

The essential point is that given rigid prices in the rapidly progressing industries, there is no automatic tendency to reemployment of the technologically displaced workers in those very lines; to the extent instead that competition forces prices to fall as costs fall, the economy has an automatic tendency to absorb the unemployed in expanded output without the need for governmental or other external stimuli.

In light of these considerations, the fact that reported corporate profits declined in relationship to sales and to total national income in the 1950's does not necessarily absolve the limited price competition in many of our leading product markets of all responsibility for the inflation of 1955 to 1958 or the relative stagnation since that time. The price increases, as Professor Schultze pointed out, were in considerable part attributable to the attempt of our highly concentrated industries to recoup rising unit costs and to preserve accustomed profit margins as the percentage utilization of their capacity declined. The fact that the attempt was incompletely successful does not mean that it was healthy for the economy for it to have been made. Boosting or even maintaining prices, trying to get by on accustomed, conservative profit margins and low break-even points is not the way to restore profits as a percentage of sales or to promote more rapid economic growth in the presence of excessive productive capacity. Indeed, if made by many firms, the effort could well have been self-defeating, having had the net effect of reducing the buying power of the consumers' dollar and putting on Government a correspondingly greater responsibility for promoting recovery and fuller employment. The only possible cure for low profits, as this committee itself recently suggested in its annual report of March 6, 1962, is a fuller use of capacity; the price policies of the last several years have not contributed, but have instead detracted from the achievement of that goal.

It is much easier to expose the ways in which market power blocks economic expansion than to propose effective, practicable remedies. The available weapons of public policy are almost all indirect. All of them have inadequacies and limitations. But there is no reason to believe that together they would prove insufficient if—and this is the critical condition—they were resolutely applied, in recognition of the overriding public interest in economic growth combined with reasonable price stability. First, there are of course the antitrust laws. They are important; they do help. And, as is perfectly apparent, there are also important aspects of market power—notably noncollusive oligopoly pricing and union influences on wages—that they are presently incompetent to handle. The laws could of course be reframed to bring these kinds and manifestations of market power within their jurisdiction. But as I stated to the committee several years ago, I am frankly uncertain that there can be demonstrated either the efficacy or the need for such measures as could practically be adopted, or the practicability of such measures as might significantly reduce market power.

Second, and more important, the Government should—whether it can find the will to do so is another matter—stop its all-too-prevalent practice of resolutely stepping in to prevent competition every time a price threatens to decline, a profit making to be squeezed, a job to be lost.

I refer to such steps—most of them uncomfortably reminiscent of NRA—as the mandatory quotas placed on the importation of crude oil in the last several years; the progressive cutbacks of petroleum production by State authorities in the name of conservation, cutbacks that hold up prices and protect marginal, high-cost producers from a deserved competitive extinction, and also encourage drilling of grossly excessive wells, the annual costs of which are estimated to run into hundreds of millions of dollars; the whole attempt to remedy the evils of rural poverty and agricultural income instability by supporting prices, a method that helps least the farmers that need help the most, while denying consumers at home and abroad the benefit of the astounding technological progress of our farms; the whole complex of controls by which the various regulatory agencies, most obviously in the transportation fields, keep the companies under their charge from competing with one another; the invocation of heightened barriers against imports under the escape clauses of our reciprocal trade agreements; the resort to fair trade; and so on. I do not suggest that the problems with which these various policies attempt to deal are susceptible of easy solution. But I do suggest that they are far too often resolved in the easy way from the standpoint of the interests directly involved—by protection and insulation—and the wrong way if the Government is to give adequate heed to the broader public interests in economic growth and general price level stability.