

new system works the public need not be concerned with the failure of the old checks and balances assumed to operate in the competitive market. The wise course for Government to follow, it is suggested, is to support movements for rise of countervailing power, as it did for labor through the National Labor Relations Act, or to aid those areas of the economy where countervailing power has not arisen, as it has done for agriculture.

Although countervailing power may be protection for the public, both critics and proponents of the idea have noted that it may not always exist or may not be operative. Large organizations of buyers and sellers may collaborate with each other and pass the cost to the consumer or freeze out competitors; many organizations are either not faced with opposing organizations of power or are faced with opposing organizations with too little strength to resist; in some industries vertical integration has extended the power of organizations all the way from the producer to the consumer. Yet the chief limitation on the protection of countervailing power is that noted by the original proponent of the idea. It is that in times when demand is high and relatively inflexible, buyers find little cause to resist the cost-push pressure of sellers. It becomes easier to accept the increased cost and pass it along. Even the will of the managers of industry to resist the demands of labor is weakened. Labor-management agreements become inflationary because there is no countervailing power in consumers. In other words, cost-push of labor, the market power of industry, and the demand pull of buyers all contribute to upward movement of prices. It may be added that even the first two of these may sometimes, without demand sufficient to induce full use of capacity, lead to sectoral inflation. It is not likely, therefore, that policymakers will accept countervailing power as sufficient in itself to protect the public interest.

Still another argument is that of freedom of enterprise. This argument is often presented as a denial of the existence of effective market power. In this form, it is an argument that organizations cannot on a sustained basis exact an excess above what a free market will allow. Critics would answer that this is not true, or that even if it were true the power to exert temporary control or influence could set in motion a chain of inflationary forces. The argument for freedom of enterprise is also presented as a claim that, whatever may be the adverse effects of private market power, these cannot be as bad as the effects of public power exerted through legislatures and administrators. Presented in this way the issue appears to be between those who trust private power and those who trust public power. Many, however, will be interested in searching for ways by which public power may be exerted to avoid excessive uses of private power without leading into the main dangers in use of public power. This desire will lead to consideration of other approaches in policy.

DEMAND CONTROLS

A second line of approach is through controls over demand, chiefly through monetary and fiscal measures.

The reason for support for this policy is that management of monetary and fiscal measures may dampen demand pressures and thus prevent sellers from obtaining price increases. But such measures are most effective for the highly competitive sectors of the economy and