sweeten Tax Plan," *National Journal*, September 18, 1971.

³² *Ibid.* There was, however, serious opposition in Congress to some aspects of the New Economic Policy, in particular the tax measures and the shape of the Phase II controls.

PUBLIC UNDERSTANDING

able percentage of the congressional mail referred to requests for exemptions.

In addition to responding to direct requests from Congress, OEP kept Members of Congress and their staffs informed of policy developments in the Economic Stabilization Program. Lincoln, on September 1, participated in the initial Administration briefing of Congress. Pattison spoke by invitation to the Administrative Assistants to Republican Members of the House of Representatives. Beginning with an August 19 package of press releases and Questions and Answers, CPA dispatched materials to Members of Congress on an almost daily basis. It apprised all Members of the role of IRS and ASCS field offices in handling calls from the public and solicited their assistance in making this known to their constituencies. On the particularly volatile teacher salary issue, OEP on September 16 furnished definitive guidance to all Members of Congress for use in answering inquiries. Thus, an attempt was made not only to keep the Congress informed but also to use this channel as a way of reaching a wider audience.

Delays in obtaining substantive answers to specific queries at times proved irritating to Members of Congress. Many answers simply were not available for the first few weeks, and even later CLC took a long time to resolve some complex issues. Most Members of Congress were in favor of the freeze, but some were critical of the paucity of information on the status of requests for exemptions, of Phase II plans, and of other issues. In most cases, however, dissatisfaction ceased when adequate information became available.

Congressional staffs commented on the relatively low volume of mail they had received on Phase I. In a letter to OEP in mid-September, House Republican Conference Committee Chairman John B. Anderson (R.-Ill.) observed: "The lack of complaints to our offices certainly shows how effective OEP's operation has been as well as how well the public had accepted the President's program."³³

RESPONDING TO PUBLIC CONCERNS

The primary purpose of OEP public information efforts was to inform the public about freeze policies and activities. Distribution of basic information was an essential part of the administrative task and was continued throughout the freeze with little change in aims

³³ Quoted in OEP Weekly Summary Report to CLC Chairman, October 2, 1971.

or strategy. There was another aspect of dealing with the public, however, which sought to respond to changes in the public mood or to varying conditions. Through letters and telegrams from the public, Regional reports, and a daily news summary prepared by CPA for the executive staff, OEP kept itself informed of the ways different segments of the public were reacting to the freeze. It tailored some public affairs activities to these reactions in order to maximize support and counter public criticism.

The initial, generally positive response to the freeze discussed earlier in this chapter became more varied as the freeze continued. Business leaders were the most constantly favorable supporters of the freeze. Representatives of business indicated in congressional testimony and in responses to polls that their support was motivated by concern over high materials costs, soaring interest rates, consumer reluctance to spend, and particularly by the high cost of labor. Most businessmen were hoping that the inflationary psychology would be broken and consumer confidence restored by the Economic Stabilization Program. Indeed, retail trade picked up noticeably after the imposition of the freeze.³⁴

A majority of the public similarly welcomed the freeze as a promising solution to the commonly recognized menace of inflation. OEP's weekly reports to the CLC Chairman regularly noted that nationwide public opinion polls indicated continued public acceptance of the freeze. One typical survey showed 73 percent public support in August and 65 percent in September; the figures for union families were 65 and 54 percent respectively.³⁵ Yet the same polls showed that some serious reservations about the equitableness of the freeze had developed among some segments of the population, even among those who continued to assert general support for the program.

Most small businessmen and landlords complied with the freeze, usually without significant financial hardship. The criticism that did arise from this sector came from those who were more seriously affected by the freeze, applied for an exemption, and saw it denied. Charges of "inflexibility" and a "doctrinaire approach" were received as a result of OEP's policy of allowing very few exemptions.

Criticism also arose from wage-earners who had lost a scheduled

³⁴ See *Nation's Business*, October 1971 and April 1972, for Chamber of Commerce surveys of executives; *U.S. News & World Report*, September 20, 1971 for a survey of retailers; Testimony of W. P. Gullander, President of NAM, September 22, 1971, before the Joint Economic Committee, in *The President's New Economic Program*, Hearings, Part 4. (Washington: Government Printing Office, 1971), pp. 668-695.

³⁵ See OEP Weekly Summary Reports to CLC Chairman, October 9 and October 16, 1971; also Gallup polls reported in *Newsweek*, October 11, 1971.

pay increase. To most working people of modest income, "inflation" meant rising prices, and "fighting inflation" therefore meant stopping price increases. Pay increases, on the other hand, were seen as the just rewards of greater proficiency and longevity of service. Wage and salary earners thus greeted enthusiastically the freeze on prices and rents, but many of those directly affected reacted to the freeze on pay with suspicion and in some cases with bitter criticism. Exacerbating the situation was the fact that pay levels were easily controlled by employers, while monitoring prices was a difficult and uncertain undertaking. The Government's efforts at price controls proved to be an area of considerable friction and skepticism as the suspicion that prices were creeping up became widespread.³⁶ Consumer groups and newsmen led the attack on the alleged laxity in enforcement. Their suspicions were increased by the difficulty in getting information from retailers on their ceiling prices and by OEP's policy of confidentiality regarding the names of suspected violators and of those who complied voluntarily when confronted by IRS.

The most open opposition and defiance came from labor leaders and teachers, who focused their attacks on the alleged inequity of the freeze's impact. Organized labor, decrying the exclusion of profits, interest rates, and dividends from control, claimed that big business, banks, and major stockholders were reinforcing their already favored position, while the poor, city and State governments, and Federal workers paid for this "bonanza for business." Congressional hearings provided the forum throughout September and October for the labor leaders' denunciation of the freeze and its effect on working people, the "chief sacrificial lambs."³⁷ However, George Meany, President of the AFL-CIO, realistically described his organization's operational position as noncooperation rather than outright defiance.³⁸

The question of whether or not union rank-and-file sided with union leaders was hotly debated but never settled definitely. As indicated above, the majority of union families expressed support

³⁶ A survey requested by CLC and conducted by the Census Bureau from September 24 to October 2 found that 60 percent of the national sampling of 2,216 persons felt the freeze had stopped wage increases, while only 33 percent said it had stopped price increases. Cited in article by Michael C. Jensen in *New York Times*, October 15, 1971.

³⁷ Leonard Woodcock, in testimony October 6, 1971, before the House Banking and Currency Committee, in *Economic Stabilization, Hearings*. (Washington: Government Printing Office, 1971), p. 219; see also other testimony before this Committee and hearings of the Joint Economic Committee and the House Ways and Means Committee.

³⁸ *Daily Report for Executives* (Washington: Bureau of National Affairs), August 19, 1971.

for the freeze, but various polls seemed to indicate that workers generally had doubts about the equitableness of the freeze and its effectiveness in controlling inflation. Workers, already disgruntled by the loss of pay or stalled contract negotiations, were further irritated by the spreading belief that business was profiting unjustly from the program.³⁹

Teachers voiced strong dissatisfaction over their loss of scheduled pay increases; teachers' salaries proved the single most troublesome problem in all the Regions throughout the first half of the freeze. Many teachers felt that their unique contractual situation justified a general exemption from the freeze and therefore that the rulings in their case were discriminatory and unduly harsh. This negative response was aggravated by the confusion that arose over the early guidance in this area. The result was widespread noncompliance by teachers and an outburst of public sympathy toward them.⁴⁰

Public information activities were geared to maintaining the general public support at a high level and to winning back those groups whose support was wavering. In many cases, all that was needed was to clarify the guidance in a particular area to end the frustration of the confused. This approach was used, for instance, to minimize the opposition of teachers. Earlier confusion was largely cleared up by the issuance of definitive guidance on September 16. As this was disseminated through the mass media and directly to public officials, the attitude of teachers changed from antagonism to a generally resigned acceptance of the situation.⁴¹

A strengthened public information effort of persuasion and explanation was directed against the charges of inequity and the suspicions of widespread price violations. The Administration, or more specifically CLC and OEP, sought to convince the doubtful of two major points: that the freeze was necessary and that every effort was being made to keep it stringent, consistent, and reasonable. The President in his August 15 television address stressed the first point; he conveyed to millions the seriousness of the inflationary situation and the need for the freeze. Members of CLC and other Administration spokesmen continued to emphasize the existence of a national crisis. Addressing themselves to corporations and other large economic entities, as well as to the average American, they worked to foster a mood of ideological support conducive

³⁹ The Census Bureau survey cited above indicated that 62 percent of those questioned felt that "working people, union members, wage-earners, either blue or white collar" were not benefiting from the freeze. See also Gallup polls in *Newsweek*, October 11, 1971; Harris poll in *Washington Post*, October 11, 1971.

⁴⁰ Weekly Report from Region 6, Dallas, Texas, September 10, 1971.

⁴¹ See pp. 89-91 and 128-131 for a full discussion.

PUBLIC UNDERSTANDING

to the revival of a healthy business atmosphere and to a willingness to comply even to the extent of personal disadvantage.

OEP's task was largely one of sustaining a more pragmatic type of support, or obedience to the regulations regardless of one's personal feelings on the NEP or specifically on the freeze. To obtain cooperation from the general public and specialized sectors, including the union rank-and-file, OEP concentrated on publicizing its consistent and impartial administration and its success in controlling prices and preventing loopholes.

OEP conveyed its message through press releases, speeches, and responses to inquiries. To those who complained of a lost wage increase or a denied exemption request, the reply was that everyone else in a similar situation was being treated in the same manner. OEP admitted that the impact of the freeze was arbitrary, that some by a simple chance of timing were hurt more than others. It repeatedly stressed, however, that no favoritism or leniency was being shown, even to such popular groups as teachers, professional football teams, and the Girl Scouts. The constant emphasis in press releases on the overwhelming number of exemptions denied, as well as their variety, conveyed to those who might otherwise have complained of their own hardships that many others were suffering at least as much as they were.

To deal with public suspicions of price violations, potentially fatal to the delicate fabric of public support and voluntary compliance, OEP constantly reiterated in public statements that a high degree of compliance was being achieved, and it offered as proof the results of spot checks made by IRS. By accenting the theme of the fine response of the American people, the Government hoped to convince the skeptical and the potential violators that they should join in the majority reaction. OEP's policy of confidentiality in compliance cases kept CPA from satisfying the curiosity of reporters and from calming consumers' fears that retailers were violating the freeze with impunity. As a substitute for releasing names of violators, OEP gave wide publicity to general descriptions of cases resolved by voluntary compliance.

While in practice OEP and CLC relied heavily on voluntary compliance for the success of the freeze, a visible program of enforcement was used to bolster public confidence in the effectiveness of the freeze administration. With the help of IRS and the Department of Justice, OEP intensified its actions against violators in the latter part of September to refute the doubters. And the tightened requirements on ceiling price lists (discussed in Chapter

VI) were a direct result of an OEP-CLC desire to end consumers' feelings of suspicion and helplessness by giving them a tool for monitoring retail prices.

OEP's relations with most business leaders and associations were on the whole amiable. Information was communicated efficiently to individual businesses through trade association newsletters and speeches by OEP representatives; conferences with various OEP officials provided a way for business leaders to explain their problems and needs for Phase II. Their tendency to wait until Phase II requirements were better known before investing in new equipment was largely beyond OEP's ability to affect. As for organized labor, OEP concentrated on winning the support of union rank-and-file; the approach differed little from that used to win general public support. While labor leaders remained adamant in their opposition, they were more concerned with influencing Phase II legislation and policy than with changing Phase I administrative decisions.

The reservations and skeptical attitudes found among the general public indicated that many were waiting to see how the whole NEP would work out before giving it an unqualified endorsement. These reservations did not, however, have much effect on the generally satisfactory picture of cooperation and compliance.

The support shown for the freeze reflected the willingness of Americans to give Government initiatives a trial if the situation seems to call for it. But in addition, the support demonstrated the success of the Administration, and most directly of OEP, in building public understanding through a program emphasizing broad dissemination and explanation of information. The assistance given to OEP by the media and trade and professional associations, coupled with the public's own vital interest in the program, contributed significantly to the goal of an informed and cooperative public.

VIII

Planning for the Postfreeze Period

LOOKING BEYOND THE FREEZE

What Comes Next?

From the outset of the freeze the Cost of Living Council had responsibility for determining the actions that would have to be taken after the 90 days. Dr. Herbert Stein of the Council of Economic Advisers headed a task force which set out promptly to consider this matter. Administration plans called for consultations with industry, organized labor, consumer groups, and other interested parties on future courses of action. About two months after the beginning of the freeze, some time in October, would come final decisions on transition and on the strategy, organizations, and programs to be used after November 13.

The freeze was still in its early stages when the OEP National and Regional Offices began receiving queries concerning the Administration's plans for "Phase II"—the period that would follow the 90-day freeze. Clearly the American economy could not long function efficiently within the straitjacket of a wage-price freeze. But it was equally clear, as Secretaries Connally and Stans indicated in late August, that some curbs would be needed to restrain inflationary pressures beyond the 90-day period. The positive effects of the freeze would surely be lost if it were to be lifted without some mechanism to hold wage and price increases within acceptable limits.

The general feeling among the public was that longer-term restraints would be needed if a wave of pent-up inflation was not to wash across the country with the lifting of the freeze. As the administrator of the freeze, OEP Director Lincoln was in a good position to sense this sentiment. In his September 8 address before the National Association of Food Chains, Lincoln left no room for doubt as to his feeling about the postfreeze challenge and the alternatives for the Nation:

. . . There will be a Phase II which of course can be another return to the cannibalistic wage, price, rent situation we had pre-freeze, or on the other hand an extension of the current freeze—or it can be any of a large variety of options in between. . . .

If the freeze period were followed by an inflationary bubble, it would be a saddening outcome for the great effort all of us are engaged in. . . .

We must think of how to stop cancelling our great technological assets through increases in other costs which place us at a disadvantage in trade with other countries and in trade with our own domestic consumers. We should think about how to pace increases in wages, prices, and rents with equivalent gains in productivity in order that we may travel on a steady upward economic path and avoid the debilitating inflation we have been experiencing.¹

As was indicated earlier, President Nixon, in an address before a joint session of the Congress on September 9th, ruled out a return to the *status quo ante*. The freeze would end as scheduled, he promised, but he would take “all the steps needed” to prevent a new surge of runaway inflation. Nixon announced that he would soon begin consultations with representatives of industry, labor, agriculture, and the Congress in preparation for setting his post-freeze course. Some system of wage and price stabilization, the President said, would emerge from these discussions. He was not ready at that point to describe the system nor to forecast its duration, though he pledged that it would be temporary.²

At a press conference the following week the President set forth his “tentative conclusions” with regard to the direction of the Administration’s thinking about Phase II:

. . . First, there will be a strong, effective follow-up program. The American people overwhelmingly support the wage-price freeze. . . . They don’t want to have a freeze followed by a thaw where you can get stuck in the mud. . . .

Phase II will be strong. It will be effective. . . . [It] will restrain wages and prices in major industries.

Second, it will require the cooperation of labor and management.

But third, and this is vitally important, it will have teeth in it. You cannot have jawboning that is effective without teeth.³

Thus it seemed clear that there would be no immediate return to the prefreeze situation. Nor would there be imposed the all-pervasive controls used in World War II or the Korean War. The President had in mind a program that would lie somewhere between these extremes.

By then, though the point of final decision had yet to be reached, the Stein group was well along in formulating the philosophy and

¹ Remarks before the National Association of Food Chains, September 8, 1971.

² *A New Prosperity Without War and Without Inflation*, Message from the President of the United States Concerning His Economic Policies, House Doc. No. 92-162, 92nd Cong., 1st Sess., September 9, 1971.

³ Press Conference No. 19 of the President of the United States, September 16, 1971.

PLANNING FOR POSTFREEZE PERIOD

broad outlines of the Phase II program. Goals would be sufficiently optimistic to generate confidence and to discipline the administrators of wage and price policies, but not so optimistic as to be unattainable. The program would be of sufficient scope to have the desired effects, but at the same time the Administration would seek to minimize the buildup of bureaucracy and undue interference with the economy. Further, the Phase II program would be comprehensive, but the governing standards and procedures would provide for greater flexibility and equity than was possible during the 90-day freeze. Phase II, like the freeze, would depend heavily for its success on voluntary cooperation of the great majority of the people, with the government ready to impose sanctions on those few who would not comply.

OEP Inputs to Phase II Planning

The substantive details of CLC's planning for Phase II and the events surrounding the Administration's decisions on the organization and strategy that finally surfaced lie beyond the scope of this history. It is relevant, however, to highlight some of the ways in which the OEP Director as a member of CLC and several members of his staff contributed to the planning process.

Members of CLC and other top government officials consulted actively with representatives of various sectors of the economic community to determine their views concerning appropriate policies and procedures to maintain wage and price stability.⁴ The task was informally split up among CLC members.⁵ OEP consultations embraced the oil and energy (including power) industries, wholesale and retail associations, the fiber box industry, State and local government organizations, and several other segments of the economy.⁶ The meetings brought out the primary concerns of these economic sectors regarding Phase II and their suggestions on arrangements and methods of control. The information gleaned

⁴ Ltr, Weber to Eugene A. Kenney, President, American Retail Federation, August 27, 1971; Weber, Memorandum to All Department and Agency Heads, September 22, 1971.

⁵ Lincoln, Note to Harry B. Yoshpe, February 8, 1972.

⁶ Lincoln, Memorandum for Weber, October 4, 1971, Subj: Your memorandum of September 22, 1971 re consultations with various segments of the economy re Phase II.

from these consultations was analyzed to highlight problems that had important implications for Phase II.⁷

At the OEP staff level, William C. Truppner, Assistant Director for Resource Analysis, presented to Lincoln and the CLC staff ideas and proposals for consideration by those responsible for putting together the postfreeze program. Along with general thoughts on the administration of a postfreeze control system, Truppner set forth specific suggestions for the control of "key" firms in "key" industries, control by "self-authorization," practicable patterns of organization and staffing, and the application of analytical techniques for assessing the inflationary impacts of proposed price and wage increases and for the selection of industries to be decontrolled.⁸

In addition to this analytical and computational support, the CLC staff received support from the Economic Stabilization Division in OEP headquarters. In accordance with instructions from Lincoln, the major thrust of the division's work throughout the freeze was to help CLC's planning and analysis staff to develop concepts for Phase II.⁹ The division made available to the CLC staff many papers on organizational concepts and operating methods based on its experience with contingency planning.¹⁰

In response to varying CLC scenarios for Phase II, the division came up with alternative concepts and systems of control. Among the division's inputs were proposed structures and operating pro-

⁷ See Memoranda for the Record by L. D. Olvey, G. L. Butler, R. E. Plett and others in Lincoln File—Wage-Price Ceiling—1971 Meetings with Industries and Associations; Michael M. Tansey, Memorandum for Lincoln, September 17, 1971, Subj: Industry by Industry Summary of the Effects of the Freeze; OEP Press Release 432, September 21, 1971.

⁸ See Memoranda, Truppner to Lincoln, September 14, 1971, Subj: Some Notes on the Stabilization Program After 11/12/71 (Draft No. 2); Truppner to Charles H. Sevin, CLC Plans and Analysis, September 23, 1971, Subj: Operating Concept and Data Base Requirements and Sources for Postfreeze Stabilization Control System (SCS); Truppner to Lincoln, October 15, 1971, Subj: Assessing Inflationary Impact of Wage Settlements and Price Increases, and attachment; Truppner to Lincoln, October 27, 1971, Subj: Inflationary Impact Criteria for Selective Industry and Company Coverage Under Phase II Control System; Truppner to Lincoln, December 2, 1971, Subj: Selective, Time-Phased Decontrol Procedure, and attached memorandum from Lester Tepper, Consultant, Resource Analysis, to Truppner, same date and subject.

⁹ At the onset of the freeze, the Economic Stabilization Division was under the jurisdiction of Eugene J. Quindlen, Assistant Director for Government Preparedness. Mr. Leonard Skubal, the division director, had previously retired from government service, but continued as a consultant to help until September 1st. It was anticipated that this planning assignment to the division would require analytical support. As an interim measure, therefore, Lincoln assigned the division to Mr. Truppner, and designated Francis J. Russo acting chief of the division. See Memo, Lincoln to All OEP Personnel, September 3, 1971; Skubal, "Critique of OEP's Role and Performance in the Economic Stabilization Program of the New Economic Policy," January 1972.

¹⁰ Russo, Memorandum for the Record, November 29, 1971, Subj: Partial list of stabilization concepts and standby programs supplied to the Program and Analysis Division of the CLC (Sept. thru Nov. 14).

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PLANNING FOR POSTFREEZE PERIOD

cedures for the projected wage and price bodies, position papers on industry-wide problems with suggested solutions, postfreeze exceptions and definitions, various pricing techniques, industry reporting requirements, drafts of regulations, and lists of industry advisory committees and consultants working with OEP in stabilization planning. Follow-on meetings were held with the CLC staff, and the division also participated in the Director's discussions with industry representatives to elicit their views on Phase II.¹¹

The Postfreeze Program

On October 7 the President and CLC unveiled the goals, strategy, and structure of the postfreeze program.¹² The Administration set down twin goals for the program: (1) to reduce the rate of inflation to between 2 and 3 percent annually by the end of 1972—about half the prefreeze rate—and (2) to eliminate “inflationary expectations.”

No time limit was set for the program. It would be terminated as soon as possible, but not until a reasonable degree of continuing price stability was assured. Some products and services were to be exempted outright, and controls over particular economic sectors would be removed or relaxed when feasible. To ensure victory in his fight against inflation, President Nixon asked Congress for a one year extension of the Economic Stabilization Act of 1970, which was due to expire April 30, 1972. He also asked for standby

¹¹ See, e.g., Memoranda, Russo to Lloyd Eno, Resource Analysis Office, September 9 and 22, 1971, Subj: Economic Stabilization Division—Current Operations; Russo to Louis Neeb, Policy and Guidance Liaison, October 20, 1971, Subj: Comments on Post-Freeze Exceptions and Definitions; Russo to Edward R. Saunders, Jr., Deputy Assistant Director for Resource Evaluation, November 4, 1971, Subj: Rent Stabilization—Phase II; Russo to Saunders, November 8, 1971, Subj: Improved Definition and Required Adjustment for Early Attention of Price Commission; Enclosure to Memo, Truppner to Laurent Morin, Planning Review Office, November 16, 1971, Subj: After-Action Reports on OEP's Role in the Wage-Price Freeze; Skubal, “Critique of OEP's Role and Performance in the Economic Stabilization Program of the New Economic Policy,” January 1972.

¹² The discussion which follows is based essentially on the following: The President's speech, “The Continuing Fight Against Inflation,” October 7, 1971, White House release transmitted to the OEP Regional Offices by Msg Alfa 171; “Background Paper on Post-Freeze Economic Stabilization Program,” transmitted to OEP Regional Directors on a “personal priority” basis by Msg Alfa 168, October 7, 1971; Executive Order No. 11627, October 15, 1971, “Further Providing for the Stabilization of the Economy”; White House Fact Sheet, October 15, 1971; “Statement by Donald Rumsfeld, Director, CLC, November 10, 1971, CLC News Release transmitted to OEP Regional Offices by Msg Alfa 256; and *Economic Report of the President Transmitted to the Congress January 1972, together with the Annual Report of the Council of Economic Advisers* (Washington: Government Printing Office, 1972), particularly pp. 82–95. (Hereinafter cited as *CEA Annual Report*)

PLANNING FOR POSTFREEZE PERIOD

authority to control interest rates and dividends, although he hoped voluntary restraint would suffice.¹³

While the program covered almost the entire economy, special attention would be focused on major industries and unions. CLC decided on a three-tier structuring of economic units for purposes of prenotification, reporting, and monitoring of price and wage increases as follows:

TABLE 11.—Required Reporting of Price and Wage Increases

Tier	Action required	Price increases (size of firm)	Wage increases (number of workers)
I	(a) Prenotification of Price Commission or Pay Board (increase to be effective with approval of Commission or Board).	Sales of \$100 million and over (1570 firms with 45 percent of all sales).	Affecting 5,000 or more workers (10 percent of all employees).
	(b) Tier I firms to submit quarterly price, cost and profits reports to Price Commission.		
II	(a) Report to Price Commission or Pay Board.	Sales of \$50 million to \$100 million (1,000 firms with 5 percent of all sales).	Affecting 1,000 to 5,000 workers (7 percent of all employees).
	(b) Tier II firms to submit quarterly price, cost and profits report to Price Commission.		
III	No reports (but increases to be made only in accordance with Price Commission and Pay Board regulations and to be subject to monitoring and spot checks).	Sales of less than \$50 million (10 million enterprises with 50 percent of all sales).	Affecting less than 1,000 workers (83 percent of all employees).

¹³ Legislation enacted December 22, 1972 extended the stabilization authority to April 1973. Extension of this authority, the Council of Economic Advisers later noted, "provides sufficient continuity and duration of the stabilization program to permit it to succeed." Some of the amendments voted by Congress, however, were not requested by the Administration, and these held out the prospect of adding to the complexities of program execution (see *CEA Annual Report*, p. 95). The provisions which the Administration opposed included requirements that (a) scheduled wage increases be honored, retroactively if deferred by the freeze, unless they were unreasonably inconsistent with established stabilization guidelines, and in any cases if prices or taxes had been raised or other provisions made to finance the increases; (b) the chairmen of the Pay Board and Price Commission be confirmed by the Senate and the two bodies operate by majority rule; (c) interest rates be stabilized whenever wage and price authority was used, except when the President determined that economic conditions did not require control over interest; and (d) Federal employees' pay be increased by up to 5.5 percent at the beginning of 1972, instead of at mid-year, as the President had proposed (see 1971 *Congressional Quarterly Almanac*, p. 31.)

PLANNING FOR POSTFREEZE PERIOD

As in the case of the freeze, the President sought to avoid a big bureaucracy to administer the Phase II program. "Stabilization must be made to work," he told the Nation on October 7, "not by an army of bureaucrats, but by an army of patriotic citizens in every walk of life." The program again would be based largely on voluntary restraint. Nonetheless, the President said: "If there are any who try to take advantage of the patriotic cooperation of their fellow Americans, I can assure you that the government must be and will be prepared to act against them."¹⁴

The administrative machinery for Phase II of necessity was more complex than the freeze structure.¹⁵ The Cost of Living Council was to have overall responsibility, as it did during the freeze. It would serve as a policy review group to assure that actions and decisions of the postfreeze bodies were "of such a pattern and impact" as to achieve the President's objective of cutting inflation in half by the end of 1972. As a concession to organized labor, whose cooperation was essential in the fight on inflation, the President on October 11 approved a statement that CLC would not veto decisions on individual cases by the two new and primary bodies, the Pay Board and Price Commission.¹⁶

CLC would, however, monitor, evaluate and coordinate the policy and conduct of the postfreeze agencies. It would provide logistic support to these agencies; recommend enforcement proceedings; and initially determine, with the advice of the agencies, the extent to which various elements of the economy were to be covered by controls. Donald Rumsfeld, Counsellor to the President and former head of the Office of Economic Opportunity, was designated as Director of CLC.¹⁷

The development of guidelines and standards to attain the goal of the Phase II program fell to two new bodies—the Pay Board and the Price Commission. The Pay Board would be tripartite, with five members each from labor, business, and the public; the chairman would be drawn from the public members. The Board would establish standards and make generally applicable decisions,

¹⁴ "The Continuing Fight Against Inflation," October 7, 1971.

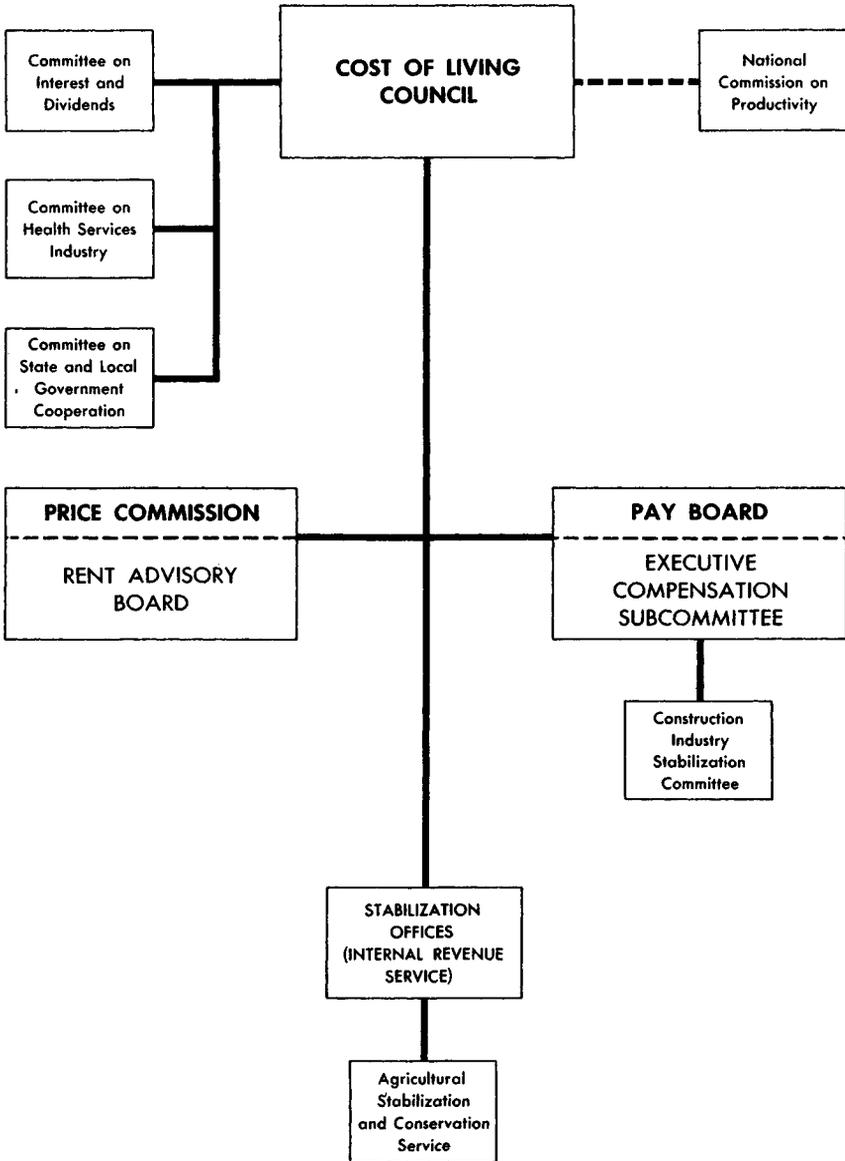
¹⁵ The postfreeze organization is depicted in Figure 7.

¹⁶ White House summary statement on the respective roles of CLC, Pay Board and Price Commission, with the President's "O.K." and initials, October 11, 1971, reprinted in *New York Times*, October 13, 1971.

¹⁷ Arnold Weber, Special Assistant to the President and Executive Director of CLC, resigned from these posts on October 22. Weber returned to the faculty of the University of Chicago, but agreed to serve as a public member of the Pay Board. Edgar R. Fiedler, director of the Council's Policy Review Staff, was named Deputy Director of CLC for the remainder of Phase I; see CLC News Release, October 22, 1971.

FIGURE 7

POSTFREEZE ORGANIZATION



Source: CEA Annual Report, p. 86.

PLANNING FOR POSTFREEZE PERIOD

as well as decisions on changes in compensation (wages, salaries, and fringe benefits) on a case-by-case basis.

The Price Commission held similar powers in the price field. The Commission would be composed of seven public members—"not beholden to any special interest group," the President told the Nation. Along with efforts to restrain price and rent increases, the Commission would seek to prevent employers from reaping "wind-fall" profits because of the operation of wage restraints. The President called for price cuts as a means of distributing such profits to consumers.

A number of specialized advisory committees were also to be established. These were designed to help restrain interest rates and dividends, seek cooperation with State and local governments, and suggest ways to curtail price increases in the health services industry. A Rent Advisory Board was established in November to advise and assist the Price Commission in handling rent stabilization matters.¹⁸ The preexisting, tripartite Construction Industry Stabilization Committee came under the authority of the Pay Board. Further, the preexisting National Commission on Productivity was expanded and assigned the role of recommending to CLC and other stabilization agencies ways to stimulate economic growth and improve the productivity of American labor and industry.

Primary responsibility for the management task in the postfreeze period devolved on a "Service and Compliance Administration"—within the Internal Revenue Service—reporting to CLC. Within the guidelines and regulations issued by CLC, the Price Commission, and the Pay Board, IRS would answer inquiries, act on requests for interpretations, and process appeals from adverse determinations. In addition, IRS was to provide information to the public, investigate complaints, and monitor compliance with stabilization guidelines. It was also to conduct fact-finding investigations for the Pay Board, Price Commission, and CLC.

IRS was to carry out these functions through a national system of regional and local service and compliance centers located in the IRS District and Subdistrict Offices. The centers would require approximately 3,000 people. Almost all these people would be located in the field offices, and they would be supplemented by personnel from other agencies with expertise in labor, housing, and other specialty fields.

In addition, IRS would continue to be assisted by the Agri-

¹⁸ See Executive Order No. 11632, November 22, 1971.

cultural Stabilization and Conservation Service of the Department of Agriculture. ASCS would provide information about the program through its more than 2,800 local offices, as it did during the 90-day freeze, although it was not anticipated that ASCS would be required to devote much effort to Phase II.

For many people within OEP headquarters and in the Regions, the assignment of Phase II administration to IRS came as a surprise; for many, especially those detailed from other agencies, it brought a sense of disappointment. The OEP management of the freeze had been exciting. From the outset most participants committed themselves to giving the best possible service to the public, and they drew considerable satisfaction from the knowledge that they had performed well under that commitment. Many detailees would have chosen to continue serving with OEP had that Agency remained in the driver's seat during Phase II.

In a personal message to his Regional Directors on October 7, Lincoln indicated the rationale for the assignment to IRS of the postfreeze management task:

. . . This arrangement follows the thesis that OEP is an emergency agency, and although OEP is handling the emergency phase in an outstanding manner, we should not properly be charged for a prolonged period with what will become a routinized administrative management task. In addition, OEP needs to revert to giving adequate attention to its other formal responsibilities. Furthermore, from the standpoint of practical administration, it will be necessary to expand economic stabilization personnel by 3,000 or more. This number of personnel can be absorbed through attrition and without RIF-ing (reduction-in-force) in a large agency as the stabilization program tapers off, but would present an unmanageable administrative problem to a small agency, and would be an unsuitable personnel load for the Executive Office.

Lincoln would continue to be a member of CLC and of its Executive Policy Committee, and would require some staff support for that function. His immediate concern, however, was to get the National Office and Regional Directors to continue their fine work on Phase I operations and begin planning for smooth transition to the Phase II program. That transition was to involve the passing of OEP activities to a number of different agencies (see Figure 7, above). Many questions regarding the final close-out of Phase I operations had to be resolved. Lincoln's first instruction to the Regional Directors was: "We will give maximum assistance to IRS in picking up the load."¹⁹

¹⁹ Lincoln, Personal Message to OEP Regional Directors (Msg Bravo 251), October 7, 1971. The President's New Economic Policy, it will be recalled, included provision for a general 5 percent cutback in Federal personnel, which would have cost IRS about 3,500 spaces by the end of the fiscal year 1972. With the decision to give IRS a major role in the freeze program, Treasury Secretary Connally got an exemption of IRS from the personnel cutback. See "IRS Head Count: Too Much for Too Few," *National Journal*, April 8, 1972, p. 602.

OEP LINKS TO THE POSTFREEZE PROGRAM

Following the President's October 7 announcement of the Phase II program OEP directed substantial effort to ensuring an orderly transfer of its Phase I responsibilities. Clearly, this was vital to the continued success of the President's program. In the less than six weeks remaining to the termination of the freeze, the new agencies would have to organize, recruit staffs, develop guidelines for price and wage behavior, and be prepared to cope with the flood of applications for increases and with special problems created by the freeze. Along with continued concern with the administration of the freeze, OEP now also had to help the new agencies get launched.

Many complex problems with respect to this change-over had to be addressed. Who would handle substantive policy questions before the Pay Board and Price Commission became operational? What disposition would be made of the personnel loaned to OEP? Precisely what would be the roles and relationships, the budgets and staffing levels, and the operating procedures of the Phase II agencies? Should OEP concentrate on reducing its backlogs in the remaining weeks of the freeze, or should it devote resources to refining policies and definitions as a help to the Phase II agencies? Should OEP's analytical, computational, and management information capabilities be made available for postfreeze stabilization work, and could this be done without detriment to OEP's continuing missions and without injecting OEP into the other agencies' management systems? Should certain OEP freeze functions be transferred before November 13? Pending the launching of Phase II, who should handle postfreeze correspondence and requests for speakers? And what liaison channels, if any, should be established as the Phase II agencies got organized and became operational?²⁰

Clearly the utmost coordination would be required to assure a smooth and effective transition from the freeze to the longer-range program. Task forces were created, with representation from CLC, OEP, IRS, the Department of Justice, and the Office of Management and Budget, to direct the effort required for decisions on these and other matters. Lincoln designated E. R. Heiberg, a

²⁰ E. R. Heiberg III, Memorandum for Director, October 8, 1971, Subj: Transition Problems; Truppner, Memorandum to Heiberg, October 13, 1971, same subject; Heiberg, Memorandum for Director, October 14, 1971, Subj: Notes for OMB Inspectors; R. A. Karam, Planning Review, Memorandum for Deputy Director Darrell M. Trent, October 19, 1971, Subj: MCL Activity in Economic Stabilization; Heiberg, Memorandum for Record, October 26, 1971, Subj: Meeting Concerning Transition.

special assistant on his Coordination staff, to plan and follow through on OEP's part in this vital task. Top priority items regarding Phase II transition were set down, with a tight time schedule for decisions.

Continuity of Freeze Rules

In this spirit of assisting the Phase II agencies, Lincoln asked his Regional Directors to include in their remaining weekly reports any comments received on the current acceptability of the economic stabilization program, principal criticisms, and critical problems that would require early attention.²¹ Among the problems that came up from the field was a sense of uncertainty regarding the Phase II program. Elements of the public and the business community had gotten the impression that the lid on prices, rents, wages, and salaries would be lifted with the end of the freeze on November 13. Another problem was that the new economic stabilization agencies might not be ready to provide guidance for the Phase II program by the time it began.

Executive Order 11627 of October 15 sought to solve both these problems by stipulating that all existing provisions of the economic stabilization program would remain in effect until they were specifically modified by the Pay Board, Price Commission, or CLC. To reinforce this point CLC Director Rumsfeld, in a release to the public later the same month, emphasized that there would be no automatic ending of the existing freeze rules on November 13; they would be changed only by the introduction of new regulations for Phase II. The Administration thus sought to prevent "a gap that would occur if present rules were allowed to end before new ones had been instituted."²²

Issue Papers

It was clear also that many postfreeze policy questions would involve an extension of issues arising during Phase I. In an effort to assist the postfreeze agencies, OEP undertook to determine broad policy issues that the new agencies might want to consider prior to the advent of Phase II, the more detailed questions that would

²¹ Msg Alfa 214, October 26, 1971.

²² CLC News Release, October 28, 1971; see also Lincoln's Msg Bravo 304 to all OEP Regional Directors, November 4, 1971. As things turned out, the Pay Board and Price Commission came out with fairly comprehensive regulations prior to November 13.

PLANNING FOR POSTFREEZE PERIOD

carry over from Phase I, and other issues that were likely to arise in the postfreeze program.²³ Primary responsibility for compiling these issue papers rested with Mr. Edward R. Saunders, Jr., Deputy Assistant Director for Resource Evaluation, who had cognizance of freeze "policy questions."

An ad hoc committee under Saunders's leadership addressed itself to this task. Coverage extended not only to substantive policy matters but to organizational and procedural issues as well.²⁴ National Office staff elements and OEP Regional Offices submitted statements of issues which they believed should receive priority attention in planning for the postfreeze period.²⁵ These issue papers were made available to the Price Commission and Pay Board on October 29.²⁶

OEP counseled the new agencies on many other anticipated Phase II problems. As was indicated earlier, OEP conducted advance planning on standards, techniques, and formula methods of selective control programs and on the application of econometric models to the estimation of inflationary impacts of alternative price and wage policies. Definitions of complex terms were made available for use in Phase II planning. OEP compiled data on national level denials of requests for exceptions and exemptions, as perhaps the best indicator of types of cases that were likely to arise again after November 13. Exception and exemption case materials relating to Phase II were channeled to the Price Commission and Pay Board, so that they could become acquainted with the problems at hand and begin "building case law."²⁷ In the later stages of the freeze period, OEP's entire Office of the General Counsel devoted substantial effort to ensuring an orderly transition of rulemaking, compliance, and interpretations functions which that office exercised during Phase I.²⁸

²³ G. L. Butler, Coordination Office, Memorandum for the Record, October 15, 1971, Subj: OEP Input to Phase II Policy Formulation; Haakon Lindjord, Assistant Director, Memorandum for Resource Analysis Staff et al., October 18, 1971, Subj: Preparation of Issues for Possible Use by Pay Board and Price Commission.

²⁴ Lindjord, Memorandum for Record, October 19, 1971, Subj: Issue Papers for Possible Use by Pay Board and Price Commission.

²⁵ Quindlen, Memorandum for Director, October 26, 1971, Subj: Economic Stabilization Activities (Opns); Ltr. A. D. O'Connor, Regional Director, Region 1, Boston, Mass., to Paul Smith, Emergency Preparedness Coordinator, Department of Housing and Urban Development, November 8, 1971, encl. to Ltr. Lincoln to Thomas B. Curtis, Chairman, Rent Advisory Board, Price Commission, December 1, 1971.

²⁶ The contents of these papers are discussed on pp. 92-94.

²⁷ Msg Alfa 247, November 6, 1971; Ltr. Lincoln to C. Jackson Grayson, Jr., Chairman, Price Commission, November 10, 1971, and enclosed "Index of Exception and Exemption Precedents Through P.R. 470."

²⁸ Elmer Bennett, General Counsel, Memorandum for the Director, November 10, 1971. Subj: The Conduct of the Freeze, Office of the General Counsel.

Detail of Personnel

OEP assisted the "successor" agencies in several other ways. Many of the qualified personnel who had been detailed to OEP from other agencies were reassigned to the Phase II agencies. Offices which were to assume OEP functions were invited to observe the Agency's operations and to send key personnel to work on-site during the remainder of the freeze. As for the detail of OEP's regular staff, Lincoln was loath to turn over to the Phase II agencies the talent that he had concentrated at "pressure" points for the freeze period. Any takeover of this talent would have seriously impaired the current and future leadership of the agency. Exceptions were made in some instances, but only with the Director's explicit approval.²⁹

Regular OEP staff professionals and OEP-trained detailees from other agencies helped in Phase II preparations; some made up the basic cadres of agency staffs for the conduct of postfreeze operations. The entire Policy and Guidance Liaison unit, headed by Louis Neeb, moved over to the Price Commission and formed the initial core of its staff. In the 3 weeks before the end of the freeze, this group, along with key staff members from other OEP offices and the detailed personnel from OEP, constituted the principal source of policy papers for the Commission and provided the initial administrative support for all components of the organization. Neeb continued with the Price Commission, serving in the pivotal post of Executive Secretary. The OEP personnel who shifted to the Price Commission took with them a familiarity with Phase I rulings, problems of impact, and problems of organization.³⁰

Richard Murray, Deputy General Counsel at OEP and chief of interpretations during the freeze, joined the staff of the CLC General Counsel in Phase II. Another key OEP staffer, Douglas Johnston, head of the OEP freeze Correspondence Section, joined the CLC Policy and Analysis staff to assist in the development of policy issues for CLC consideration and to serve as direct liaison between CLC and the Pay Board.

The Director also loaned two key people to help establish the Pay Board: Spence Perry, who had been Norred's executive officer

²⁹E. R. Heiberg, Memorandum of October 26, 1971, Subj: Personnel Actions During Transition Period; Heiberg, Memorandum to Members, ESP Coordination Group, November 3, 1971, Subj: Support for Phase II Activities.

³⁰See e.g., Kenneth Clark, "A Suggested Approach to Post-Freeze Price Regulation," October 28, 1971; Ltr., Robert A. Kagan, Yale Law School, New Haven, Conn., to OEP Historians, March 28, 1972.

PLANNING FOR POSTFREEZE PERIOD

in the exceptions and exemptions area, and Arthur Dover, who had served as Operations Center chief. They were assigned to the Pay Board on November 1, and over the ensuing three weeks contributed significantly to the development of the Board's mission statements, organization plan, manning tables, job descriptions, and other documents needed to activate the Board. As the Board staff took hold, Perry and Dover returned to OEP.³¹

OEP also assisted the Phase II agencies by making available an imposing array of consultants and the members of its Industry Advisory Committees. Constituting the Economic Stabilization Division's "stable of advisory talent," they represented nearly all major sectors of the economy.³² Prior to the freeze, the efforts of the OEP consultants and advisory committees had been directed toward the development of direct controls tailored to particular industries. The plans they helped to develop were not applied either in Phase I or Phase II. Nevertheless, several policy recommendations submitted to CLC and the Price Commission stemmed from OEP stabilization staff discussions with its consultants. And several committee members were helpful in the identification of potential postfreeze problem areas.³³ Rosters of these experts were made available to the Price Commission and IRS for possible use in their programs.³⁴

Planning for IRS Takeover

The most substantive transition planning related to the assumption by IRS of the OEP responsibility for the implementation and enforcement of the stabilization program. Fortunately, excellent relationships had been established between OEP and IRS at both the national and field levels. Mr. Edward F. Preston, who had served as IRS liaison with OEP in Phase I, was named IRS Assistant Commissioner for Stabilization in Phase II. And in the field the OEP and IRS offices drew on their past harmonious working relationships. The two agencies strove to make the changeover as

³¹ Dover, Memorandum to Lincoln, November 18, 1971, Subj: Wrap-Up Report.

³² R. L. Hawes, "Position Paper on Post-Freeze Stabilization Program Potential for Consultation and Handling of Appeals," November 4, 1971, encl. to Memo, Russo to Truppner, November 15, 1971, Subj: Industry Consultation in Phase II.

³³ *Semiannual Report of the Office Of Emergency Preparedness, Executive Office of the President, July 1-December 31, 1971*, February 15, 1972, pp. 27-28.

³⁴ Russo, Memorandum to Butler, December 2, 1971, Subj: Input for the Price Commission Staff; Lincoln, Memorandum to C. Jackson Grayson, Jr., Chairman, Price Commission, December 20, 1971, Subj: OEP Consultants and Industry Advisory Committees; Ltr, Grayson to Lincoln, December 22, 1971.

complete as possible by November 13. Problems pertaining to the adaptation and streamlining of IRS's already efficient organization for the Phase II mission were resolved by effective liaison and by the positive attitude adopted by both agencies.

At the national level the two agencies established an "OEP/IRS Transition Task Force." Members broke into functional groups, consulted with their counterparts, and developed papers for discussion and resolution of specific problems. For each basic freeze function examined, the task force study covered that part of the OEP organization that had carried out the function, the staffing pattern, the personnel most suited for detail to IRS, and when the function might be transferred. In addition, OEP pointed up key areas in which differences between freeze and postfreeze periods "are likely to be critical for organizational and personnel resource planning."³⁵ The process not only served to spotlight the nature and scope of the changeover, but also was considered a "learning function" for all IRS personnel on the task force.

A major decision had to be made concerning the organizational structure and management philosophy that IRS would employ to carry out its postfreeze assignment. IRS hoped that it could maintain a decentralized structure. On the other hand, in light of its experience in coordinating field operations on freeze policy directives, OEP cautioned against excessive decentralization. "In our judgment," Heiberg advised Preston, "the press of the issues and the fierce heat of both external and internal pressures at the Council-Commission-Board level will require a strong IRS National Office . . . and a strong, knowledgeable, and involved regional office. This situation will require the National Office to place reporting and executive demands on the regions."³⁶ The IRS organization included a National Office in Washington, D.C.; Assistant Commissioners for Stabilization in each of the seven IRS Regions; and stabilization chiefs for most of the District Offices.³⁷

In the final 2 weeks of the freeze, IRS and OEP personnel met in groups and individually in training sessions. Lincoln invited IRS to send its key people to OEP headquarters to observe and work with OEP personnel as they completed Phase I business. He designated Mr. Arnold C. Lewis, who headed the OEP Inquiry Review segment of the Phase I operations, as chief OEP liaison

³⁵ E. R. Heiberg, Chairman, Transition Task Force, Memorandum for CLC Staff, October 14, 1971, Subj: Transition Task Force.

³⁶ Heiberg, Memorandum to Preston, October 27, 1971, Subj: Comments on Papers.

³⁷ For a list of key IRS stabilization officials, including the designation of Mr. Gerald G. Portney, also an IRS careerist, as Preston's deputy, see IRS News Release (IR-1174), October 31, 1971.

PLANNING FOR POSTFREEZE PERIOD

with IRS to help ensure a smooth transition. As was to be the case with CLC and the Price Commission, IRS gave special attention to OEP's correspondence, Operations Center, and computer-based information systems activities; these three sections had set up effective complementary systems for organizing and communicating feedback of information from field offices, industry, and private citizens to the OEP and CLC policy groups.

IRS technical specialists reviewed the OEP computerized system, EMISARI, to determine what aspects of the system might be converted to run on IRS computers. The batch-oriented IRS computers were totally incompatible with the on-line EMISARI system. Nevertheless, IRS concluded that the OEP approach of computer linking between the national and field offices was indispensable to effective stabilization management. At the request of IRS, OEP undertook to design a version modified to suit special IRS needs and to run it for them until alternate computer support could be established.³⁸

At the field level OEP Regional Directors initiated meetings with IRS officials early in October to coordinate details of the transition to the postfreeze program.³⁹ The IRS National Office issued to the Regional Offices a timetable running through November 13 for the assumption of OEP's stabilization functions,⁴⁰ and IRS "coordinators" were designated to facilitate the transition. OEP Regional Directors briefed these coordinators and were asked to report any foreseeable problems to the National Office. Questions that surfaced early related to the discrepancies between OEP and IRS regional boundaries; the need to train IRS personnel while continuing to meet OEP responsibilities which were not abating significantly; the disposition of freeze records pertinent to IRS's newly acquired functions and of legal cases in mid-stream; the availability to IRS

³⁸ Robert H. Kupperman, Deputy Assistant Director for Resource Analysis, Memorandum to Edward F. Preston, Assistant Commissioner (Administration), IRS, October 26, 1971, Subj: Postfreeze Information and Reporting Systems for IRS.

³⁹ Eugene J. Quindlen, Assistant Director for Government Preparedness, Memorandum to Director, October 12, 1971, Subj: Economic Stabilization Activities (Operations), encl. to Memo, Heiberg to Director, October 12, 1971, Subj: Daily Status Report, Economic Stabilization Activities.

⁴⁰ John P. Cannon, Special Assistant/Regional Affairs, Memorandum to Director, October 12, 1971, Subj: Regional Operations Report.

of the personnel then on loan to OEP Regional Offices; and the reporting, facilities, and public information needs of IRS.⁴¹

Because organizational relationships with IRS differed among the OEP Regions, it appeared to be impractical to develop a single guide and timetable for transferring OEP functions.⁴² It was agreed, therefore, that arrangements for transition would be made on a region-by-region basis. At the National Office, Mr. John P. Cannon, Special Assistant/Regional Affairs, concentrated on ensuring the readiness of the OEP Regional Offices to transfer their functions to IRS. The Regional Directors drew up transition activity schedules and forwarded these to the National Office. Cannon and his liaison officers monitored the activities in the field and kept a daily log of progress in effecting the transition.⁴³

As was the case at the national level, OEP Regional Office personnel assisted the IRS in establishing the postfreeze organizations and developing plans for the orderly assumption of OEP functions. IRS liaison officials observed and reviewed all aspects of the OEP freeze activity and interviewed "detail personnel" for possible assignment to IRS. IRS employees were put into OEP Regional Offices early for on-the-job training, and OEP personnel in turn were stationed at some IRS offices to assist in launching the new activities.⁴⁴ Such assistance extended not only to the substantive details of the work in the field, but also to the development of relationships with high level representatives of business interests, unions, citizens groups, and Federal and State agencies.

The OEP and IRS Regional Offices reached agreements on all steps in the transition and on the timing of the takeover—on inquiries, requests for exceptions and exemptions, compliance cases that had long-range implications, communications equipment, records, computer operations and preparation of reports, speaking

⁴¹ Cannon, Memorandum to Director, October 12, 1971, Subj: Regional Operations Report; Quindlen, Memorandum to Director, October 15, 1971, Subj: Economic Stabilization Activities (Operations); Haakon Lindjord, Assistant Director, Memorandum for Record, October 18, 1971, Subj: Notes from General Lincoln's Discussion with Regional Directors, October 16, 1971; Heiberg, Memorandum for Transition Task Force, October 20, 1971, Subj: Regional Transition Fact Sheet; William H. Hollaway, Regional Director, OEP Region 4, Atlanta, Georgia, Memorandum to William J. Bookholt, IRS Regional Commissioner, Atlanta, Ga., and Eugene Quindlen, OEP National Operations Center, October 21, 1971, Subj: Suggestions for Transition Phase of Economic Stabilization Program.

⁴² Lincoln, Msg Bravo 277 to OEP Regional Offices, October 22, 1971.

⁴³ Cannon, Memorandum for Director, November 1, 1971, Subj: Consolidation of Replies to Bravo 277—Transition; Joseph Gerrety and E. R. Pereira, Memorandum to Cannon, November 8, 1971, Subj: After-Action Report.

⁴⁴ Cannon, Memorandum to Director, October 14, 1971, Subj: Regional Operations Report; J. F. Sullivan, Jr., Regional Director, Region 2, New York, N.Y., Memorandum to OEP Assistant Director, November 9, 1971, Subj: After-Action Report on OEP Region 2's Role in the Wage-Price Freeze.

PLANNING FOR POSTFREEZE PERIOD

engagements, and numerous other matters. Through jointly sponsored press conferences, the news media and the public were alerted to the IRS assumption of the OEP functions.

The changeover went smoothly; no serious problems arose. A final status report to the Director, dated November 12, indicated the completion of virtually all transition activity. Only a few matters remained for disposition after November 13.⁴⁵ The approach of this takeover date found IRS ready for the task of administering the Phase II program.⁴⁶

REDIRECTION OF OEP EFFORTS

On November 15, Lincoln reported to the President on his stewardship of the freeze. He stated in this report:

I have now terminated my managerial functions associated with the 90-day freeze, have assisted in setting up the ongoing stabilization organization, have transferred the borrowed personnel to that organization or returned them to their own agencies, and have refocused my Agency's efforts on its regular emergency and preparedness responsibilities. OEP will continue to provide all practicable support to the ongoing Economic Stabilization Program.

In addition to handling its responsibilities under the freeze, OEP had carried on its normal disaster assistance operations and other high priority tasks. Of necessity, however, OEP had "cut back temporarily on all but the most critical activities in our other normal areas of responsibility." As a result, Lincoln told the President, OEP now had to intensify its efforts in areas outside the economic stabilization and disaster assistance programs. Substantial emphasis, for example, would have to be placed on the Agency's responsibilities for the oil policy program and for assuring a capability to deal effectively with fuel and energy crises.⁴⁷

With respect to postfreeze stabilization activities, Lincoln had continuing responsibilities as a member of CLC. In this capacity Lincoln saw his role, in addition to his general contributions to the deliberations of the Council, as serving two purposes: first, to continue to make available to those administering the postfreeze program the experience gained in Phase I; and second, to ensure

⁴⁵ Cannon, Memorandum for Director, November 12, 1971, Subj: Regional Operations Report. OEP continued computer support to IRS for some weeks after the termination of the freeze.

⁴⁶ Press Conference of Donald Rumsfeld, Director, CLC, November 12, 1971 (White House Release); OEP Press Release 490, November 12, 1971.

⁴⁷ Lincoln, Memorandum for the President, November 15, 1971, Subj: Report on Management of Phase I of the Economic Stabilization Program.

that relevant experience with the ongoing stabilization program was made available for OEP use in future planning.

While Lincoln would continue as an active member of CLC, it was apparent that OEP would have to redirect its limited resources to its regular missions. Two staff members of his Planning Review group—William A. Fletcher and Patricia L. Spencer—provided immediate support for the Director's role as a member of CLC; they were authorized to call on other OEP elements as appropriate for assistance in fulfilling this support role. The Director agreed to allow his staff to provide analytical and computational support to CLC, the Pay Board, and the Price Commission on a case-by-case basis, upon request and with due regard to OEP's limited resources.

On this basis, three tasks were performed: (1) estimates of the impact on the GNP deflator (a comprehensive indicator reflecting changes in prices in the economy as a whole) of increases in certain fees charged by State and local governments; (2) estimates of the inflationary impacts of input-output sectors between 1965 and 1970; and (3) the transfer to the Price Commission of the OEP inter-industry wage-price model and its associated data base for use by Phase II agencies, with the computer work done for the Commission by an outside computer contracting firm. The effect of these efforts was to free OEP from a continuing responsibility for analytical support of the Phase II agencies by helping them to become self-sufficient in this field.⁴⁸

OEP's ongoing responsibilities for emergency economic stabilization planning were made the subject of further analysis and discussion. Lincoln called for staff proposals on how to proceed with economic stabilization planning for nuclear attack and less-than-nuclear attack situations. With respect to the first, he asked Truppner to consider "working with or making delegations to a Federal agency having economic responsibilities and having a field organization." The feasibility and desirability of such an approach were to be considered in comparison with previous reliance on the States (via the OEP Regional Offices).

"As regards economic stabilization planning for less-than-nuclear attack situations," Lincoln indicated, "we clearly must take into account the fact that a substantial on-going economic stabilization program is now in existence. This raises questions about the level

⁴⁸ Terrell E. Hunt, Economic Stabilization Division, Memorandum to Historian, March 14, 1972, Subj: Postfreeze Analytical Support to the NEP Agencies, and attachments.

PLANNING FOR POSTFREEZE PERIOD

of resources which OEP should devote to this area at present.”⁴⁹ With this guidance, extensive staff work ensued on a program that would reflect the experience with the freeze and the realities of the significantly different environment created by the existence of the Phase II stabilization agencies.⁵⁰

In July 1972 the Director returned the Economic Stabilization Division to the Government Preparedness Office, thus terminating its temporary location under the Assistant Director for Resource Analysis. At this time the Director made it clear that OEP planning for economic stabilization in situations short of nuclear war would be kept to a minimal level until the existing structure (CLC, Pay Board, Price Commission, etc.) was terminated. As soon as it appeared that this structure was to be phased out, however, OEP would promptly consider the requirements for an expanded effort in planning for less-than-nuclear economic stabilization.⁵¹

⁴⁹ Lincoln, Memorandum to Truppner, December 20, 1971, Subj: OEP Economic Stabilization Activities.

⁵⁰ Truppner, Memorandum to Lincoln, January 21, 1972, Subj: Proposed OEP Economic Stabilization Program and attachments A-H; Lincoln, Memorandum for Record, February 7, 1972; Russo, Memorandum to Truppner, February 16, 1972, Subj: Economic Stabilization Program; William A. Fletcher, Planning Review, Memorandum for Lincoln, May 15, 1972, Subj: Economic Stabilization Program; Lindjord, Memorandum for Lincoln, no date, same subject; Lindjord, Memorandum for Quindlen and Truppner, May 22, 1972; Truppner, Memorandum for Lindjord, May 31, 1972, Subj: Economic Stabilization Program.

⁵¹ Lincoln, Memorandum to All OEP Personnel, July 21, 1972, Subj: Economic Stabilization Division—Organization and Program.

IX

Concluding Observations

The economic stabilization program was designed to achieve price stability with strong economic growth and high employment at home and to check the erosion of the Nation's international economic position. The President's August 15 announcement of his New Economic Policy brought a surge of confidence and a feeling of hope to many Americans. Congressman Wilbur D. Mills, Arkansas Democrat and Chairman of the House Ways and Means Committee, in a news conference some 4 weeks later, said that the Nixon program had effectively kept the national economy from worsening. "I believe," Mills asserted, "that we would not have seen the worst in the path of our economy by August 15 if the new policies had not been put into effect."¹

The freeze had the desired effects: it checked the upward surge of prices and wages, began to dampen the inflation psychology, and afforded the Administration the breathing space needed to design and put in place a longer-term and more flexible stabilization program. The sense of euphoria with which the President's August 15 pronouncement was greeted, however, showed signs of fading as the Nation got down to the practical, day-to-day problems of living under the freeze.

There were those who felt, too, that the Administration was unduly and prematurely optimistic about the success of its efforts; they could point to flaws in the program and to many unmet objectives. On two points, however, there could be little room for disagreement: the "shock therapy" of the freeze achieved measurable results in stemming inflation; and the Office of Emergency Preparedness, with the very extensive help of other agencies and the gratifying cooperation of the American people, accomplished its assigned mission in an outstanding manner.

¹Quoted by Isadore Barmash in article "Mills Says He Still Favors a Tripartite Board," *New York Times*, September 18, 1971.

CONCLUDING OBSERVATIONS

BENCHMARKS OF SUCCESS

No one could claim that total victory was achieved on the inflation front. Nonetheless, indices of economic activity soon provided evidence that the freeze had achieved its primary goal of reducing the rate of inflation.

Consumer Price Index

The Consumer Price Index (CPI) showed a dramatic slowdown in the rate of inflation. In the 3 months of the freeze, the CPI rose only 0.4 percent, compared to 1.0 percent in the previous 3 months—a decline of more than half. Translated into annual rates, the percentage changes for selected months in 1971 are depicted in Table 12.

TABLE 12.—Changes in consumer prices, selected months, 1971
(Seasonally adjusted, except for services)

Item	Percentage change from 3 months earlier (annual rate)			
	February	May	August	November
All items	4.0	4.2	4.0	1.7
Food	1.7	8.2	2.7	1.7
Nonfood commodities	3.2	4.2	3.1	.0
Services	5.6	2.9	6.1	3.1

Source: Department of Labor/CEA *Annual Report*, p. 81.

Even this good record reflects only part of the story. All prices were not frozen; some items such as unprocessed agricultural products, imported goods, and interest rates were exempt from the freeze. Furthermore, the time lags in gathering and reporting price data inevitably brought prefreeze price changes into the picture. To get a clearer reading of the effect of the freeze, special analyses of item-by-item price changes were undertaken. “These showed,” the Council of Economic Advisers observed in its 1971 report to the President, “that except for raw agricultural products the prices were unchanged between October and November for 86 percent of 120,000 consumer items for which comparisons could be made; for about 6½ percent prices declined, and for about 7 percent prices increased. . . . A similar pattern was found for the September-October period. Some increases were, of course, permitted by the CLC regulations, but it was not possible to determine

from these data whether the small proportion of increases that did occur were entirely the result of allowable increases.”²

Thus, while the statistics do not reveal with absolute precision the impact of the freeze, they do attest to the effectiveness of the freeze in moderating, if not halting, consumer price increases. The freeze, it appeared, went a long way toward breaking “inflationary expectations.” Noting the CPI for October, Ezra Solomon, member of the Council of Economic Advisers, asserted: “We can safely assume that the kind of inflation we were seeing prior to August is something of the past.”³ With the CPI for November again pointing to a rise of only 0.2 percent, President Nixon observed: “We can now confidently say that 1971 is ending on a most encouraging economic note, and that 1972 will begin as a year of great economic promise.”⁴

Wholesale Price Index

More dramatic evidence of the role of the freeze in cracking the inflation problem could be gleaned from the Wholesale Price Index (WPI). September—the first full month of the freeze—saw wholesale prices turning sharply downward. They fell 0.4 percent—the largest monthly decrease after seasonal adjustment since October 1966. Most of the commodities measured were covered by the freeze, and nearly all prices used in the September index were those in effect after the freeze began. The message that this September WPI conveyed, Lincoln reported to CLC Chairman Connally, “is that the freeze is working.”⁵ In announcing his Phase II program on October 7, President Nixon could point to the September decline in the WPI as clear evidence that the wage-price freeze “has been remarkably successful.”⁶

The WPI declined at an annual rate of 1.3 percent from August through November 1971. Table 13 reflects the changes overall and by specific commodity groups for selected months in 1971:

² *CEA Annual Report*, pp. 81–82.

³ Quoted by Carole Shifrin in article, “Consumer Price Rise 0.2%, Smallest Increase in 4 Years,” *Washington Post*, November 20, 1971.

⁴ Quoted by Edwin L. Dale, Jr., in article, “Price Index Rises by a Small Amount for a Third Month,” *New York Times*, December 23, 1971.

⁵ OEP Weekly Summary Report to CLC Chairman, October 9, 1971, p. 25.

⁶ “The Continuing Fight Against Inflation,” White House Release, October 7, 1971.

CONCLUDING OBSERVATIONS

TABLE 13—Changes in wholesale industrial commodity prices, selected months, 1971
(Seasonally adjusted except as noted)

Commodity group	Percentage change from 3 months earlier (annual rate)			
	February	May	August	November
Industrial commodities	2.9	5.0	6.5	-1.3
Textile products and apparel	- 1.1	5.7	6.1	- .4
Hides, skins, leather, and related products	6.7	4.3	3.6	.7
Fuels and related products and power	13.0	3.6	2.8	- .7
Chemicals and allied products	3.9	- .8	.8	-1.9
Rubber and plastic products	1.5	.7	.0	- .7
Lumber and wood products	9.0	24.2	44.9	-3.2
Pulp, paper, and allied products ..	.0	2.2	4.5	.4
Metals and metal products	- 4.7	9.3	10.9	- .7
Machinery and equipment	4.3	3.2	3.9	-1.4
Furniture and household durables	3.7	1.1	2.2	- .4
Non metallic mineral products ...	11.6	10.2	9.9	1.3
Transportation equipment ^a	4.5	.4	2.6	1.1
Miscellaneous products	4.4	- 1.1	.7	.7

^a Not seasonally adjusted

Source: Department of Labor/*CEA Annual Report*, p. 82.

"The decline," the Council of Economic Advisers reported, "affected most of the industrial commodity categories; the few increases that did occur were attributable to import price increases or factors such as the seasonal fluctuations associated with introductions of new automobile models."⁷

Other Encouraging Signs

Reductions in interest rates afforded further evidence that the NEP during the freeze period was moving in the right direction. In testimony before the Senate Committee on Banking, Housing and Urban Affairs, November 2, 1971, Dr. Arthur F. Burns, Chairman of the Federal Reserve Board, noted that, since mid-August, long-term market interest rates had come down three-fourths to one percentage point, and that short-term market rates had declined about one-half to three-fourths of a percentage point. Further, there were signs of improvement in economic activity. Figures for September 1971 showed a good expansion in retail sales, with automobile sales particularly strong. Industrial production rose, and employment increased sharply, with gains widespread among

⁷ *CEA Annual Report*, p. 82.

CONCLUDING OBSERVATIONS

various industries. Although orders for business capital equipment remained sluggish, contracts for commercial and industrial construction spurred. As the economic recovery gathered momentum in the postfreeze period, the Administration hoped to see substantial alleviation of the Nation's unemployment problem.⁸

POINTS OF CONFLICT

While few would quarrel with the statistical record, the freeze remained a matter of some concern and disagreement. Labor leaders, for example, frequently denounced the freeze as grossly inequitable. Employers, they contended, cheerfully helped to block wage increases, while the policing of prices left much to be desired. Business found ways to evade the freeze, labor spokesmen argued, and the continued sluggishness of the economy and high unemployment were added proof that the President's New Economic Policy fell short of its objectives.

American business, though heartened by evidence of an easing of inflation, was far from exuberant as the period of the freeze drew to a close. Some industry leaders were fearful that the Government's huge budget deficits would continue to contribute to inflation. The United States balance-of-payments deficits and international monetary problems also contributed to uneasiness in the business world. After registering major gains in the first flourish of enthusiasm over the President's program, the financial markets treated their way with caution as concern over the general economic situation deepened in investment circles. There was considerable uncertainty over the Government's plans for Phase II; and, while Government officials voiced optimism over the postfreeze program and the prospects for business in 1972, industry remained hesitant about committing large amounts of capital for new equipment and en-

⁸ *Economic Stabilization Legislation*, Hearings before the Senate Committee on Banking, Housing and Urban Affairs, on S. 2712, 92nd Cong., 1st Sess. (Washington: Government Printing Office, 1971), p. 98.

CONCLUDING OBSERVATIONS

larging inventories, which they would be expected to do in anticipation of a sharp economic upturn.⁹

At the consumer level, the feeling generally was that the freeze had slowed inflation. As Phase I neared its end, however, many people saw the prospect of renewed price rises. Few consumers could fathom the subtleties of price indices; for many the ultimate test was what was left in the pocketbook after leaving the grocery store. On this score, consumer attitudes gave little cause for enthusiasm. Along with concern about price hikes, there was vexation over wage ceilings, and much grumbling from wage-earners who had been deprived of approved but not yet effective pay boosts.

Nor was there a consensus among professional economists on the purpose and direction of the stabilization program. Some would simply have accepted inflation, even at the rate of about 5 percent, as a lesser evil than direct price and wage controls. And others, while recognizing the need to control inflation, urged the necessity of addressing more fundamental problems, such as channeling the Nation's resources and energies toward optimum real economic growth, meeting priority domestic needs, and achieving economic and social justice.¹⁰

OEP MANAGEMENT OF THE FREEZE

Considering the secrecy surrounding the President's decision on a freeze and the consequent lack of opportunity for advance ad-

⁹ Strong gains in industrial output in the first 3 full months of the postfreeze program (December 1971 and January and February 1972), however, seemed to indicate that the expected upturn of the economy in 1972 might be occurring; see Herbert Stein, "Things Look Better," *New York Times*, March 21, 1972; Edwin L. Dale, Jr., "Production Rises in First Quarter; Inflation Up Too," *New York Times*, April 20, 1972. By mid-1972, almost a year after the launching of the President's New Economic Policy, the Council of Economic Advisors could point to significant progress on a wide front. See *The Economy at Mid-1972*, Testimony of the Council of Economic Advisors submitted to the Joint Economic Committee of the Congress, with an Introduction by the President, August 1972 (Washington: Government Printing Office, 1972). See also Department of Commerce Press Release BEA 72-53, August 17, 1972, which issued revised statistics reflecting an even better economic recovery than indicated by the preliminary statistics of the CEA report.

¹⁰ See, e.g., Samuel Lubell, "Testimony before the Joint Economic Committee on the President's New Economic Program," September 15, 1971; *Brookings Papers on Economic Activity 2: 1971*, Arthur M. Okun and George L. Perry, editors (Washington: Brookings Institution, 1971); Gottfried Haberler, "Incomes Policy and Inflation: Some Further Reflections," *Proceedings*, 24th Annual Winter Meeting, Industrial Relations Research Association, New Orleans, La., December 27-28, 1971, p. 134; William E. Fellner, *Aiming for a Sustainable Second Best During the Recovery from the 1970 Recession* (Washington: American Enterprise Institute for Public Policy Research, 1971); Leon H. Keyserling, *Wages, Prices, and Profits, Phase II Guidelines vs. Appropriate Policies* (Washington: Conference on Economic Progress, December 1971), and article "Keyserling Sees Confusion About National Goals, Means," adapted from this study, in *Washington Post*, January 16, 1972.

ministrative preparations, the administration of the program, the Council of Economic Advisers reported in January 1972, "must be accounted outstandingly effective."¹¹ On very short notice OEP reordered its priorities, assumed its new responsibilities, modified its field structure, relocated its Regional Offices, doubled its National Office staff, and expanded the field staff sixfold by borrowing personnel from more than 40 other Federal agencies. There was no lead time to organize the operation fully before the flood of queries descended upon the OEP National and Regional Offices. Yet, within a few days, OEP had in place a functioning nationwide administrative, information, and compliance network.

Some measure of the management challenge facing OEP can be obtained from the volume of actions involved in the administration of the freeze. More than one million public inquiries were handled—just over 10,000 per day on the average. Some 50,000 letters were answered in the OEP National and Regional Offices. Nearly 46,000 reports of alleged violations were received, and about 5,500 letters concerned with exceptions and exemptions were considered.¹² Its time-tested capability for rapid response to domestic economic crises and natural disasters and its smooth interaction with other agencies and effective communication with the public on these matters all stood OEP in good stead in meeting the challenge.

Organization

The structure and procedures put together to carry out the job were essentially adaptations of existing systems both in the National Office and the field—systems already tested in OEP's typical emergency operations. They proved basically sound, and the speed with which they became operational was remarkable. Life for OEP staff, regulars and detailees alike, was hectic, but morale was high throughout the freeze. Nearly all the participants felt especially privileged to have had a part in an important and exciting undertaking.

This response to the demands of the freeze was in part made possible by the assistance of the General Services Administration (GSA) and the Civil Service Commission (CSC) and by the wholehearted support of other Federal agencies in lending highly qualified personnel to OEP. Faced with the need to relocate eight Regional Offices to new sites and to establish two Regional Offices

¹¹ *CEA Annual Report*, pp. 80–81.

¹² *CLC Quarterly Report, August 15–December 31, 1971*, p. 11.

CONCLUDING OBSERVATIONS

from scratch, OEP inevitably encountered logistic support problems. None of these, however, was of such magnitude or duration as to endanger the success of the program.

OEP's ability to muster the cooperation of other Federal agencies stemmed from the good will and procedures built up in working with agencies in emergency planning, crisis management, and disaster assistance activities. Staff augmentation with temporary-duty people presented logistical and administrative problems and posed demanding requirements for orientation, training, and coordination of effort. The technical and professional people assigned to OEP from the other Federal agencies were generally of high caliber; a number were definitely outstanding. Representatives of the Civil Service Commission and the Office of Management and Budget were helpful in preventing excessive turnover of key personnel and in prying loose sorely needed attorneys and stenographers. The borrowed personnel proved indispensable in meeting the requirement for immediate response, and they made a vital contribution to the successful management of the program. Their use also fitted in well with the temporary nature of the freeze and the desire to avoid building a permanent bureaucracy.

OEP's working relationships with IRS in the field were excellent, and they were a key element in the success of the program. Relationships with the Agricultural Stabilization and Conservation Service also were excellent; the ASCS country offices met a basic need, although public demands on them were relatively light.

Administrative Management

OEP's freeze responsibilities generated a major requirement for a greatly increased volume of rapid communications, particularly between the National Office and the Regional Offices. It was important that all citizens receive timely and valid information concerning the freeze and its impact, and that inquiries, complaints, and requests for exceptions and exemptions receive prompt and appropriate attention. Upon the Regional Offices fell a great part of the burden of achieving effective communication with the public. Almost without exception, the Regional Directors cited shortage of communications facilities as one of the principal problems encountered during the initial days of the freeze. Shortages were soon overcome, however, and by the end of the first week messages were generally being handled with a high degree of efficiency.

The freeze further emphasized the need for the immediate es-

CONCLUDING OBSERVATIONS

establishment of a strong link between headquarters and field offices in freeze operations. This was the essential function of the Operations Center at OEP headquarters. The Operations Center functioned occasionally around-the-clock but generally on a two-shift basis, receiving inquiries; reviewing, processing, and distributing them to headquarters staff divisions and other government agencies; and following through to ensure prompt action. Personnel assigned to this office by other Government agencies to assist OEP staff facilitated liaison and rapid response. After-action reports from both the headquarters and field elements emphasized the importance of having from the outset of an emergency a single control system to facilitate the processing of inquiries.

Initially, different OEP headquarters elements made separate and duplicating requests for information from the Regions. To some extent this came about because various headquarters offices, especially the Operations Center and the Regional Affairs Office, tried to handle directly problems encountered in the Regions.¹³ The problem also stemmed from the fact that responsibilities were not always well defined and tight deadlines left little time to coordinate with all interested offices.

All this pointed to the need to establish promptly a single focal point at OEP headquarters to control all communications with the Regional Offices. At the same time, the work of Mr. Cannon, as Special Assistant for Regional Affairs, was essential, particularly in the early weeks, in ensuring that important problems received prompt attention despite the huge volume of traffic in the Operations Center. Lincoln resolved the problem by issuing instructions that all incoming and outgoing communications go through the Operations Center. Direct staff contacts on technical and administrative matters, however, were permitted. Cannon served as the "Inspector General" as well as a direct conduit from the Regional Offices to the Director, the Deputy Director, and other components of the National Office on special problems.

One general complaint from the Regions was that the National Office requirements for reports were extremely burdensome.¹⁴ OEP Regional Directors were accustomed to operating in emergencies with minimal reporting. Some did not sense that this national effort required consistent, up-to-the-minute reporting as a management tool. Lincoln explained this need; at the same time, to ensure

¹³ Cannon, Memorandum to Planning Review (Attn: Laurent Morin), November 9, 1971, Subj: After-Action Report.

¹⁴ "Lessons Learned in Phase One", Attachment to Memorandum, Truppner to Morin, December 13, 1971, Subj: After-Action Report on Freeze.

CONCLUDING OBSERVATIONS

better control, he directed that no reporting requirement be placed on the field unless specifically authorized by him.

One device for achieving coordination was the 5 o'clock Coordination Meeting of key officials from all major headquarters components. Chaired by Assistant Director Lindjord, these meetings went far to meet the need for a focal point for intra- and interagency contact. They helped to keep the program coherent and on the track. Lincoln's early institution of this coordinating mechanism contributed notably to OEP's effectiveness in the administration of the freeze.

Policy Guidance

The success of Phase I operations depended in no small measure on the timely and effective formulation, dissemination, and interpretation of policy. In the first few days of the freeze, the urgent need for guidance was met, in part, by giving wide publicity to standard answers to the most common questions. Nevertheless, people manning phones in information centers at headquarters and field offices alike had one general complaint: there were too many questions and too few answers. Reflecting on the hectic experience in the initial stage, some OEP planners wondered whether it might not have been wiser to have put a moratorium on replies to queries for several days pending the development of meaningful guidance by economists and lawyers. Another alternative, they thought, might have been to put a group of experts to work on stabilization guidelines "prior to the freeze announcement and under lock-up conditions" at some remote location.¹⁵

Considering the circumstances and the pressures under which they worked, the OEP staff, backed up by experts from other agencies, responded ably to the challenge. They gave strong support to the Director in his work with CLC and its Executive Policy Committee. With these bodies meeting almost daily and even more frequently in the early days, Lincoln was in a good position to bring up issues for deliberation and decision without unacceptable delay. The core of the Stabilization Program Guidelines manual was compiled and distributed in the first week, and new policy issuances were added to it every few days. The OEP General Counsel played a vital role in the policy area, and his input became all the more evident as he expanded his legal staff to the level

¹⁵ Enclosure to Memorandum, Truppner to Morin, November 16, 1971, Subj: After-Action Report on OEP's Role in the Wage-Price Freeze.

needed to ensure the legality and consistency of proposed policy papers, answer complex inquiries, provide needed interpretations, or have the issues referred to CLC for resolution.

Policy development was a never-ending task, and it was never devoid of problems. There were instances, especially in the first few weeks of the freeze, when guidance was unclear, contradictory, or long delayed, with resultant embarrassment and frustration in the field. Regional Offices complained that some inquirers went on "shopping sprees" at various echelons of the system in quest of answers they wanted. As questions became more involved, the available guidance did not always suffice; and policy clarifications or changes, especially with regard to teachers' salaries, caused criticisms and strained relationships in some cases. In the vast majority of situations, however, guidance and rulings were entirely adequate for program administration.

Exceptions and Exemptions

The "hard line" taken on requests for exceptions and exemptions was criticized by some as overly harsh. Only five requests were granted, while 3,230 were denied. The seeming inflexibility of the freeze was a sore point with a number of Regional Directors and with individuals and firms whose requests were denied. Many cases of "gross inequity" existed, the Regional Directors contended, but most of these were rejected as a matter of policy. Even for 90 days, they felt, greater flexibility based on justice and common sense was desirable.

A stringent policy admittedly caused hardships, and perhaps even some inequities. The inequities, however, did not stem from the fact that particular decisions were unfair but rather were a reflection of a policy to put a lid on the pot that was boiling too fast and to keep the lid on for 90 days. A freeze simply precluded the latitude and dynamic adjustments that would come under a system of controls such as that planned for Phase II.

In retrospect, it would appear that most people were willing to accept personal deprivation and even a sense of inequity if they were all in the same boat. The fact that requests for exemptions were comparatively few may have reflected a sense of futility, but it also suggests that few firms and individuals were seriously injured by the freeze. The Government's hard line met with a favorable response from the general public. By keeping exemptions to

CONCLUDING OBSERVATIONS

a minimum, OEP prevented requests from snowballing and thus helped to ensure continued public acceptance of the freeze.

Compliance and Enforcement

With the program so heavily dependent on public confidence and support, it was especially important to ensure widespread compliance. The freeze administrators relied primarily on voluntary compliance, but this was supplemented by a system for reporting and investigating complaints of alleged violations. Informal persuasion generally brought violators into line; only 45 cases out of approximately 46,000 complaints received over the 3-month period were referred to the Justice Department for legal action.

The available statistics attest to a very high degree of compliance with the freeze. Surveys by IRS and several consumer groups uncovered some violations, but these appeared to have been relatively minor exceptions to the general adherence to the rules of the freeze. Still, some Regional staff specialists had strong suspicions that many violations never came to light. IRS lacked sufficient personnel to police the program in depth. Had the requirement for ready access to price information been firmly established from the outset, consumers would have had a better basis for detecting and reporting violations. Moreover, incomplete investigations and insufficient documentation of alleged violations delayed the processing of cases for prosecution. More active pursuit of violators and imposition of penalties even on those who agreed voluntarily to roll back illegal price increases, several Regional after-action reports asserted, would have generated even greater voluntary compliance and public confidence in the freeze. These improvements, of course, could only have been achieved with a larger bureaucracy.

Informing the Public

Despite complaints about undetected violations and the firm policy on exceptions, public support for the program remained strong to the very end of the freeze. The wide public support was of prime importance in the successful administration of the freeze. Lincoln attested to this on many occasions during the 90-day period. In his Economic Report transmitted to the Congress in January 1972, President Nixon observed: "The freeze was a great testimonial to the public spirit of the American people, because

CONCLUDING OBSERVATIONS

that result could have been achieved with the small enforcement staff we had only if the people had been cooperating voluntarily.”¹⁶

The OEP National Office and the Regional Offices conducted vigorous public information programs. The news media were used fully and regularly to inform the public of policy pronouncements and to explain the operation of the freeze. To explain the program and seek support for it, top management and staff specialists appeared frequently on TV and radio, spoke before business, labor, and other groups, and maintained liaison with officials of State and local governments. IRS support was most helpful in adjusting national press releases to local conditions, distributing them to the news media, and providing useful feedback on the public's reaction to the freeze.

After-action reports contained very few criticisms of the information activities. At the national level the OEP Congressional and Public Affairs Office noted the lack of a single, central point for the release of all printed materials dealing with the freeze. General releases from OEP headquarters, some field offices felt, went unheeded because they were not sufficiently responsive to local interests. OEP's public image, others noted, was not helped by the Agency's espousal of unpopular causes, such as challenging hikes in teachers' pay, Girl Scout fees, and sport ticket prices. By and large, however, there was general agreement that the public information program was highly effective in furthering the objectives of the freeze.

Transition to Phase II

Even though preoccupied with the day-to-day problems of administering the freeze, OEP staffers contributed conceptual and analytical papers for consideration in the early planning for the postfreeze stabilization program. During the later stages of the freeze, they devoted substantial effort to working with IRS, the Pay Board, the Price Commission, and the CLC staff in preparing to shift to those agencies the policy formulation and management responsibilities that OEP exercised during Phase I. Of special importance was the OEP contribution in terms of personnel, both permanent and detailees, who had their baptism of fire during the freeze. This experience had given them all some sense of what the control effort was about, and some “feel” for the problems and for their resolution. With Lincoln's approval, many were detailed

¹⁶ *CEA Annual Report*, p. 4.

CONCLUDING OBSERVATIONS

to the new Phase II agencies; they gave these agencies the advantage of their experience and contributed significantly to getting these organizations off the ground.

Overall Assessment

The major problems encountered during the freeze related to the unavoidable lack of specific administrative preparation and the overwhelmingly heavy burden of responsibility thrust upon OEP without warning. Yet, for all the problems, the program was carried out with extraordinary success. It was a measure of OEP's ability to handle crisis-type responsibilities. The record abounds in recognition at the highest levels of the outstanding performance of the Phase I mission.¹⁷

Repeatedly in the later stages and at the end of the freeze, Lincoln praised his people for their accomplishment. He was particularly appreciative of the efforts of those on the firing line. They had done "an almost impossible job" well, Lincoln told his Regional Directors at a conference in Washington on October 16, and he recognized "the tremendous help" of other Federal agencies in this achievement.¹⁸ On the eve of the IRS takeover, Lincoln sent a priority message to the Regional Directors, reiterating his appreciation of the job they had done "with the magnificent assistance of the other Federal agencies" in undertaking and executing the field mission.

You carried out the task in an outstanding manner and the achievement has been widely recognized by knowledgeable people. A member of the Council of Economic Advisers, in a speech recently, categorized personnel of this agency as "the heroes of the freeze."

This message is to transmit to you my personal thanks for a superb job well done and to ask that you inform all those working with you including the members of your team effort from other agencies.

The 90-day effort has been a success and that success would not have been achieved without the magnificent effort in the field.¹⁹

¹⁷ See, for example Philip Shabecoff, "Director of Freeze Satisfied Thus Far," *New York Times*, September 13, 1971; "Text of Remarks by the President Taped for Closed-Circuit Television Replay to 26 Regional Meetings of the National Association of Manufacturers," White House Release, October 28, 1971; "Remarks of the President in a Meeting of the Cost of Living Council," White House Release, November 15, 1971; *CEA Annual Report*, pp. 80-81; *CLC Quarterly Report, August 15-December 31, 1971*, p. 95; Arnold R. Weber, "A Wage-Price Freeze as an Instrument of Incomes Policy; or the Blizzard of '71," *Proceedings of the Twenty-Fourth Annual Winter Meeting, Industrial Relations Research Association, New Orleans, La.*, December 27-28, 1971, pp. 153-161.

¹⁸ Haakon Lindjord, Assistant Director, Memorandum for Record, October 18, 1971, Subj: Notes from General Lincoln's Discussion with Regional Directors, October 16, 1971.

¹⁹ Msg Bravo 326, November 12, 1971.

CONCLUDING OBSERVATIONS

Later that month, in acknowledging a report from Lincoln on his management of the freeze, President Nixon paid tribute to the Director and his people on their performance:

With the August 15 announcement of the 90-day wage-price freeze came the enormous and unprecedented task of administering the new Economic Stabilization Program. This was assumed by the Office of Emergency Preparedness with a thoroughness, efficiency and dispatch that has long been characteristic of you and your small staff, and the clear success of this initial phase is ample testimony to your splendid efforts.

While few Americans have specific knowledge of your contributions, I am certain that I speak for all of them in expressing admiration and gratitude for the sound and responsive management you provided. . . . You and your colleagues are to be commended and I hope you will convey to them my deep appreciation for their fine work.²⁰

Lincoln shared the President's letter with all OEP personnel, and he added his personal thanks for their part "in meriting the President's recognition and commendation to this Agency and its personnel."²¹

In the final analysis, the success in administering the freeze can be ascribed to the overwhelming support and continuing cooperation of the American public. At the same time, this does not detract from the central importance of timeliness of action, consistency of response, and closely coordinated teamwork.

Lincoln highlighted these factors in a broad review of his experience as manager of the freeze. Timely action, he indicated, was a keynote in OEP's operations—both to keep up with the heavy workload and to allow the public to plan intelligently on the basis of the Federal Government's answers to questions. Expeditious action helped to prevent freeze violations and to reduce the number of investigations and court actions. Throughout the freeze, OEP placed heavy dependence on the thesis that timely provision of information, coupled with an obvious presence of authority with the power to enforce the freeze, would help maintain the high degree of voluntary compliance shown by the public from the beginning.

Consistency in policy application, Lincoln observed, was facilitated by an efficient communication network and a closely knit staff operation in Washington and in the field.

Finally, Lincoln stressed the vital importance of teamwork in the successful administration of the freeze. There was complete cooperation among OEP's small but expanded organization, the other agencies involved, and the small staff of the Cost of Living

²⁰ Ltr, President Richard Nixon to Lincoln, November 23, 1971.

²¹ Lincoln, Memorandum to All OEP Personnel, November 29, 1971.

CONCLUDING OBSERVATIONS

Council. On top of this integrated administrative framework, moreover, was a responsive policy body, the Cost of Living Council under the chairmanship of the Secretary of the Treasury.²²

Support of the President's freeze program inevitably diverted manpower from programmed planning tasks. Accomplishments by OEP and other agencies in the freeze activities, however, were of transcendent importance. Responding to a real emergency, OEP and all collaborating agencies found themselves in an environment that taught them more about emergency management than could any amount of planning and exercises. The experience with the freeze, along with experience with natural disasters and with managing resource-crises, substantially improved the Government's preparedness posture. Future preparedness planning will, no doubt, reflect the lessons learned in the quest for solutions to problems encountered in these live emergencies. In that respect the wage-price freeze was of special importance because of its national scope and the variety of management problems it presented.

²² "Activities of the Office of Emergency Preparedness During the 90-Day Freeze," Encl. to Memorandum, Lincoln to Earl D. Rhode, CLC, January 10, 1972; *Semi-annual Report of the Office of Emergency Preparedness, July 1-December 31, 1971*, February 15, 1972, pp. 54-55.

List of Abbreviations

AFL-CIO	American Federation of Labor-Congress of Industrial Organizations
APA	Administrative Procedures Act
ARS	Advance Record System
ASCS	Agricultural Stabilization and Conservation Service
BNA	Bureau of National Affairs
CEA	Council of Economic Advisers
CLC	Cost of Living Council
CPA	Office of Congressional and Public Affairs
CPI	Consumer Price Index
CSC	Civil Service Commission
DCPA	Defense Civil Preparedness Agency (formerly Office of Civil Defense)
EMISARI	Emergency Management Information System and Reference Index
EPC	Executive Policy Committee
ESC	Economic Stabilization Circular
ESR	Economic Stabilization Regulation
ESP	Economic Stabilization Program
FAX	Facsimile
FRB	Federal Reserve Board
FTS	Federal Telecommunications System
GNP	Gross National Product
GSA	General Services Administration
HEW	Department of Health, Education, and Welfare
HUD	Department of Housing and Urban Development
IRS	Internal Revenue Service
JEC	Joint Economic Committee
Ltr	Letter
MCL	Mathematics and Computation Laboratory
Msg	Message
NDER	National Defense Executive Reserve
NEA	National Education Association
NEP	New Economic Policy
OCD	Office of Civil Defense (now Defense Civil Preparedness Agency)
ODR	Office of Defense Resources
OEP	Office of Emergency Preparedness
OMB	Office of Management and Budget
OPA	Office of Price Administration
PCC	Potential Court Case
PIO	Public Information Officer
Q&A's	Questions and Answers
RCC	Recommended Court Case
SPG	Stabilization Program Guideline (s)
TWX	Teletypewriter Exchange Service
USAICA	U.S. Army Interagency Communications Agency
WPI	Wholesale Price Index

Chronology

This chronology is designed to highlight, for quick reference, key developments bearing on the wage-price freeze within the larger framework of the Economic Stabilization Program. The section of the chronology covering events before August 15, 1971 concentrates on shifts in the economic climate, public opinion, and Government programs which led up to the announcement of the New Economic Policy. The latter part of the chronology covers steps taken by OEP and CLC, as well as other Government agencies, to implement the freeze; in addition, it includes major developments leading to the establishment of the postfreeze Economic Stabilization Program.

1969

- December 23** President signs the Credit Control Act of 1969, which permits him to authorize the Federal Reserve Board (FRB) "to regulate and control any or all extensions of credit" whenever he determines such action is "necessary or appropriate for the purpose of preventing or controlling inflation."

1970

- June 17** President Nixon, in an address to the Nation, announces three steps to speed up the fight against inflation: (1) appointing a National Commission on Productivity to explore means of improving productivity and achieving "a balance between costs and productivity that will lead to more stable prices"; (2) instructing the Council of Economic Advisers (CEA) to prepare periodic "inflation alerts" calling attention to outstanding cases of price and wage increases and analyzing their impact on the general price level; and (3) establishing a Federal Regulations and Purchasing Review Board to examine all government actions "to determine where

Federal purchasing and regulations drive up costs and prices."

July 27

Congressman Wright Patman, chairman of the House Banking and Currency Committee, submits committee report on the Defense Production Act Extension and Economic Stabilization Act. The report cites a Gallup poll conducted in mid-June which indicated that if the question of wage and price controls "were put to the people of the Nation in the form of a referendum . . . they would . . . vote in favor of mandatory controls."

August 7

CEA issues its first inflation alert.

August 15

The Economic Stabilization Act of 1970 is enacted. Grants President authority "to issue such orders and regulations as he may deem appropriate to stabilize prices, rents, wages, and salaries at levels not less than those prevailing on May 25, 1970."

November 23

Fifty-eight members of the Democratic Study Group in the House of Representatives urge the President to adopt wage-price guideposts and to stand ready to impose controls if guideposts fail to curb inflation.

December 1

CEA issues its second inflation alert.

December 4

President, in address at 75th anniversary meeting of the National Association of Manufacturers, highlights the Administration's economic plan, its results, "the problems that we still confront," and the prospects for the next phase. Criticizes the construction industry for its abnormally high wage settlements and stresses the need for change in the industry's structure of bargaining. Calls upon business and labor to make "a special effort to exercise restraint in price and wage decisions" and to "stop freezing into wage settlement and price actions any expectation that inflation will continue in the future at its peak rate of the past."

CHRONOLOGY

- December 7 Arthur F. Burns, Chairman, FRB, urges creation of a high-level wage and price review board which would investigate cases and make recommendations, but lack enforcement powers.

1971

- January 12 President denounces a round of price increases by Bethlehem Steel Company; increases rescinded a few days later.
- January 14 Senator William Proxmire, Chairman, Joint Economic Committee (JEC), announces that he will hold hearings on the economy. Current economic conditions, he said, "should give us all a great feeling of urgency."
- January 22 President Nixon, in his State of the Union address, presents as one of his "six great goals," "full prosperity in peacetime," with "more jobs, more income and more profits, without inflation and without war."
- January 29 President's message to Congress on the Fiscal Year 1972 budget includes a proposal to move from restrictive to more expansive economic policies "without losing ground in the battle against inflation."
- February 1 President's message accompanying his annual Economic Report to Congress cites "orderly expansion" as the key to economic policy in 1971. Calls for raising total spending and total output as rapidly as possible "to lift the economy to full employment and full production," while at the same time continuing to reduce the rate of inflation.
- February 23 President suspends Davis-Bacon Act, which requires contractors on government-financed construction to pay prevailing (union) wage scales.
- Treasury Secretary John B. Connally tells the House Banking and Currency Committee that the Administration accepts extension of the President's power to impose wage-price controls

under bill extending Economic Stabilization Act through April 30, 1972.

March 29

JEC report on the Economic Report of the President finds "serious deficiencies" in the Administration's economic programs and urges the President to adopt a clear-cut and comprehensive wage-price policy, interim and long-term goals for inflation and unemployment, and guidelines for the economy to meet the goals.

Executive Order 11588 establishes review mechanisms for wages and prices in the construction industry (a Construction Industry Stabilization Committee); Nixon rescinds February 23 suspension of the Davis-Bacon Act.

May

Consumer Price Index (CPI) rises at annual rate of 6 percent (announced June 21, 1971).

May 18

The Economic Stabilization Act is extended until April 30, 1972; an amendment prohibits the President from singling out "a particular industry or sector of the economy on which to impose controls" unless he made a specific finding that the prices or wages in that area had increased at a rate grossly disproportionate to the rate for the economy as a whole; extends authority of federal banking agencies to establish ceilings on interest rates paid by financial institutions through March 31, 1973; grants permanent authority to the President to initiate a program of voluntary credit controls which would be implemented by the FRB.

June

CPI rises at an annual rate of 7.2 percent (announced July 23, 1971).

Gallup survey finds that 50 percent of persons questioned favor wage and price controls.

June 29

President designates Treasury Secretary Connally as the Administration's chief economic spokesman.

Connally announces that the President has rejected proposals for simultaneously stimulating

CHRONOLOGY

the economy and curbing inflation by means of tax cuts, spending increases, wage and price controls, and creation of a wage-price review board to induce moderation in private wage and price decisions.

- July Gallup poll finds 49 percent of persons surveyed believe unemployment would be higher in 6 months, while only 25 percent believe it would be lower.
- July 8 Paul W. McCracken, Chairman of CEA, and Herbert Stein, CEA member, defend Administration policies in testimony before JEC.
- July 23 FRB Chairman Burns, in testimony before JEC, urges the Administration to take further steps to control inflation.
- July 25 Connally in a television interview indicates that international monetary problems, inflationary wage settlements, and high interest rates might influence the President to impose wage and price controls.
- July 27 Commerce Secretary Maurice H. Stans states that the U.S. faces the probability of a deficit in its export-import trade in 1971, the Nation's first in the 20th Century.
- July 28 McCracken in a newspaper column criticizes John Kenneth Galbraith's advocacy of wage-price controls.
- August 4 Fourteen Republican Senators publicly urge the President to adopt wage and price restraints to bring inflation under control; 12 of the group indicate they plan to introduce a bill creating a wage-price board.
- The President in a news conference indicates that he will "keep an open mind in terms of examining various proposals" to see if there is a new approach to stem the wage-price spiral.
- August 9 AFL-CIO Executive Council restates its February 1966 policy of support for controls so long

as such restraints are equitably placed on all costs and incomes.

August 15

President Nixon addresses the Nation, announcing 90-day freeze on wages, salaries, prices, and rents, imposition of an imports surcharge, proposals for tax relief, and other economic stabilization measures.

Executive Order 11615 is issued, providing for the stabilization of prices, rents, wages and salaries and establishing a Cost of Living Council (CLC). Amended September 2 to include the Secretary of Housing and Urban Development (HUD) among CLC members.

Presidential Proclamation 4074 imposes a 10 percent supplemental duty on imports, declares a "national emergency," and calls upon the public and private sectors "to make the efforts necessary to strengthen the international economic position of the United States."

Secretary Connally, at a White House press conference, mentions the decision to delegate to OEP the responsibility for the administrative management of the freeze.

George A. Lincoln, Director of OEP, expands OEP Regions from 8 to 10, orders them to move their headquarters to the 10 Federal Regional Centers and to be operational by noon, August 18. (He had previously, on January 11, 1971, ordered the realignment of regional boundaries to coincide with Standard Federal Regions.)

August 16

OEP's Government Preparedness Office is transformed into an Operations Office. Within a week, the reorganization of OEP for the freeze is substantially complete.

August 17

CLC delegates to the Director of OEP the authority to implement, administer, monitor, and enforce the freeze (CLC Order No. 1).

Justice Department assigns to its Civil Division the responsibility for handling all litigation,

CHRONOLOGY

civil and criminal, arising under the Economic Stabilization Act of 1970.

CLC announces that prices on wholesale and retail imported goods may be increased in order to pass along the supplemental duty.

August 18

Federal Reserve Board requests banks and other financial institutions to continue to comply with voluntary foreign credit restraint program.

Lincoln issues preliminary compliance and enforcement procedures to the Regional Offices (Regional Service and Compliance Centers); preliminary guidance on exceptions and exemptions also sent to the Regions.

August 19

Director of OEP redelegates authority to the Secretary of the Treasury to establish, operate, and maintain local service and compliance centers. These centers are to disseminate information, receive, evaluate, and investigate complaints, and enforce the program (OEP Economic Stabilization Order 1).

Secretary of the Treasury charges the taxpayer assistance network of the Internal Revenue Service (IRS) with the operation of these local service and compliance centers.

Lincoln arranges for the county offices of the Agricultural Stabilization and Conservation Service (ASCS) to function as information centers.

CLC Chairman Connally urges financial institutions to hold down interest rates.

Secretary of the Treasury issues a preliminary definition of articles exempt from the 10 percent duty.

AFL-CIO Executive Council formally proclaims its opposition to the President's economic measures.

Director of the Federal Mediation and Conciliation Service asks for the full cooperation of

labor and management to end all strikes and lockouts for the duration of the 90-day freeze.

August 20

OEP issues its Economic Stabilization Regulation 1, setting forth initial guidance and procedures for the implementation of the Economic Stabilization Program. Raw agricultural products, stocks and bonds, school tuitions, and exports are excepted categories (tuitions removed from this list on August 23).

Commissioner of Internal Revenue Service delegates to IRS field offices authority to establish, operate, and maintain local service and compliance centers.

Federal Regulations and Purchasing Review Board issues statement on the use of "government purchasing power" to support the 90-day freeze.

Defense Department announces its requirements for certification of compliance by contractors.

OEP Press Release gives instructions on the form of exemption requests.

August 23

Ten thousand copies of the newly printed Stabilization Program Guidelines (SPG) are ready for distribution to government officials and field offices involved in economic stabilization activities.

Four Catholic University law professors file suit in U.S. District Court for the District of Columbia, challenging the constitutionality of the 90-day freeze.

Lincoln instructs OEP Regional Directors to use their Regional Economic Stabilization Committees as sources of information on the program's acceptance and problem areas.

August 24

Distribution is begun of 10 million copies of a booklet on the most frequently asked questions on the freeze.

CHRONOLOGY

- August 25** Lincoln requests IRS to institute a spot-check monitoring system under the general direction of OEP, in addition to its responsibilities for disseminating information and for enforcing compliance.
- FRB Chairman Burns asks banks to furnish information on interest rates; includes form on which rates are to be reported.
- OEP announces the first denials of requests for exemptions.
- August 26** Lincoln clarifies the effective dates of the base period, the beginning and the end of the freeze, and the special status of August 15.
- CLC releases a summary of its decisions to date on teachers' salaries.
- August 27** At the requests of the US Commissioner of Education, OEP releases supplementary guidance on teachers' salaries and further explanation of CLC summary of its decisions on the subject.
- OEP Operations Center discontinues its telephone answering service for public calls.
- General guidance sent to the OEP Regional Offices on public information activity and coordination with IRS in this area.
- August 28** Press briefing given by Arnold R. Weber, CLC Executive Director, and other government officials, on the seasonality rule and other aspects of the wage-price freeze; the seasonality rule allowed certain seasonal price increases during the freeze.
- CLC press release addresses issues of seasonality and wage and salary contracts in the field of education as decided by the Council.
- August 30** McCracken, Weber, and Lincoln testify before the Joint Economic Committee of the Congress on the President's New Economic Policy.

- OEP Regional Service and Compliance Centers redesignated "OEP Regional Offices."
- August 31 President asks Congress to support a delay in pay increases for Federal employees until July 1972.
- August-September JEC holds hearings on the Administration's New Economic Policy.
- September 1 Lincoln, Weber, and Charls Walker, Under Secretary of the Treasury, brief the House and Senate on the Economic Stabilization Program.
- Treasury Department announces an exemption from the 10 percent duty for all goods which had left foreign ports before August 16; previously, only articles imported into the U.S. before August 16 had been ruled exempt.
- September 2 OEP press releases covering denials of exemption requests begin to include the names of persons and companies (policy terminated October 9 when the Executive Policy Committee decides it is better to release only statistics).
- A transaction is defined as taking place "when the seller ships the product to the buyer, not when the order is received. In the case of a service, the transaction takes place when the service is performed." (Economic Stabilization Circular 7)
- September 3 Weber gives a news briefing designed to clarify CLC policy on teachers' salaries.
- Commerce Secretary Stans sends wires to 1,250 corporations asking them to affirm their willingness to comply with the voluntary freeze on dividends.
- McCracken sends telegrams to six companies suspected of raising dividends.
- OEP Regional Directors receive from Lincoln authority to deny requests for exemptions, but not to grant exemptions.

CHRONOLOGY

OEP National Office guidance to the field network clarifies the relationships and defines the missions of the field offices of OEP, IRS, and ASCS.

- September 9 President addresses a joint session of Congress, seeking cooperation in achieving "a new prosperity without war and without inflation;" announces that the freeze will not be extended beyond the 90 days, but that he will take "all the steps needed to see that America is not again afflicted by the virus of runaway inflation."
- CLC announces that the freeze prohibits increases in prices of tickets for sporting events and other entertainments occurring during the freeze, even when the tickets were sold before the freeze.
- General Services Administration issues Federal Procurement Regulations advising heads of Federal agencies how to comply with the freeze in making purchases.
- September 10 Amalgamated Meat Cutters and Butcher Workmen file complaint in U.S. District Court for the District of Columbia against CLC and eight meatpacking companies challenging the constitutionality of the freeze.
- September 13 Lincoln formally establishes the OEP Speakers' Bureau.
- September 14 Labor Secretary J. D. Hodgson states that the freeze should not be interpreted as a moratorium on collective bargaining or as an effort to discourage settlements.
- September 15 Labor Department issues Memorandum No. 100 to all Government contracting agencies on the impact of the freeze on wage determinations under the Davis-Bacon Act and related acts and the Service Contract Act.
- September 16 OEP issues definitive clarification on teachers' salaries.

Lincoln asks 137 National Defense Executive Reservists to participate in the Speakers' Program.

September 21 Lincoln briefs the heads of the Washington offices of the six principal organizations of State and local officials on the freeze program.

OEP issues Economic Stabilization Circular 101, a compilation superseding Economic Stabilization Circulars 1 through 10.

September 23 Justice Department files first freeze suit against the Jefferson Parish, Louisiana, School Board for raising teachers' salaries.

U.S. Savings and Loan League issues statement pledging voluntary support of their 5,000 member institutions to hold the line on mortgage interest rates.

September 24 National Education Association and affiliates file complaint for declaratory judgment and injunctive relief against CLC and others in U.S. District Court for the District of Columbia.

Justice files a suit against Dwight L. Lieb for alleged rent violations.

September 25 Guidance issued requiring merchants to have ceiling price lists available for inspection by the customer.

September 27 Justice files a suit against Atlanta Falcons for alleged violation on ticket prices.

September 28 Justice files a suit against Jack L. Joyce for alleged rent violations.

September 29 OEP announces the first three exemptions from the freeze, allowing group insurance programs designed to replace previous group policies to go into effect in Florida, Texas, and Missouri.

September 30 Justice files a suit against Martin J. DeStefano for alleged rent violations.

Connally addresses the Joint Meeting of the World Bank and International Monetary Fund;

CHRONOLOGY

- urges floating exchange rates and dismantling barriers to trade.
- October 1 CLC announces that the Justice Department will include the Orleans Parish, Louisiana, School Board in suit against Jefferson Parish on teachers' salary increases.
- October 6 CLC announces that Connecticut General Life Insurance Company of Hartford has rolled back the premium rates of its group insurance policies in order to comply with the freeze.
- October 7 President in a radio and TV address to the Nation unveils Phase II of his New Economic Policy to go into effect after November 13.
- Commerce Department announces that it has received agreement from 1,250 of the largest American business firms not to raise their dividend rates.
- October 8 Decision is rendered against the Government in the teachers' salary suit against Jefferson Parish and Orleans Parish.
- October 11-12 Statement on the respective roles of CLC, the Pay Board, and the Price Commission is initiated by the President on October 11. After the President approves the statement, AFL-CIO officials agree, on October 12, to serve on the Pay Board. Union states that it will establish watchdog units to monitor prices.
- October 13 An exemption is granted to Cresco, Iowa, for increased sewer and water rates to meet the cost of new sewage disposal plant that is under construction.
- October 14 U.S. wins the Joyce rent suit; landlord ordered to roll back rents to the base period level and to refund excess amounts he had collected.
- New guidance sets deadline of November 1 for ceiling price lists to be available for public inspection at the point of sale and offers alter-

native method of complying with price list requirement by posting signs in stores and making available request forms that customers may use to obtain ceiling price information on specific items.

OEP states that the freeze applies to fuel oil prices; however, low sulfur oil may be priced as a "new product" when introduced into new market areas.

October 15 Executive Order 11627 establishes Pay Board, Price Commission, and other structures for administering Phase II of the Economic Stabilization Program; stipulates that all existing provisions of the program will remain in effect until specifically modified by the Pay Board, Price Commission, or CLC.

October 18 Justice Department files a suit against Huber Investment Co. for alleged rent violations.

October 19 The Administration's proposed legislation to extend and expand the President's economic stabilization authority is sent to Congress.

CLC announces that IRS is investigating complaints that seven major oil companies had illegally raised prices on propane gas.

October 20 CLC announces rollback of propane gas prices by Wanda Petroleum Company; other companies soon follow.

Committee on Interest and Dividends announces that it expects all lenders to assemble and keep on file their schedule of lending rates on August 15 and thereafter.

October 22 U.S. wins the DeStefano rent case.

A three-judge panel, chaired by Judge Harold Leventhal, finds that the Economic Stabilization Act and Executive Order 11615 are fully constitutional. (*Amalgamated Meat Cutters and Butcher Workmen v. Connally et al*). The special court rejected the union's argument that

CHRONOLOGY

the 1970 statute was a “blank check” to the President allowing him to impose “controls beyond the initial freeze . . . without any standard other than the President’s unfettered discretion including the discretion to be unfair and inequitable.”

President announces the appointment of the chairmen and members of the Pay Board and Price Commission.

Arnold Weber resigns as Executive Director of CLC and agrees to serve as a public member of the Pay Board. Edgar Fiedler to serve as CLC Deputy Director until the end of the freeze. Donald Rumsfeld, Counselor to the President, to be CLC Director for Phase II.

OEP issues Circular 102 which compiles and supersedes Circulars 11 to 20.

October 27

Patman opens hearings of the House Banking and Currency Committee on Administration’s proposed economic stabilization legislation.

CLC drops the November 1 deadline for the availability of ceiling price lists but retains the requirement that one of the two methods announced on October 14 be employed. IRS to conduct special survey to determine availability of ceiling price information in stores across the Nation.

October 28

To end public confusion, CLC reiterates previous announcement that the regulations and provisions of the freeze continue in effect until specifically modified by Phase II agencies.

President tells a National Association of Manufacturers teleconference on economic stabilization that the freeze has been “extraordinarily successful.” Predicts the same high marks for Phase II program.

November 2

Justice files a suit against Intone Corporation, Lubbock, Texas, for alleged rent violations.

Committee on Interest and Dividends puts a 4 percent ceiling on increases in dividends to be paid in 1972.

November 4 An exemption is granted to West Daviess County Water District, Owensboro, Kentucky, for increased water rates.

House Banking and Currency Committee votes to include in the extension of the Economic Stabilization Act the requirement that most wage increases covered by contracts made before the freeze be paid retroactively.

November 8 Pay Board announces its general policies governing pay adjustments in Phase II.

November 10 CLC announces its decisions for implementing the Phase II program; includes the three-tier classification system and excepted categories.

CLC reverses its policies on vacation benefits and stock options.

November 11 Suit filed against Oklahoma City School Board for raising teacher salaries.

Price Commission announces its Phase II policies.

President appoints the chairmen and members of the Committee on the Health Services Industry and the Committee on State and Local Government Cooperation, both committees to function as advisory panels to CLC, the Pay Board, and the Price Commission.

November 12 IRS issues statement on its administrative and enforcement role in the postfreeze program.

November 13 Donald Rumsfeld, acting for CLC, delegates authority to the Secretary of the Treasury to administer and enforce the Economic Stabilization Program during Phase II, subject to the general policy guidance of CLC. Director of OEP to continue to exercise responsibility and authority as necessary to effectuate an orderly

CHRONOLOGY

transfer of functions to Pay Board and Price Commission.

November 14 Phase II begins.*

* Some events occurring in Phase II are of special interest to the Phase I story, for example: *November 22*, President creates the Rent Advisory Board to advise and assist the Price Commission; designates its membership the following day. *December 18*, major industrial nations (Group of Ten) reach agreement on a general realignment of currencies. *December 20*, the President announces the termination of the import surcharge. *December 22*, the Economic Stabilization Act Amendments of 1971 are enacted (see Exhibit 11). *January 10, 1972*, CLC announces that it will disclose names of some violators consistent with the public's need to know whether the postfreeze controls are working fairly. *January 13*, Pay Board announces it is permitting most retroactive wage payments. *March 7*, Justice Department files suit against Robert Dedoes over alleged rent violation that occurred during Phase I.

Exhibits



EXHIBIT 1

Public Law 91-379
91st Congress, S. 3302
August 15, 1970

An Act

To amend the Defense Production Act of 1950, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

TITLE I—DEFENSE PRODUCTION ACT AMENDMENTS

* * *

TITLE II—COST OF LIVING STABILIZATION

Economic
Stabilization
Act of 1970.
Standby
controls.

84 STAT. 799
84 STAT. 800

§ 201. Short title

This title may be cited as the "Economic Stabilization Act of 1970".

§ 202. Presidential authority

The President is authorized to issue such orders and regulations as he may deem appropriate to stabilize prices, rents, wages, and salaries at levels not less than those prevailing on May 25, 1970. Such orders and regulations may provide for the making of such adjustments as may be necessary to prevent gross inequities.

§ 203. Delegation

The President may delegate the performance of any function under this title to such officers, departments, and agencies of the United States as he may deem appropriate.

§ 204. Penalty

Whoever willfully violates any order or regulation under this title shall be fined not more than \$5,000.

§ 205. Injunctions

Whenever it appears to any agency of the United States, authorized by the President to exercise the authority contained in this section to enforce orders and regulations issued under this title, that any person has engaged, is engaged, or is about to engage in any acts or practices constituting a violation of any regulation or order under this title, it may in its discretion bring an action, in the proper district court of the United States or the proper United States court of any territory or other place subject to the jurisdiction of the United States, to enjoin such acts or practices, and upon a proper showing a permanent or temporary injunction or restraining order shall be granted without bond. Upon application of the agency, any such court may also issue mandatory injunctions commanding any person to comply with any regulation or order under this title.

§ 206. Expiration

The authority to issue and enforce orders and regulations under this title expires at midnight February 28, 1971, but such expiration shall not affect any proceeding under section 204 for a violation of any such order or regulation, or for the punishment for contempt committed in the violation of any injunction issued under section 205, committed prior to March 1, 1971.

Approved August 15, 1970.

EXECUTIVE ORDER 11588, PROVIDING FOR THE STABILIZATION OF WAGES AND
PRICES IN THE CONSTRUCTION INDUSTRY

Whereas, the stabilization of wages and prices in the construction industry is essential to the maintenance of a strong national economy; and

Whereas, wages and prices in the construction industry have tended in recent years to increase at a rate greater than that for the economy as a whole; and

Whereas, the Congress has expressed its concern over the unrestrained rise in wages and prices through the enactment of the Economic Stabilization Act of 1970 (84 Stat. 799 as amended); and

Whereas, it was necessary to suspend the prevailing rate provisions of the Davis-Bacon Act in order to assist in alleviating the inflationary spiral of wages and prices in the construction industry, which suspension is no longer required due to the establishment of an equitable stabilization plan under this order; and

Whereas, the national leaders of labor and management in the construction industry have indicated, since the suspension of the Davis-Bacon Act, that under such an order they will participate with the Government in fair measures to achieve greater wage and price stability; but are unable to agree on any voluntary arrangement; and

Whereas, stabilization of wages and prices is most effectively achieved when accompanied by positive action of labor and management; and

Whereas, this order is required to establish an arrangement for the application of general criteria by an operating structure with a minimum of Government involvement and sanctions within which labor and management may act to effectuate the stabilization of wages and prices consistent with and in furtherance of effective collective bargaining in the industry.

Now, therefore, by virtue of the authority vested in me by the Economic Stabilization Act of 1970 (84 Stat. 799 as amended) and as President of the United States, it is ordered as follows:

SECTION. 1. (a) A Construction Industry Stabilization Committee (hereinafter referred to as "Committee") is hereby established to assure generally conformance of any increase in any wage or salary in the construction industry to the provisions of this order.

(b) The Committee shall be composed of 12 members appointed by the Secretary of Labor and selected as follows: four of the members shall be representative of labor organizations in the construction industry; four of the members shall be representative of employers in the construction industry; and four of the members shall be representative of the public. The Secretary of Labor shall appoint one of the public members as chairman of the committee.

SEC. 2. Associations of contractors and national and international unions shall jointly establish craft dispute board (hereinafter referred to as "boards") to determine whether wages and salaries are acceptable in accordance with the criteria established in section 6. Each board shall be composed of appropriate labor and management representatives.

SEC. 3. (a) It shall be the responsibility of each board, in relation to the craft or branch over which it has jurisdiction, to provide advice and assistance in an effort to resolve any unresolved collective bargaining disputes involving wages and salaries and to promptly examine every collective bargaining agreement negotiated on or after the date of this order and to determine, in accordance with the criteria established in section 6, whether wage and salary increases in the agreement are acceptable and may thus be approved. The board shall make determinations within a reasonable time and shall notify the parties and the Committee of action taken. When it is determined by the board that a wage or salary increase is not acceptable, the board shall also notify the Secretary of Labor.

EXHIBITS

(b) Each board shall also have the authority to examine collective bargaining agreements negotiated prior to the date of this order which contain wage or salary increases scheduled to take effect on or after such date to determine whether any increase is unreasonably inconsistent with the criteria established in section 6.

SEC. 4. (a) Upon receipt of a notification by a board that it has found a wage or salary increase acceptable, the Committee shall have 15 days in which to determine whether it will assume jurisdiction over the matter. If the Committee does not determine within that time, and so notify the parties and the board, that it will assume jurisdiction, the board's determination will be deemed final and the increase may take effect. If the Committee determines that it will assume jurisdiction it shall be a violation of this order to implement the increase unless and until the Committee affirms the board's initial determination. The Committee shall notify the parties, the board and the Secretary of Labor of its final action.

(b) The Committee is also authorized, upon its own motion, if a board has not yet reported or an appropriate board has not been established, to review any proposed wage or salary increase to determine its acceptability.

(c) Unless and until an increase in wage or salary has been approved in accordance with the provisions of sections 3(a) and 4 of this order, it shall be a violation of this order to put such a wage or salary increase into effect.

SEC. 5. Upon a determination by a board or the Committee that a proposed wage or salary increase is not acceptable and certification of that determination by the Secretary of Labor, the following actions shall be taken:

(a) In implementing the provisions of the Davis-Bacon Act of March 3, 1931 (46 Stat. 1494, as amended), and related statutes the provisions of which are dependent upon determinations by the Secretary of Labor under the Davis-Bacon Act, and including State statutes or laws requiring similar wage standards, the Secretary of Labor and all States shall not take into consideration any wage or salary increase in excess of that found to be acceptable in making determination under that act and related statutes.

(b) In order to assure that unacceptable wage rates shall not be utilized in Federal or federally related construction, the heads of all Federal departments and agencies, subject to the direction and coordination of the Secretary of Labor:

(1) Shall review all plans for construction and financial assistance for construction in localities in which wage or salary increases have been certified by the Secretary of Labor to be unacceptable and shall, on the basis of that review, determine whether such plans can be approved or continued; and

(2) Shall review current and prospective construction contracts for Federal construction and for construction on projects receiving Federal financial assistance in the area affected by a certification by the Secretary of Labor and shall, on the basis of such review, determine whether such contracts can be awarded or continue.

(c) The Committee and the boards shall make public their determinations, specifying the craft and area affected and the wages or salaries deemed unacceptable.

(d) Any other action authorized by law to carry out the purposes and policy of this order shall be available to the Secretary of Labor to assure the stabilization of wages and prices in the construction industry.

SEC. 6. The following criteria shall be applied in determining whether any wage or salary increase is acceptable:

(a) Acceptable economic adjustments in labor contracts negotiated on or after the date of this order will be those normally considered supportable by productivity improvement and cost of living trends, but not in excess of the average of the median increases in wages and benefits over the life of the contract negotiated in major construction settlements in the period 1961 to 1968.

(b) Equity adjustments in labor contracts negotiated on or after the date of this order may, where carefully identified, be considered over the life of the contract to restore traditional relationships among crafts in a single locality and within the same craft in surrounding localities.

SEC. 7. The parties to a labor contract negotiated in the construction industry shall promptly submit that contract to the appropriate board or boards. Where there is no appropriate board to consider the acceptability of a proposed wage or salary increase, the affected national or international union, and the affected association of contractors shall promptly submit that contract to the Committee.

SEC. 8. The Interagency Committee on construction (hereinafter referred to as "Interagency Committee"), is hereby established to develop criteria for the determination of acceptable prices in construction contracts as well as criteria for acceptable compensation, including bonuses, stock options and the like. Officers and employees of Federal departments and agencies shall be designated to serve as members of the Interagency Committee by the Secretary of Housing and Urban Development who shall also designate its chairman. The Interagency Committee shall consult with the Secretary of Labor, with major Government procurement agencies and with the Committee in developing such criteria and concerning the application of such criteria. Until criteria have been developed and applied and prices and compensation are determined to be unacceptable, prices, and compensation shall not be deemed in violation of this order.

SEC. 9. In the conduct of every Federal or federally assisted construction project or program the affected Federal agency shall assure the conformance of such project or program with the criteria established in section 8.

SEC. 10. The Committee and the Interagency Committee, subject to approval by the Secretary of Labor, and the Secretary of Labor are authorized to issue such rules and regulations as may be necessary to provide for the expeditious and effective conduct of their responsibilities under this order and to effectuate its purposes. Such authority of the Committee under this section shall include the authority to issue such rules and regulations as may be necessary to assure the effective operation of any board which may be established under this order, and to provide for the resolution of impasses within any board.

SEC. 11. (a) The term "construction" shall mean, for the purpose of this order (1) all work relating to the erecting, constructing, altering, remodeling, painting, or decorating of installations such as buildings, bridges, highways and the like, when performed on a contract basis, but shall not include maintenance work performed by workers employed on a permanent basis in a particular plant or facility for the purpose of keeping such plant or facility in efficient operating condition; (2) the transporting of materials and supplies to or from a particular building or project by the workers of the contractor or subcontractor performing the construction or the manufacturing of materials, supplies, or equipment on the site of a project by such workers; and (3) all other work classified as construction in section 5.2(g) of part 5, title 29 of the Code of Federal Regulations.

(b) The term "wage or salary" shall mean, for the purpose of this order, all wage or salary rate schedules and economic benefits established pursuant to a collective bargaining agreement in the construction industry.

SEC. 12. (a) Expenses of the Committee and the Interagency Committee shall be paid from such appropriations to the Department of Labor and other Federal agencies as may be made available therefor.

(b) All departments and agencies of the Federal Government are authorized and directed to cooperate with the Committee and the Interagency Committee in order that they may carry out their responsibilities under this order.

SEC. 13. There shall be periodic examination of the effectiveness of this order to

EXHIBITS

determine whether further measures will be required to effectuate a stabilization of wages and prices in the construction industry.

SEC. 14. This order shall be effective immediately.

RICHARD NIXON.

EXHIBIT 3



Public Law 92-15
92nd Congress, H. R. 4246
May 18, 1971

An Act

To extend certain laws relating to the payment of interest on time and savings deposits and economic stabilization, and for other purposes.

85 STAT, 38

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

EXTENSION OF AUTHORITY FOR THE FLEXIBLE REGULATION OF INTEREST RATES ON DEPOSITS AND SHARE ACCOUNTS IN FINANCIAL INSTITUTIONS

Interest rates and cost-of-living stabilization. Extension.

SECTION 1. Section 7 of the Act of September 21, 1966, as amended (Public Law 91-151; Public Law 92-8), is amended by striking out "1971" and inserting in lieu thereof "1973".

Ante, p. 13.

REMOVAL OF TIME LIMITATION ON THE AUTHORITY OF THE PRESIDENT TO APPROVE CERTAIN VOLUNTARY AGREEMENTS

SEC. 2. The first sentence of section 717 (a) of the Defense Production Act of 1950 (50 U.S.C. App. 2166(a)) is amended by striking out "714 and 719" and inserting in lieu thereof "708, 714, and 719".

84 Stat. 796.

PRICE AND WAGE CONTROLS

SEC. 3. (a) Section 202 of the Economic Stabilization Act of 1970 (Public Law 91-379) is amended—

- (1) by inserting "(a)" before the text of such section; and
- (2) by adding at the end thereof a new subsection as follows:

84 Stat. 799.
12 USC 1904
note.

"(b) The authority conferred on the President by this section shall not be exercised with respect to a particular industry or segment of the economy unless the President determines, after taking into account the seasonal nature of employment, the rate of employment or underemployment, and other mitigating factors, that prices or wages in that industry or segment of the economy have increased at a rate which is grossly disproportionate to the rate at which prices or wages have increased in the economy generally."

(b) Section 206 of such Act is amended by striking out "May 31, 1971" and "June 1, 1971" and inserting in lieu thereof "April 30, 1972" and "May 1, 1972", respectively.

Ante, p. 13.

Approved May 18, 1971.

EXHIBIT 4

THE PRESIDENT

EXECUTIVE ORDER 11615

PROVIDING FOR STABILIZATION OF PRICES, RENTS, WAGES, AND SALARIES

WHEREAS, in order to stabilize the economy, reduce inflation, and minimize unemployment, it is necessary to stabilize prices, rents, wages, and salaries; and

WHEREAS, the present balance of payments situation makes it especially urgent to stabilize prices, rents, wages, and salaries in order to improve our competitive position in world trade and to protect the purchasing power of the dollar:

NOW, THEREFORE, by virtue of the authority vested in me by the Constitution and statutes of the United States, including the Economic Stabilization Act of 1970 (Public Law 91-379, 84 Stat. 799), as amended, it is hereby ordered as follows:

SECTION 1. (a) Prices, rents, wages, and salaries shall be stabilized for a period of 90 days from the date hereof at levels not greater than the highest of those pertaining to a substantial volume of actual transactions by each individual, business, firm or other entity of any kind during the 30-day period ending August 14, 1971, for like or similar commodities or services. If no transactions occurred in that period, the ceiling will be the highest price, rent, salary, or wage in the nearest preceding 30-day period in which transactions did occur. No person shall charge, assess, or receive, directly or indirectly in any transaction prices or rents in any form higher than those permitted hereunder, and no person shall, directly or indirectly, pay or agree to pay in any transaction wages or salaries in any form, or to use any means to obtain payment of wages and salaries in any form, higher than those permitted hereunder, whether by retroactive increase or otherwise.

(b) Each person engaged in the business of selling or providing commodities or services shall maintain available for public inspection a record of the highest prices or rents charged for such or similar commodities or services during the 30-day period ending August 14, 1971.

(c) The provisions of sections 1 and 2 hereof shall not apply to the prices charged for raw agricultural products.

SEC. 2. (a) There is hereby established the Cost of Living Council which shall act as an agency of the United States and which is hereinafter referred to as the Council.

(b) The Council shall be composed of the following members: The Secretary of the Treasury, the Secretary of Agriculture, the Secretary of Commerce, the Secretary of Labor, the Director of the Office of Management and Budget, the Chairman of the Council of Economic Advisers, the Director of the Office of Emergency Preparedness, and the Special Assistant to the President for Consumer Affairs. The Secretary of the Treasury shall serve as Chairman of the Council and the Chairman of the Council of Economic Advisers shall serve as Vice Chairman. The Chairman of the Board of Governors of the Federal Reserve System shall serve as adviser to the Council.

(c) Under the direction of the Chairman of the Council a Special Assistant to the President shall serve as Executive Director of the Council, and the Executive Director is authorized to appoint such personnel as may be necessary to assist the Council in the performance of its functions.

SEC. 3. (a) Except as otherwise provided herein, there are hereby delegated to the Council all of the powers conferred on the President by the Economic Stabilization Act of 1970.

EXHIBITS

(b) The Council shall develop and recommend to the President additional policies, mechanisms, and procedures to maintain economic growth without inflationary increases in prices, rents, wages, and salaries after the expiration of the 90-day period specified in Section 1 of this Order.

(c) The Council shall consult with representatives of agriculture, industry, labor and the public concerning the development of policies, mechanisms and procedures to maintain economic growth without inflationary increases in prices, rents, wages, and salaries.

(d) In all of its actions the Council will be guided by the need to maintain consistency of price and wage policies with fiscal, monetary, international and other economic policies of the United States.

(e) The Council shall inform the public, agriculture, industry, and labor concerning the need for controlling inflation and shall encourage and promote voluntary action to that end.

SEC. 4. (a) The Council, in carrying out the provisions of this Order, may (i) prescribe definitions for any terms used herein, (ii) make exceptions or grant exemptions, (iii) issue regulations and orders, and (iv) take such other actions as it determines to be necessary and appropriate to carry out the purposes of this Order.

(b) The Council may redelegate to any agency, instrumentality or official of the United States any authority under this Order, and may, in administering this Order, utilize the services of any other agencies, Federal or State, as may be available and appropriate.

(c) On request of the Chairman of the Council, each Executive department or agency is authorized and directed, consistent with law, to furnish the Council with available information which the Council may require in the performance of its functions.

(d) All Executive departments and agencies shall furnish such necessary assistance as may be authorized by section 214 of the Act of May 3, 1945 (59 Stat. 134; 31 U.S.C. 691).

SEC. 5. The Council may require the maintenance of appropriate records or other evidence which are necessary in carrying out the provisions of this Order, and may require any person to maintain and produce for examination such records or other evidence, in such form as it shall require, concerning prices, rents, wages, and salaries and all related matters. The Council may make such exemptions from any requirement otherwise imposed as are consistent with the purposes of this Order. Any type of record or evidence required under regulations issued under this Order shall be retained for such period as the Council may prescribe.

SEC. 6. The expenses of the Council shall be paid from such funds of the Treasury Department as may be available therefor.

SEC. 7. (a) Whoever willfully violates this Order or any order or regulation issued under authority of this Order shall be fined not more than \$5,000 for each such violation.

(b) The Council shall in its discretion request the Department of Justice to bring actions for injunctions authorized under Section 205 of the Economic Stabilization Act of 1970 whenever it appears to the Council that any person has engaged, is engaged, or is about to engage in any acts or practices constituting a violation of any regulation or order issued pursuant to this Order.

RICHARD NIXON.

THE WHITE HOUSE,
August 15, 1971.

NOTE.—For the text of the President's radio and television address in connection with E.O. 11615, above, see Weekly Comp. of Pres. Docs., Vol. 7, No. 34. Issue of Aug. 23, 1971.

Amended by Executive Order 11617 of September 2, 1971, to add the Secretary of Housing and Urban Development to the membership of the Cost of Living Council.

EXHIBIT 5

COST OF LIVING COUNCIL ORDER NO. 1

Pursuant to the authority vested in the Council by section 4 of Executive Order No. 11615 (hereinafter referred to as the order), it is hereby ordered as follows:

1. There is hereby delegated to the Director, Office of Emergency Preparedness (hereinafter referred to as the Director), responsibility and authority to implement, administer, monitor, and enforce the stabilization of prices, rents, wages, and salaries as directed by section 1 of the order.

2. There is hereby delegated to the Director the authority vested in the Council by sections 4(a), 5, and 7 of the order.

3. All executive departments and agencies shall furnish such necessary assistance to the Director as may be authorized by section 214 of the Act of May 3, 1945, 59 Stat. 134 (31 U.S.C. 691).

4. Significant policy decisions shall be made only after consultation with the Council.

5. The Director may redelegate to any agency, instrumentality, or official of the United States any authority under this order, and may, in carrying out the functions delegated to it by this order, utilize the services of any other agencies, Federal or State, as may be available and appropriate.

By direction of the Council.

[SEAL]

JOHN B. CONNALLY,
Chairman.

AUGUST 17, 1971.

EXHIBITS

EXHIBIT 6

OFFICE OF EMERGENCY PREPAREDNESS ECONOMIC STABILIZATION ORDER NO. 1

By virtue of the authority vested in the Director of the Office of Emergency Preparedness by section 5 of Cost of Living Council Order No. 1, it is hereby ordered as follows:

SECTION 1. Purpose. The purpose of this order is to delegate to the Secretary of the Treasury, hereinafter referred to as the Secretary, certain administrative and operating functions relating to the implementation of the program providing for stabilization of prices, rents, wages, and salaries pursuant to Executive Order 11615 of August 15, 1971. The Secretary shall, in carrying out said functions, provide by redelegation or otherwise for their performance.

SEC. 2. Functions delegated. There is hereby delegated to the Secretary the responsibility and authority for the establishment, operation and maintenance of local service and compliance centers established in support of the economic stabilization program in Standard Metropolitan Statistical Areas and such other places as the Secretary may determine. The functions to be exercised through these centers will include but not be limited to the following:

- a. Dissemination of information and guidance to the public;
- b. Receipt, analysis, and evaluation of complaints received with respect to program violations;
- c. Subject to the general policy guidance and coordination of the Director of the Office of Emergency Preparedness, or his designee, the investigation, compliance, and enforcement of the stabilization of prices, rents, wages and salaries as directed by section 1 (a) of Executive Order No. 11615.

SEC. 3. Effective date. This Order is effective the date of issuance.

Dated: August 19, 1971.

G. A. LINCOLN,
Director, Office of Emergency Preparedness.

EXHIBIT 7**TREASURY DEPARTMENT ORDER No. 150-75***Delegation of Authority*

The authority delegated to the Secretary of the Treasury by Office of Emergency Preparedness Order 1 of August 19, 1971, is hereby redelegated to the Commissioner of Internal Revenue. The Commissioner may redelegate this authority to any officer or employee of the Internal Revenue Service.

Under the terms of Section 4(d) of Executive Order 11615 of August 15, 1971, all Treasury bureaus and organizations are available to assist Internal Revenue Service in carrying out the responsibilities assigned by this delegation.

John B. Connally
Secretary of the Treasury

Date: August 19, 1971

EXHIBIT 8**INTERNAL REVENUE SERVICE ORDER No. 117****SUBJECT** Implementation of the Program Providing for Stabilization of Prices, Rents, Wages and Salaries

The authority delegated to the Secretary of the Treasury by OEP Economic Stabilization Order No. 1, dated August 19, 1971, and redelegated to the Commissioner of Internal Revenue by Treasury Department Order No. 150-75, dated August 19, 1971, is hereby redelegated to Regional Commissioners, District Directors, and Service Center Directors, as follows:

1. Responsibility and authority for the establishment, operation and maintenance of local service and compliance centers established in support of the economic stabilization program in Standard Metropolitan Statistical Areas and such other places as they may determine. The functions to be exercised through these centers will include but not be limited to the following:

- (a) Dissemination of information and guidance to the public;
- (b) Receipt, analysis, and evaluation of complaints received with respect to program violations; and
- (c) Subject to the general policy guidance and coordination of the Director of the Office of Emergency Preparedness, or his designee, the investigation, compliance, and enforcement of the stabilization of prices, rents, wages, and salaries as directed by Section 1(a) of Executive Order 11615 of August 15, 1971.

2. The authority to establish local service and compliance centers may not be redelegated. All other authority delegated by this Order may be redelegated.

3. Under the terms of Section 4(d) of Executive Order 11615 and Treasury Department Order No. 150-75, all Treasury Bureaus and organizations are available to assist the Internal Revenue Service in carrying out the responsibilities assigned by this Order.

Johnnie M. Walters
Commissioner

Date: August 20, 1971

EXHIBITS

EXHIBIT 9

OFFICE OF EMERGENCY PREPAREDNESS ECONOMIC STABILIZATION REGULATION NO. 1

Sec.

- 1 Purpose.
- 2 Prohibition.
- 3 Guidance.
- 4 Exemptions.
- 5 Imports.
- 6 Definitions.
- 7 Administration.
- 8 Record keeping.
- 9 Applicability.
- 10 Violations and penalties.
- 11 Information.

AUTHORITY: Sections 1 to 11 issued under the Economic Stabilization Act of 1970, as amended, Public Law 91-379, 84 Stat. 799; Public Law 91-558, 84 Stat. 1468; Public Law 92-8, 85 Stat. 13, Public Law 92-15, 85 Stat. 38; Executive Order No. 11615, 36 F.R. 15127, Aug. 17, 1971, Cost of Living Council Order No. 1.

Section 1 Purpose.

The purpose of this regulation is to promulgate initial guidance and procedures for implementing the stabilization of prices, rents, wages, and salaries in accordance with the provisions of Executive Order No. 11615 of August 15, 1971. It is expected that all persons will voluntarily comply with the provisions of the Executive order and all regulations, circulars, and orders issued thereunder.

Sec. 2 Prohibition

(a) No person may charge, assess or receive more for commodities and services than the highest prices, including customary price differentials, pertaining to a substantial volume of actual transactions in any class of trade by such person which were in effect during the base period.

(b) No employer shall pay and no employee shall receive a wage, salary, or other form of compensation at a rate higher than that paid or received or in effect during the base period, nor shall any person use any means to obtain payment of wages, salaries or other form of compensation higher than those permitted under the Executive order or this regulation. Such remuneration shall be based upon a substantial number of actual transactions for services of like or similar nature.

(c) No person shall offer, demand, or receive any rent higher than the maximum rent prevailing for the same or comparable property for a substantial number of actual transactions during the base period.

(d) No owner of any interest in real property shall demand or receive more than the sales price ceilings which shall be:

(1) The sale price specified in a sales contract signed by both parties on or before August 14, 1971.

(2) Where there is no such sales contract, the fair market value of the property as of the base period based on sales of like or similar property.

Sec. 3 Guidance

(a) *Prices.* (1) The ceiling price for the sale of a commodity or service is the highest price at which a seller delivered or furnished such commodity or service to purchasers in a substantial number of transactions during the base period.

(2) If a seller delivers or offers a commodity or service which he did not previously deliver or furnish, he can determine his ceiling price either by (i) applying to his current direct unit cost or to his net invoice cost the percentage markup he is currently receiving on the most nearly similar commodity or service he sells, or (ii) using the ceiling price prevailing for comparable commodities or services in the same locality.

(3) A seller's ceiling price when determined, shall reflect his customary price differentials.

(4) Even though the price charged is no higher than the ceiling permitted hereunder, the transaction may be in violation if the commodity or service sold has been reduced in quality or otherwise is not comparable to that sold in the base period.

(b) *Rents.* The ceiling rent for commercial property, housing accommodations, hotels, motels, rooming houses, farms and other establishments, together with all privileges, services, furnishings, furniture, equipment, facilities, improvements, and any other privileges connected with the use thereof shall be no greater than the highest rent charged for the same property during the base period. If the property was not rented during the base period, the ceiling price shall be no higher than the highest rent charged during the nearest preceding 30-day period prior to the base period. If the property was never previously rented, the ceiling rent shall be no higher than the ceiling rent charged for similar or comparable property in the locality or area.

(c) *Wages and salaries.* Deferred wage or salary increases which were negotiated to take effect in the future, cost-of-living increases built into wage contracts or provided by management, and routine in-grade increases not in effect on or before August 14, 1971, are not permitted. Regardless of any right or contract heretofore or hereafter existing, no change or adjustment shall be made in rates of wages, salaries, or other forms of compensation whether by retroactive increases or otherwise.

Sec. 4 Exemptions

(a) The Director of OEP at his discretion may make exceptions to or grant exemptions from the prohibitions listed in section 2 of this regulation for the purpose of preventing or correcting gross inequities.

(b) Prices of the following categories of goods and services are not subject to the provisions of Executive Order No. 11615 and this regulation:

- (1) Raw agricultural products.
- (2) School tuitions.
- (3) Stocks and Bonds.
- (4) Exports.

Sec. 5 Imports

Sales of commodities imported from other countries are subject to the provisions of this regulation. Price ceilings at all levels, however, may be increased by an amount equivalent to increases in the landed cost of the commodity imported after August 15, 1971, due to changes in United States customs duties.

EXHIBITS

Sec. 6 Definitions

(a) For purposes of this regulation, the term—

(1) "Base period"—for any commodity, service, rent, salary or wage includes the period from July 16, 1971, through August 14, 1971, and, in the event that no transaction occurred in the latter period, the nearest preceding 30-day period in which a transaction did occur: *Provided, however*, That prices, rents, wages, and salaries need not be established at levels less than those prevailing on May 25, 1970.

(2) "Person"—shall include any individual, corporation, partnership, association or any other organized group of persons, or legal successors or representatives of the foregoing, and the United States, the States or any other government or their political subdivisions or agencies subject to this regulation, or any other entity of any kind.

(3) "Price"—shall include rentals, commissions, margins, rates, fees, charges or other forms of prices paid or received for the sale or use of commodities or services or for the sale of real property.

(4) "Commodity"—means all commodities, articles, products, and materials, including those provided by public utilities services, such as electricity, gas, and water.

(5) "Services"—means all services rendered, other than as an employee, in connection with the processing, distribution, storage, installation, repair, or negotiation or purchases or sales of a commodity, or in connection with the operation of any service establishment for the servicing of a commodity, or professional services.

(6) "Sale"—includes sales, dispositions, exchanges, and other transfers and contracts.

(7) "Class of trade"—means categories of sellers and/or purchasers such as manufacturers, wholesalers, jobbers, distributors, retailers, government agencies, public institutions, individual consumers, and bulk purchasers.

(8) "Class of purchasers or purchasers of same class"—This term refers to the practice adopted by a seller in setting different prices for sales to different purchasers to kinds of purchasers (for example, manufacturer, wholesaler, shopper, retailer, Government agency, public institutions or individual consumer) or for purchasers located in different areas or for purchasers of different quantities or grades or under different terms or conditions of sale or delivery.

(9) "Rent"—Includes charges for any building, structure or part thereof, or land appurtenant thereto, or services, furnishings, furniture, equipment, facilities, and improvements connected with the use or occupancy of such property.

(10) "Net invoice cost"—This term refers to a seller's invoice cost less any discount or allowance he took or could have taken. It does not include separately stated charges such as freight, taxes, etc.

(11) "Unit direct cost"—This term means labor and material costs which enter directly into the product. It does not include factory overhead, or indirect manufacturing expenses, administrative, general, or selling expenses.

(12) "Customary price differentials"—Means differentials, including discounts, allowances, premiums and extras, based upon differences in classes or location or purchasers, or in terms and conditions of sale or delivery.

(13) "Substantial volume of transactions"—is determined as follows: The ceiling price is the price at or above which 10 percent of the actual transactions during the base period were made, except that in the case of increases in posted and effective prices during the base period, the base period itself will be considered to have begun at the time of the increase in posted and effective prices.

(b) For purposes of this regulation, wage, salary, or other form of compensation includes all forms of remuneration to an employee by an employer for personal services, including, but not limited to premium overtime rate payments, night shift, year-end, and other bonus payments, incentive payments, commissions, vacation and holiday payments, employer contributions to or payments of insurance or welfare benefits or pension funds or annuities, and payments in kind.

Sec. 7 Administration

Pursuant to Cost of Living Council Order No. 1, the Director of OEP has been delegated authority to implement, administer, monitor and enforce the stabilization of prices, rents, wages, and salaries established by Executive Order 11615. Significant policy decisions shall be made only after consultation with the Cost of Living Council established under Executive Order 11615.

Sec. 8 Recordkeeping

(a) All records in existence reflecting prices which were charged for the commodities or services during the base period, together with all other pertinent records of any kind or description shall be preserved and there shall be maintained available for public inspection a record of the highest prices charged during the base period. All records hereafter required to be kept pursuant to regulations or directives issued hereunder shall be maintained and preserved.

(b) All persons subject to this regulation shall maintain and preserve all records which are necessary to show the manner by which the ceiling rentals were determined and the record of payments made by persons in occupancy of real property or any part thereof and shall maintain available for public inspection a record of the highest rents charged during the base period.

(c) All employers shall maintain and preserve all records which reflect the rates of wages, salaries, or other forms of compensation paid during the base period.

(d) All persons covered by this regulation, upon demand of the Council, the OEP, or their authorized representatives, shall make available for inspection and copying such books and records as may be deemed necessary by the Council or the OEP to carry out the purpose and provisions of the Executive order and the rules and regulations promulgated thereunder.

Sec. 9 Applicability

The provisions of this regulation shall be applicable to the United States, the District of Columbia and the Commonwealth of Puerto Rico. This regulation shall not apply to territories and possessions of the United States.

Sec. 10 Violations and penalties

(a) Any practice which constitutes a means to obtain a higher price, wage, salary or rent, than is permitted by this regulation is a violation of this regulation. Such practices include, but are not limited to, devices making use of inducements, commissions, kickbacks, retroactive increases, transportation arrangements, premiums, discounts, special privileges, tie-in agreements, trade understandings, falsification of records, substitution of inferior commodities or failure to provide the same services and equipment previously sold.

(b) Whenever it appears that any person is engaged, or is about to engage, in any acts or practices constituting a violation of any regulation or order under this program, the U.S. Government may, in its discretion, bring an action in the proper district court of the United States or other place subject to the jurisdiction of the United States to enjoin such acts or practices. Upon a proper showing, a permanent or temporary injunction or restraining order shall be granted. In addition, upon proper application, such court may issue mandatory injunctions commanding any person to comply with any regulation or order under this program.

(c) Any person who willfully violates the provisions of Executive Order 11615 or this regulation shall be subject to a fine of not more than \$5,000 for each violation.

Sec. 11 Information

All persons seeking information with respect to the provisions of this regulation or the administration of this program should contact the local office of the Internal Revenue Service, or the Regional Service and Compliance Center of the Office of Emergency Preparedness in their geographical area, or such other local Federal offices

EXHIBITS

as may be hereafter designated. Persons requesting exemptions, exceptions, or adjustments should direct their request, in writing, to the Director of the appropriate Regional Service and Compliance Center. OEP Regional Service and Compliance Centers are located in the following cities:

Atlanta.	Kansas City.
Boston.	New York.
Chicago.	Philadelphia.
Dallas.	San Francisco.
Denver.	Seattle.

Effective date. This regulation, unless modified, superseded or revoked, is effective on the date of publication for a period terminating on November 12, 1971.

Dated: August 20, 1971.

G. A. LINCOLN,
Director, Office of Emergency Preparedness.

Amendment 1, August 23, 1971, deletes school tuitions from the list of goods and services exempt from Executive Order 11615 and this Regulation; Section 11 of the Regulation is amended by adding a second paragraph authorizing the periodic issuance of Circulars containing implementing instructional material.

Amendment 2, August 30, 1971, substitutes the word "ceiling" for the word "maximum" in Section 2(c) of the Regulation; Section 3(c) of the Regulation is revised to change the date after which delayed or deferred wage or salary increases negotiated to take effect in the future, cost-of-living increases built into wage contracts or provided by management, and routine in-grade increases are not permitted; the last paragraph of Section 11 of the Regulation is revised to change the termination date of the Regulation, or freeze, from November 12, 1971, to November 13, 1971.

Amendment 3, September 2, 1971, reverses the sequence of the criteria set out in Section 3(a)(2) of the Regulation for sellers to determine ceiling prices on new products or services.

Amendment 4, September 25, 1971, adds a new paragraph (b) to Section 8, to provide guidance with respect to customer access to price records of sellers.

Amendment 5, October 30, 1971, revises the last paragraph of Section 11 to extend the effective date of the Regulation, or freeze, from November 13, 1971, until altered, amended, or revoked by the Cost of Living Council.

Amendment 6, November 15, 1971, adds a second paragraph to Section 7, stating that it is not necessary to follow the usual rulemaking procedure.

EXHIBIT 10

THE PRESIDENT

EXECUTIVE ORDER 11627

FURTHER PROVIDING FOR THE STABILIZATION OF THE ECONOMY

On August 15, 1971, I issued Executive Order No. 11615 providing for the stabilization of prices, rents, wages, and salaries, for a period of 90 days from the date of that Order. That Order also established the Cost of Living Council and charged it with the primary responsibility for administering the stabilization program, and for recommending to me additional policies and mechanisms to permit an orderly transition from the 90-day general price, rents, wages, and salaries freeze imposed by Executive Order No. 11615 to a more flexible and selective system of economic restraints.

I have received recommendations from the Cost of Living Council, and have determined that the intent of the Economic Stabilization Act of 1970 (Public Law 91-379; 84 Stat. 799), as amended, can more effectively be carried out and the goals I specified in my speech to the Nation on October 7, 1971, can more effectively be achieved, on and after the date of this Order, by substituting this Order for Executive Order No. 11615, as amended. Notwithstanding this substitution, the findings which I made in the preamble of Executive Order No. 11615 of August 15, 1971, are, after careful reconsideration, reaffirmed.

Under this Order, the Cost of Living Council will be continued and will be given broad authority to stabilize prices, rents, wages, and salaries for so long as the Economic Stabilization Act of 1970, as amended, is in effect or until such other time as the President may hereafter prescribe. This, in effect, will result in the establishment of a

EXHIBITS

new economic stabilization program. That program will be carried out through a Pay Board and a Price Commission each of which is newly established by this Order. The Pay Board will be a tripartite organization composed of five representatives of organized labor, five representatives of business, and five representatives of the general public. The Price Commission will be composed of seven members, all from the general public. The President will appoint all members of both the Board and the Commission and will designate the Chairman of each, who will be a full-time official of the United States.

The Cost of Living Council will establish broad stabilization goals for the Nation, and the Pay Board and Price Commission, acting through their respective Chairmen, will prescribe specific standards, criteria, and regulations, and make rulings and decisions aimed at carrying out these goals.

In addition, this Order establishes three new committees to assist the Council, the Pay Board, and the Price Commission in the performance of their functions. They are the Committee on Interest and Dividends, an inner-agency body made up of the heads of various Federal departments and agencies having financial regulatory functions; the Committee on the Health Services Industry; and the Committee on State and Local Government Cooperation.

Finally, this Order modifies Executive Order No. 11588 so as to bring the Construction Industry Stabilization Committee established by that Order into the framework of the new economic stabilization program established by this Order.

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. (a) The Pay Board and Price Commission established by sections 7 and 8 of this Order, respectively, and the Chairman of each of those bodies, shall, pursuant to goals of the Cost of Living Council, take such steps as may be necessary, and authorized by or pursuant to this Order, to stabilize prices, rents, wages, and salaries. Pending action under this Order, and except as otherwise provided in section 202 of the Economic Stabilization Act of 1970, as amended, prices, rents, wages, and salaries are stabilized effective as of August 16, 1971, at levels not greater than the highest of those pertaining to a substantial volume of actual transactions by each individual, business, firm, or other entity of any kind during the 30-day period ending August 14, 1971, for like or similar commodities or services. If no transactions occurred in that period, the ceiling will be the highest price, rent, salary, or wage in the nearest preceding 30-day period in which transactions did occur. No person shall charge, assess, or receive, directly or indirectly in any transactions, prices or rents in any form higher than those permitted hereunder, and no person shall, directly or indirectly, pay or agree to pay, in any transaction, wages or salaries in any form, or to use any means to obtain payment of wages and salaries in any form, higher than those permitted hereunder, whether by retroactive increase or otherwise.

(b) Each person engaged in the business of selling or providing commodities or services shall maintain available for public inspection a record of the highest prices or rents charged for such or similar commodities or services during the 30-day period ending August 14, 1971.

(c) The provisions of sections 1 and 2 of this Order shall not apply to the prices charged for raw agricultural products.

SEC. 2. (a) The Cost of Living Council (hereinafter referred to as the Council), established by section 2 of Executive Order No. 11615 of August 15, 1971, is hereby continued and shall continue to act as an agency of the United States.

(b) The Council shall be composed of the following members: The Secretary of the Treasury, the Secretary of Agriculture, the Secretary of Commerce, the Secretary of Labor, the Secretary of Housing and Urban Development, the Director of the Office of Management and Budget, the Chairman of the Council of Economic Advisers, the

Director of the Office of Emergency Preparedness, the Special Assistant to the President for Consumer Affairs, and such others as the President may, from time to time, designate. The Secretary of the Treasury shall serve as Chairman of the Council and the Chairman of the Council of Economic Advisers shall serve as Vice Chairman. The Chairman of the Board of Governors of the Federal Reserve System shall serve as adviser to the Council.

(c) There shall be a Director of the Cost of Living Council who shall be appointed by the President, be a member of the Council, be a full-time official of the United States, and be the Council's chief executive officer.

SEC. 3. (a) Except as otherwise provided herein, there are continued to be delegated to the Council all of the powers conferred upon the President by the Economic Stabilization Act of 1970, as amended.

(b) The 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. To this end it shall consult with representatives of agriculture, industry, labor, State and local governments, consumers and the public, through the National Commission on Productivity and otherwise.

(c) In all of its actions the Council shall be guided by the need to maintain consistency of price and wage policies with fiscal, monetary, international, and other economic policies of the United States.

(d) The Council shall inform the public, agriculture, industry, and labor concerning the need for controlling inflation and shall encourage and promote voluntary action to that end.

SEC. 4. (a) The Council, in carrying out the provisions of this Order, may continue to (i) prescribe definitions for any terms used herein, (ii) make exceptions or grant exemptions, (iii) issue regulations and orders, (iv) provide for the establishment of committees and other comparable groups, and (v) take such other actions as it determines to be necessary and appropriate to carry out the purposes of this Order. More particularly, the Council, working through appropriate delegations to the Chairman of the Pay Board and the Chairman of the Price Commission, may (1) notwithstanding the provisions of subsection (a) of section 1 of this Order, prescribe base periods for determining maximum levels for prices, rents, wages, and salaries other than the base period specified in subsection (a) of section 1 of this Order, and (2) otherwise increase or decrease, subject to section 202 of the Economic Stabilization Act of 1970, as amended, the maximum levels for prices, rents, wages, and salaries prescribed by subsection (a) of section 1 of this Order.

(b) The Council may redelegate to any agency, instrumentality, or official of the United States any authority under this Order, and may, in administering this Order, utilize the services of any other agencies, Federal or State, as may be available and appropriate.

(c) On request of the Chairman of the Council, each executive department or agency is authorized and directed, consistent with law, to furnish the Council with any available information which the Council may require in the performance of its functions.

SEC. 5. The Council may require the maintenance of appropriate records or other evidence which are necessary in carrying out the provisions of this Order, and may require any person to maintain and produce for examination such records or other evidence, in such form as it shall require, concerning prices, rents, wages, and salaries and all related matters. The Council may make such exemptions from any requirement otherwise imposed as are consistent with the purposes of this Order. Any type of record or evidence required under regulations issued under this Order shall be retained for such period as the Council may prescribe.

SEC. 6. The expenses of the Council shall be paid from such funds of the Department of the Treasury or otherwise as may be available therefor.

EXHIBITS

SEC. 7. (a) There is hereby established a "Pay Board" (hereinafter referred to as the Board).

(b) The Board shall be composed of 15 members. The members shall be appointed by the President and shall include five labor representatives, five business representatives, and five representatives of the general public. The members of the Board shall serve at the pleasure of the President and the President shall designate one of the members representing the public to serve as Chairman. The Chairman shall serve full time and be an official of the United States. The Chairman shall designate an Executive Director of the Board who shall serve under the direction of the Chairman of the Board and perform such duties as the Chairman may specify.

(c) The Board shall perform such functions with respect to the stabilization of wages and salaries as the Council delegates to the Board. The Chairman of the Board shall perform such functions with respect to the stabilization of wages and salaries as the Council may delegate to him and, in performing those functions, shall exercise such authority, including the development and establishment of criteria for the stabilization of wages and salaries which shall be applied in the administration of this Order, as may be delegated to him by the Council.

SEC. 8. (a) There is hereby established a "Price Commission" (hereinafter referred to as the Commission).

(b) The Commission shall be composed of seven members. The members shall be appointed by the President and shall be representative of the general public. The Members of the Commission shall serve at the pleasure of the President, and the President shall designate one of the members to serve as Chairman. The Chairman shall serve full time and be an official of the United States. The Chairman shall designate an Executive Director of the Commission who shall serve under the direction of the Chairman of the Commission, and perform such duties as the Chairman may specify.

(c) The Commission shall perform such functions with respect to the stabilization of prices and rents as the Council delegates to the Commission. The Chairman of the Commission shall perform such functions with respect to the stabilization of prices and rents as the Council may delegate to him and, in performing these functions, shall exercise such authority, including the development and establishment of criteria for the stabilization of prices and rents which shall be applied in the administration of this Order, as may be delegated to him by the Council.

SEC. 9. (a) There is hereby established a Committee on Interest and Dividends. The Committee shall be composed of the Chairman of the Board of Governors of the Federal Reserve System, the Secretary of the Treasury, the Secretary of Commerce, the Secretary of Housing and Urban Development, the Chairman of the Federal Deposit Insurance Corporation, the Chairman of the Federal Home Loan Bank Board, and such others as the President may, from time to time, designate. The Chairman of the Board of Governors of the Federal Reserve System shall serve as Chairman of the Committee.

(b) This Committee shall, subject to review by the Council, formulate and execute a program for obtaining voluntary restraints on interest rates and dividends.

SEC. 10. (a) There is hereby established a Committee on the Health Services Industry. This Committee shall be composed of such members as the President may from time to time appoint. The members shall be generally representative of medical professions and related occupations, hospitals, the insurance industry, other supporting industries, consumer interests, and the public. The President shall designate the Chairman of the Committee.

(b) This Committee shall provide advice concerning special considerations that tend to contribute to inflation in the health services industry. This Committee shall also assist the Board and Commission in the performance of their functions by making technical analyses of specific matters referred to it by the Board or Commission.

SEC. 11. (a) There is hereby established a Committee on State and Local Government Cooperation. The Committee shall be composed of such representatives of State and local governments and subdivisions thereof, representatives of State and local employees, and such others as the President may, from time to time, appoint. The President shall designate the Chairman of the Committee.

(b) This Committee shall provide advice concerning special considerations involved in the stabilization of prices, rents, wages, and salaries pursuant to this Order as they relate to State and local governments, and subdivisions and employees thereof. This Committee shall also assist the Board and Commission in the performance of their functions by making technical analyses of specific matters referred to it by the Board or Commission.

SEC. 12. Upon request of the Chairman of the Council, Federal departments and agencies shall provide such assistance in carrying out the provisions of this Order as is permitted by law.

SEC. 13. All orders, regulations, circulars, or other directives issued and all other actions taken pursuant to Executive Order No. 11615, as amended, are hereby confirmed and ratified, and shall remain in full force and effect, as if issued under this Order, unless and until altered, amended, or revoked by the Council or by such competent authority as the Council may specify.

SEC. 14. (a) The Construction Industry Stabilization Committee established by Executive Order No. 11588 of March 29, 1971, and the craft dispute boards authorized by section 2 of that Order, are hereby continued.

(b) The Chairman of the Pay Board, established by section 7 of this Order, shall henceforth perform all functions vested in the Secretary of Labor by Executive Order No. 11588, with respect to (1) the certification of determinations that a proposed wage or salary increase is not acceptable, (2) the approval of rules and regulations issued by the Construction Industry Stabilization Committee, and (3) the issuance of rules and regulations.

(c) Subsection (d) of section 5 and section 6 of Executive Order No. 11588, are hereby revoked.

(d) Subsections (a) and (c) of this section are effective immediately. Subsection (b) of this section shall be effective on the day the Chairman of the Pay Board gives notice that the Pay Board is operational.

SEC. 15. (a) Whoever willfully violates this Order or any order or regulation issued under authority of this Order shall be fined not more than \$5,000 for each such violation.

(b) The Council may in its discretion request the Department of Justice to bring actions for injunctions authorized under Section 205 of the Economic Stabilization Act of 1970, as amended, whenever it appears to the Council that any person has engaged, is engaged, or is about to engage in any acts or practices constituting a violation of any regulation or order issued pursuant to this Order.

SEC. 16. Executive Order No. 11615 of August 15, 1971, and Executive Order No. 11617 of September 2, 1971, are hereby superseded.

RICHARD NIXON.

THE WHITE HOUSE,
October 15, 1971.

EXHIBIT 11



Public Law 92-210
92nd Congress, S. 2891
December 22, 1971

An Act

To extend and amend the Economic Stabilization Act of 1970, as amended, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Economic Stabilization Act Amendments of 1971".

Economic
Stabilization
Act Amendments
of 1971.

ECONOMIC STABILIZATION ACT OF 1970

SEC. 2. Title II of the Act entitled "An Act to amend the Defense Production Act of 1950, and for other purposes", approved August 15, 1970 (Public Law 91-379), as amended, is amended to read as follows:

84 Stat. 799.
12 USC 1904
note.
85 STAT. 743
85 STAT. 744

"TITLE II—COST OF LIVING STABILIZATION

"§ 201. Short title

"This title may be cited as the 'Economic Stabilization Act of 1970'.

"§ 202. Findings

"It is hereby determined that in order 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, it is necessary to stabilize prices, rents, wages, salaries, dividends, and interest. The adjustments necessary to carry out this program require prompt judgments and actions by the executive branch of the Government. The President is in a position to implement promptly and effectively the program authorized by this title.

"§ 203. Presidential authority

"(a) The President is authorized to issue such orders and regulations as he deems appropriate, accompanied by a statement of reasons for such orders and regulations, to—

"(1) stabilize prices, rents, wages, and salaries at levels not less than those prevailing on May 25, 1970, except that prices may be stabilized at levels below those prevailing on such date if it is necessary to eliminate windfall profits or if it is otherwise necessary to carry out the purposes of this title; and

"(2) stabilize interest rates and corporate dividends and similar transfers at levels consistent with orderly economic growth. Such orders and regulations shall provide for the making of such adjustments as may be necessary to prevent gross inequities, and shall be consistent with the standards issued pursuant to subsection (b).

"(b) In carrying out the authority vested in him by subsection (a), the President shall issue standards to serve as a guide for determining levels of wages, salaries, prices, rents, interest rates, corporate dividends, and similar transfers which are consistent with the purposes of this title and orderly economic growth. Such standards shall—

Standards.

"(1) be generally fair and equitable;

"(2) provide for the making of such general exceptions and variations as are necessary to foster orderly economic growth and to prevent gross inequities, hardships, serious market disruptions, domestic shortages of raw materials, localized shortages of labor, and windfall profits;

"(3) take into account changes in productivity and the cost of living, as well as such other factors consistent with the purposes of this title as are appropriate;

Pub. Law 92-210 - 2 - December 22, 1971

"(4) provide for the requiring of appropriate reductions in prices and rents whenever warranted after consideration of lower costs, labor shortages, and other pertinent factors; and

"(5) call for generally comparable sacrifices by business and labor as well as other segments of the economy.

Limitation.

"(c) (1) The authority conferred on the President by this section shall not be exercised to limit the level of any wage or salary (including any insurance or other fringe benefit offered in connection with an employment contract) scheduled to take effect after November 13, 1971, to a level below that which has been agreed to in a contract which (A) related to such wage or salary, and (B) was executed prior to August 15, 1971, unless the President determines that the increase provided in such contract is unreasonably inconsistent with the standards for wage and salary increases published under subsection (b).

85 STAT. 744
85 STAT. 745

"(2) The President shall promptly take such action as may be necessary to permit the payment of any wage or salary increase (including any insurance or other fringe benefit offered in connection with an employment contract) which (A) was agreed to in an employment contract executed prior to August 15, 1971, (B) was scheduled to take effect prior to November 14, 1971, and (C) was not paid as a result of orders issued under this title, unless the President determines that the increase provided in such contract is unreasonably inconsistent with the standards for wage and salary increases published under subsection (b).

"(3) In addition to the payment of wage and salary increases provided for under paragraphs (1) and (2), beginning on the date on which this subsection takes effect, the President shall promptly take such action as may be necessary to require the payment of any wage or salary increases (including any insurance or other fringe benefits offered in connection with employment) which have been, or in the absence of this subsection would be, withheld under the authority of this title, if the President determines that—

(A) such increases were provided for by law or contract prior to August 15, 1971; and

(B) prices have been advanced, productivity increased, taxes have been raised, appropriations have been made, or funds have otherwise been raised or provided for in order to cover such increases.

Substandard
wages.

"(d) Notwithstanding any other provisions of this title, this title shall be implemented in such a manner that wage increases to any individual whose earnings are substandard or who is a member of the working poor shall not be limited in any manner, until such time as his earnings are no longer substandard or he is no longer a member of the working poor.

"(e) Whenever the authority of this title is implemented with respect to significant segments of the economy, the President shall require the issuance of regulations or orders providing for the stabilization of interest rates and finance charges, unless he issues a determination, accompanied by a statement of reasons, that such regulations or orders are not necessary to maintain such rates and charges at levels consonant with orderly economic growth.

Limitation.

"(f) The authority conferred by this section shall not be exercised to preclude the payment of any increase in wages—

52 Stat. 1060.
29 USC 201.

"(1) required under the Fair Labor Standards Act of 1938, as amended, or effected as a result of enforcement action under such Act; or

"(2) required in order to comply with wage determinations made by any agency in the executive branch of the Government pursuant to law for work (A) performed under contracts with, or to be performed with financial assistance from, the United States or the District of Columbia, or any agency or instrumentality thereof, or (B) performed by aliens who are immi-

grants or who have been temporarily admitted to the United States pursuant to the Immigration and Nationality Act; or

“(3) paid in conjunction with existing or newly established employee incentive programs which are designed to reflect directly increases in employee productivity.

66 Stat. 163.
8 USC 1101
note.

“(g) For the purposes of this section the term ‘wages’ and ‘salaries’ do not include contributions by any employer pursuant to a compensation adjustment for—

“Wages,”
“salaries.”

“(1) any pension, profit sharing, or annuity and savings plan which meets the requirements of section 401(a), 404(a)(2), or 408(b) of the Internal Revenue Code of 1954;

68A Stat. 134,
138.

“(2) any group insurance plan; or
“(3) any disability and health plan;

72 Stat. 1620.
26 USC 401,
404, 403.

unless the President determines that the contributions made by any such employer are unreasonably inconsistent with the standards for wage, salary, and price increases issued under subsection (b).

“(h) No State or portion thereof shall be exempted from any application of this title with respect to rents solely by virtue of the fact that it regulates rents by State or local law, regulation or policy.

“(i) Rules, regulations, and orders issued under this title shall insofar as practicable be designed to encourage labor-management cooperation for the purpose of achieving increased productivity, and the Executive Director of the National Commission on Productivity shall when appropriate be consulted in the formulation of policies, rules, regulations, orders, and amendments under this title.

“§ 204. Delegation

“The President may delegate the performance of any function under this title to such officers, departments, and agencies of the United States as he deems appropriate, or to boards, commissions, and similar entities composed in whole or in part of members appointed to represent different sectors of the economy and the general public. Members of such boards, commissions, and similar entities shall be appointed by the President by and with the advice and consent of the Senate; except that—

“(1) the foregoing requirement with respect to Senate confirmation does not apply to any member of any such board, commission, or similar entity (other than the Chairman of the Pay Board, established by section 7 of Executive Order Numbered 11627 of October 15, 1971, and the Chairman of the Price Commission, established by section 8 of such Executive order) who is serving, pursuant to appointment by the President, on such board, commission, or similar entity on the date of enactment of the Economic Stabilization Act Amendments of 1971, and who continues to serve, pursuant to such appointment, on such board, commission, or similar entity after such date; and

36 F.R. 20142.

Ante, p. 743.

“(2) any person serving in the office of Chairman of such Pay Board, and any person serving in the office of Chairman of such Price Commission, on the date of enactment of the Economic Stabilization Act Amendments of 1971, may continue to serve in such capacity on an interim basis without regard to the foregoing requirement with respect to Senate confirmation until the expiration of sixty days after the date of enactment of the Economic Stabilization Act Amendments of 1971, and the provisions of sections 910-913 of title 5, United States Code, shall be applicable with respect to the procedure to be followed in the Senate in considering the nomination of any person to either of such offices submitted to the Senate by the President during such sixty-day period, except that references in such provisions to a ‘resolution with respect to a reorganization plan’ shall be deemed for the purpose of this section to refer to such nominations.

80 Stat. 397;
Ante, p. 576.

85 STAT. 747

Where such boards, commissions, and similar entities are composed in part of members who serve on less than a full-time basis, legal authority shall be placed in their chairmen who shall be employees of the United States and who shall act only in accordance with the majority vote of members. Nothing in section 203, 205, 207, 208, or 209 of title 18, United States Code, shall be deemed to apply to any member of any such board, commission, or similar entity who serves on less than a full-time basis because of membership on such board, commission, or entity.

76 Stat. 1121-1125.

“§ 205. Confidentiality of information

“All information reported to or otherwise obtained by any person exercising authority under this title which contains or relates to a trade secret or other matter referred to in section 203 of title 18, United States Code, shall be considered confidential for the purposes of that section, except that such information may be disclosed to other persons empowered to carry out this title solely for the purpose of carrying out this title or when relevant in any proceeding under this title.

62 Stat. 791.

“§ 206. Subpena power

“The head of an agency exercising authority under this title, or his duly authorized agent, shall have authority, for any purpose related to this title, to sign and issue subpoenas for the attendance and testimony of witnesses and the production of relevant books, papers, and other documents, and to administer oaths. Witnesses summoned under the provisions of this section shall be paid the same fees and mileage as are paid to witnesses in the courts of the United States. In case of refusal to obey a subpoena served upon any person under the provisions of this section, the head of the agency authorizing such subpoena, or his delegate, may request the Attorney General to seek the aid of the district court of the United States for any district in which such person is found to compel such person, after notice, to appear and give testimony, or to appear and produce documents before the agency.

“§ 207. Administrative procedure

“(a) The functions exercised under this title are excluded from the operation of subchapter II of chapter 5, and chapter 7 of title 5, United States Code, except as to the requirements of sections 552, 553, and 555 (c) of title 5, United States Code.

5 USC 551,701.
81 Stat. 54;
80 Stat. 383.

“(b) Any agency authorized by the President to issue rules, regulations, or orders under this title shall, in regulations prescribed by it, establish procedures which are available to any person for the purpose of seeking an interpretation, modification, or rescission of, or seeking an exception or exemption from, such rules, regulations, and orders. If such person is aggrieved by the denial of a request for such action under the preceding sentence, he may request a review of such denial by the agency. The agency shall, in regulations prescribed by it, establish appropriate procedures, including hearings where deemed advisable, for considering such requests for action under this section.

“(c) To the maximum extent possible, the President or his delegate shall conduct formal hearings for the purpose of hearing arguments or acquiring information bearing on a change or a proposed change in wages, salaries, prices, rents, interest rates, or corporate dividends or similar transfers, which have or may have a significantly large impact upon the national economy, and such hearings shall be open to the public except that a private formal hearing may be conducted to receive information considered confidential under section 205 of this title.

“§ 208. Sanctions; criminal fine and civil penalty

“(a) Whoever willfully violates any order or regulation under this title shall be fined not more than \$5,000 for each violation.

"(b) Whoever violates any order or regulation under this title shall be subject to a civil penalty of not more than \$2,500 for each violation.

"§ 209. Injunctions and other relief

"Whenever it appears to any person authorized by the President to exercise authority under this title that any individual or organization has engaged, is engaged, or is about to engage in any acts or practices constituting a violation of any order or regulation under this title, such person may request the Attorney General to bring an action in the appropriate district court of the United States to enjoin such acts or practices, and upon a proper showing a temporary restraining order or a preliminary or permanent injunction shall be granted without bond. Any such court may also issue mandatory injunctions commanding any person to comply with any such order or regulation. In addition to such injunctive relief, the court may also order restitution of moneys received in violation of any such order or regulation.

"§ 210. Suits for damages or other relief

"(a) Any person suffering legal wrong because of any act or practice arising out of this title, or any order or regulation issued pursuant thereto, may bring an action in a district court of the United States, without regard to the amount in controversy, for appropriate relief, including an action for a declaratory judgment, writ of injunction (subject to the limitations in section 211), and/or damages.

"(b) In any action brought under subsection (a) against any person renting property or selling goods or services who is found to have overcharged the plaintiff, the court may, in its discretion, award the plaintiff reasonable attorney's fees and costs, plus whichever of the following sums is greater:

"(1) an amount not more than three times the amount of the overcharge upon which the action is based, or

"(2) not less than \$100 or more than \$1,000;

except that in any case where the defendant establishes that the overcharge was not intentional and resulted from a bona fide error notwithstanding the maintenance of procedures reasonably adapted to the avoidance of such error the liability of the defendant shall be limited to the amount of the overcharge: *Provided*, That where the overcharge is not willful within the meaning of section 208 (a) of this title, no action for an overcharge may be brought by or on behalf of any person unless such person has first presented to the seller or renter a bona fide claim for refund of the overcharge and has not received repayment of such overcharge within ninety days from the date of the presentation of such claim.

"(c) For the purposes of this section, the term 'overcharge' means the amount by which the consideration for the rental of property or the sale of goods or services exceeds the applicable ceiling under regulations or orders issued under this title.

"Overcharge."

"§ 211. Judicial review

"(a) The district courts of the United States shall have exclusive original jurisdiction of cases or controversies arising under this title, or under regulations or orders issued thereunder, notwithstanding the amount in controversy; except that nothing in this subsection or in subsection (h) of this section affects the power of any court of competent jurisdiction to consider, hear, and determine any issue by way of defense (other than a defense based on the constitutionality of this title or the validity of action taken by any agency under this title) raised in any proceeding before such court. If in any such proceeding an issue by way of defense is raised based on the constitutionality of this title or the validity of agency action under this title, the case shall be subject to removal by either party to a district court of the United

85 STAT. 749

28 USC 1441.
Temporary
Emergency
Court of
Appeals.
Establishment.

States in accordance with the applicable provisions of chapter 89 of title 28, United States Code.

“(b) (1) There is hereby created a court of the United States to be known as the Temporary Emergency Court of Appeals, which shall consist of three or more judges to be designated by the Chief Justice of the United States from judges of the United States district courts and circuit courts of appeals. The Chief Justice of the United States shall designate one of such judges as chief judge of the Temporary Emergency Court of Appeals, and may, from time to time, designate additional judges for such court and revoke previous designations. The chief judge may, from time to time, divide the court into divisions of three or more members, and any such division may render judgment as the judgment of the court. Except as provided in subsection (d) (2) of this section, the court shall not have power to issue any interlocutory decree staying or restraining in whole or in part any provision of this title, or the effectiveness of any regulation or order issued thereunder. In all other respects, the court shall have the powers of a circuit court of appeals with respect to the jurisdiction conferred on it by this title. The court shall exercise its powers and prescribe rules governing its procedure in such manner as to expedite the determination of cases over which it has jurisdiction under this title. The court shall have a seal, hold sessions at such places as it may specify, and appoint a clerk and such other employees as it deems necessary or proper.

Jurisdiction.

“(2) Except as otherwise provided in this section, the Temporary Emergency Court of Appeals shall have exclusive jurisdiction of all appeals from the district courts of the United States in cases and controversies arising under this title or under regulations or orders issued thereunder. Such appeals shall be taken by the filing of a notice of appeal with the Temporary Emergency Court of Appeals within thirty days of the entry of judgment by the district court.

“(c) In any action commenced under this title in any district court of the United States in which the court determines that a substantial constitutional issue exists, the court shall certify such issue to the Temporary Emergency Court of Appeals. Upon such certification, the Temporary Emergency Court of Appeals shall determine the appropriate manner of disposition which may include a determination that the entire action be sent to it for consideration or it may, on the issues certified, give binding instructions and remand the action to the certifying court for further disposition.

Enjoinment.

“(d) (1) Subject to paragraph (2), no regulation of any agency exercising authority under this title shall be enjoined or set aside, in whole or in part, unless a final judgment determines that the issuance of such regulation was in excess of the agency's authority, was arbitrary or capricious, or was otherwise unlawful under the criteria set forth in section 706(2) of title 5, United States Code, and no order of such agency shall be enjoined or set aside, in whole or in part, unless a final judgment determines that such order is in excess of the agency's authority, or is based upon findings which are not supported by substantial evidence.

80 Stat. 393.

“(2) A district court of the United States or the Temporary Emergency Court of Appeals may enjoin temporarily or permanently the application of a particular regulation or order issued under this title to a person who is a party to litigation before it. Appeals from interlocutory decisions by a district court of the United States under this paragraph may be taken in accordance with the provisions of section 1292(b) of title 28, United States Code; except that reference in such section to the courts of appeals shall be deemed to refer to the Temporary Emergency Court of Appeals.

72 Stat. 1770.

“(e) (1) Except as provided in subsection (d) of this section, no interlocutory or permanent injunction restraining the enforcement,

EXHIBITS

operation, or execution of this title, or any regulation or order issued thereunder, shall be granted by any district court of the United States or judge thereof. Any such court shall have jurisdiction to declare (A) that a regulation of an agency exercising authority under this title is in excess of the agency's authority, is arbitrary or capricious, or is otherwise unlawful under the criteria set forth in section 706(2) of title 5, United States Code, or (B) that an order of such agency is invalid upon a determination that the order is in excess of the agency's authority, or is based upon findings which are not supported by substantial evidence.

80 Stat. 393.

"(2) Any party aggrieved by a declaration of a district court of the United States respecting the validity of any regulation or order issued under this title may, within thirty days after the entry of such declaration, file a notice of appeal therefrom in the Temporary Emergency Court of Appeals. In addition, any party believing himself entitled by reason of such declaration to a permanent injunction restraining the enforcement, operation, or execution of such regulation or order may file, within the same thirty-day period, a motion in the Temporary Emergency Court of Appeals requesting such injunctive relief. Following consideration of such appeal or motion, the Temporary Emergency Court of Appeals shall enter a final judgment affirming, reversing, or modifying the determination of the district court and granting such permanent injunctive relief, if any, as it deems appropriate.

Appeal.

"(f) The effectiveness of a final judgment of the Temporary Emergency Court of Appeals enjoining or setting aside in whole or in part any provision of this title, or any regulation or order issued thereunder, shall be postponed until the expiration of thirty days from the entry thereof, except that if a petition for a writ of certiorari is filed with the Supreme Court under subsection (g) within such thirty days, the effectiveness of such judgment shall be postponed until an order of the Supreme Court denying such petition becomes final, or until other final disposition of the action by the Supreme Court.

"(g) Within thirty days after entry of any judgment or order by the Temporary Emergency Court of Appeals, a petition for a writ of certiorari may be filed in the Supreme Court of the United States, and thereupon the judgment or order shall be subject to review by the Supreme Court in the same manner as a judgment of a United States court of appeals as provided in section 1254 of title 28, United States Code. The Temporary Emergency Court of Appeals, and the Supreme Court upon review of judgments and orders of the Temporary Emergency Court of Appeals, shall have exclusive jurisdiction to determine the constitutional validity of any provision of this title or of any regulation or order issued under this title. Except as provided in this section, no court, Federal or State, shall have jurisdiction or power to consider the constitutional validity of any provision of this title or of any such regulation or order, or to stay, restrain, enjoin, or set aside, in whole or in part, any provision of this title authorizing the issuance of such regulations or orders, or any provision of any such regulation or order, or to restrain or enjoin the enforcement of any such provision.

62 Stat. 928.

"(h) The provisions of this section apply to any actions or suits pending in any court, Federal or State, on the date of enactment of this section in which no final order or judgment has been rendered. Any affected party seeking relief shall be required to follow the procedures of this title.

Effective date.

"§ 212. Personnel

"(a) Any agency or officer of the Government carrying out functions under this title is authorized to employ such personnel as the President deems necessary to carry out the purposes of this title.

85 STAT. 751

"(b) The President may appoint five officers to be responsible for carrying out functions of this title of whom three shall be compensated at the rate prescribed for level III of the Executive Schedule (5 U.S.C. 5314) and two at the rate prescribed for level V of the Executive Schedule (5 U.S.C. 5316). Appropriate titles and the order of succession among such officers may be designated by the President.

80 Stat. 460;
83 Stat. 864.

"(c) Any member of a board, commission, or similar entity established by the President pursuant to authority conferred by this title who serves on less than a full-time basis shall receive compensation from the date of his appointment at a rate equal to the per diem equivalent of the rate prescribed for level IV of the Executive Schedule (5 U.S.C. 5315) when actually engaged in the performance of his duties as such member.

80 Stat. 878;
84 Stat. 1955.

"(d) (1) In addition to the number of positions which may be placed in GS-16, 17, and 18, under section 5108 of title 5, United States Code, not to exceed twenty positions may be placed in GS-16, 17, and 18, to carry out the functions under this title.

"(2) The authority under this subsection shall be subject to the procedures prescribed under section 5108 of title 5, United States Code, and shall continue only for the duration of the exercise of functions under this title.

"(e) The President may require the detail of employees from any executive agency to carry out the purposes of this title.

"(f) The President is authorized to appoint, without regard to the civil service laws, such advisory committees as he deems appropriate for the purpose of consultation with and advice to the President in the performance of his functions under this title. Members of advisory committees, other than those regularly employed by the Federal Government, while attending meetings of such committees or while otherwise serving at the request of the President may be paid compensation at rates not exceeding those authorized for individuals under section 5332 of title 5, United States Code, and, while so serving away from their homes or regular places of business, may be allowed travel expenses, including per diem as authorized by section 5703 of title 5, United States Code, for persons in the Government service employed intermittently.

83 Stat. 190.

"(g) (1) Under such regulations as the President may prescribe, officers and employees of the Government who are appointed, without a break of service of one or more work days, to any position for carrying out functions under this title are entitled, upon separation from such position, to reemployment in the position occupied at the time of appointment or in a position of comparable grade and salary.

80 Stat. 571.

"(2) An officer or employee who, at the time of his appointment under paragraph (1) of this subsection, is covered by section 8336(c) of title 5, United States Code, shall continue to be covered thereunder while carrying out functions under this title.

"§ 213. Experts and consultants

"Experts and consultants may be employed, as authorized by section 3109 of title 5, United States Code, for the performance of functions under this title, and individuals so employed may be compensated at rates not to exceed the per diem equivalent of the rate for grade 18 of the General Schedule established by section 5332 of title 5, United States Code. Such contracts may be renewed from time to time without limitation. Service of an individual as an expert or consultant under this section shall not be considered as employment or the holding of an office or position bringing such individual within the provisions of section 3323(a) of title 5, United States Code, section 872 of the Foreign Service Act of 1946, or any other law limiting the reemployment of retired officers or employees.

74 Stat. 846;
75 Stat. 464.
22 USC 1112.

“§ 214. Small business

“(a) It is the sense of the Congress that small business enterprises should be encouraged to make the greatest possible contribution toward achieving the objectives of this title.

“(b) In order to carry out the policy stated in subsection (a)—

“(1) the Small Business Administration shall to the maximum extent possible provide small business enterprises with full information concerning (A) the provisions of this title relating or of benefit to such enterprises, and (B) the activities of the various departments and agencies under this title;

“(2) in administering this title, such exemptions shall be provided for small business enterprises as may be feasible without impeding the accomplishment of the purposes of this title; and

“(3) in administering this title, special provision shall be made for the expeditious handling of all requests, applications, or appeals from small business enterprises.

“§ 215. Mass transportation systems

“No company, or other entity constituting a public benefit corporation, charged by law or contract with the responsibility to operate a mass transportation facility or facilities, the fares of which are not otherwise regulated, shall increase any fare without first obtaining approval under this section from the President or his delegate.

“§ 216. Reports

“(a) In transmitting the Economic Report required under section 3(a) of the Employment Act of 1946 (15 U.S.C. 1022), the President shall include a section describing the actions taken under this title during the preceding year and giving his assessment of the progress attained in achieving the purposes of this title. The President shall also transmit quarterly reports to the Congress not later than thirty days after the close of each calendar quarter describing the actions taken under this title during the preceding quarter and giving his assessment of the progress attained in achieving the purposes of this title.

60 Stat. 24; .
70 Stat. 290.

“(b) In carrying out his authority under this title, the President shall study and evaluate the relationship between excess profits, the stabilization of the economy, and the creation of new jobs. The results of such study shall be incorporated in the reports referred to in subsection (a).

“§ 217. Funding

“(a) There are authorized to be appropriated to the President, to remain available until expended, such sums as may be necessary to carry out the provisions of this title.

“(b) The President may accept and use in furtherance of the purposes of this title money, funds, property, and services of any kind made available for such purposes by gift, devise, bequest, grant, or otherwise.

“§ 218. Expiration

“The authority to issue and enforce orders and regulations under this title expires at midnight April 30, 1973, but such expiration shall not affect any action or pending proceedings, civil or criminal, not finally determined on such date, nor any action or proceeding based upon any act committed prior to May 1, 1973.

“§ 219. Ratification

“The assignment of personnel and expenditure of funds pursuant to the authority conferred on the President by this title prior to the date of enactment of the Economic Stabilization Act Amendments of 1971 are hereby approved, ratified, and confirmed.

Ante, p. 743.

"§ 220. Severability

"If any provision of this title or the application of such provision to any person or circumstances is held invalid, the remainder of the title, and the application of such provision to persons or circumstances other than those as to which it is held invalid, shall not be affected thereby."

FEDERAL EMPLOYEE COMPENSATION

SEC. 3. Notwithstanding any provision of section 3(c) of the Federal Pay Comparability Act of 1970 (Public Law 91-656), or of section 5305 of title 5, United States Code, as added by section 3(a) of Public Law 91-656, and the provisions of the alternative plan submitted by the President to the Congress pursuant thereto on August 31, 1971, such comparability adjustments in the rates of pay of each Federal statutory pay system as may be required under such sections 5305 and 3(c), based on the 1971 Bureau of Labor Statistics survey—

(1) shall not be greater than the guidelines established for the wage and salary adjustments for the private sector that may be authorized under authority of any statute of the United States, including the Economic Stabilization Act of 1970 (Public Law 91-379; 84 Stat. 799), as amended, and that may be in effect on December 31, 1971; and

(2) shall be placed into effect on the first day of the first pay period that begins on or after January 1, 1972.

Nothing in this section shall be construed to provide any adjustments in rates of pay of any Federal statutory pay system which are greater than the adjustments based on the 1971 Bureau of Labor Statistics survey.

NATIONAL PRODUCTIVITY POLICY

SEC. 4. (a) (1) It is the policy of the United States to promote efficient production, marketing, distribution, and use of goods and services in the private sector, and improve the morale of the American worker, all of which are essential to a prosperous and secure free world, and to achieve the objectives of national economic policy.

(2) The Congress finds that the persistence of inflationary pressures, and of a high rate of unemployment, the underutilization and obsolescence of production facilities, and the inadequacy of productivity are damaging to the effort to stabilize the economy.

(3) The Congress, therefore, finds a national need to increase economic productivity which depends on the effectiveness of management, the investment of capital for research, development, and advanced technology and on the training and motivation of the American worker.

(4) The Congress further finds that at a time when economic stabilization programs require price-wage restraints, management and labor have a strong mutual interest in containing "cost-push" inflation and increasing output per man-hour so that real wages may increase without causing increased prices, and that, without in any way infringing on the rights of management or labor, machinery should be provided for translating this mutuality of interest into voluntary action.

(b) It shall be the objective of the President's National Commission on Productivity (hereinafter referred to as the "Commission")—

(1) to enlist the cooperation of labor, management, and State and local governments, in a manner calculated to foster and promote increased productivity through free competitive enterprise

84 Stat. 1948,
5 USC 5305
note.

Ante, p. 38.

Effective
date.

EXHIBITS

December 22, 1971

- 11 -

Pub. Law 92-210

toward the implementation of the national policy declared in the Employment Act of 1946 to create and maintain "conditions under which there will be afforded useful employment opportunities, including self-employment, for those able, willing, and seeking to work, and to promote maximum employment, production, and purchasing power";

60 Stat. 23.
15 USC 1021
note.

(2) to promote the maintenance and improvement of worker motivation and to enlist community interest in increasing productivity and reducing waste;

(3) to promote the more effective use of labor and management personnel in the interest of increased productivity;

(4) to promote sound wage and price policies in the public interest, and to seek to accomplish that objective within a climate of cooperation and understanding between labor, management, and the public, and within a framework of peaceful labor-management relations and free and responsible collective bargaining;

(5) to promote policies designed to insure that United States products are competitive in domestic and world markets;

(6) to develop programs to deal with the social and economic problems of employees adversely affected by automation or other technological change or the relocation of industries.

(c) (1) It shall be the duty and function of the Commission, in order to achieve the objectives set forth in subsection (b) of this section, to encourage and assist in the organization and the work of labor-management-public committees and similar groups on a plant, community, regional, and industry basis. Such assistance shall include aid—

(A) in the development of apprenticeship, training, retraining, and other programs for employee and management education for development of greater upgraded and more diversified skills;

(B) in the formulation of programs designed to reduce waste and absenteeism and to improve employee safety and health;

(C) in the revision of building codes and other local ordinances and laws, in order to keep them continuously responsive to current economic conditions;

(D) in planning for provision of adequate transportation for employees;

(E) in the exploration of means to expand exports of the products of United States industry;

(F) in the development, initiation, and expansion of employee incentive compensation, profit-sharing and stockownership systems and other production incentive programs;

(G) in the dissemination of technical information and other material to publicize its work and objectives;

(H) to encourage studies of techniques and programs similar to those in paragraphs (A) to (G) of this subsection, as they are applied in foreign countries; and

(I) in the dissemination of information and analyses concerning the economic opportunities and outlook in various regions and communities, and of information on industrial techniques designed for the increase of productivity.

(2) The Commission shall transmit to the President and to the Congress not later than March 1 of each year an annual report of its previous year's activities under this Act.

Report to
President and
Congress.

(3) The Commission shall perform such other functions, consistent with the foregoing, as it determines to be appropriate and necessary to achieve the objectives set forth in subsection (b) of this section.

85 STAT. 754
85 STAT. 755

(d) (1) In exercising its duties and function under this Act—

(A) the Commission may consult with such representatives of industry, labor, agriculture, consumers, State and local governments, and other groups, organizations, and individuals as it deems advisable to insure the participation of such interested parties;

(B) the Commission shall, to the extent possible, use the services, facilities, and information (including statistical information) of other Government agencies as the President may direct as well as of private agencies and professional experts in order that duplication of effort and expense may be avoided;

(C) the Commission shall coordinate such services and facilities referred to in subsection (B) above in order to supply technical and administrative assistance to labor-management-public committees and similar groups referred to in subsection (c) (1);

(D) the Commission shall establish the regional offices and such local offices as it deems necessary;

(E) the Commission shall hold regional and industrywide conferences to formulate ideas and programs for the fulfillment of the objectives set forth in subsection (C);

(F) the Commission may formulate model programs to ameliorate the effects of unemployment caused by technological progress;

(G) the Commission may furnish assistance to parties in collective bargaining entering into collective bargaining agreements; and

(H) the Commission may review collective bargaining agreements already in effect or those being negotiated to ascertain their effects on productivity; and it may have the power to make recommendations with respect to the agreements made or about to be made in specific industries.

(2) The Commission may accept gifts or bequests, either for carrying out specific programs which it deems desirable or for its general activities.

Executive
Director.

(e) (1) The Executive Director of the Commission shall be the principal executive officer of the Commission in carrying out the objectives, functions, duties and powers of the Commission described in subsections (b) through (d) of this section.

(2) The Executive Director of the Commission, with the approval of the Chairman of the Commission, is authorized (A) to appoint and fix the compensation of such officers and employees, and prescribe their functions and duties, as may be necessary to carry out the provisions of this section, and (B) to obtain the services of experts and consultants in accordance with the provisions of section 3109 of title 5, United States Code.

80 Stat. 416.
Appropriation.

(f) There is hereby authorized to be appropriated the sum of \$10,000,000 to carry out the purposes of this section during the period ending April 30, 1973.

Approved December 22, 1971.

LEGISLATIVE HISTORY:

HOUSE REPORTS: No. 92-714 accompanying H.R. 11309 (Comm. on Banking and Currency) and Nos. 92-745 and 92-753 (Comm. of Conference).

SENATE REPORT No. 92-507 (Comm. on Banking, Housing and Urban Affairs).
CONGRESSIONAL RECORD, Vol. 117 (1971):

Nov. 29, 30, Dec. 1, considered and passed Senate.

Dec. 10, considered and passed House, amended, in lieu of H.R. 11309.

Dec. 13, Senate agreed to conference report No. 92-745.

Dec. 14, House sustained point of order against conference report No. 92-745 and requested further conference; Senate and House agreed to conference report No. 92-753.

WEEKLY COMPILATION OF PRESIDENTIAL DOCUMENTS, Vol. 7, No. 52:

Dec. 22, Presidential statement.

Bibliographical Note

The principal sources of information for this history have been the records accumulated by the Office of Emergency Preparedness during the freeze. Research in these records was supplemented by interviews with OEP officials. Published materials relating to the wage-price freeze and to background events and problems have also been used extensively. The following notes specify these sources and give some suggestions for further reading.

OFFICIAL RECORDS AND PERSONAL INTERVIEWS

The work is based largely on the official documents and files of OEP relating to all aspects of its responsibilities for managing the freeze. These include planning documents, policy papers, minutes and notes of meetings, periodic reports and after-action reports from all headquarters and field elements, reports of visits and inspections, statistics, messages, letters, memoranda, and sundry other materials. While some of these records were of a routine nature, others contained highly significant information on the activities, problems, and accomplishments of the freeze period. The major collections of these materials are the following:

- OEP Director's files
- Stabilization Program Guidelines
- Executive Policy Committee Notes
- Daily Reports of the Director of OEP to the Chairman of the Cost of Living Council
- Weekly Reports of the Director of OEP to the Chairman of the Cost of Living Council
- National Office Operations Center message file
- Daily Status Reports of Economic Stabilization Activities, from OEP headquarters offices to OEP Director
- After-Action Reports from National Office elements and Regional Offices to Assistant Director Haakon Lindjord
- After-Action Reports from Regional Directors to OEP Historian

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- OEP Economic Stabilization Division files
- OEP Coordination Staff files
- CLC and OEP Press Releases
- Speeches of OEP Director and other key officials
- Memoranda and Letters by OEP officials

During the freeze the OEP Historian's office built up a file of documents of historical significance as an aid to the research and writing to be done. The Historian was placed on distribution schedules for all incoming and outgoing messages, policy documentation, reports, and other relevant materials and had access to the complete files of all OEP divisions. The materials assembled by the Historian constitute the Agency's "Historical Documentation File." The basic documents in this file will eventually be placed in the custody of the National Archives and Records Service of the General Services Administration.

To amplify, clarify, and interpret the official records, the authors interviewed key OEP officials and others who had participated in the freeze operations. In addition, these officials reviewed drafts of all chapters and gave the historians the benefit of their intimate personal knowledge of events. The following OEP officials furnished their views and comments on draft manuscripts:

- George A. Lincoln, Director
- Darrell M. Trent, Deputy Director
- Haakon Lindjord, Assistant Director
- Elmer F. Bennett, Assistant Director/General Counsel
- Eugene J. Quindlen, Assistant Director for Government Preparedness
- William C. Truppner, Assistant Director for Resource Analysis
- Robert H. Kupperman, Deputy Assistant Director for Information and Analysis
- Edward R. Saunders, Jr., Deputy Assistant Director for Resource Evaluation
- Stephen A. Loftus, Assistant to the Director for Planning Review
- David J. Pattison, Assistant to the Director for Congressional and Public Affairs
- J. Ray O'Connell, Assistant to the Director for Administration
- Laurent E. Morin, Planning Review
- John P. Cannon, Special Assistant for Regional Affairs
- F. Joseph Russo, Chief, Economic Stabilization Division
- William A. Fletcher, Planning Review

Many who left for other assignments upon the termination of the freeze reviewed draft chapters that covered their particular specialty

areas. Among these were Christopher A. Norred Jr., E. R. Heiberg III, Anthony A. Smith, Howard M. Steele, Raymond Snead, Charles A. Gibb, and Robert A. Kagan. Leonard A. Skubal, former Chief of the Economic Stabilization Division, in several interviews and written communications, gave the historians the benefit of his first-hand experience with pre-freeze and ensuing developments. The views and comments of these individuals were most helpful on points obscure in the records.

PUBLISHED WORKS

While placing chief reliance on the primary sources mentioned above, the authors drew on a wide array of published materials which provided valuable insights and background information bearing on the subject of this history. The most important of these published works are grouped below under three headings: (1) U.S. Government Documents; (2) Books; and (3) Articles and Other Materials.

U.S. Government Documents

In addition to the legislation, Executive orders, and Presidential messages and statements included in the "Exhibits" section or cited in the text, the following public documents were particularly useful:

- Eckstein, Otto, and Roger Brinner. *The Inflation Process in the United States*. A Study Prepared for the Use of the Joint Economic Committee, Congress of the United States. Joint Committee Print, 92nd Cong., 2d Sess., Feb. 22, 1972. Washington: Government Printing Office, 1972. Examines the relationship between the level of employment and the rate of inflation and seeks to identify the processes which produced the combination of high unemployment and rapid inflation which has recently been experienced in the United States.
- Peterson, Peter G. "A Foreign Economic Perspective," and "The United States in the Changing World Economy," both dated Dec. 27, 1971 (unpublished). A review and analysis of the changing world economy prepared in two sections by the Assistant to the President for International Economic Affairs and Executive Director of the Council on International Economic Policy. The first is "a personal overview of the origins and possible policy implications of the new world economy." The second section consists largely of statistical background material that provided the basis for briefings to the President and the Council on International Economic Policy during 1971.
- Schultze, Charles L. *Recent Inflation in the United States*. Study Paper No. 1, Study of Employment, Growth, and Price Levels, Joint Economic Committee of the Congress. Washington: Government Printing Office, 1959.

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- U.S. Congress, House, Committee on Government Operations, Subcommittee on Executive and Legislative Reorganization. *Price-Wage Guideposts*, Hearings on H.R. 13278, 91st Cong., 1st Sess. Washington: Government Printing Office, 1969.
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Index

A

Ackley, Gardner, 18
Administrative Procedures Act, 140
AFL-CIO, 124, 128, 139, 144, 164
After-action reports, 116, 197, 200-201
Agency Coordination Section, 69
Agricultural products, 17, 83, 109-110
Agricultural Stabilization and Conservation Service
 aid to OEP, 24, 33, 39-40
 information activities, 148-149, 239-240
 OEP liaison with, 58-59, 68, 72, 196
 postfreeze program, 177
Agriculture, Secretary of, 42
Albert, Carl, 15, 161
Alimony, 104
Althaus, Wayne, 60
American Federation of Teachers, 128
American Retail Federation, 158
Anderson, John B., 162
Associated Press, 153
Automobile prices, 82, 85, 192

B

Baird, William D., 57*n*, 60
Balance of payments, 2-3, 7, 11, 193
Bankruptcy, 110-112, 114
Baruch, Bernard M., 15*n*
Base period, 17-18, 74, 80-81, 83, 87
Bennett, Elmer F., 35, 120, 150
Berkman, Richard L., 56, 58*n*
Budget deficit, 3, 193
Bureau of National Affairs, 154
Bureaucracy, avoidance of, 12-13, 21, 28, 42, 117, 170, 174
Burns, Arthur F., 9, 19*n*, 192
Butler, G. Lee, 56, 58*n*

C

Cannon, John P., 57*n*, 58, 185, 197
Ceilings, 17-18, 80-83, 119, 132-133, 159
Census Bureau, 72, 123

Chamber of Commerce, U.S., 144, 158
Civil Service Commission, 38, 43-44, 48-49, 195-196
Collective bargaining, 14
Commerce Clearing House, 154
Commerce Department, 99, 158
Commodity futures, 83
Communications Section, OEP, 61
Communications system, OEP, 28, 46, 60-64, 196-197
 flow, 62 (*chart*)
 and public, 65-67, 143-167
Complaints, *See* Violations
Compliance, 25, 38, 99
 Branch, 36, 58, 120, 135
 checks on, 39, 118-119, 121
 enforcement, 59, 117-138, 141, 166
 voluntary, 12, 27, 117-118, 123-124, 145, 166, 200
Compulsory arbitration, 9
Computers, use of, 33, 52, 67, 71-72, 184, 187
Congress, 9, 131, 140
 exemption referrals, 102 (*table*), 103
 and freeze, 16, 161-162
 inquiries from, 35, 65-67, 147, 162
 responsibility for economy, 2, 6, 15, 138-139
 and standby legislation, 6-7, 15-16
Congressional and Public Affairs Office, OEP, 35, 60, 67-68, 70, 147, 149, 152-153, 155, 159-163, 166
Connally, Secretary John B., 9-10, 17-21, 74, 96, 98, 128, 177*n*
Constitutionality of freeze, 138-140
Construction Industry Stabilization Committee, 7, 23-24, 176
Consumer Price Index, 135, 190-191
Contracts, 83, 87-91, 93, 140
Controls. *See also* Freeze; Prices; Rents; Wages
 direct, 1, 3-4, 15-16, 23, 27, 194
 indirect, 1-3, 23

- institution of, 1, 8-19, 97
 standby, 23
 system, 26, 75
 techniques, 53-55, 96
- Coordination Meetings, 55-57, 59, 70-72, 97, 198
- Coordination Office, OEP, 35, 55-57, 71
- Correspondence Section, OEP, 35, 60, 66-67, 70, 76, 147, 161
- Cost of living, 6, 94, 98
- Cost of Living Council, 203-204
 establishment, v, 11, 19-21
 and freeze, 41 (*chart*)
 guidelines, 18
 operations, by OEP, 21-25, 42, 57, 147, 231 (*exhibit*)
 Phase II plans, 168-177
 policy, 18, 33, 35, 77, 81, 100, 147
 reports to, 71-72
 responsibilities, 13, 20, 54, 96, 168, 174-177, 261
- Council of Economic Advisers, 5-8, 16, 23, 82, 168, 190-192, 194*n*, 195
- Credit Control Act of 1969, 18*n*
- Crisis management, 22, 26, 28-29, 33, 42, 53-54, 196
- Customs duties, 86
- Daily Economic Stabilization Report, 57, 71
- Davis-Bacon Act, 104
- Defense Civil Preparedness Agency, 46, 65, 159-160
- Defense Department, 45-46, 48-49, 121
- Defense Production Act, 15
- Detailed Personnel, 33, 39-40, 41
 (*chart*), 43-50, 45 (*table*), 47 (*table*), 55, 181, 185, 195-196
- Disasters, natural, 21-22, 28, 30, 32-33, 186, 204
- Discounts, price, 82
- Disinflation, 4
- Dividends, 17-18, 145, 173, 176
- Dollar, 2, 8, 11
- Dover, Arthur, 182
- Dow Jones industrial average, 143
- Dues, 85
- E**
- Economic stability, 1, 3, 16, 30, 125, 144, 187-189, 203
- Economic Stabilization Act Amendments of 1971, 244 (*exhibit*)
- Economic Stabilization Act of 1970, 7, 12*n*, 14-17, 19-20, 74, 96, 128, 131, 138, 139, 172, 207, 224 (*exhibit*)
- Economic Stabilization Agency, 23, 30, 36, 42
- Economic Stabilization Circulars, 74-75, 79, 87, 130
- Economic Stabilization Division, OEP, 22-23, 33, 171, 182, 188
- Economic Stabilization Regulation, 1, 74, 81, 87, 130, 232 (*exhibit*), 234 (*exhibit*), 343 (*exhibit*)
- Eisenhower, General Dwight D., 22
- Emergency, national, 12*n*, 14, 22-23, 28, 30, 42, 196
- EMISARI system, 52, 64, 65*n*, 72, 78, 184; *See also* Computers
- Employment, 2-7, 16, 192
- Employment Act of 1946, 2-3
- Enforcement, freeze, 59, 117-138, 141, 166; *See also* Compliance
- Escalator clauses, 10
- Exceptions. *See* Exemptions.
- Executive Order No. 11588, 225 (*exhibit*)
- Executive Order No. 11615, 17, 19-20, 24, 74, 123, 139, 179, 229 (*exhibit*)
- Executive Order No. 11627, 179, 239 (*exhibit*)
- Executive Policy Committee, CLC, 20, 57, 69, 76-77, 100, 110, 113, 177, 198
- Executive Reservists; *See* National Defense Executive Reserve
- Exemptions, 20, 25, 32, 35, 40, 76, 116. *See also* Fringe Benefits; Office of Exceptions and Exemptions
- authority, 96-98
- denials, 99-104, 106-108, 111-113, 115, 199
- machinery, 99-101
- price, 109-114
- publicity on, 152
- requests, 99-104, 102 (*table*), 104 (*table*), 112, 114-115, 196
- F**
- Facsimile terminal (FAX), 61, 62 (*chart*), 64
- Farmers Home Administration, 109
- Federal employment, 12-13, 86, 131, 164
- Federal Executive Board, 44
- Federal Power Commission, 49
- Federal Regional Councils, 36
- Federal Register*, 35, 74, 79

INDEX

- Federal Regulations and Purchasing Review Board, 121
Federal Reserve Board, 18*n*
Federal Telecommunications System (FTS), 63
Fines, 123
Fitzsimmons, Frank E., 144
Fletcher, William, 66, 147-148, 187
Formula
 pricing, 93
 rentals, 92
Free market, v, 5, 11, 14
Freeze. *See also* Exemptions; Inequities; Lincoln, George A.; Office of Emergency Preparedness; Prices; Rents; Wages.
 administration of, 19-25, 35, 43-49, 53, 55, 145-146, 189
 apparatus, 16, 19-25, 40, 41 (*chart*), 53-55, 99-101, 117
 assessment of, 202-204
 complaints, 13, 38-40, 54, 101-102, 115, 118-121, 122 (*table*), 126, 133
 compliance machinery, 25, 27, 36, 64, 118-127, 131-133, 141-142, 166
 constitutionality, 138-140
 enforcement, 59, 117-138, 141, 166
 establishment of, 1, 8, 11-15, 17-19, 74, 117
 funding, 51
 guidelines. *See* Stabilization Program Guidelines
 impact, 28, 38, 40, 88, 117-118, 145-146, 159, 166, 191
 inquiries, 27, 49, 54, 60, 65, 67, 80, 115, 197
 legislation, 10, 14-17, 74-75, 91, 117-121, 123, 138-140
 management, 12-14, 32-33, 40, 53-73, 143, 194-204
 policy, 13, 74, 78-95, 97-98, 198-199
 provisional organization, 30-36
 temporary aspect, 12, 15, 97, 142
 violations, 16-17, 38, 76, 99, 101, 118-127, 133-135, 166, 200
Fringe benefits, 86-88, 94, 99, 104-107
Fuel prices, 82-83, 86, 133-134
- G**
- Galbraith, John Kenneth, 5, 8, 15
Game Plan, 2, 8, 42
Gaskill, Irving, 52
- General Counsel, OEP, 35-36, 49, 69-70, 72, 76-77, 91, 100, 135
 and compliance, 58, 120
 and policy, 66, 79, 134, 198
 postfreeze role, 180
General Services Administration, 38, 51-52, 195
Gibb, Charles A., 120
GNP deflator, 187
Golden sheep rule, 90
Government Preparedness Office, 32-35, 46, 188
Government Printing Office, 78
Governors' Bulletin, 160
Gray, L. Patrick, 120, 139
Group health insurance, 84, 98, 104-106, 115, 134
GSA Advance Record System (ARS), 61, 62 (*chart*)
Guidelines. *See* Stabilization Program Guidelines; Voluntary Restraint
Gullander, W. P., 144
- H**
- Hardin, Clifford M., 19*n*
Hardship situations, 93, 98, 102-103, 111-112, 166
Health, Education, and Welfare Department, 45
Heiberg, E. R., 56, 58, 178, 183
Historian's Office, OEP, 36, 47 (*table*), 57, 80*n*
Hodgson, James, 19*n*
Hotchkiss, George, 70
House Banking and Currency Committee, 13*T*
Housing and Urban Development Department, 99
- I**
- Import policy, 6, 11, 86
Incomes policy, 4-5, 117
Industry Advisory Committees, 182
Inequities, 16, 27, 98-99, 106, 115-116, 199
Inflation
 alerts, 6-7
 control, 8, 11, 143, 168, 187
 cost-push, 5, 15
 demand-pull, 1, 5, 15
 persistence of, 7, 13-15, 165, 168
 psychology, 143, 163, 189

rate, 5, 172, 190-191, 194
 spiral, 4, 9, 164, 169
 Information Systems Office, OEP, 71
 Injunctions, 16-17, 123-126, 126 (*tables*).
See also Litigation
 Inquiry Review Section, OEP, 66, 68-70,
 76, 183
 Insurance, 76, 83-84, 94, 98, 104-106, 115
 Interest, 10, 17-18, 144-145, 173, 176, 192
 Internal Revenue Service. *See also* Freeze.
 aid to OEP, 24-25, 33, 39-40, 54,
 118, 201
 Delegation Order No. 117, 233
 (*exhibit*)
 and exemption cases, 100, 102-104,
 114
 information activities, 148-149, 153,
 160
 inquiries to, 68 (*table*)
 investigations of violations, 118-119,
 121, 122 (*table*), 125, 166, 200
 OEP liaison with, 58-59, 68, 72, 196
 postfreeze program, 176-177, 182-186
 Investigation procedures, 39, 118-121
 Investment capital, 18
 Investment tax credit, 11-12

J

Jawboning, 4, 120, 169; *see also*
 Voluntary restraint
 Johnson, President Lyndon B., 4, 16
 Johnston, Douglas, 57*n*, 66, 147-148, 181
 Joint Board on Fuel Supply and Fuel
 Transport, 22
 Joint Economic Committee, 9
 Justice Department, 17, 58-59, 72, 118-
 120, 122 (*table*), 124, 139, 166, 178, 200

K

Knauer, Virginia H., 19*n*
 Kolb, Avery, 60
 Korean War, 1, 3, 13, 97, 169
 Kupperman, Robert H., 70-71

L

Labor Department, 45 (*table*), 66, 99
 Labor, organized, 27, 88, 124, 127-128,
 139, 144-145, 164, 167, 174, 193. *See*
also Unions, labor.
 Legal assistance, OEP, 49, 54, 69

Legislation, control, 10, 14-17, 74-75,
 117-121, 123
 Lending institutions, 18
 Leventhal, Harold, 139-140
 Lewis, Arnold, 120*n*,
 Lewis, Arnold C., 69, 183
 Lincoln, George A. *See also* Freeze;
 Office of Emergency
 Preparedness.
 background, 22
 Congressional briefing, 162
 and Cost of Living Council, iv,
 20-21, 24, 42, 57, 71, 74, 76-78, 96,
 100, 186, 198, 203
 crisis management, 22, 26, 28-29,
 33, 42, 53-54, 196
 exemption policy, 98
 and Executive Reservists, 42-43
 and freeze administration, 20-24,
 26-28, 42, 70, 202-203
 information policy, 146, 150-153,
 156, 158, 161, 197-198
 liaison role, 57, 77-78, 93, 120, 162,
 171
 operations management, 21-25, 30,
 36, 38-39, 42-43, 70, 74, 76-77
 postfreeze plans, 93-94, 168-169, 171,
 177-178, 183, 186-188
 report to President, 186
 and Regional Directors, 202
 responsibilities outside freeze, 26,
 29-30, 33, 40, 59
 and staff expansion, 28, 30, 36, 39,
 42-52
 tribute by President, 203
 Lindjord, Haakon, 35, 55-57, 198
 Litigation, 119-126, 122 (*tables*), 159

M

Manual for Regional Emergency
Operations—Economic Stabilization
Agency, 36
 Marshall, General George C., 22
 Mathematics and Computation
 Laboratory, 52
 McConachie, Charles R., 120
 McCracken, Paul W., 8, 19*n*, 20
 Meany, George, 128, 144, 164
 Media, communications, 27, 35, 55, 65,
 78, 118, 146-155, 164, 201
 Military wages, 86, 104, 131
 Mills, Robert, 61

INDEX

Mills, Wilbur D., 189
Minimum wages, 106-107
Money supply, 1*n*
Moral suasion, 4
Murray, Richard, 181

N

Nader, Ralph, 132
National Association of Manufacturers, 7, 144
National Association of Retail Druggists, 158
National Commission on Productivity, 6, 176
National Communications Network, 65
National Defense Executive Reserve, 42-43, 156
National Education Association, 90, 128-129
National Governors' Conference, 160
National Office, OEP, 55-58, 147-148
National Restaurant Association, 158
National Security Council, 30
Natural Disaster Operations Center, 61
Neeb, Louis, 57, 58*n*, 77, 181
Nelson, William E., 120*n*
New Economic Policy. *See also* Freeze;
Office of Emergency Preparedness
establishment vii-viii, 11-12, 143, 189
opposition to, 128, 193
program, 11-14, 117
New York Times, 124-125, 152
Nixon, President Richard M., 21, 27
administration economic problems, 1-8, 16-17
before Congress, 14, 169, 172, 200-201
freeze announcement, v, vii-viii, 8, 12, 15, 17, 24, 117, 143, 165, 189
Phase II plans, 114-116, 169-170, 172, 191
public addresses, 5-6, 9-10, 12, 14-15, 19, 114, 116, 143, 165, 189
standby authority, 6-7, 14-15, 17, 172-173
tribute to OEP, 203
Noncompliance, with freeze, 40, 89, 121, 124, 129-131
Norred, Christopher A., 97-98, 100, 115, 150, 181
Nuclear war, 21-23, 27, 188

O

O'Connell, J. Ray, 43, 51, 57*n*
OEP/IRS Transition Task Force, 183
Office of Civil Defense. *See* Defense Civil Preparedness Agency
Office of Congressional and Public Affairs, OEP. *See* Congressional and Public Affairs Office, OEP.
Office of Defense Resources, 30, 42
Office of Emergency Preparedness. *See also* Cost of Living Council; Freeze; Lincoln, George A.
administration, 21, 26-28, 40-42, 194-204
authority of, v, vii, 24, 42, 118-121
assessment of management, 194-204
delegation of functions, 24-25, 28-29, 40
detailed personnel, 33, 39-40, 41 (*chart*), 43-50, 45 (*table*), 47 (*table*), 55, 181, 185, 195-196
duties outside freeze, 26, 29-30, 33, 59, 195
and emergencies, 21-23, 28, 54
and freeze enforcement, 123-131.
See also Enforcement.
funding, 51
mission, 13, 21, 23-26
operating arm of CLC, 21-25, 42, 57, 147, 231 (*exhibit*)
organization charts, 31, 34, 41
postfreeze program, 92-95, 170-172, 177, 186-188
priorities, 32, 53
questions to, 27, 35, 68-73, 68 (*table*), 146, 155, 195
regions, 36-42, 37 (*map*), 41 (*chart*)
responsibilities, 23, 25, 30, 196, 202
security, 50-51
staff, 24, 26, 28, 35, 42-52, 97, 181
Office of Exceptions and Exemptions, OEP, 35, 66, 69, 97, 150
Office of Information and Analysis, OEP, 33, 34 (*chart*)
Office of Management and Budget, 20, 23, 43-44, 48, 51, 178, 196
Office of Resource Evaluation, OEP, 31 (*chart*), 33
Okun, Arthur, 18
Operations Center, OEP, 28, 34 (*chart*), 46, 60-61, 63, 69, 146-147, 184, 197

Operations Office, OEP, 32, 34 (*chart*),
58, 60, 66, 70-71, 73

P

Pattison, David J., 67, 147, 149, 159, 162
Pay Board, 49, 56, 92-94, 103, 114, 131,
174-176, 178-182, 187-188, 201

Pensions, 104

Perry, Spence W., 97, 181

Personnel problems, OEP, 47-50; *See*
also Detailed Personnel

Phase I suits, 126 (*tables*)

Phase II, 13, 19, 35, 93, 95, 103, 114, 116,
133, 142, 167-169, 188, 193

administration, 174-178

planning, OEP input, 170-172

problems, 180, 193

transition to, 178-186, 201-202

Pierce, Charles, 43

Policy and Guidance Liaison Office,
OEP, 35, 57, 93, 150, 181

Policy Questions Office, OEP, 33, 66, 76*n*

Polls, opinion, 143, 145, 163, 165

Postfreeze program, 19, 24-25, 67, 92-95,
114-116, 168-188, 201-202; *See also*

Phase II

Potential Court Cases, 59, 119, 122
(*table*)

President, 1-2, 6-7, 14-17, 96, 140. *See*
also Johnson, President Lyndon B.;
Nixon, President Richard M.

Presidential Proclamation 4074, 12*n*

Presidential statement on freeze, v,
vii-viii, 12-14, 19, 117, 143, 165, 189

President's Disaster Relief Fund, 30

Press Reception Room, OEP, 157

Press releases, 148-149, 151-154, 158, 166,
201

Preston, Edward F., 182-183

Price Commission, 49, 56, 92-94, 103,
108, 114, 133, 174-176, 178-182, 184,
187-188, 201

Price lists, 116, 124, 131-133, 133 (*table*),
141, 159, 166-167

Prices. *See also* Controls; Exemptions;
Freeze; Price lists; Violations

adjustment, 12, 82

automobile, 12, 82, 85, 192

base, 133

ceilings, 17-18, 80-83, 119, 132-133,
159

complaints of violations, 13, 38-40,

54, 101-102, 115, 118-121, 122
(*table*), 126, 133, 164

fluctuations, 82

fuel, 81-86, 134

guidelines, 10, 13, 17, 24

increases, 3, 5-6, 13, 16, 76, 81, 110,
125, 194

Phase II reporting, 173 (*table*)

policy, 75-76, 80-86, 109-114, 200

rollbacks, 10, 81, 133-134

stability, 2, 4-5, 172

steel, 112

Productive capacity, 1, 5

Productivity, 5-6

Profits, 17-19, 93, 144, 176

Public

hearings, 140

information, 25, 35, 39-40, 143,
145-159, 162-167, 200-201

inquiries, 38-40, 65-70, 68 (*table*),
162-167, 196

opinion, 27-28, 32, 115-116, 118

reaction, 70, 101-102, 143-145

support, 27, 117-118, 142-145, 158,
163-167, 200-201, 203

Public Information Officers, OEP

Regional, 148-150, 152-156

Public Law 92-15, 228 (*exhibit*)

Public utilities, 83, 86, 93, 107

Purchasing power, 3, 115

Q

Questions and Answers, OEP, 79, 152,
157-158, 160

Quindlen, Eugene, 32*n*, 60, 171*n*

R

Rationing, 6

Recession, 3-4

Recommended Court Cases, 85, 120

Reese, Leonard, 60

Regional Directors, OEP, 21, 36, 38,
43-44, 49, 59, 80, 202

exemption authority, 99-100, 102-103,
104 (*table*), 116

liaison with local officials, 159-160

postfreeze program, 177, 179, 184-185

problems, 73, 78, 94-95, 98, 116, 184,
196, 199

speaking program, 156-157

and violations, 119-120

INDEX

Regional Offices, OEP, 24-25, 35-42, 37
(*map*), 41 (*chart*)
duties, 38, 40, 44, 51-52, 147, 195-196
and exemptions, 99, 102-103, 108-
109, 115
guidance to, 60, 63, 78-79, 196-197
organization, 58-59, 64
postfreeze operations, 184-185
and press, 153-155
and public, 147-150, 155-157, 199
queries to, 68-70, 68 (*chart*), 148,
195-196

Regulations and Purchasing Review
Board, 6

Relief from the Freeze, 13, 76, 97-99,
111, 116

Rent Advisory Board, 176

Rents, 32-33, 149-151
exemptions, 99
freeze on, 26, 81-82, 91-92
increases, 81, 93-94
policy, 109-114, 176
violations, 127

Reporting system, OEP, 25, 60-61, 64,
70-73, 101-103, 123; *See also*
After-Action Reports

Resource Analysis Office, OEP, 33-35, 46

Retail sales, 192

Revenue sharing, 12

Robinson, Aubrey E., 139

Romney, George, 19*n*

Rumsfeld, Donald, 174, 179

S

Salaries. *See* Teachers' salaries; Wages.

Saunders, Edward R., 76, 78, 180

Seasonality rule, 82

Security, OEP, 50-51

Service and Compliance Administration,
IRS, 176

Service transactions, 84

Shultz, George P., 19*n*

Simmons, Thomas J., 56, 59

Skubal, Leonard A., 22-24, 171*n*

Small Business Administration, 99

Smith, Anthony A., 56

Smith, Preston, 128

Snead, Raymond, 120

Social Security, 104, 106

Solomon, Ezra, 191

Speakers' Bureau, OEP, 35, 147, 155-157

Spencer, Patricia, 58*n*, 187

Sports events admissions, 81, 135-138

Stabilization Program Guidelines, 33, 40,
65-66, 74, 78-80, 159, 198

Standby authority, 6-7, 14-15, 17, 172-173

Stans, Maurice H., 18, 19*n*, 168

State officials, 23, 27, 59, 78, 159-161

Steel prices, 112

Stein, Herbert, 5, 8, 168-169

Stock options, 88

Stockpiles, 30, 32

Surcharge, import, 11, 12*n*, 86

Systems Evaluation Division, OEP, 72

T

Taxes, 76, 92, 106
credit, 11-12
excess profits, 18
excise, 12, 86
laws, 11
state and local, 85

Teachers' salaries, 89-91, 94, 127-131,
141, 144, 162, 165

Telephones, use, 54, 58, 60-66, 70, 146

Teletypewriter Exchange Service
(TWX), 61, 62 (*chart*), 65

Television coverage, 151, 154, 201

Trade associations, 67, 101, 155, 157-159,
167

Trade deficit, 7

Transaction rule, 80-84, 87, 91

Transportation, Secretary of, 22

Treasury Department Order No. 150-75,
233 (*exhibit*)

Treasury, Secretary of, 39, 42, 204

Trent, Darrell M., 32-33, 51, 57-58, 70,
148-150, 160

Truppner, William C., 33, 171, 187

Tuition, 81, 84, 110

U

Unemployment, 1-5, 9, 193

Unions, labor, 5, 16. *See also* Labor,
organized.

United Press International, 153

UNIVAC terminals, 64; *See also*
Computers

U.S. Army Interagency Communications
Agency, 46, 52, 61

U.S. Army Strategic Communications
Command, 46, 65

U.S. Conference of Mayors, 160

U.S. Postal Service, 63, 65

V

Vietnam War, 1, 3-4
 Violations, freeze, 16-17, 38-40, 54, 76,
 99, 101, 118-127, 133-135, 166, 200
 Volcker, Paul A., 11
 Voluntary restraint, 4, 97, 173-174, 200,
 203

W

Wage-price Guideposts. *See* Incomes
 Policy; Voluntary Restraint
 Wage-price spiral, 5, 98
 Wages. *See also* Teachers' salaries.
 adjustment, 12, 131
 benefits, 104-107
 contracts, 87-88
 controls, 6-7, 9-10, 15-17, 74
 exemptions, 99
 freeze establishment, 17-18, 25-26,
 74, 86-87

guidelines, 4, 7, 10, 24
 increases, 5-6, 13, 81, 86-88, 104, 115,
 128-131
 Phase II reporting, 173 (*table*)
 policy, 1, 75, 82, 86-88

Walker, Charls E., 20
Wall Street Journal, 111, 152
 Water and sewer rates, 107-109, 115
 Weber, Arnold, 12, 19-20, 90, 120, 124,
 129, 132, 141, 174*n*.
 Weinberger, Caspar, 121
 Welfare, 12, 104, 106
 Wholesale Price Index, 135, 191, 192
 (*table*)
 Woodcock, Leonard, 164*n*
 World War II, 1-2, 97, 169

Y

Yoshpe, Harry B., x, 15*n*