It is no less true of governmental than of private efforts that if the general price level is to be held stable, individual prices must be permitted to fall; and that if constantly new and better ways of doing things are to be introduced, then there must be permitted some injury to, or at least discommoding of, private parties who have an interest in the older and less efficient ways of doing things. If we truly want growth under private enterprise combined with price stability, then we must permit price competition fuller play, especially when it hurts. We must give the railroads greater freedom to compete with other transportation media; and, for exactly the same reason, it seems to me we must give the proposed coal pipelines the right of eminent domain that they require in order to realize the potential of this existing technological advance in competition with the railroads.

An important step in this task would be the enactment of the trade agreement legislation that the President has requested. Even with our present levels of import duties, probably nothing has been more effective in recent years in halting the wage-price spiral in automobiles—and to a lesser extent in steel—than imports. By exposing our industries to the competition of the burgeoning and aggressive industries of the Common Market, as well as giving them freer access to that growing market, we can supply not just a negative check on market power at home but a much-needed positive competitive spur to innovation and growth.

These proposals are essentially negative and permissive. As is appropriate in a private enterprise economy, the principal function of Government would be to release (and to refrain from restraining) the competitive energies and efforts of private individuals. This is especially true in the area with which my present statement is concerned, that is to say, in handling the problem of private economic power. I cannot conclude without setting forth my strong opinion, however, that there is much also that the Government can and must do on its own initiative to promote growth. I refer here not merely to the importance of reconsidering how tax, procurement, and monetary policies might better be adapted to assist rather than hamper small, growing companies. In addition, I would emphasize the desirability of growing governmental assistance to research, both pure and applied, and particularly to research in areas such as housing and the services, which have on the one hand made a disproportionately large contribution to price-level increases since World War II, and are on the other far too dispersed and small scale in their organization to be able to conduct research themselves; increased governmental efforts in the areas of education, in retraining and improving the skill of our growing labor force, and improving the mobility of displaced workers; and direct intervention in such areas as urban transport. All these would not only make a major direct contribution to economic growth, but would in my judgment also impose dynamic limitations on entrenched market power and improve the effectiveness with which our private, competitive economy meets the challenges of the 1960's.

Dr. KAHN. Before beginning my contribution of this discussion of the relationship of our market structures and the problem of monopoly in particular to economic growth, I wonder if I may suggest, at least as an expression of my own opinion, that, important though I regard this problem of market power, and in fact it is my professional function and area of specialization to regard it as important, I think it would be extremely unfortunate if at least my remarks—I cannot speak for the other gentlemen at the table—left the impression that our tax, our fiscal, and our monetary policies are not likewise of critical importance in affecting the rate of our economic growth both in long-run terms, and also at this particular juncture in the development of the American economy.

Nothing I will say here is intended to suggest, for example, that a tax reduction would not be desirable today.

And when I get to a very brief discussion of possible approaches to the problem of market power, I think it will be abundantly clear that there are not available, practically available, basic changes, basic reforms, of our markets, such as would solve the problem of the halting recovery in which I think we now find ourselves.