

Your Money

Nixon's Dismal Economic Record

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NO MATTER HOW history ultimately judges President Nixon as a foreign policymaker or as a political leader, his place in U.S. economic history is already clear. The Nixon years will go into the books as the most disastrous of this century to date, with the possible exception of the catastrophic depression of the '30s.

Not ever has inflation raged with such violence and for so long as since Mr. Nixon entered the White House in 1969.

Not ever have interest rates skyrocketed to such devastating levels and with such minor constructive impact.

The stock market has been a disaster area during this Republican administration. Countless millions of investors have taken a bloodbath, and the only reason there hasn't been a panic is because they have been investors using and losing their own cash rather than speculators using borrowed money. The forced mergers, takeovers and bankruptcies among financial houses in recent years may be nothing compared to the cleanout that lies ahead.

Certainly, the shrunken Wall Street that will come out of this debacle will bear little resemblance to the booming Wall Street which danced at Mr. Nixon's first inaugural balls in 1969.

The bond markets have been a ravaged area too. Uncounted numbers of investors in these markets have also taken bloodbaths as interest rates on new securities have soared and thereby steadily depressed the prices of outstanding fixed-income securities sold to them with lower coupons in the past.

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THE BANKING SYSTEM is in a bind. The Federal Reserve Board has sent the banks an unmistakable warning: "Either stop making inflationary loans at this furious pace or sell the securities you own at such horrendous losses to get the loan funds, for the Federal Reserve will not supply you with the extra credit." If some banks take the losses they have, they'll be in terrible trouble; if some businesses can't get loans, they'll be in terrible trouble. This is shoving up a different sort of "credit crunch" than in 1966 or in 1970, but that doesn't make it any less frightening, any less eerie.

Housing is in a depression. With mortgage money so restricted and so expensive, it's hard to build houses or sell houses or buy houses. Yet, the construction workers are winning wage contracts that are terrifyingly inflationary.

The automobile industry is in dreadful shape, and while the auto giants keep raising prices, that's no guarantee the public will accept the prices and snatch up the cars.

Only over-all unemployment has been kept under control, but there's a real question about how long this will be so if the squeeze on credit really begins to work in earnest in today's exceedingly queasy economy.

What's more, if all the industrialized nations adopt strong anti-inflation policies without synchronizing them, the mounting talk of global depression won't be just chit-chat.

IT'S OBVIOUSLY ridiculous to blame it all on Mr. Nixon. There were many forces in the inflation explosion of 1973 beyond the control of this country.

Among those forces were: the bad weather, droughts and crop failures of 1972-73 which led to the food price spiral; the Arab boycott, spiraling energy prices and the grandiose entrance of the Arab nations into global politics, the awesome coincidence of booms around the world in 1973 superimposed on our own boom and the subsequent huge demands for our food and goods.

But there were also many forces the White House could have controlled. For instance, the administration shock-

ly underestimated the impact of our foreign sales of foodstuffs, most notably the sale of wheat to Russia; it also dreadfully misunderstood the impact of our successive de-

valuations of the dollar which vastly stimulated our agricultural exports; it even to this day has continued to pursue inflationary fiscal policies while paying lip service to anti-inflation policies.

Worst of all, there still is no leadership in the sphere of economics coming out of Washington nor is there any promise of leadership. Finger-shaking from weak second-or third-echelon administration spokesmen is hardly the same as leadership.

My fundamental optimism about my country cannot be killed, nor will I give up my deep belief in the theory that when nearly everybody else is bearish, it's time to become bullish. But I'll admit it publicly: it's getting awfully, awfully loney out here.