

Nixon's Error

<http://www.futureofcapitalism.com/2011/08/nixon-error>

Forty years ago today President Nixon closed the gold window and announced wage and price controls. The [New York Sun](#), [Lewis Lehrman](#) in the Wall Street Journal, [Amity Shlaes and Ilan Kolet](#) at the Bloomberg Echoes blog, the [Cato Institute](#), and the Web site [Nixon's Wage and Price Freeze](#) all have coverage. Mr. Lerhman mentions the tariff increases that were part of the move, but for the most part the focus in the press coverage is on monetary policy, gold, and inflation. I'd add two points. First, part of Nixon's move was to raise taxes. From his [speech](#) announcing the whole thing:

As a temporary measure, I am today imposing an additional tax of 10 percent on goods imported into the United States...It is an action to make certain that American products will not be at a disadvantage because of unfair exchange rates. When the unfair treatment is ended, the import tax will end as well. As a result of these actions, the product of American labor will be more competitive, and the unfair edge that some of our foreign competition has will be removed. This is a major reason why our trade balance has eroded over the past 15 years.

In other words, Nixon wasn't just wrong about the dollar; he was wrong about tax and trade, as well. And if the whole business about "unfair exchange rates" sounds familiar, well, [it should](#).

Second, Nixon announced the 90-day freeze with the words, "Let me emphasize two characteristics of this action: First, it is temporary....And second, while the wage-price freeze will be backed by Government sanctions, if necessary, it will not be accompanied by the establishment of a huge price control bureaucracy."

In the event, the wage and price controls lasted long past 90 days. Most of them weren't finally [removed](#) until April 1974, nearly three years after they were first imposed. And, whether the price control bureaucracy was "huge" or not, it did turn out to be large enough to employ both Richard Cheney and Donald Rumsfeld.

by Ira Stoll | Aug 15, 2011 at 12:57 pm

Related Topics: [Federal Reserve](#), [Regulation](#), [Taxes](#)

RECEIVE THE LATEST BY EMAIL: SUBSCRIBE TO THE FREE FUTUREOFCAPITALISM.COM [MAILING LIST](#)