cratic Government fill the gap or attempt to fill it through fiscal and monetary devices, however drastic and hazardous as to their foreseeable side effects. Of these harmful consequences, inflation, impairment of private enterprise, and loss of operational flexibility are outstanding.

There is much in evidence today (and strong in influence at policymaking centers) a cult of economic magicians, who claim that fiscal and monetary action alone can, in any time of business sluggishness, so stimulate the private economy that a desired rate of acceleration will be induced. They regard this response as bankably certain. Tax abatement or enlarged Government spending, they argue, can be undertaken in magnitudes great enough to insure effectiveness, with confidence that prompt growth in the volume of national production, multiplication of jobs, fattening of profits, and easing of credit will preclude a budget deficit and indeed create a Treasury surplus as well as a rise in the level of general consumption.

This consummation, so devoutly to be wished, entails also, in that philosophy, an upward spiral of continuing national economic progress, but seems to me to rest on oversimplified assumptions about the fundamental nature of free enterprise, business motivation, consumer behavior, and collective wage bargaining. In an article several years ago, I attempted to portray the difference in two major schools of economic thought among businessmen as well as economists in these terms:[1]

> The divergence of views concerning goals espoused in the Employment Act (and means of reaching them) grows out of two basic concepts of the nature of our enterprise economy. One may be called the filling station philosophy; it is concerned primarily with a fuel supply poured in from the outside. The other may be called the service shop approach; it is concerned primarily with optimum adjustment of the working parts internal to the machine.
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> The filling station approach is external to the policy and action of individuals, of firms and organized groups, and even of Government except in its fiscal role. It is concerned with aggregate magnitudes on both the supply and demand side of the labor market—total labor force and total job offerings. It conceives our economy as an integrated mechanism having a rated productive capacity expressed in numerical manpower comparable to the horsepower of a machine. If output falls below theoretical capacity, the sovereign remedy is to "turn on more juice" in the form of total monetary demand * * *.
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> In contrast to the filling station approach, that puts all or most of its policy eggs in one statistical basket, the service shop approach does not start from a unique theory of cause and cure (or even an attribution of categorical dominance to any one line of causation). The policymaker proceeds to make comprehensive diagnostic studies of the economy to discover any possible source of low performance or a combination of many small maladjustments or functional derangements. His objective is to see what small or local lapses from maximum or optimum use of labor power add up to enough unemployment to become a cause of general concern and the initiation of public action. This approach centers its diagnostic techniques and remedial prescriptions on matters internal to the business process such as income incentives and purchasing power of households, firms, and communities—the modernized refinement of Say's law. Like medical therapy, its prime concern is to locate organic flaws or functional derangements (physical, chemical, biological, or psychosomatic) which are responsible for dibility, pain, or malfunctioning. For these the physician seeks specific remedy though he finds the temporary stimulation of alcohol, adrenalin, or benzedrine pills useful on occasion. * * * It is obvious that the two philosophies are not mutually exclusive, but the difference in emphasis is so great as to amount to a difference in kind when it comes to sharp issues of employment policy, or, more broadly, economic stabilization policies.

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[1] "Defining Our Employment Goal Under the 1946 Act," Review of Economics and Statistics, May 1956, p. 195.