

Dr. ADAMS. Mr. Chairman, and gentlemen of the committee, I am Walter Adams, professor of economics and director of the program on industrial structures in the Atlantic Community at Michigan State University.

On my left is Dr. Joel B. Dirlam, professor of economics, University of Rhode Island.

This statement is submitted on behalf of both of us.

On my right is William James Adams, Harvard College, who prepared appendix No. 1.

Mr. Chairman, at this point I would like to move that the entire statement with the appendixes be included in the record.

The CHAIRMAN. It will be, Dr. Adams. This is the material appended to it?

Dr. ADAMS. That is correct. There are eight appendixes, Mr. Chairman.

The CHAIRMAN. Yes, I know.

Let me thank you, sir, for the depth and extent of the studies that the three of you have made and which you contributed here to our hearing. I have had occasion to go through some of it. We appreciate your doing it.

Dr. ADAMS. Thank you, Mr. Chairman.

Public policy in America has traditionally favored competition and feared monopoly. As a people, we have always believed "that possession of unchallenged economic power deadens initiative, discourages thrift and depresses energy; that immunity from competition is a narcotic, and rivalry is a stimulant, to industrial progress; that the spur of constant stress is necessary to counteract an inevitable disposition to let well enough alone." (Judge Learned Hand in *United States v. Alcoa*, 148 F. 2d 416 (1950).)

The very essence of capitalism, according to the late Professor Schumpeter, is the "perennial gale of creative destruction"—"the competition from the new commodity, the new technology, the new source of supply, the new type of organization"—which strikes at established power positions, vested interests, and entrenched privilege. Such competition is not only the harbinger of economic progress, but also the built-in safeguard against the vices of monopoly and privilege.

Competitive capitalism results in undoubted public benefits. But those subject to its gales of creative destruction do not perceive it as a gentle and beneficent force. To insulate themselves against it, and immunize themselves from it, they try to build storm shelters for their protection. And, since private shelters in the form of cartels and monopolies are either unlawful, unfeasible, or inadequate, they ask the Government to build public shelters for them. They try to manipulate the State to preserve their vested rights against the newcomer, the innovator, the foreigner. They want the State to short circuit the discipline of the competitive market—to vitiate the central regulatory mechanism of a free economy.

One type of storm shelter which would be monopolists demand of their Government are barriers to foreign competition—in the form of tariffs, import quotas, "antidumping" laws, and other restrictions. Instinctively, they recognize the rough validity of the Manchester maxim that "free international trade is the best antimonopoly policy