

Contemporary Commentary on Forty Years After the Freeze

By William N. Walker

Looking back at Nixon's wage and price controls program from the perspective of forty years invites disbelief.

- Crude oil prices at less than \$5 per barrel? Yes, absolutely. Then when OPEC nearly trebled world crude oil prices in the last quarter of 1973, the resulting cost increases crippled the American economy.
- Double digit inflation? Yes again. Rates in the US were as bad as or worse than in developing countries. Single digit inflation didn't return until the Reagan administration a decade later.
- Shortages? Lines at gas stations stretched for miles. Red meat sections of supermarkets were bare.

The idea that businesses couldn't raise prices on anything without filling out a form and getting prior approval from a government agency in Washington DC would be hooted down in 2011, and not just by Tea Party advocates. Nixon's wage and price control program provides as clear a contrast as one can find between public acceptance of big, interventionist government programs forty years ago and today. There was still popular support for harnessing government resources to do big things forty years ago. Both EPA and OSHA were also started under Nixon – who was rightly considered a conservative in his time. The brutal battle over ObamaCare last year is only one illustration of how much the public today distrusts any new government initiatives – even ones aimed at achieving outcomes most people support, like improving access to health care. Government activism as a tool of public policy has been discredited.

Popular support has ebbed because of government misconduct over the years; corruption, cover ups, deceptions and the like have eroded public trust. But acceptance has also waned because so many government programs haven't worked. They haven't done what they said they would do – and often they've made things worse. Certainly Nixon's wage and price control program is a poster child for that particular set of shortcomings. It caused runaway inflation, rising interest rates, serious shortages and kicked off a decade of stagflation. It is not a legacy to be proud of.

As we debate the proper role of government in Congress and during the 2012 elections, it is useful to remember the consequences of Nixon's program. Nixon wanted to use government policy to fix the economy. He failed and looking back over forty years, we can survey the wreckage. Obama and the Democratic Party are now advocating using government policies to fix things they don't like: unemployment, healthcare, financial institutions, to name a few. The message from forty years ago is this: be very cautious. Government policy can cause serious harm with all the best of intentions. Just look at what happened to Nixon's wage and price control program.

