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# Watergate Mess Stalls

THE WATERGATE mess, culminating now in President Nixon's refusal to turn over his tapes to the Ervin Committee or special prosecutor Archibald Cox, is still eroding public confidence in government.

Some argue that the day-by-day operations of the federal agencies continue unimpeded. That is only partially true: as many as 100 top policy-making federal jobs remain vacant as prominent business executives and professional men shun the invitation to join the Nixon administration.



An influential U.S. corporate leader told this correspondent the other day: "I am worried about what appears to be a near-cessation of government activity. There is no leadership, and something must be done to pull this country together."

But the specific problem of day-to-day governmental operations, as important as that is to people who need routine decisions, isn't the big one.

What troubles thoughtful people in the business community and elsewhere is that Presidential concentration on the Watergate problem has stalled policy decisions on the key issues of inflation, energy, food supplies and the U.S. role in a world in which it is no longer the dominant power.

The extravagant and dreadful misuse of American resources through the long years of war in Southeast

Asia crippled the dollar, and forced Nixon into two devaluations which not only shattered faith in the U.S., but have enabled the rest of the world to compete more successfully for American farm products. A cheap dollar also leads to foreign takeover of some American enterprises.

THE FOOD problem well illustrates the absence of a strong hand at the helm.

Serious academic studies, notably one by Lester R. Brown of the Over-

## *Economic Impact*

seas Development Council, point to the fact that food shortages are going to be a worldwide problem for a long time to come, because of rising incomes coinciding with only limited possibilities for expanding food areas under cultivation. Meanwhile, a decline in the global fish catch threatens another major source of protein.

But so far as I know, no one in the Nixon administration in any policy-making capacity is giving serious thought to this problem, or considering any multilateral approach. No one is concerned with what might be called the world food economy.

In fact, our responses to the food problem have been uniquely selfish and inward-looking, Nixon having resorted to export controls on soybeans and related products even though that dealt a serious blow to Japan.

The energy problem, brought about in part by bad planning and greed on

the part of the major oil producing companies was met initially with a degree of panic which inspired fear of immediate rationing.

But as a report by former Ambassador Peter G. Peterson to President Nixon spells out, there still is no international policy on energy, even though this nation "can not go it alone."

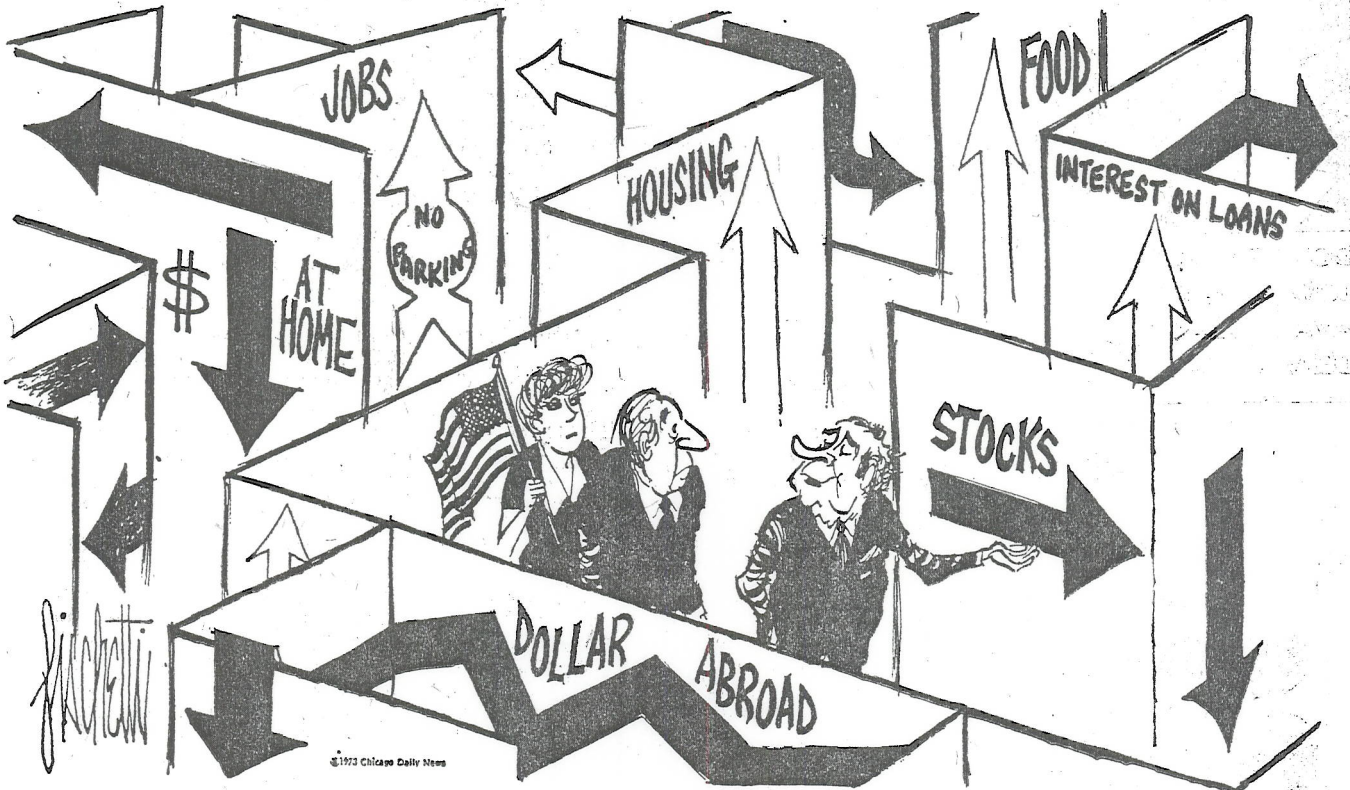
Peterson pointed out that failure to cooperate with Japan and Europe on the use of Mideast oil might result in "cannibalism," driving oil prices out of sight, adding some \$5 billion annually to the U.S. import bill.

But Washington isn't concentrating on an international approach to the energy problem. It is doing nothing significant to stimulate the production of smaller cars. Peterson, the strongest advocate of an integrated international economic policy that ties together our trade, monetary, energy and security problems is now out of government, and no one in Washington has yet picked up the ball.

ALL OF THESE problems, meanwhile, are worsened by the short-term outlook for the domestic economy. The most pressing worry at the moment is a tight money policy which threatens to produce a monetary "crunch" similar to that of 1969-70.

In the space of one month, average mortgage rates spurted an unprecedented 1 full percentage point to about 8.5 per cent. Responsible government and industry leaders predict that the rate in areas not controlled

## Key Policy Decisions



*—Just follow the arrows and we'll be out of here in no time'*

by usury laws will run to about 9.5 per cent shortly.

A top government money expert freely acknowledges that the prime lending rate of commercial banks, now 8.5 to 8.75 per cent, could hit 10 per cent. "I wouldn't be surprised by that," he says.

None of this leads to a conviction that the men at the top in Washington have things very well in hand.

The administration appears to be playing everything by ear, on a day-to-day basis, with little thought for the future.

In 1972, the Federal Reserve Board pursued an easy money policy, and the Agriculture Department promoted a policy of scarcity on the farms by keeping acreage out of production. Both policies having contributed mightily to inflation (and both trace-

able in part to political considerations), we have now shifted to a tight money policy, and a program to stimulate the production of food.

The average citizen can be forgiven if he wonders how long today's policies will last, and snickers at official assurances that all is well. Can we go on this way for another 3½ years?