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# Assessing the Economic Toll of Watergate

Of the 13 most crucial Watergate transcripts released by the President, 12 covered conversations between Feb. 28 and April 27, 1973.

What was happening to the U.S. economy during the two-month period in which President Nixon learned of the cover-up from Dean, Haldeman, and Ehrlichman—and progressively got more involved in it himself?

The economy was falling on its (expletive deleted), with no firm hand on the controls. Some weeks earlier, in the flush of his election victory—and before Watergate threatened to engulf him—President Nixon abandoned the largely successful Phase II of the wage-price program for a weaker Phase III. Shortly thereafter, the dollar had to be devalued a second time, and the stock market began a long downward slide.

The rumors that President Nixon was in trouble helped to precipitate a worldwide monetary crisis. Reporters on the economic beat in Washington began to sense that key economic aides were having an increasingly difficult time getting the President's ear—but no one knew then how much time Mr. Nixon was spending with his henchmen trying to work out alternative "scenarios" to escape Watergate guilt. In mid-March, 1973—around the time that the President and Dean began their discussion of hush money for E. Howard Hunt—those concerned with the economy in Washington were trying to find a way to salvage the wage-price program. Phase III was bombing

out. Some of Nixon's advisers wanted a quick re-freeze of wages and prices to rectify the damage. But pre-occupied with Watergate, that freeze was delayed until June—when the President desperately needed a headline to take the sting out of Watergate. And needless to say, that action was a (expletive deleted) disaster that made things worse.

(We know now, as a matter of fact, that Treasury Secretary George Shultz resigned when the second freeze went into effect over his objections, then re-considered to help wind down controls.)

In a column on March 25, 1973, I wrote that "the gloom that envelops the stock market is based on a fear that the Nixon administration will fail to take dramatic action to break the price spiral... Treasury Secretary George Shultz is very much aware of the problem. He told reporters the other day that if anybody has any bright ideas, the administration would be happy to consider them."

But what becomes apparent is that the problem was not lack of ideas, but access to Nixon. The transcripts of March 22 and March 27 show a President not concerned with inflation, the dollar, or anything else of importance to the nation, but how to get Dean to write a report that would exculpate the President, and how to get Secretary of State William Rogers to "front" for a Dean proposal of a special Presidential Commission to investigate Watergate.

It was during this March-April period, as well, that the energy crisis began to cast a long shadow. On April, 1973, the President sent a message to Congress discussing the energy "challenge", a message that failed to recognize the international implications of the problem, and actually bypassed any serious effort to enforce energy conservation.

In retrospect, not much more could have been expected: John Ehrlichman, his top domestic honcho, was not spending his time worrying about energy, having taken over the main cover-up operation from John Dean. On April 14, Ehrlichman is concerned with persuading Rogers to go to Mitchell and say: "... the jig is up. And the President strongly feels that the only way this thing can end up being even a little net plus for the administration and the presidency and preserve some thread is for you to go in and voluntarily make a statement."

Officials like Shultz began to assure various audiences "that we are by no means immobilized in the area of economic policy." But these were empty words: the dollar was getting the (expletive deleted) kicked out of it in world markets, going through what the late French President Georges Pompidou labeled the "third devaluation," and the economy at home began to show signs of weakness.

The energy crisis deepened—but no one was put in charge of an effective

program until the Arabs surprised everyone with the twin tactics of embargo and price increases. Former Commerce Secretary Peter G. Peterson tried to sell the urgency of the oil crisis around mid-year, but he couldn't get anyone in Washington to listen.

There was the sense, by early May, 1973, that the Watergate scandal was a major element in the economic malaise at home and abroad, although it was difficult to prove then, and apologists such as William Safire would write that Nixon "can confidently take the attitude that 'this too shall pass.'"

Watergate generated a shaken faith in institutions that still prevails. Just a year ago, Federal Reserve Chairman Arthur Burns, at a George Washington University commencement address, attributed the "disquiet that so many Americans are experiencing" to the feeling "that their government lacks either the knowledge or the competence to make good on the promises that it holds out to the people."

The transcripts show—unhappily—how right Burns was. The Nixon administration—what's left of it—is desperately trying to save itself, and the economy is still in trouble. The dollar once again is tumbling on world markets, and a case of jitters about various financial institutions demonstrates that the public has an acute sense of "no confidence" in the government. The "disquiet" of which Burns spoke a year ago is likely to continue until Nixon is out of office.