

NSM, October 27, 1946

Good Morning, Friends:

<sup>to off</sup>  
The key word ~~of~~ <sup>today</sup> action in Washington now is decontrol. Caught in  
~~a control box by the meat shortage and other controls that were breaking~~  
~~down in enforcement only a short while before a national congressional~~  
~~election.~~ President Truman set the pattern for decontrol when he lifted all  
controls from meat. He not only set the pattern but directed that this course  
be pursued so one after <sup>an</sup> ~~the~~ other, ~~or good many more after each,~~ controls  
<sup>are being</sup>  
have been rapidly lifted. For instance, control was lifted Friday on bread  
products. When the severe wheat shortage developed, the Department of  
Agriculture directed bakers to cut the size of rolls and loaves ten percent.  
The order also prohibited bakers from baking certain particular varieties of  
rolls and bread in order to use less scarce wheat.

With a bumper wheat crop, however, in the elevators and bins of <sup>gr</sup>  
the country, price control on grain was lifted several months ago. Now,  
with the <sup>lifted</sup> ban on size and variety of rolls and loaves that can be manufactured,  
all controls are now off bread. This not only presages a return to the  
normal size loaf but very likely means an increase in the price of a loaf  
of bread to the consumer.

This is only one of the many controls that has been thrown over-  
board within the last two weeks. This mass lifting of prices has resulted in  
<sup>moderately</sup> rising food costs generally ~~speaking~~ but it has also resulted in a lowering  
of some prices, for instance, ~~on~~ poultry. The scarcity of beef and pork had  
caused an unnatural demand for poultry which had pushed poultry high, but when



control on meat was abandoned and farmers began to rush their beef and pork to the market, red meat hungry consumers began to buy less poultry, therefore, poultry prices tumbled down.

*In this connection,*

~~Incidentally~~, an analysis of reports from the country's leading stock yards show that over one million cattle and hogs were rushed to the market during the first eight days after the lifting of ~~meat~~ <sup>price on meat.</sup> controls. This is just about the same number of cattle and hogs that were sent to the market during the entire six weeks period <sup>immediately</sup> prior to the lifting of controls. The <sup>is</sup> very bulk of live stock going to the market <sup>in so short a period</sup> ~~now~~ has held prices below what they would have been had there been a more orderly marketing.

Still emphasizing its policy of decontrol, the Administration disclosed during the week that wartime controls on charge accounts and installment buying may soon be removed. That the country is sick and tired of controls, there can be little doubt; but there can be no less doubt that Congress and the Administration itself are sick and tired of controls. Some people have seemed to think that controls were imposed because the government in Washington simply wanted to control the lives and actions of the people. That was definitely not the case. <sup>nothing</sup> Economic controls were an essential part of

*victory in*  
~~the~~ war. Let it not be forgotten that we were engaged in a total war -- a war fought not only by men on the firing line and pilots <sup>by</sup> ~~and~~ <sup>in</sup> zooming fighters and roaring bombers, but ~~a war fought~~ by entire national economies in which every energy of the nation possible was turned from purposes of peace and normalcy to the all embracing national purpose of victory. <sup>this resulted</sup> Of course the



sensible thing would have been to establish rigid controls immediately at the outbreak of war, controls on not only prices but upon wages, rents, commissions, fees, charges for services; in other words, it would have been the sensible thing at the outset to clamp the lid on every economic activity where it was and hold it there. This, however, was not done and before price controls were imposed generally, a piecemeal effort was made which resulted only in holding a few prices while everything else went helter-skelter.

Even so, the inadequate price control <sup>which we had</sup> followed by the United States saved the country many, many, many billions of dollars in war costs and may have saved the economy of the country.

Perhaps not enough people realize how completely our whole economic system rests upon confidence. That is, confidence of the people in the soundness <sup>the</sup> of the system, <sup>+ condition</sup> and not only in the system but also in the conditions of the economy. For instance, there are very few <sup>if any</sup> banks in the United States that hold enough money in their vaults to pay off their depositors if all the depositors should suddenly ask for their money. Indeed, the whole principle of banking is that the bank receives ~~fr~~ deposits from various people for safe keeping and for convenience while the bank in turn uses the money deposited with them for the purpose of making loans to other people, buying bonds, and otherwise making investments for the purpose of making money for the bank with the money deposited in the bank.

A few nights ago I heard a banker say that before the insurance of bank deposits, he had turned the corner to go to his bank many a morning



with his heart in his mouth fearing that a line of people would be standing at the door which would indicate that a run on the bank had started. This particular ~~banker~~ banker reportedly had one of the soundest banks in his part of the country but he readily admitted that a run on his bank, like many a bank during the depression, would have closed his doors. That was true of nearly all banks; in fact, it is true of nearly all banks now. The fact that the bank could not pay off the depositors forthwith does not mean that the bank is insolvent at all; it might prove quite solvent. Indeed, many of the banks which were closed by panicky runs during the depression have paid out and if their assets could have held until now, the institutions could have been not only solvent but very strong.

We never hear of a run on a bank now. Why is that? It is because that bank deposits are insured and depositors have confidence that their savings are secure. Well, is this insurance any good? What's back of it? A sizable fund is stored up in the federal depositors insurance corporation but it would not last long if people started making runs on all the banks demanding their deposits in cash. This small fund isn't the thing that really makes it work. It is the confidence the people have in their government. The bank depositors are insured by the government and that's that. ~~Then~~ *people* do not fear losses. So you see, the banking system in all of its phases depends upon the confidence of the people. ~~There~~ There just is not enough money in the United States to pay all of the depositors in the United States. Indeed, the bulk of our monetary transactions is done by check and not by



money. But suppose all the depositors in the country demanded money and got money. What would they have? Again they would have <sup>but</sup> a title to a portion of <sup>the</sup> ~~country's economy~~ <sup>country's economy</sup>. ~~government security~~. In other words, what is the difference in a one dollar bill and a ten dollar bill or a thousand dollar bill? Only a little difference in the printing and perhaps a small variation in the texture of paper. <sup>the cost of printing is the same</sup> No matter what the denomination of the paper dollar, it depends upon the confidence of the people in the soundness of the nation's economy for its value.

We have a lot of gold buried in the hills of Kentucky, but by no means enough to redeem the paper currency in circulation. ~~So it is~~ ~~friends~~ that our system of economy is based upon confidence. Once that confidence is ~~in~~ shaken, the country is in peril and in a war emergency with abnormal demands and abnormal economic pressure and scarcities, the country could not undergo the risk of having itself destroyed which surely did ~~not~~ happen to other countries, China for a notable example.

rationing  
So price control, ~~rationing~~, allocation and priorities were imposed out of wartime necessity and not out of any <sup>temptation</sup> desire by ambitious bureaucrats to throttle the people; but with the ending of war came a chafing <sup>at</sup> the bits -- a chafing of the bits by those who wanted to make <sup>steps</sup> bigger profits, by those who wanted to buy more of what they desired and by the people generally who have a deep love for the maximum amount of liberty ~~and~~ and ~~do~~ detest governmental interference <sup>in</sup> their everyday lives. <sup>a healthy action of</sup> ~~So the rapid~~ <sup>brings satisfaction to the public.</sup>

But just to show that self-interest is the basis for ~~ex~~ most of



our actions and attitudes, the burley tobacco growers of the United States voted in referendum during the week overwhelmingly for continuation of production control on burley tobacco. In fact, about 95% voted for continuation of the controls. Why do I say this shows that self interest dominates? Because it is obvious to the interest of tobacco growers to continue the controls. It is in their interest because without controls they produce more than they can sell at reasonable prices.