

I'd Push the Button

Address by

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lions annually, and the labor unions into which wage earners pitch some \$390 millions each year.

Here is what the editor I mentioned wanted to say and would have said had he not feared the danger of being honest:

We have \$135 billion of surplus purchase orders—"money" to most people. The exchange system cannot work in this condition of unbalance. Somehow this surplus money has to be sterilized, destroyed. We are living in an atmosphere of supposed wealth, when actually we are bankrupt.

One way to accomplish a balance between purchase orders and goods, would be for every American to work hard for one year for nothing. The goods in stock would then be equal to the purchase orders. The economic books would be in balance. We could go on to undreamed of heights of prosperity. Obviously, such a program would not be subscribed to. It would not be practicable.

Nevertheless, this end must be attained. Divide the working for nothing over a period of five years or even ten years. If we spread this program over a decade, it would mean that we would get paid 10% less each year than we produced. At the end of the period our books would be in balance.

Practically, this means that we must quit "printing money." It means that we must drop all controls except those which destroy fraud, violence and predation. *It means that wages must not be based on the cost of living, but based on what one's services will bring in a free market, and that these*

I'd Push the Button

IF there were a button on this rostrum, the pressing of which would release all wage and price controls instantaneously, I would put my finger on it and push!

This decision is not dictated by my having something to rent or something to sell on which I hope for higher prices. It is not dictated by any employers of mine. It is dictated by my long-run interest as a fixed income worker, as a consumer, and as one asking opportunity for children and grandchildren.

Here are my reasons for opposing wage and price controls* by government fiat. Ask yourself, as I did, the answers to these questions. If we act as citizens of other countries have acted isn't it likely that we shall be burdened by the same economic results? For instance, will not the specialized, mass-production economy, from which so many economic blessings flow, if subjected to controls, run down, wither up, gasp, and actually, literally die? In its stead will we not get a degenerated economy, one of the primitive, self-contained types, one with some carry-over embellishments of the mechanical era, no doubt, but one, nevertheless, quite like those which have damned most of the nations of this earth for the most of time when controls of one sort or another have prevailed? Is there any historical evidence which refutes the conclusions these questions imply?

If these questions and their suggested answers be realistic, can we not assume that this city of Detroit, the greatest mass production center of

* By "controls" I mean decisions concerning the production or transfer of values that are enforced by the direct or delegated coercion of government.

At this point Adam Smith comes to my rescue with an apt statement:

“The statesman who should attempt to direct private people in what manner they ought to employ their capitals, would not only load himself with a most unnecessary attention, but assume an authority which could safely be trusted to no council and senate whatever, and which would nowhere be so dangerous as in the hands of a man who had folly and presumption enough to fancy himself fit to exercise it.”

Summarizing, we find the supporters of rent controls contending in favor of these fallacies:

1. That renters, rich or poor, are entitled to protection against landlords, rich or poor, and that landlords should subsidize renters.
2. That were ceilings done away with, rents would go so high that renters would be removed to the streets while houses and apartments remained empty.
3. That those who now rent have a right to government protection against those who want to rent.
4. That those who contribute the least in the way of productive effort have some sort of a case against those who contribute more in the way of productive effort.
5. That success in rent control is measured by OPA rent schedules and that the present high prices for property are not a part of the general rent structure.

1. All would-be controls are not observed. There is a tenacity of the social fabric, based on tradition and habits of exchanging things among one another, that defies the economic goose-step.
2. Those who would exercise these dicta set prices by mishap at or near where they would be anyway, thus causing little hindrance and, of course, thus not controlling.
3. Controls are not as yet attempted on all segments of the economy.
4. We are still managing with old automobiles, with old plants and equipment, with old houses, with old shirts and suits.

And how does one explain the official Washington statements that production is at a new high for peacetime? Here is the answer:

1. Production, *per se*, is meaningless. Only production that is in tune with the needs and wants of the people is significant. Conceivably, we could have a hundred and fifty billion dollar national income resulting solely from liquor. Would this be something to brag about?

Last year we had the greatest wheat production in our history yet we have a shortage of wheat products for human consumption. Why? Because ceiling prices forced farmers to feed wheat to pigs and chickens. From 85 to 98% of the caloric value of wheat is lost in this kind of husbandry.

Many low priced and much needed items are not being made. They have been OPA'd off the market. In their stead are many high priced and luxury items. Unit-wise and dollar-wise these

economics and good sociology to let the rents go up because that is the only way, short of peremptory quartering of some on others, to get everybody housed. Incidentally, it is also the surest way to get new houses built.

If the housing built since 1939 and the 5% or more vacancies existing at that time be compared with the increase in population you will find that there is housing enough for everyone. As a matter of fact everyone is housed now except for an occasional stray who has not forced his or her way into another place. And this is in spite of the fact that multiple dwelling units are used less efficiently than ever before, due to the fact that landlords unable to raise rents are trying to reduce costs by reducing the number of occupants per dwelling unit.

4. If rent controls were removed, would not the poorest, instead of the less poor, be without housing or be impelled to accept more restricted quarters? Is this unjust? Why is it less unjust for the middle-income doctor to be out in the street than for the village clerk? Is being more productive really a good reason for being less well housed? In a voluntary, individualistic society, each man must be allowed to deal freely and in competition with every other man. This means that each man is entitled voluntarily to exchange what he produces for that which others produce. The one who gives the most to the community is entitled to get the most from the community. If what the community has to offer is houses, then those who want them are entitled to bid them away from each other if they can. Rent control substitutes special privilege on the basis of happenstance occupancy for economic justice.

wage and price controls, would you join in pressing it? Or, would you, like most other pseudo advocates of the free market say—"Yes sir, except rents!"

An economist, at least he calls himself one, was discussing this point recently. He said that he wanted all controls off except rents. I asked, "why?" "Because" said he, "I don't like landlords." The House of Representatives of the United States of America voted to share the same prejudice only week before last. On roll call our Congressmen voted 259 to 137 to allow producers and distributors current costs plus a reasonable profit. However, the proposal to put rents on cost plus a reasonable profit on the value of the property was defeated 108 to 79. Of course neither proposal is any business, whatever, of Congress, but these are cited to show the extent to which emotion has been substituted for reason in public and official thinking.

Rent control seems to be the last fort planned by the price controllers. It is admitted by them to be their strong point. It ought to follow, then, that if the idea for rent control can be demolished that the case for all other controls is lost. I will concede that if a case can be made for rent controls that a case can be made for controls on anything and everything. But I insist that if there is no case for rent controls that there is no case for *any* wage or price controls. So let's take on the argument for rent controls:

- I. First of all it should be recognized that rents today are lower in proportion to average income than at any time for which we have records. In effect, relative to most family incomes, rents have been reduced since the establishment of rent ceilings. Therefore, most people can afford to pay more rent than they paid and to rent a more expensive place than they occupied in 1942. One of the first things an individual or a family tries to do as his income rises is to move to better living quarters. Millions of

American individuals and families are today trying to do just that. This is the primary cause of the housing shortage. The shortage is directly due to rent control and inflation. It is due to a perversion of government, to an inordinate use of police force.

Don't think for a minute that the demand for rooms at the Book-Cadillac and the Waldorf-Astoria is to be accounted for by the increase in population. Current fiscal policy, that is, giving millions of citizens fiat money, while at the same time putting ceilings on room rentals, combine to draw people out of the hills and to change them from small space occupants to large space occupants.

As a matter of fact, the people of the United States have more square feet of housing per capita, more bedrooms, more bathrooms and more living rooms than the people of any other nation have ever had. Yet these other nations, with less housing, were not conscious of any such housing shortage as we today are experiencing except when they adopted similar rent controls during inflationary periods. Then they always brought on a housing shortage such as OPA is creating for us now.

2. The government's we-gotta-look-after-the-people argument assumes that renters are poor and that landlords are wealthy. There can be no other basis, whatever, for holding fixed the income of landlords (while their replacement and maintenance costs mount) in order to subsidize at landlord's expense the income of renters. I happen to know more well-to-do renters than I do well-to-do landlords.

Did you ever contemplate the dilemma of a bureaucrat who berates a

capitalist and holds out the hand of pity to him as a renter?

3. Let's drop the landlord vs. renter argument and take up the argument between those who rent and those who want to rent. Let's assume we have a situation in which there are one hundred houses and one hundred and one families. What is the fair way to distribute the one hundred houses among the one hundred and one families? Are we going to line up the folks in a row according to height and say that everyone can have a house except the last in line? That is about what the present "I got there first" situation amounts to. It might just as well be, as far as rationality or justice are concerned, the color of their eyes or the shape of their ankles. In a free society we know only one way to get a fair distribution of scarce items. That is to allow the one hundred and one families freely to compete as among themselves in bidding away from each other the right to occupy the houses.

It will be protested that this leaves the one with the least "ability to pay" out in the cold. That is no answer, however, because the supposed social problem is that someone has to be left out in the cold anyhow. If that is unjust for one family, it is just as unjust for the next family. Furthermore, when the price of something is high, the use of it tends to be economized. Look at diamonds, for example! Or fur coats! In housing this is tantamount to saying that someone who has to economize on housing will try to get others to share the rent expense by giving up some of his personal privacy and sharing quarters with someone else who is similarly situated.

In short, it would seem both good

look pretty good in any abstract evaluation of the national product. But the higher prices set upon them do not represent anything like a corresponding gain in value. Often they represent less in real worth.

2. The nation's population is more than 10% greater than it was in 1935—the beginning of the 1935-39 period that government officials are using as a basis for present comparisons—a period marked by its comparative economic insignificance.
3. Present production volume expressed in dollar terms is all but meaningless. Dollars are depreciating in value and will continue to do so if recent fiscal policies continue. What must have been the national income in Germany when it cost thirty million marks to buy a newspaper? Will we be pleased about our national income when it reaches one trillion dollars and when most people have less in goods and services than they have had in this century? The idea is not fantastic. It is exactly the position to which national policy is pointing us.
4. Perhaps the most important element accounting for present high dollar production is the monetizing of debt which results in "savings" and which for a brief period creates a false market, always the preface to disaster.
5. Actually, our physical volume of production today is about 9% less than in November 1941. And our dollars of national income are up 43%. Can anyone with economic sense fail to read the real significance into this distortion?

If the aforementioned button were on this rostrum, the pressing of which would release all

5. Why are many houses selling for double their prewar prices? There are two reasons. Rent ceilings create a demand in excess of the supply. Ceiling rents are not as enticing to landlords as selling the shanty at twice its prewar price. Therefore, would-be renters buy houses at high prices. These purchases of houses at high prices are simply rents in another form. Rent ceilings are being raised under another name, that's all.

Price controllers would answer at this point, "Yes, that's right, but let us put ceiling prices on the sale of houses." This, I call to your attention, is the logical collectivist answer to wage and price controls. Go down that road and there is no stopping until everything is controlled, including your wage, how long you work and where you work and what you eat. If every problem of oversupply or undersupply created by government interference with prices is to be dealt with by new extensions of government authority, the trend toward authoritarianism cannot stop short of the slave state.

6. There comes, finally, the assumption that there is some bureaucrat who, without personal responsibility for his decisions, or experience in these matters, has the capacity to see into the millions of minds and to know everything they would do under every possible combination of economic provocations and deterrents. This is tantamount to saying that there are human mortals graced with an omniscient wisdom, that they can proclaim with certainty that a thirty per cent rise in rent ceilings would result in the building of X number of new houses and that a thirty-one per cent rise would not result in a single additional house.

Numerical Integrator and Computer. In it are 18,000 tubes. At its first demonstration, it made a computation in two hours that would have required at least 200,000 man-hours of work by expert mathematicians. Here is a thing that is really automatic.

Now, let us try to bring the automatic parts of this electronic machine under man control. Let us station an expert mathematician at each place where an electrical impulse does a job, and instruct him to control the function, that is, to do the job himself. Would it get done in two hours? No! It would require at least 200,000 man-hours, and much more than that if the automatic operations were confusing to the experts.

The free market, that is, the free pricing system, works automatically. How complex is it? So complex that no man on this earth has the capabilities to enforce a price for one day on one simple item without causing more harm than good. If you doubt this, apply the project to yourself and see what answer you get. Free, automatic pricing is simple? It only involves all the goods and services produced in the world, multiplied by all the desires existing in the world, multiplied by all the competition for the effective purchasing power in the world. The electronic computer is simple compared to this.

Station a man at every one of the millions of posts where supply and demand impulses occur and instruct him to substitute his personal judgment for these impersonal automatic processes, and what will you have? Not merely the hideous inefficiency of individual barter. You will have this confounded by centralized, bureaucratic decision, with the individualistic aspect removed. Cops and councils, police forces and committees, will have substituted clumsy barter for efficient and fast-working commerce.

It is reasonable to inquire how one who believes as I do, accounts for the fact that our economy is not already in total ruin. There are several explanations.

6. That there are persons who, if invested with the police powers of government, are so omniscient that they can render personal judgments superior to the impersonal decisions of a free and automatic market.

One more observation on the efficacy of rent controls. Our housing problem is now in such a mess that we are told the only way to solve it is to restrict business construction. Food, clothing, fuel, luxuries and shelter are only results of efficient business operations. We are proposing to kill the goose that lays the golden eggs in order that we may have more golden eggs. And the persons who indulge themselves in this kind of economic abracadabra are those who, according to their own admission, are competent to rule the details of our daily lives.

As earlier suggested, I have dealt with rent control because it is the idea most difficult to demolish. All other controls, taken on one by one, would fall by the wayside more easily. The issue is, a controlled system or a free economy.

But, what to do? This question reminds me of an experience in War I. The chap ahead of me in medical line responded to the Doc's "Well, what's the matter with you?" with this one:—"Doc, I have a bad cigarette cough. What should I do about it?" The obvious response was made,—“Stop smoking cigarettes you dope and get the hell out of here.” Such an answer was all right for the Doc to make because he had no dependence on the dopey chap; but that kind of an answer, unfortunately, is hardly available to us, for in this case you and I are all tangled up in this mess ourselves and are very much dependent on what others do.

The equivalent of “stop smoking cigarettes” would be—“Stop putting bogus money into the economic bloodstream by using the printing press or its equivalent. Stop wage and price controls. Stop buying group favoritism with subsidies. Stop damming up the free market in commodities and labor.”

all history, will, in time, become another Athens, different primarily in the type of antiquated art tourists will come to see? Or, as an alternative possibility, may it not liken itself to most European cities—a haven for bureaucrats? The reason for the answers I get to these questions is that I do not believe automobiles will or can be produced under controls. They cannot be produced, except for the carry-over energy and machinery of the past, any more than automobiles were produced prewar by Germany, France, Italy, Russia or Japan.

Automobiles and other items of large-scale production cannot be mass produced except in a free market. Of course a market is not a market unless it be free. In the absence of a market there can be nothing but a bureaucratic barter system in which such exchange as there is, is determined by politics and favoritism. This latter system is what the American people are being asked to accept in the place of a market economy. And many must embrace the idea for I am told the subject is controversial.

Why, for instance, hasn't Russia mass produced good automobiles? Is it because the Russian people do not want them? I have noticed, when they come to this country, how their eyes sparkle when they entertain as much as the hope of having one. Is it because Russia is short of natural resources? She has more than we do. Is it because the land of the Soviets is lacking in fertile soils and friendly climates? She has these in abundance. Is it because she has no mass market? Actually, yes! But the lack of a market is due to the poverty imposed on her millions, not to any shortage of millions. There are more there than here. Is it because the people are indolent, lazy and without potential competence? They do as well in America as persons from any other country.

The answer to these questions is the same as it is to the question—"Why has Russia only one-sixth the standard of living of America?" That answer is, Russian citizens live under controls. Individual energies are not released. Decisions

models of managed economies on exhibit and determine if there is any one of them you want. On exhibit are Russia, Germany, Japan, France and even England. And don't fail to look in the mirror and observe what it reveals.

The other way is what we have termed the American way. It is the way of economic liberty, of individualism and of voluntary action. Because of the extent to which we have sinned against this way, it cannot be ours to have without paying a high price for re-admission. The road is narrow and hard and calls for all the virtues known to man, for such is the price of realizing our birthright, freedom.

My conclusion has to do with the most important point of all—intellectual honesty, and by that I mean the accurate reflection of one's best judgment. No person is capable of rising above his best judgment. Therefore, the best foot he can put forward, the best public relations program he can adopt for himself, is to state honestly and accurately what he, personally, believes to be right. In no other way will our national policy be determined by our best minds.

To illustrate: Recently I was discussing our economic problems with one of the nation's distinguished editors. He sees things clearly. The journal over which he presides is owned and published by one of our leading business organizations. He said to me—"someone, sometime, must write the truth about our economic dilemma—must explain the only real way out of it." "Why don't you do it?" asked I. His reply—"Our organization would be pilloried and ruined."

This man, like so many, thinks it is dangerous to be honest. He further thinks his damned organization is more important than his own honesty. Really, it is not important that his organization be popular. It is not even important that it survive. It is only important that it be right. I would gladly offer on the altar of national salvation all the trade and commerce organizations into which business pours some \$130 mil-

wages will buy only what a free market price for commodities will permit.

This, contrary to what most persons think, does not really mean sacrifice. It means sacrifice relative only to false conceptions of our present status. It means opening up the road to opportunity once again.

These are the words my editor friend wanted to write. These are the words that all thinking Americans who are lovers of liberty want to speak. Yet they still their pens and hold their tongues because they fear these words might not be popular. And why should you or I be popular? And is it, actually, dangerous to be honest? And, if it were, for what greater purpose than individual liberty could we face danger?

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