THE TREND OF ECONOMICS[1]

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I FIND my present task, which is to discuss with you "the trend of economics", extremely discouraging. So far as the "science" of economics is concerned, I can detect no trend, but only a strange variety of cross currents. There were periods in the nineteenth century when economists had great confidence in their science, and enjoyed the respect and confidence of laymen. There was in those days an economic orthodoxy. To-day we are divided. This is obvious to the public because of the different policies advocated by different groups of economists; for instance, while the Cambridge school advocate inflation, the London school advocate deflation, and the American Economic Association is divided into two hostile camps, *pro* and *con* New Deal. These disputes are at the same time less and more serious than the public knows. In so far as they represent the choice of different objectives, or different estimates of political feasibility, the differences are inevitable, and need not cause economists to lose confidence in themselves, however they may lose the confidence of others. In so far as the differences in policy result from disagreement in the analysis of the probable results of particular actions (irrespective of any opinion as to the desirability of the results), we have serious reason for losing the confidence of the public. But there is a further danger to economists, which rises out of the demand of the public (who somehow won't quite lose confidence) for solutions to their problems. This means a serious temptation to the economist to provide them. I will say nothing about the danger to the public if they accept the economist's nostrum; the chances are that they will not do what he tells them; if they do, the chances are they were going to do it any way, and they accept gratefully the economist's "sales talk"; if on occasion they do adopt an economist's nostrum, the chances are that it will be no more harmful (possibly less so) than the schoolmaster's or the engineer's. The danger I have in mind is the danger that the progress of our infant science will be retarded (or if, as I fear, it is already failing to gain weight, it may begin to lose it rapidly). The danger lies in the effect on the character of discussion and controversy. So important do I consider this danger, and so relevant to the explanation of the absence of a progressive trend, that I shall not

1. A lecture delivered at University College, Toronto; one of a series on "Modern Society and its Trends".

apologise for reading you extracts from the recent writings of two leading economists, F. H. Knight and A. C. Pigou. I quote first from Professor Knight in his recent volume of essays, *The Ethics of Competition*:[2]

> We need much more intellectual pacifism, more consecration, and less controversy, than we get or are likely to get. Our civilisation is excessively romantic; it needs more discipline and faith in discipline—and more patience, and in the field of morals and politics vastly more real intellectual work. Men on the average need to be *much* surer that they are "right" before they "go ahead" to convince their neighbours and convert the world. And while the contest motive cannot be repudiated altogether, it seems even clearer that when men do enter the lists for a position they should be much more restrained and "conscientious" in their methods of striving for victory....What naturally happens when social scientists lose interest in a cloistered rôle and go out into the arena in the endeavour to influence the course of contemporary events is that the specialists abandon the effort to discuss issues among themselves, and engage in a competitive solicitation of the "ignorant masses" for support against each other. The entire intellectual quality of the procedure gravitates toward the level of a demagogic appeal for a personal following, and of enlistment under slogans (the two are always combined in practice and are only in part analytically separable). The process is going on visibly, and has already reached a point where the economists and sociologists known to the public as such are chiefly popular lecturers and journalists.

One may reasonably ask what use the economist in the cloister is likely to be. Does Professor Knight intend that the economist shall have no concern with practical affairs? I shall let him answer for himself:

> It seems reasonable to believe that if it were possible to maintain professional groups in the fields of special knowledge and research covered by the social sciences,...and if the workers took a "consecrated" attitude toward their common work, "de voting" themselves to a truly co-operative quest for the right or "best" solutions for problems, absolutely renouncing interest in individual prominence and power, and going to the public only with dispassionate statements of fairly established results, the politicians might find it good politics both to allow them to live and to take their work seriously. Members of such groups would of course have on the one hand to be protected in the use of appropriate designations and on the other (equally important) allowed to use them only on condition of abstaining from irresponsible utterances outside their spheres of special competence.

2. London. 1935. The quotations are from the final essay, "Economic Theory and Nationalism", pp. 356-8.

I have no illusions as to the possibility of such a solution of the economist's problem. But it is suggestive of the dangers and temptations which economists must face.

I turn to Professor Pigou to show that the same dangers beset economists in England. For this purpose I quote from his recent delightful volume of lectures, *Economics in Practice*:[3]

> Economic argument is coming continually to play a larger and larger part in partisan political debate. Political partisans—I use the term advisedly, so that everyone can easily withdraw his personal favourite from the slanders I am about to utter—political partisans, I say, are accustomed to decide what they want to do first, and to seek for arguments in favour of it afterwards. Economic reasoning is for them, not a means of arriving at the truth, but a kind of brickbat useful on occasions for inflicting injury on their opponents. . . . This attitude of political partisans towards economic reasoning puts economists in continual danger—one to which theoretical physicists are correspondingly exposed at the hands of theological partisans—the danger of attempts at exploitation. . . . To a young man the ambition to play a part in great affairs is natural: and the temptation to make slight adjustments in his economic view, so that it shall conform to the policy of one political party or another, may be severe. As a conservative economist or a liberal economist or a labour economist, he has much more chance of standing near the centre of action than he has as an economist without adjectives. But for the student to yield to that temptation is an intellectual crime. It is to sell his birthright in the household of truth for a mess of political pottage. He should rather write up for himself and always hear in mind Marshall's weighty words: "Students of social science must fear popular approval: evil is with them when all men speak well of them. . . . It is almost impossible for a student to be a true patriot and to have the reputation of being one at the same time."

Here we have Professor Pigou's (and incidentally Marshall's) warning of the temptations, and call to "consecration". I pass on to quote a passage in which Pigou deplores the tone of current controversy:

> Are we, in our secret hearts, wholly satisfied with the manner, or manners, in which some of our controversies are carried on? . . . Among serious students, the area of common agreement is enormously wider than the area of dispute. Economists who take different sides on a practical issue are usually far closer to one another in the substance of their thought than either of them is to uninstructed partisans on his own side. It cannot be in the public interest that bad controversial manners should obscure this fact.

3. London. 1935. The quotations are from the first of the six lectures, "An Economist's Apologia", pp. 8-11, and 23-4.

Now it may appear that this passage from Professor Pigou, which I quote with approval, contradicts the statement made earlier that "to-day we are divided", and evidences less discouragement than I pretended to. There is no contradiction; but it is necessary for me to avoid exaggeration and clarify my position. I agree that there is a wide area of agreement between economists, and I resent the familiar jibes: "When I consult six economists," Mr. Baldwin is supposed to have said, "there are seven opinions, two of them from Mr. Keynes". And when I say I detect no trend, I do not mean that we have made no progress, and have no useful body of knowledge or technique of analysis. I can illustrate by referring to the Royal Commission on Price Spreads. An examination of the evidence submitted to the Commission, of the tone of the questions asked by members of the Commission, and of the current press comment, reveals a large group of politicians and business men bewildered by the incidents of deflation. They were ready to blame the fall in price in this market or that on "unfair competition", and in each case they found a scapegoat. Any economist could have explained, and any group of Canadian economists would have agreed in explaining, that the fall in the price of wheat and other important staple exports was the necessary point of departure in dealing with all the problems of falling prices which the Commission seemed to treat as the result of "mass buying", "unfair competition", etc. Chapter Two of the *Report* shows that this general approach was accepted by the Commission, but its implications were not consistently developed in the remainder of the *Report*. (This was pointed out by the Liberal members in their memorandum of reservations.) On this problem the economist had something sensible to contribute; the contribution was small, but important. The practical problem, the political problem, of course, was not solved. But the politician was less likely to do serious harm where he took action to deal with the problem if he was aware of this basic condition. In this case the economists were asked to do a simple job. The trouble arises when you ask the economist to do too much, when you ask him to produce a complete solution, a nostrum, or a panacea. Then he is either silent, honest and reviled; or he gives you a confident solution, in which case he is almost certainly either intellectually dishonest or amazingly obtuse, and he will probably be famous and respected; or he gives you his own "hunch", warns you that it is little more than that, and advises you to follow it if you "feel" it might work, in which case he retains his honesty, probably performs a useful service, but probably will not be listened to, and if he is, will be likely to develop a paternal pride in his intellectual offspring which will warp him from the path of honesty.[4]

Unable to determine the trend of economics—that is of the science of economics—I began to consider the economic trend of modern society, the trend in the changing world of economic fact which is the subject matter of the science. Here it was easy to detect one important trend—towards monopoly. When the competitive economy was still young and immature, Marx had detected the inevitable tendency to concentration and monopoly; and the rigidity of the monopolist stage of capitalism is assumed in much of the Marxian exposition of the break-down of capitalism and the victory of socialism. The doctrines which Marx adumbrated, Lenin developed in his *Imperialism, the Highest Stage of Capitalism* (1917). Our bourgeois economists did not really appreciate the importance of this drift (except the unorthodox John Hobson, who was quoted with approval by Lenin). The reason for this was the preoccupation of the economists with the working of the existing system, which induced an absolutist and unhistorical attitude. By contrast the Marxians were looking for the "laws of motion" of capitalist society; the competitive era was treated as an interlude and probably a very short one. So economists treated as an exceptional case the problem of the behaviour of the odd monopolist in the competitive economy, discussed the problem of regulating his behaviour or preferably of forcing him to compete, and largely ignored the far reaching change which was taking place before their eyes. I do not intend to describe this change, but I must give some indication of its magnitude, and some evidence of its discovery by the economists: then I shall turn back to my original theme, and suggest that the present lack of direction or trend in modern economics is directly connected with this drift to monopoly.

First let me draw attention to an important book published in 1934 by Messrs. Berle and Means, *The Modern Corporation and Private Property.* This is a study of the two hundred biggest

4. In periods of social stress it may be impossible to permit freedom to the social scientist. The function of the teacher of economics may become that of a preacher, or a practitioner of social auto-suggestion. The essential training of such professors will take place in the school of advertising. It will be necessary for the success of their work that they should make the governed believe that they are scientists, and only those who are able to convince themselves are likely to convince the public. It would probably soon become clear that it was equally important that the governors should realise that these teachers of economics are not scientists, and that they should secretly command the services of some scientific economists for assistance in framing effective policies. See W. R. Maxwell, "Economic Theory and National Purpose", in the *Canadian Journal of Economics and Political Science,* May, 1936.

non-financial corporations amongst the 300,000 non-financial corporations in the U. S. These two hundred corporations are found to own 38% of the entire business wealth of the U. S. "Even to one who has always believed in the importance of large scale firms, this discovery is staggering", says Professor Florence, himself an authority on business organisation, in his review of this book in the *Economic Journal*.[5] If this evidence of concentration is disturbing to those who rely on the existence of competition to make government regulation of industry unnecessary, the study of the control of these corporations provides an equally disturbing contrast between the facts of entrepreneurship and the traditional Marshallian mythology. I have quoted from the reviewer rather than giving my own estimate, in order to indicate the nature of the impact of this study on an economist who has devoted himself to statistical and realistic studies of industry.

Secondly, I want to draw attention to a brief memorandum by Professor Means on "Industrial Prices and Their Relative Inflexibility", published as a United States Senate Document. Professor Means made an analysis of the data which went into the makings of the Bureau of Labour Statistics monthly wholesale price index from 1926-33. 747 of the commodities included in it were grouped according to the number of times (out of a possible 96, since the data were monthly quotations) their prices had changed in that period. The analysis reveals that no fewer than 191 commodities, just over a quarter of the total, changed price fewer than 10 times in that period of rapid economic change. Half the total changed fewer than 25 times. At the other extreme were 181 items, rather less than a quarter of the total, which changed more than 80 times, the majority of them almost every month. A further analysis reveals the fact that the prices that changed least frequently also fell least between 1929-33, and those that changed most rapidly also changed most widely. As a corollary to this, it is shown that where prices are stable, production fluctuates; thus between 1929 and 1933 agricultural implements fell in price 6% and production was reduced by 80%, while in agriculture prices fell 63%, and production was reduced by a negligible amount. Again I turn to the *Economic Journal*[6] to indicate the normal reaction of economists to this pamphlet: "Rigid wages and rigid interest rates", says the reviewer, a Cambridge economist, "are familiar, but rigid prices or at least their astonishing extent are new, and somewhat startling". For my purposes in this lecture

5. September, 1935. P. 525.
6. December, 1935. P. 793. Note by D. M. Bensusan-Butt.

it is necessary only to point out that these rigid prices in face of falling demand are evidence of monopoly; and this leads me to explain more thoroughly what exactly I mean by monopoly, for I am really concerned with "monopolistic competition".

Perfect competition may be said to exist in any market where there are many small producers offering a standardised commodity for sale, and many buyers offering to purchase relatively small quantities of that commodity without any preference for the product of any particular seller. Under such conditions no seller can affect the price by withholding any part of his supply from the market, since he controls only an insignificant part of the whole. On the other hand, no seller has any difficulty in selling his whole supply at the market price. All the arts of competitive salesmanship are therefore unnecessary. Under perfect competition, one may say paradoxically, producers do not really compete at all, in the sense in which the word is currently used. All the active warfare which to the business man is involved in his notion of competition is absent. It is this "perfect" competition which is assumed in the traditional theory of *laissez faire*; and it is probably true to say that the existence in fact of "practically perfect" competition, a sufficiently close approximation to "perfect" competition, made the policy of *laissez faire* in some degree reasonable and tolerable.

In contrast with perfect competition we turn to monopoly. The monopolist controls the whole supply of the commodity, and can affect the price on the market by withholding supply. In fact we define the monopolist by reference to the character of his behaviour: any producer who has regard, in deciding on the quantity to produce, to the effect of his decision on the price of his product may be said to act monopolistically, or to be exercising monopoly power. This definition is obviously more inclusive than current business usage of the word; the progress of monopoly in this sense is more imperceptible, but the problems raised are of very great importance. Just as I advanced the paradox that under perfect competition business men did not really compete at all in the current business usage of that word, now I must complete the paradox, and say that the development of monopoly involves the intensification of competition, changes it indeed into economic warfare.[7] Competition in any industry between competitors so big that, though they do not qualify as monopolists in the common usage of that word, yet each acts monopolistically in the economist's

7. This economic warfare may involve real war between nations as one of its forms.

sense, is very different from the sort of competition envisaged in the traditional defences of *laissez faire*. It was this sort of competition that the Price Spreads Commission found themselves dealing with. The Commission set out to study the problems of too much competition and found they were really studying the problems of monopoly, of economic warfare punctuated by insecure periods of peace. Enough has perhaps been said to indicate the trend to monopoly in fact, and the discovery of that trend by economists. Let me turn back to the development of economics.

In the development of economic thought one finds it constantly necessary to take account of the institutional background. There is indeed some autonomous development of doctrine as economists struggle with the logical consequences of their premises, but development is generally connected with:—(a) the development of knowledge generally; for example, the influence of Newton and the application of mechanical analogies; (b) the change in the world of fact which provides the premises; for example, the logical monetary doctrines of Hume could not have triumphed over the illogical mercantilist doctrines if competitive, flexible prices had not been taking the place of rigid, customary, monopolistic prices, and if the development of banking and a capital market had not been making hoarding of bullion less common; (c) the pressure of practical problems; for example, it has been in periods of monetary difficulty that monetary theory has developed most rapidly: partly this is due to concentration of intellectual effort on the problem, partly perhaps to the fact that some ideas are able to be tested by experience, almost experiment. (In parenthesis I must note the danger that partisanship comes to bedevil the discussion.)

The origin of modern economic theory was associated with the development of competition in the economic world, and of individualism in the political world. This was no accident. The connection has been nicely explained by Professor Knight:[8]

> It (economics) became a pure science, to the extent that it became such, by way of an interesting development from directly hortatory or propagandist political discussion. Smith's *Wealth of Nations*, from which modern economic theory may be dated, has with much justification been called a political pamphlet. A relatively small fraction of the work requires interpretation in terms of an interest in pure science, and its main significance is that of propaganda or preaching of policy. Yet it is the first important general work in scientific economic theory. It becomes scientific without ceasing to be chiefly concerned with

8. *Ethics of Competition*, pp. 285-6.

> advocating a policy. The preaching of a policy naturally takes on the character of a science when the policy preached is negative, when it is the policy of allowing events to take their natural course. For then the content of the discussion consists chiefly of description or analysis of a natural course of events in the absence of human interference, and this is obviously the character of a science.

This quotation suggests many possible disgressions, but I want simply to bring out two points for the purpose of my argument. First, that governments faced by new and difficult problems, unable to decide what to do, did nothing[9]: in this negative policy they were encouraged by economists who in the process of explaining the wisdom of *laissez faire* learnt the economics of free competition. (The "debunking" of the theory of competition by criticism of its "welfare" content—the "gelding" of the science, as John Strachey calls it—the development of a positive theory of free competition as one may more politely describe it—might have been chosen as the subject of a lecture on the trend of economics.) Second, economists generally failed to notice that "human interference" is a part of the "natural course of events". This natural course of events is not to be conceived mechanically; for the social process is changed by every improvement in our understanding of that process. (Herein, of course, lies the worst of the difficulties of the social scientists.)

If the birth of economics was associated with the rise of free competition, it is not surprising that with the passing of the era of free competition economics should be sick, possibly mortally sick. Some explanation of this sickness must be elaborated. First, consider the difficulty of economic analysis being applied to problems of welfare when the conditions which constitute the premises of argument are subject to rapid and unpredictable change. Is it surprising that modern economists have begun to concentrate on the "short run"? We used to consider the unreality of assuming the persistence of the forces under discussion for a period long enough for equilibrium to be established. But the unreality has been increased by institutional changes which make the long period longer (resulting from greater investment in specialised equipment) and by the rapid change of other institutional factors which the nineteenth century economist could treat as stable. There would seem to be a crying need for more study of the institutional trend, a new historical school; but one must emphasise again the

9. Cf Eli F. Heckscher, *Mercantilism* (translated by Mendel Shapiro, London, 1935), volume 1, pp. 471-2.

difficulties of this study, that the trend being studied is affected by the results of the study, and that the correctness of the forecast of future trend can be determined only *ex post facto.* One should add that the experience of past efforts to study the trend of institutions, with the exception of the efforts of Karl Marx, has been discouraging. Second, consider the technical difficulty of saying anything simple, or anything certain, about the conditions of equilibrium in a world of monopoly. In the market where perfect competition reigns, the contracts between buyers and sellers are determinate, the war which is competition must have one certain end. There are predictable terms of peace which no individual will attempt to upset. In dealing with the monopolist, we were again able to say that his output and price were determinate, or predictable, being that output and price which would maximise his monopoly revenue. The real trouble arises when we consider the problem of monopolistic competition, for then the result becomes indeterminate; intelligent action on the part of each in order to maximise his revenue depends on the estimate each makes of how the others will behave. In the classical literature this has been discussed as an interesting special case, *duopoly;* it has recently become of great importance in understanding the problems of the almost general case monopolistic competition. A very slight acquaintance with this literature is enough to make one realise how much greater is the economist's task when he leaves the field of perfect competition. And not only is his task more difficult, yielding when successfully completed no longer a definite result but only a definition of limits within which the result is indeterminate; but I would suggest that the task of the business man in determining the most profitable line of action becomes so difficult that one can scarcely continue to assume that he will be rational in the pursuit of maximum profits, and without that assumption it is impossible to predict his behaviour. If the theory of general equilibrium in a world of monopolies involves such difficulty, the "theory of employment" in a world of monopolies involves, perhaps, even greater difficulty, and is as yet largely unexplored. Even the latest work on this subject, Mr. Keynes's *The General Theory of Employment, Interest and Money,*[10] assumes the competitive determination of prices referring incidentally to

10. London, 1936. If one turns from duopoly theory to Mr. Keynes's discussion of investment in the modern world, one finds the same sort of problem; each is trying to guess what the others will do, or rather what each of the others will think the others will do. One wonders whether free enterprise can really be expected to survive where the enterpriser acts under such conditions of uncertainty, or if it survives, whether it can be expected to "deliver the goods". (See Keynes, *op. cit.*, p. 156).

" 'administered' prices, or monopoly prices which are determined by other considerations besides marginal cost" (p. 268) as a special case not deserving further consideration. This is all the more amazing when one considers Mr. Keynes's verdict on classical economics: "The characteristics of the special case assumed by the classical economic theory happen not to be those of the economic society in which we actually live, with the result that its teaching is misleading and disastrous if we attempt to apply it to the facts of experience." (p. 3).

Even in 1881 Professor Edgeworth in his *Mathematical Psychics*, after discussing the conditions of determinateness in the pricing process, suggested the drift to a period when these conditions would become more rare. "It does not seem rash to infer," he said, "if not for the present, at least in the proximate future, a considerable extent of indeterminateness. Of this inference what would be the consequence?....The reverence for competition would be no more. There would arise a general demand for a *principle of arbitration*." This leads me to add the suggestion that one of the worst features of this economic warfare is that it prevents industry from carrying on efficiently. Each, striving to increase his own profit, restricts production, and each is hurt by the restriction of the others. One wonders whether capitalism in its monopoly stage can discover a means of ensuring the realisation of the immense possibilities of modern technique.

There is a large and influential group of economists and politicians who see the solution of our current difficulties in a reversal of the trend to monopoly and a restoration of conditions of competition, a reversal of the trend to more and more government regulation, and a return to *laissez faire*. To those who hold this view, and there are many in Canada, I recommend a pamphlet by Professor Henry Simons of the University of Chicago entitled *A Positive Programme for Laissez Faire: Some Proposals for a Liberal Economic Policy*.;[11] The value of this pamphlet lies in the fact that it makes clear the enormity of the task of restoring competitive conditions, and, by calling for a deliberate policy of taxation and subsidised social services to correct inequality of income, it also makes clear the inadequacy of *laissez faire* even in a perfectly competitive economy. It is calculated to cool the ardour of the Canadian "lazy fairies". Here I shall notice only one part of his argument. The first item in this positive programme is "the elimination of private monopoly in all its forms,

11. Public Policy Pamphlet, No. 13. University of Chicago Press, 1934.

through drastic measures for establishing and maintaining effective competitive conditions whenever possible, and through gradual transition to direct government ownership and operation where competition cannot be made to function effectively as an agency of control". In elaborating the details of the policy, Professor Simons says: "Legislation must prohibit and administration effectively prevent the acquisition by any private firm or group of firms of substantial monopoly power, regardless of how reasonably that power may appear to be exercised. The Federal Trade Commission must become the most powerful of our governmental agencies....In short, restraint of trade must be treated as a major crime, and prosecuted unremittingly by a vigilant administrative body." Perhaps more reliance however is placed on the proposal to revise the corporation laws; first, transfer to the federal government of exclusive power to charter private corporations; second, provision that no corporation engaged in manufacture or merchandising shall own securities in any other such corporation; third, limitation upon the total amount of property which any single corporation may own, a general limitation for all corporations, and a further limitation designed to preclude the existence in any industry of a single corporation large enough to dominate that industry; fourth, incorporation of investment corporations under separate laws designed to preclude their becoming holding companies or agencies of monopoly control; etc. The mere cataloguing of these details is surely enough to indicate the hopelessness of trying to create competition against the trend of history. To Professor Simons one may apply a passage in the *Communist Manifesto* referring to St. Simon and other "utopian" socialists. "Historical action is to yield to their personal inventive action, historically created conditions of emancipation to fantastic ones, and the spontaneous class organisation of the proletariat to an organisation of society especially contrived by these inventors. Future history resolves itself, in their eyes, into the propaganda and the practical carrying out of their plans." Planning Utopias, imagining voyages to Icaria, is a human characteristic. Naturally the economic theorist, who has studied the working of a theoretical perfectly competitive, perfectly flexible economy, who has observed the fumbling of would-be planners and regulators, and who has listened to the obvious stupidity of the reasons given for engaging simultaneously in actions calculated to have opposite and counteracting effects, is prone to construct his Utopia along the lines of his theoretically conceived competitive economy. Economic theorists, with the profound contempt for economic history evinced by some of them, are specially prone to this Utopianism.[12] It is more difficult to explain the enthusiasm of the politicians, who are generally more realistic. I have spoken of the difficulty of predicting the future development of economic society, but I am prepared to state my *belief* that we shall not see a return to competition, and if we did, that it would not be long before competition once more bred monopoly.

In stating this belief, it becomes necessary to add a word about the state in relation to monopoly. It is, I think, necessary to realise that the state is a capitalist state. I do not feel that one can have much confidence in the state as a defender of the public interest against the monopolists—either by forcing them to compete, or by regulating them. I believe we are entering an age of regulation, but it will be regulation of monopolists by monopolists primarily in the interest of monopolists, to devise articles of peace in the economic war;—the effect on the common man will be largely incidental, except in so far as some deliberate concessions may be made in the interest of security and morale. One Canadian civil servant, who believes in trying to restore competition, wrote to me *a propos* of my article on Utopian Individualism. "I would eliminate," he said, "everything that even faintly suggests that monopoly ought to be encouraged, or that industrialists don't need curbing, or that they can be curbed by a lot of fussy civil servants sitting in offices or travelling around on expense accounts." I agree. But monopoly does not need encouragement, it is developing any way—and the hope that the "fussy civil servants" can force competition seems to me as ridiculous as the hope that they can curb monopolists. The result seems blank pessimism.[13]

This pessimism is, however, the result of concentrating on the problem of monopoly as an aberration which must be dealt with as such. The real problems of regulation are going to be concerned

12. See my "Utopian Individualism", *Commerce Journal*, February, 1936 (Published by the University of Toronto Commerce Club).

13. For a strong presentation of the opposite point of view, see the review of Levy's *Industrial Germany* by W. Ropke in Economica, February, 1936. "The more the opposite is being asserted, the more forcefully it must be stated that it is absolutely untrue that Competitive Capitalism is of necessity developing into Monopolistic Capitalism. On the contrary, the truth is that there is everywhere a natural gravitation towards competition rather than towards monopoly, and this gravitation is commonly so strong that very rarely indeed a monopoly has come into life or remained alive for long without more or less violent engineering on the part of the state." Cf Lionel Robbins, *The Great Depression*, London, 1934, pp. 189-91. Where Ropke and Robbins treat state regulation as a *cause* of monopoly, I would consider it a *form* of monopoly. This difference of opinion is related to a difference in the conception of the nature of the state. See H. J. Laski, *The State in Theory and Practice*. London, 1935. Particular attention should be paid to Laski's discussion of Robbins's position, pp. 39-42.

with the maintenance of efficient and expansive production in a world of monopolists. Here the monopolists themselves are interested in the solution—and the common man may be an incidental beneficiary. The school of economists which believes in the possibility of maintaining full employment by various kinds of control of money and investment, of which Mr. Keynes may be taken as a typical example, if it carries conviction, mitigates the pessimism.

The economist, whether giving his opinion based on rational use of his technique of analysis, or whether acting, human and irrational, as a citizen, must be making some assumption as to future institutional drift. After discussing the difficulties of the monopoly stage of capitalism, he must wonder whether the Marxians are right in believing it to be the last stage of capitalism and the eve of socialism. At times one is inclined to believe they are right, so difficult is it to work up confidence in the kind of regulation which develops. In moments of arrogance one is inclined to believe that the economists might save capitalism from the capitalists for the capitalists. Then a serious moral problem has to be faced; namely, does he want to save capitalism, and if not, should he hasten its decline by intellectual sabotage, and if he does, what will take its place? At other times one is inclined to guess that capitalism has a tougher constitution than is usually attributed to it in these dark days, that it will survive, willy nilly, much longer than one is inclined to expect—and in this mood one is inclined to wonder, whether the economist is not really like Aesop's fly on the wheel in which case most of what I have been saying can be justified only by reference to the existence of a "demand" from University College for lectures on "trends".