THERE HAS BEEN a wealth of historical experience with price controls. In fact, a recent archaeological discovery reveals that the oldest known laws in the world were price control laws — 3,800 years ago in ancient Babylonia.

One of the best summaries of historical experience with price controls is easily accessible to governmental officials and others. In 1922, Mary G. Lacy, Librarian of the government's Bureau of Agricultural Economics, addressed the Agricultural History Society under the title: "Food Control During Forty-six Centuries." She pointed out how her search of history over this entire period revealed repeated attempts in many nations to curb by law the inflationary rises of price. She said:

> "The results have been astonishingly uniform. . . . The history of government limitation of price seems to teach one clear lesson: That in attempting to ease the burdens of the people in a time of high prices by artificially setting a limit to them, the people are not relieved but only exchange one set of ills for another which is greater. . . . The man, or class of men, who controls the supply of essential foods is in possession of supreme power. . . . They had to exercise this control in order to hold supreme power, because all the people need food and it is the only commodity of which this is true."

OUR SHORT MEMORIES

BUT WE NEED not go so far back into history, and to a foreign land, for evidence. Five short years ago we were experiencing some of the vivid consequences of these controls in the form of the "meat famine." It was not a true shortage of meat at all. The trouble was that controls were preventing its exchange, all along the lines of trade from producer to consumer. This was only one small sample of the consequences of those wartime controls. How short are our memories?

FREE PRICE IS ECONOMIC GOVERNOR

SOME MAY BE tempted to ignore this long history of failure of price controls on grounds that "conditions are now different." Then they evidently do not understand the reasons why price controls must always fail. These reasons are perhaps the best test of whether they are likely to fail of their avowed purpose this time.

It is impossible to consume something that has not been produced, and it is foolish to produce something that is not going to be consumed — to throw it away, or let it rot. It follows, then, that a balance between what is produced and what is consumed is the most desirable condition — if, in fact, it is not economically imperative to have this balance. How is this balance of "supply" and "demand" to be attained?

Under a condition of price freedom, those who produce and those who consume will resolve this problem peacefully. The means by which they do it can best be visualized by the use of a chart, simplified for purposes of illustration. The details, shown here as equal changes in price and quantities, differ from one product or service to another and change with passing time. But despite these differences, the principles we shall derive apply to each product; and they apply whether the price is controlled directly by government or by any other form of monopoly.