Tapes' Insight on Nixon

They Indicate His Economic Thinking Is Heavily Weighted by Political Factors

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Economic Analysis

There's something for everybody in the newly released Presidential tapes—for politicians, political scientists, sports writers, the F.B.I., the C.I.A., H. R. Haldeman, John Mitchell, public relations experts, devotees and critics of the arts, Middle Americans and even economists. Never before have the mysteries of White House economic thinking and policy making been so marvelously disclosed.

On June 23, 1972, at about 10:20 A.M., Mr. Haldeman asked the President whether he had got the report that the British had floated the pound.

"No, I don't think so," said Mr. Nixon.

"They did," said Mr. Haldeman.

"That's devaluation?" asked the President.

"Yeah," said his chief side-de-camp. "Flanigan's got a report on it here."

"I don't care about it," said Mr. Nixon. "Nothing we can do about it."

Mr. Haldeman then tried to get the President to hold still for a run-down of the Flanigan report, but Mr. Nixon didn't want to hear it. Mr. Haldeman told him that Mr. Flanigan argued that the British float showed the wisdom of American refusal to consider convertibility until "we get a new monetary system."

The President said: "Good. I think he's right. It's too complicated for me to get into."

Mr. Haldeman, still determined to brief the President, told him, as the official transcript has it, that "Burns [Arthur F. Burns, chairman of the Federal Reserve Board) expects a 5-day per cent devaluation against the dollar." Almost certainly this meant that Dr. Burns expected a 5-to-8 per cent devaluation of the pound against the dollar. (The British pound, fixed at \$2.6057 by the Smithsonian agreement, Mr. Nixon's "most significant monetary agreement in the history of the world," is now down to \$2.38.)

Mr. Nixon said: "Yeah. O.K. Fine."

Mr. Haldeman, pressing to keep the President involved, said, "Burns is concerned about speculation about the lira."

But Mr. Nixon says, "Well, I don't give a (expletive de-

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leted) about the lira. (Unintelligible)."

The Prsidneet then asked how "the House guys" were reacting to some (unintelligible) development and Mr. Haldeare, they think it's a great — a great ah —."

"There ain't a vote in it," responded Mr. Nixon. "Only George Shultz [Secretary of the Treasury] and people like that think it's great (unintelligible). There's no votes in it, Bob." Thus the President ended the morning's economic discussion.

From this newly disclosed White House palimpsest, future economic historians will have as useful a key to the decipherment of Nixonomics as Egyptologists found in the Rosetta stone, which unlocked the door to ancient hieroglyphics.

Here are some preliminary findings from this latter-day Rosetta stone:

First, President Nixon apparently shrank from economics and disliked taking the time to hear the details of an economic issue. In that respect, there is nothing unique about him among Presidents.

John F. Kennedy, according to the evidence of his chairman of the Council of Economic Advisers, Walter W. Heller, and his unofficial adviser, Prof. Paul A. Samuelson, appears to have been somethingof an exception. President Kennedy was willing to listen at length to a learned professor.

Lyndon B. Johnson was more like Mr. Nixon in affecting little or no technical economic knowledge. President Johnson once reacted angrily to a reporter's question by snapping: "Keynes? Who's he? You got questions like that, you take it up with Gardner Ackley [Mr. Johnson's chief economic adviser]."

President Nixon, in the recorded episode, resists but does not completely turn off his brieferw. Mr. H aldema n, a briefer. Mr. Haldeman, a former advertising man, who does a quick and able job of giving Mr. Nixon the essence of the Flanigan implications for United States policy of the floating of the pound.

However, after buying the general line, Mr. Nixon says, "It's too complicated for me to get into."

Second. President Nixon reacts hyperpolitically to economic issues. "There ain't a vote in it," he says to Mr. Haldeman about Congressional reaction to some economic event — possibly Mr. Nixon's decision that week in June, 1972, to lift import quotas on meat for the rest of the year to check soaring meat prices.

Mr. Haldeman tells him "all our people . . . think it' sa great — a great ah —." But Mr. Nixon says only George Shultz and people like that" think it's great.

Mr. Nixon's lack of concern about the economic merits of an issue compared with its political consequences has been inferred before, most dramatically in the case of his dramatic swings from anti-controls to wage and price controls and back again. But he had never put his political economics explicitly, as in these tapes.

Third, Mr. Nixon could dramatically change policy without batting an eye. Approving the Flanigan report's conclusion that the downward float of the pound showed the wisdom of America's refusal to make the dollar convertible until "we get a new monetary system," the President merely says: "Good. I think he's right."

In the more long-winded punditry of higher journalism, "The Economist of London describes this Nixonian decision (in an article this week, "A World Without Nixon") in these terms:

"He has . . . extricated the United States from the intolerable burden of an overvalued fixed-rate dollar and thereby given America more freedom of action in the present worldwide economic crisis than it would otherwise have had. Neither of those decisions [the extrication from Vietnam is the other] could have been taken by anyone other than a President of intellectual courage."

Mr. Nixon's shift away from the Smithsonian effort to rescue the system of fixed exchange rates was indeed a necessary and radical change in the world monetary system, although it undercut Mr. Nixon's own inflated rhetoric about the Smithsonian agreement.

However, a floating-rate system has proved to be less stable and more inflationary than Mr. Nixon or his advisers had hoped. And it certainly has not liberated domestic economic policy from concerns about the international balance of payments.

Fourth, Mr. Nixon manifests a harsh nationalism in his international economic thinking. Speaking of the danger to the Italian lira that was (and is) worrying Dr. Burns, the President says, "I don't give a (expletive deleted) about the lira."

If this is a technical rather than a political judgment, the President could not have been more wrong. And if it is a political rather than a technical judgment, the Italians could scarcely have reason for greater annoyance and concern—nor could other members of the North Atlantic Treaty Organization or the Western European economic community.

On both counts, the Presidential comment on Italy reflects the over-all tone and substance of the Nixonian economic doctrine that emerged in mid-1971 to the effect that the major confrontations of the future would be in the economc arena among the five great powers — the United States, the European Economic Community, the Soviet Union, China and Japan.

As O. Edmund Clubb, former director of Chinese affairs in the State Department, puts it in the current issue of The Progressive, the Nixon "penmain elements: stress on economc competition rather than cooperation, treating erstwhile "friends" and "foes" alike as potential economic adversaries and bestowing "benign neglect" upon the underdeveloped countries (and some others). Toward Japan and the Common Market, the policy was neither benign nor neglectful in 1971-72 but "shocking." And the internal emotionalism was even rougher than the external rhetoric or actions.

This policy has left its effects, but lately th eenergy crisis and the threat to the world economy is swinging United States foreign economic policy back toward greater cooperation with the erstwhile "friends" in Western Europe and Japan, as well as greater concern about the developing countries.

Finally, there is a rather heavy anti-intellectual tone in Mr. Nixon's taped remarks. This is often directed toward the Treasury Secretary, Mr. Schultz—although Mr. Nixon also shows respect for intellectual ability. However, the resolution of these conflicting pulls appears to be more "Middle American" than anything like a golden mean.