

Your Money

Watergate Role in Economic Mess

Sylvia Porter

HOW MUCH IS WATERGATE contributing to today's disturbing economic scenario of a superheated economic boom, a galloping rate of inflation, a sick stock market, a dollar again under speculative attack, spreading danger of recession in 1974?

You'll never be able to prove precisely how much, and comments blaming it all on Watergate are nonsense. But the psychology of this political crisis has undeniably now become a factor — so here are 5 basic points to guide you in your suspicions.

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MAJOR ECONOMIC POLICY decisions at the White House level have been and are being greatly modified or shelved. Pre-occupation with Watergate must play a part in this weakening of leadership.

As just one illustration, President Nixon's tightening of price controls early this month was little more than a gesture. All he has ordered is advance clearance of some price increases by companies with annual sales of more than \$250 million.

That's so modest that, even within the Administration, no one has bothered to claim any significant impact for the moves.

Whether Mr. Nixon would have taken more drastic action is not the issue. The fact is that this crucial policy decision was so undramatic it actually has had an adverse effect. And while you'll never know how much Watergate contributed to Mr. Nixon's failure to act as so many of us hoped he would, you can suspect.

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AS A RESULT of this lack of anti-inflation leadership from the White House, the Federal Reserve has assumed more of the burden of the inflation fight.

It is clamping down even more on credit, encouraging interest rates to rise even higher, and both policies are adding to the decline in stock prices and the threat of business recession.

The Federal Reserve is well aware that its latest

devalued twice in a short span; our inflation is bad but not nearly so bad as in many other leading nations.

The attack has to reflect a crisis of confidence arising out of Watergate and the fear that the President won't be able to lead.

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THE 1972-73 BUSINESS BOOM has been allowed to become so superheated and unsustainable that it cannot last, and it well may do more than slow down.

Indications are multiplying that economic trouble is starting to develop below the surface, and talk of recession is becoming much more open. It could be only a "Japanese

moves carry risks of future recession, and it certainly will try to avoid a repetition of the "credit crunch" that led to the first Nixon recession in 1969-70. But the danger is there. At the same time, high interest rates on bonds are draining money from the stock market.

Would the Central Bank be going this far in tightening credit had the White House acted more vigorously to curb inflation? You'll never be able to prove how much Watergate cut into the capacity of the White House to act — but you can suspect.

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OUT IN THE REAL WORLD, consumers and businessmen are spending at an unsustainable rate for goods, services, plants, equipment. But in the stock market, prices are fading, more in reflection of dwindling buying than heavy selling.

It's ridiculous to blame the stock market's prolonged slump on Watergate. This decline began long, long before Watergate entered the American language — in response to rising interest rates, persistent inflation, distortions caused by institutional investors, the individual investor's bloodbath in 1968-70 and subsequent decision to abandon Wall Street in massive numbers and other factors.

But the individual investor's confidence is being further undercut by the crisis, that's for sure. Until he regains confidence, he will not return to Wall Street on a large scale.

You'll never know how much Watergate is now helping Wall Street's declines to feed on declines, but you can guess.

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THE RENEWED ATTACK on the dollar and the upsurge in the price of gold in world markets must be attributed in major part to Watergate. Here the tie seems clear, and the danger of political upheaval in the U.S. obviously runs over into the economic sphere.

There is no economic monetary reason for another speculative attack on the dollar at this time. Our trade balance is improving, not worsening; our dollar has been

recession" — meaning a slower rate of rise in '74 than in '73; it could be a leveling-off with only moderate impact on paychecks and profits; it could be an actual downturn, the second recession of the Nixon tenure, and opinion is increasing that this is what it will be.

You'll never know how much Watergate has kept the Administration from acting in time to curb the boom, so that it wouldn't have reached this dangerously overheated stage, or how much the crisis is weakening Mr. Nixon's authority in the economic sphere. But you can suspect.

No matter where these guidelines take you, your suspicions will not be good news for this Nation.