



The High Cost of Kennedy's Low Steel Prices

William Poole

December 9, 2016

Ms. Noonan recounts President Kennedy's attack on U.S. Steel in 1962. She says, without apparent disapproval, that, "Attorney General Robert Kennedy . . . sent FBI agents to the homes and offices of steel executives." How can Ms. Noonan celebrate these cases of lawless and unbridled application of executive power?

Kennedy's actions in 1962 reflected an effort to enforce "voluntary" wage-price guidelines. In the years to come under President Lyndon Johnson, guidelines would fail, predictably, as inflation rose. In 1971, President Richard Nixon turned to mandatory wage-price controls. Ms. Noonan, how did that turn out?

Wage-price guidelines failed because they didn't address the fundamental cause of inflation—an excessively expansionary monetary policy. More Carrier deals will fail because they won't address the fundamental causes of slow economic growth—unfriendly tax and regulatory policies. Every physician knows that treating symptoms doesn't cure disease.

William Poole

Cato Institute

Washington

Mr. Poole retired as president and CEO of the Federal Reserve Bank of St. Louis in March 2008.