Many words have been devoted to the general question of whether monopoly or competition is more conducive to economic growth. Much of this discussion has been illuminating, not because it has answered that question, but because it has demonstrated that it is unanswerable as stated. Everything depends on what kinds of monopoly or competition one has in mind, and where. To illustrate the latter, monopoly is probably a prime obstacle to economic progress in many underdeveloped countries of the world today—market power in the hands of entrenched, protected, quasi-feudal and entirely unaggressive, unprogressive, and unenterprising propertied classes. On the other hand, monopoly power was probably an important contributor to economic growth in late 19th century Japan and Germany; there monopoly power enjoyed by an emerging entrepreneurial class, intent on borrowing the best of foreign technology or developing and applying its own, probably conduced to higher levels of saving, capital formation and research than would have been achieved under more purely competitive conditions.

In the same way, the limitations on competition that give a successful innovator some protection against immediate imitation and deprivation of the fruits of his efforts, the prospect of temporary monopoly profits that result from successful, risk-taking innovations, and the business size, integration, and financial resources necessary for the conduct of continuing, longrun research efforts—all these elements and kinds of monopoly are, within limits, doubtless necessary for progress in the American economy today. But, it is equally true, the monopoly power that results from collusion and combination, from private or governmental restrictions imposed on competition, the market power that arises or is exerted precisely to ward off the profit- or wage-depressing effects of technological progress itself or of the entry of new, lower cost supplies, can only be obstructive of economic progress.

It is unnecessary to try to answer the general, and in my opinion meaningless, question of whether monopoly or competition is more conducive to economic progress in order to recognize that the cause of progress is not served by an industry that reacts to declining demand or to intensified competition from lower cost suppliers by raising or even just maintaining its prices, reducing break-even points, or seeking tariff protection. The same observations obviously apply also to unions that push up wages in the face of mounting unemployment. or pose unreasonable obstacles to the introduction of technological improvements. Economic growth in these circumstances requires instead more intensified competitive pressures and efforts, reductions in prices and unit wage costs rather than increases.

It is at this point that the obstacles posed by monopoly to the processes of economic expansion merge with the problem of market power inflation. Growth requires cost-reducing innovation and a passing on of some of those savings in lower prices to consumers. So does overall price level stability. If instead the benefits of above-average productivity advances are eaten up by wages and profits in the industries experiencing those advances, it is highly likely that the average price level will rise, and that a drag will be exerted on economic growth. Prices in the rapidly progressing lines remaining constant, there is no reason for consumers to buy more of their product; therefore labor will inevitably be displaced by the technological progress. Since the wages of the displaced workers have in effect been taken over in higher profits, rents and wages of the laborers that remain employed, the technological advance is not covered into the expanded purchasing power that would be required to absorb those workers in alternative employment.

Wages in other industries are unlikely to fall under pressure of these additional workers seeking jobs there, partly because wages are highly inflexible on the downside, and partly because the pattern of wage increases in the rapidly advancing sectors will operate instead to force them upward elsewhere as well, regardless of the state of employment there. Absorption of the technologically displaced workers will therefore require an expansion of aggregate money demand that can come only by some infusion of additional purchasing power from the outside, the failure of prices to decline in the rapidly advancing industries having eliminated the possibility of the required expansion of aggregate demand being generated automatically by the process of technological change itself. If such an infusion of additional purchasing power sufficient to absorb the displaced labor is, in fact, forthcoming, wages and prices generally are likely to rise rather than fall. So, once again, the economy faces the dilemma of having to choose between higher levels of unemployment or a general price increase.