reduce the wastes and increase the serviceability. But most economic students would prefer an economy actively energizing its productive resources and progressing annually, with an amount of waste motion, to one with less waste motion and less employment of resources or slower economic progress. The former represents the direction in which the institutions of market research and sales promotion are energetically steering the American economy."

The question assigned to this paper is the relation of industrial concentration to this whole process of absorption of productive resources. Since, let us say, the end of the Civil War, realized productive power has increased with remarkable steadiness, while concentration has been increasing. Even if figures for recent years should show some slowing down of the rate of increase, this could not clearly be traced to concentration itself as its responsible cause. The causes are more complex, and include protective responses of organized labor to the fear that the process known as automation is bringing an unduly sudden and rapid spurt in man-hour productiveness, of a labor-displacing kind and extent. Meanwhile the expansion of demand for products has not visibly slackened, but may be moving into areas of products requiring more creative imagination, both in services themselves and in methods of financing them. This includes health services and recreation activities and the uses of that leisure for the masses which is such a recent and such a transforming feature of our present economy. These areas of product innovation may be less obvious than those of the late 19th century, and the research and exploration called for are often in the fields of public or noncommercial action. In industry's particular field of marketable products, the advantages of the giant firm count heavily in some kinds of innovation; and emphasis seems to be shifting in this direction, as against the "multitude of small undertakers" to which Alfred Marshall, in 1890, attached decisive importance ("Some Aspects of Competition, 1890," in Memorials of Alfred Marshall, A. C. Pigon, editor, 1925, pp. 279–281).

Firms of any size can succeed in product innovation; but the most characteristic modern kinds stand a better chance if the innovating firm has size enough to combine the advantages of numbers and independence with size enough to be able to afford a department of research, engineering, and design, or at least to secure these services from a specialized agency. The more extensive operations of the big firms have wider coverage, especially where the big firm deals in diversified products, and this affords more chance for cross-fertilization of different innovating activities; also for the dovetailing of fluctuations of different products.

As to regularization of investment outlays, which are crucial for cyclical stabilization, the big concentrated firms have developed a tendency to program such outlays on an annual schedule, thus mitigating the irregularities which can result from the fact that single enlargements of productive capacity, by a giant firm, involve very large acts of investment outlay. Of course, such advance programing is modifiable, if requirements do not come up to the expectations on the basis of which the program was laid out; but in spite of this it appears to have considerable regularizing effect.

While we are not identifying concentration with monopoly, its effects on the character of competition call for attention. Competition is, in general, held to be favorable to high and stable employment, though not sufficient by itself to bring this result about. It may be, as some hold, that if the economy were more unmitigatedly competitive than it is, business recessions would be more likely to cause business firms to slash prices in the attempt to maintain physical output in the face of weakened demand, rather than cutting output and resisting declines in prices. Unfortunately, experts disagree as to which kind of price behavior is a better way of sustaining employment. "For maintaining overall demand, economists prevailingly hold that ruthless competitive slashing of prices is less effective, as well as more disturbing, than well-judged monetary and fiscal policies" (op. cit., p. 82. What follows is based on this passage, though not quoted verbatim).

Given the latter, and more moderate sensitiveness of prices, what competition can do is to help the economy to be flexibly responsive to adequate total demand, carrying out the mobilizations that will always be needed to place resources where they are called for by expanding productive power, and minimizing the pools of unemployment that may persist in an economy where there is not enough of this adaptable mobility. Social security and other security policies need to be so handled as to avoid creating obstacles to proper mobility; such as are created when retirement rights are of a sort which a worker sacri-