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Runaway Inflation and Presidential Indecision

The paralyzing impact of the Watergate crisis on the Nixon administration has become dangerously clear in the on-again, off-again indecision over whether to tighten up the disastrous Phase III anti-inflation program, now once more under top-level review at the White House.

Time and again in the past five weeks, outside economic advisers have been instructed by presidential agents to prepare various estimates, both economic and political, on how to handle the worst inflation in this century. In each case, they were told at the last minute action would be delayed.

True, a decision for a new gas tax and tougher price controls, so often delayed by a distracted Mr. Nixon, could be announced at any moment. The appointment of the activist Melvin R. Laird as White House domestic chief clearly enhances the prospects for action. Bust even so, the valuable time already lost has eroded consumer confidence in Mr. Nixon and brought White House adviser John B. Connally nearly to the point of quitting.

So isolated has President Nixon become from the workaday business of the economy and his failing anti-inflation program that even the illustrious Dr. Arthur Burns, chairman of the Federal Reserve Board, has been unable to arrange a meeting between Mr. Nixon and Rep. Wilbur Mills.

Mills, chairman of the House Ways and Means Committee, finally took the floor of the House to lay out publicly what he normally would have given the President in confidence: a new anti-inflation program pegged to a price freeze.

Mr. Nixon's refusal to see Mills on the rising crisis of the economy is entirely consistent with other presidential omissions apparently forced on him by White House preoccupation with the Watergate scandal.

Thus, before leaving the country for his summit meeting in Iceland, Mr. Nixon gave his top economic advisers carte blanche to come up with a hard anti-inflation plan for the President's study—and presumed approval—when he returned. Included among the advisers was the President's new part-time consultant: John B. Connally.

With Herbert Stein, chairman of the Council of Economic Advisers presiding, this presidentially ordered meeting duly took place last Thursday. Sitting in for Secretary of the Treasury George Shultz was Deputy Secretary William E. Simon, the former Wall Street investment banker. Unlike laissez-faire Shultz, always a hater of price controls, Simon is an activist with a shrewd understanding of the politics as well as the economics of inflation.

But on returning from Iceland, Mr. Nixon once again did nothing—except to call another top-level meeting at the White House, this one last Monday Still unwilling to order a tightening-up of Phase III following the Monday meeting, the President ordered that yet another session be held Tuesday, with himself present.

At this writing Mr. Nixon's administration appears to be trapped in a stalemate making it impossible to break the vicious cycle of inflation. What makes this agonizing for political activists like Connally is irrefutable evidence that lack of voter confidence in Mr. Nixon today derives from inflation as much as Watergate.

Consumer pollster Albert Sindlinger, whose surveys are avidly studied in the White house Oval Office, recently reported to his clients that consumer confidence reached "recession levels" by the end of May—the first time it struck bottom in 19 months. The reason: inflation and the fear that Mr. Nixon was not doing enough to stop it.

The White House is well aware that Sindlinger's surveys, plus others, show that an overwhelming ratio of voters, up to 78 per cent, now insist on a return to some form of Phase I or Phase II anti-inflation controls program. Whatever the merits of economic conflicts between the Shultz-Stein team, and almost every other economic voice Mr. Nixon hears, the political case for immediate presidential action is beyond dispute.

More than any one else, Connally, the master politician, understands that fact. Yet, even Connally's vaunted persuasive talents seem humbled by the President's apparent inability to make up his mind. As a result, Connally is known to be deeply disillusioned.

Simon, Connally, Burns, Mills and a vast majority of both parties in Congress now hope a break may come. But so much time has been lost to the Watergate crisis that it may be too late to reverse the anti-Nixon consumer tide brought on by runaway inflation.