slowed down, and I am quite certain that one would no longer find any clear relationship between the behavior of prices and concentration in product markets from 1958 or 1959.

I am not suggesting that the market power inflation thesis should be laid to rest. On the contrary, I think that there are such inherent tendencies in our economy. And I certainly do not think that it answers the market power inflation thesis to point out that wage and price increases have abated in the last few years, when we have had too much unemployment.

The whole point of the thesis is that we may face a dilemma of having to choose between very high unemployment, on the one hand, and price instability on the other. The fact that we have apparently come close to achieving price stability in a period when we have failed to sustain adequately high employment certainly does not disprove the hypothesis of administered price inflation, because what that hypothesis states is that we cannot have both simultaneously.

In short, my suggestion about market power inflation is a very modest one. The only verdict I am prepared to make is a Scotch verdict, or even a more academic verdict: "Extent of guilt not proved."

But I would like very much to see this committee carry on the really extraordinarily important work that it terminated about 2½ years ago in its various studies of "Employment, Growth, and Price Levels," to try to come closer to a determination of whether the 1955–58 experience was more or less unique, or whether the relative price stability that we have had since reflects nothing more than our having chosen to impale ourselves on one rather than the other of the horns of the dilemma.

I think it useful for the committee to remind itself that the whole controversy about administered prices started in the 1930's. And at that time what we were worried about was not any tendency to chronic inflation in administered price sectors of the economy, but the failure of those prices to decline in periods of business recession. The stability of prices in these sectors during the last four years, in a period when we have had a chronic underutilization of capacity, may be just as bad as the administered price inflation about which there has been so much more publicity in recent years.

There is one point about the relationship of prices to economic growth on which I think most economists would agree. It is the point that Dr. Nourse has been expounding for the last 25 years; that one essential for economic progress in a private enterprise economy is the aggressive pursuit of price-reducing policies by its leading business firms.

And this brings me to the second and in my opinion more important question about the possible relationships between market power and economic growth that I want to call to your attention today.

I refer to the implications of market power with respect to the dynamic quest for new cost-reducing processes and products, the unremitting probing of the long-run elasticity of demand by continuous price reductions over time, that are in my opinion a prerequisite of satisfactory growth in a private enterprise economy.

Now, there has been an enormous amount of discussion in the economic literature about whether monopoly or competition is conducive to economic growth. And I think it is a meaningless question.