

AN INTEGRATING PRODUCTION PROCESS

WITHIN EACH COUNTRY THERE IS A DYNAMIC COMPETITIVE PROCESS—
A MIXED ECONOMY—IN WHICH INTERVENTION IS A NECESSARY PART

Competition within a modern industrial country, while a driving force, does not do all aspects of the job it is traditionally supposed to; it is not relied on as a general equilibrating mechanism for the national economy as a whole. It is supplemented by direct government action in many sectors of the market economy such as those determining farm prices, oligopoly prices, investment, savings and wages. The theory of international trade has not found a way to live with this fact.

However, effective competition persists in the form that John Maurice Clark describes as a dynamic process. Something like it prevails within most of the private-ownership industrial countries. It may perhaps be thought of as the economic aspect of the way of living together being evolved through the centuries by our expanding society. There is freedom for initiative and innovation. There is a tendency to try to better, or to join, one's competitors. Individuals operating in groups often have an advantage, and most advances in technology seem to increase this advantage and to make the optimum group size larger. However, limits are imposed on excessive economic power-seeking in conformity with basic social and moral concepts—e.g., business methods must be socially acceptable, they must not unduly restrict community progress and the benefit pattern must not outrage egalitarian ideals. As necessary, government intervenes in response to political pressures—some (often secret) from special interests—some from informed public opinion.

The economic process comes to be carried on by a dynamic combination of heterogeneous units—individuals, firms, associations, combinations, public corporations, labor unions, community action groups, clubs, societies, and all the complex and conflicting units of government. All of these, in a sense, compete for the custom and support of the paying and voting public. Any of them may influence the market or check and balance the influence of the others. The sum of all this—and more—is the dynamic mixed economy.¹

It has been a dramatically successful combination thus far. However, eternal vigilance seems necessary to keep it in dynamic balance. It must grow and change to meet its challenges. Not the least difficult of those challenges come from economic relations among the different mixed-economy countries.

THESE COUNTRIES ARE INTERDEPENDENT PARTS OF A WORLD ECONOMIC
MECHANISM

The major economic forces in these dynamically growing national mixed economies are not prevented by trade barriers from crossing

¹ This is not to detract from the significance of the frequent contention in trade discussions that the United States is a great "free-trade area" and that this has been part of the secret of its economic growth. However, a free-trade area means an area throughout which there are no arbitrary geographic lines across which the movement of goods is obstructed. The term may also carry other implications, e.g., that the governance of the entire area is to some degree centralized and that there is a common currency. However, it can not meaningfully imply the assumption that there is no government interference with the operation of market forces on trade within the area.