

with less exacting physical requirements and more exacting mental and technical requirements. And workers need facilities and assistance toward finding their places in this changing assortment of occupational opportunities.

Reverting to the first and most basic requirement, as I have said elsewhere ("Competition as a Dynamic Process," Brookings Institution, 1961, pp. 83-85): " * * * the main requirement is that consumers shall spend a large enough fraction of their income so that * * * voluntary savings will not be more than business will want to spend for investment to carry out the accompanying total volume of production. As an approximate rule of thumb, one might assume that this requirement will be met if we continue to spend for consumption the same fraction of our growing income that has marked the trend of our growth in the recent past. But if real income per capita increases by more than 20 percent in a decade, it is obvious that consumers will not simply buy 20 percent more of everything, or 10 percent more of some familiar things and 30 percent more of others. If production were planned on such a basis, much of the output would fail to find buyers and industrial contraction would result. To avoid this kind of failure * * * calls for a combination of new products and improvements or elaborations of existing ones, the test being always whether the consumer can be persuaded to pay for the new products or the elaborations. This gives the advertising industry much work to do * * *. And this raises the question whether advertising might perform the function that is here in question by merely misleading the consumers into buying what industry offers, regardless of whether it gives them any net increase in service values. To this the ultimate limit comes when consumers become too disillusioned to respond, but one must regretfully admit that consumers appear capable of absorbing large amounts of misleading salesmanship before reaching the ultimate limit of no response.

"What we want, of course, is an assortment of offerings that would embody our whole increase in productive power in products and values which, in the light of informed hindsight, we would judge to be worth their cost. This cost includes the cost of research and market exploration and of the selling effort necessary * * * also the inevitable false starts and failures. * * * Another side of the same coin consists of the losses suffered by producers whose products are superseded. Such costs of obsolescence are inevitable features of growth; whether we should judge them wasteful depends mainly on whether the superiority of the successful products represents enduring serviceability or the vagaries of taste or mere novelty. In the latter case, successive displacements might leave no residue of enduring consumer gain.

" * * * there may be a limit to the rate at which our machinery for exploring and developing such things can find them and make them marketable. If there is such a limit, and if we reach it before we reach the limit of our productive power, we face an interesting question: Is it better for us to be stimulated into spending the excess of our potential income on wasteful, futile, and frivolous consumption, or not to spend it at all?" From the single standpoint of high and stable employment, the argument is loaded in favor of the conclusion that misdirected production is better than involuntary idleness, as Keynes suggested by his illustration of the building of pyramids. But any such course would be a confession of failure in the real task of generating demand sufficient to absorb rapidly increasing power of production and well directed to serviceable ends.

An equivalent for pyramid building, coming nearer home, might be what the present writer has called product inflation as a tendency likely to occur when giant firms in an industry are too few and smaller competitors are too few and too weak. A prime example would be the elaboration of passenger car models and the coolness of the Big Three to economy models, until a smaller competitor forced the pace. This tendency to product inflation is definitely connected with an unduly small number of giant firms, each of which lacks room enough to increase its physical volume of sales by a large enough proportion to increase its total net earnings by offering the buyers, competitively, a free selection of economy models at a corresponding saving (op. cit., pp. 252-257). Other examples of a slightly different sort might include the growth of extravagant packaging, and the exorbitant prices exacted for brand-name drugs, together with the extravagant methods of promoting their sales.

Reverting to page 85 of the work already quoted: "Suffice it * * * that if any considerable fraction of the effort so spent yields cumulative improvements in our level of living, this cumulative improvement outweighs whatever fraction of our resources we devote each year to bringing it about. We should like to