The Role and Interests of the Consumer

The satisfaction of consumer preferences was honored as “the economic end”…

The discussion in this section seems incompatible with a definition of “consumer welfare” as the sum of consumer surplus and producer surplus.

One may defend the consumer by attacking monopoly through public policies such as were recommended by Henry Simons on the one hand or by Oscar Lange on the other; but these are normative defenses. They do not reinstate the consumer to his full sovereignty in the analytical domain.

Strange partners of the scientific socialists in modern “welfare economics” are some strongly antisocialistic economists and some of mixed leanings who suggest as a limited policy guide the concept of compensating payments. Despite their indisputable competence analytically, these writers are in a weak position so far as the normative issues are concerned. …Their proposals are not integrated with other policy positions, and they fail to face up to the unavoidable practical issue of income distribution. …But in fact the attempt to be strictly scientific in one direction—avoiding interpersonal comparisons of utilities—hides a nonscientific base of operation in the status quo so far as income distribution is concerned. This position has no more foundation in economics per se than the equalitarianism of the socialists. An inherent reactionary slant is clearly the political implication of scrupulous restraint where income matters are concerned.
p. 17, footnote 7:

Antitrust has of course always reflected producer interests—producer objections to restraints of trade and unfair competition. But with the changing structure of the economy, these interests no longer serve to protect consumers to the same extent as heretofore. Moreover, monopsonistic buying may sometimes neutralize the malallocations and consumer “exploitation” associated with monopolistic selling. But antitrust sometimes attacks monopsonistic buyers who retail for a mass market and who commonly pass on to consumers much of what they save in paying monopolist suppliers lower prices for the goods subsequently retailed.

Consumer Sovereignty in Modern Times
George H. Hildebrand

p. 19: “…I propose to limit the concept of consumer sovereignty exclusively to the economic power exerted by individual consumers by their spending in the market.”

This seems incompatible with a definition of “consumer welfare” as the sum of consumer surplus and producer surplus.

p. 20:

By serving the purposes of consumers as indicated in the latter’s value scale, any producer then acquires purchasing power to fulfill his own purposes as a consumer himself. As producer he is subject. As consumer he is sovereign.

Factors in Modern Industrial Development

Invention, Innovation, and Imitation
Yale Brozen

p. 250: “A divorce between ownership and control has led to uneconomic leadership, not only in some corporations, but also in government enterprises.”

p. 253: “Since social benefits usually exceed private benefit from [R&D] activity, private investment in research motivated by profit falls short of the socially optimum rate.”
Optimum and actual rates of invention, optimum and actual rates of innovation, and optimum and actual rates of imitation probably differ considerably. … Innovation and imitation are more rapid in competitive markets, …, but invention, in the absence of a patent system, is less rapid than in noncompetitive markets. There may be an optimum degree of noncompetitiveness, since there are two forces working in opposite directions which vary with the degree of competitiveness. The greater the degree of monopoly, the larger the private benefit to the inventor and therefore the greater the incentive to the monopolist to undertake developmental work. The smaller the number of firms in a market, however, the smaller the number of sources from which progress may come and, therefore, the slower the rate of progress. …

On some level, this paper does not speak to the issues with which I am trying to assess the views of the profession; exclude it from the sample. If it were to be included, however, it would have to be classified as inconsistent with later Chicago views.

The Role of the State in Economic Development
Henry G. Aubrey

Not germane to the issues with which I am trying to assess the views of the profession; exclude it from the sample.

Government Action or Private Enterprise in River Valley Development
A Desirable National Water Policy
W. W. Horner

A Public Administrator's View
Paul J. Raver

p. 297: “I belong to the school of thought that believes the government can and in many instances does operate proprietary or business functions efficiently and successfully.”

Exclude the first two papers on the ground that the authors are not economists.
It has long been a tradition in this country to encourage the early growth of desired transport techniques through public aids and subsidies.

Many airline witnesses appearing during the Senate Air-line Industry Investigation have criticized the Civil Aeronautics Board for excessive “duplication and triplication of routes” resulting from overly liberal insurance of certificates of public convenience and necessity.

And

…our public policy generally favors competition with the exception of unfair or destructive competitive practices. Congress left it to the Board to determine the extent of competition necessary to assure the sound development of air transportation.

Very significantly it was not the public but the larger and stronger of the existing air carriers in 1938 who asked a most obliging federal government to assume the same dual role of entrepreneur and policeman which it had been performing for the railroads since 1920.

The largest part of the investment in an airline consists of aircraft, which, being of fairly standard design, are an extremely mobile form of capital. This facilitates both the entrance and exit of capital from the industry in contrast to the great immobility of railroad and utility plant capital.
Economic Theory and Public Policy

The Future of Economic Liberalism
Overton H. Taylor

The specific discussion deals with Keynesianism, but the tenor of the article suggests placing it in the Chicago category.

A Historian's Perspective on Modern Economic Theory
W. W. Rostow

The focus of this article, like the previous one, is on macroeconomic issues rather than microeconomic. But the tenor of the article – the role envisaged for government – suggests placing it in the “inconsistent with Chicago” category.

Issues in Methodology

Implications for General Economics of More Realistic Theories of the Firm
Kenneth E. Boulding

p. 42:

It is well to remember that for all practical purposes there was no theory of the firm in economics before Marshall… Even in Marshall the theory of the firm is practically confined to a sort of appendix on monopoly, and the theory of the firm does not become central in economics until the development of the economics of imperfect competition in the thirties. …The essential conceptual framework behind the classical economics is that of supply and demand analysis… We shall not be far wrong in concluding … that the impact of more realistic theories of the firm on static price analysis is likely to be small.

pp. 43-44: remarks on the unsatisfactory state of oligopoly theory.

Institutionalism and Empiricism in Economics
Frank H. Knight
What needs to be said here is that the original purpose of economics on the classical price-theory line was educational or, one might say, propagandist. It was to show that free co-operation of individuals as consumers and producers, under the guidance of prices fixed by free purchase and sale in markets, is a way, and within wide limits a better way, than tradition and authority, to organize the efficient use of resources to achieve the freely chosen ends of individuals.

See remarks on Commons at pages 52-53.

Value Theory

Rehabilitation of Partial Equilibrium Theory
Melvin W. Reder

The reinterpretation of supply in imperfectly competitive markets would not now be found convincing. Despite some remarks in the first full paragraph on page 196, this paper should go in the “Chicago” column.

Dynamic Aspects of Oligopoly Price Theory
Carl Kaysen

The central problem in the theory of price formation under conditions of oligopoly is the problem of how the “implicit bargain” (Fellner) among the oligopolistic rivals is made.


**Government Policy on Business Practices**

Antimonopoly Policy during Rearmament  
Corwin D. Edwards  

Government Aid to Business Expansion  
Edward C. Welsh  

Too focused on aid to business during periods of national mobilization for inclusion in the sample.

**Technology**

The Role of Technology in Economic Theory  
Clarence E. Ayres  

p. 279:

…the originators of the market theory of the economy therefore assumed mankind to be a special creation, endowed by “Nature” with aptitude and propensities such as would bring the whole congeries of economic activities into equilibrium if only tyrannical governments could be induced to leave them along. The whole theory of price equilibrium derives its significance from these assumptions; and since these assumptions are at variance with modern knowledge…

p. 283:

Sooner or later the pendulum will swing the other way, and social scientists will realize that cognitive conditioning is no less important—and no less social—than emotional condition…

…it will call for a reorientation of the whole conception of the economy.

Determinants of the Direction of Technological Change  
Yale Brozen  
p. 288: “…define technological change as any change in production methods in an enterprise or industry.”

This definition would now (and probably was then) thought too broad. The later assertion that the rate of technological progress is endogenous to the economic system would be accepted, however.

p. 291:

Technical advances may be categorized according to whether they make markets more or less perfectly competitive. On first blush, any scale-enlarging technique may seem automatically to make markets less perfectly competitive. However, the fall in cost and price following the introduction of a scale-enlarging technique may enlarge the market by a larger proportion than the increase in optimum size of plant.

The idea that markets would need to be analyzed as imperfectly competitive for anything short of monopoly would seem to be inconsistent with the good approximation assumption.

Sociology and Economic Science

Sociological Value Theory, Economic Analyses, and Economic Policy
Joseph J. Spengler

p. 341:

…the economist is interested primarily in the functional how of a circumscribed portion of man’s behavior and not in the psychological and physiological why of this behavior.

pp. 347-348:
Under a regime of simple competition, entrepreneurs have little discretion concerning what they must do to survive. Under regimes involving important departures from simple competition, much discretionary influence remains in the hands of the entrepreneur, and he will accordingly give some weight to his own and to the community’s values when making decisions. This tendency will probably be even more pronounced if the entrepreneurial function is performed not by one person but by a number of persons, for then political means must also be employed to arrive at decisions (See W. Fellner, *Competition Among the Few*, pages 24-25.)
A generation of economists that has been schooled by Marx, Veblen, Schmoller, Marshall, Pigou, Wicksell, Schumpeter, and Keynes necessarily has moved a long way from the Euclidean economics of the utilitarian man with his naked interests, his calculus of desires, his random ends, and his simple society. (On Euclidean economics, see J.M. Clark, *Preface to Social Economics*, pages 40 f.)

Exclude this paper from the sample. If it were included, it would go in the “pox on both your houses” category.

Since World War II, … the emphasis of public and professional attention has been shifting toward the current-historical process of social and economic development.

Exclude this paper from the sample; its topic is not really germane to the question I examine.

Research

Discussion is by research techniques, not fields. Many of the techniques mentioned are inconsistent with the approach of the hard-core Chicago School (to rely on the theories of perfect competition and of monopoly); but exclude this paper from the sample.
Economic Research in Relation to Public Policy
Robert D. Calkins

Not germane to my topic.

1954

Fundamental Characteristics of the American Economy: Degrees of Competition, of Monopoly, and of Countervailing Power; Theoretical Significance

Countervailing Power
John Kenneth Galbraith

p. 1: “…competition …regulation …neutralization of one position of power by another.”

The concept of competition that he uses here is imperfect competition:

   Competition mitigates economic power by making the behavior of any participant in the market contingent on the behavior of other and like participants.

p. 2:

   The number who have objected, per se, to an economist’s playing with reality has so far seemed quite surprisingly small. And we must have men who resist any tampering with the rigidly idealized world of our ancestors. They do not contribute to movement. But they provide a valuable benchmark by which we can measure progress.

pp. 2-3: Here he argues that the alleviation of social tensions as “a critical test,” as much as the maximization of consumer welfare.

p. 3: “In our own time, however, we regularly reject the particular equilibrium test of maximized consumer welfare.”

pp. 3-4:

   The gains from opposing mass retail buying to large-scale or oligopolistic product have, I think, been fairly generally conceded. The question has been asked, however, as to what eleemosynary instinct causes the gains that are won by the mass buyer to be passed along to the consumer. In my book I argued that it was the result of the shape of the production function in retailing. My critics have suggested that it is because retailing, the mass buyers notwithstanding, is still a competitive industry. (It is likely to remain
one, for entry is almost inherently easy.) I suspect they are right. I am sure I was more than a little reluctant, at this particular stage in my argument, to confess a reliance on competition. After all, it is a bit embarrassing after one has just murdered his mother-in-law to disinter the lady and ask her to help do the cooking.

p. 6: “economic power in the economy is pervasive.”

The Economist Plays with Blocs
George J. Stigler

pp. 7-8:
Three views that Galbraith shares with many economists provide the raw material of the theory of countervailing power.

The first view is that the American economy is outstanding in its efficiency and progressiveness. …

The second view is that the American economy is dominated by large business concerns, or, more concretely, oligopoly is typical in our basic industries. …

The third view … is that the major sectors of our economy are organized into powerful economic units … and that important economic decisions are made by individual firms or blocs whose powers far transcend simple adaptation to impersonal market forces.

pp. 9-10:
But it simply is romantic to believe that a competitive solution will emerge, not merely in a few peculiar cases, but in the general run of industries where two small groups of firms deal with one another: suddenly all the long-run advantages of monopolistic behavior have been lost sight of in a welter of irrational competitive moves.

This would seem inconsistent with the good approximation assumption.

p. 10: Here there appears to be a failure, which seems in the first instance to be due to Galbraith but which Stigler does not correct, to distinguish between prices that clear the market and prices that clear the market and at which suppliers exercise some degree of market power. (A monopoly price clears the market; it clears the market because the monopolist restricts supply.)

p. 10: “…Galbraith’s notion of countervailing power is a dogma, not a theory.”
pp. 10-11:

Dogmas can be true, and every man knows many things he cannot fully explain; so the characterization of dogma does not constitute a rejection of Galbraith’s position.

p. 11:

…we cannot use government sponsored blocs as an illustration of the natural emergence of countervailing power… It is true, of course, that once a government intervenes in economic life, it finds industries dominated by a few firms much easier to direct, for both administrative and political reasons.

p. 13:

…if one accepts the traditional consensus of economists on particular industries’ performance, it requires some skill in selection to find widely applauded instances of bilateral oligopoly.

What Stigler does not say in this paper is “if any industry is not a monopoly in the strict sense, we can use the model of perfect competition to analyze it.” His remarks on page 14 on what determines the economic power of a group are quite consistent with both oligopoly theory and with the S-C-P framework.

Competition and Countervailing Power: Their Roles in the American Economy
John Perry Miller

p. 15:

It has become clear that the competitive process is no simple thing and that market structures and behavior defy reduction in either law or economics to a simple dichotomy of monopoly and competition.

p. 17:

(1) What is the nature of the competitive image of the classical and neoclassical heritage? (2) Is the concept of countervailing power a useful tool of analysis and a useful instrument of policy? (3) Is it true that the competition is so weak an element in the contemporary scene that it should be rejected as a tool of analysis and abandoned as an instrument of policy?

p. 17:

The fundamental concept [of competition] in the Wealth of Nations was “self-interest operating in a system of perfect liberty.”
It is this static view of competition, pure or perfect, which Professor Galbraith finds lacking as a model against which to judge the American economy. Few would deny that these static models have proven very brittle when applied to contemporary Western economies. We face the unfinished task of developing a concept of market behavior which is more adequate.

What place does competition play in the contemporary American scene? Is competition still a useful tool of analysis and a useful instrument of policy? If we mean perfect or pure competition, i.e., the absence of any power over price, competition is not an important element in the American economy.

There are impressive statistics attesting to the divergence of industrial markets from the perfectly or purely competitive models. It is also clear that many firms have a degree of discretion, at least in the short run, with respect to their product, prices, or volume of sales.

The policy of competition requires conditions in which firms, large and small, are forced to make decisions independently and with the expectation that their market positions are insecure. This requires the maintenance of an environment conducive to initiative, to the birth of new firms, to the growth of small firms, and to the penetration of existing firms into one another’s markets.

An Appraisal of Economic Change

Twentieth-Century Entrepreneurship in the United States and Economic Growth
Arthur H. Cole

"The first nation-wide advertising campaign deliberately planned was launched in 1899;…"
p. 48:
…the problem of ultimate control in large business organizations is unsolved. Though modern large corporations are financially oriented, their officers are, at least during periods of reasonably successful performance, relatively free from stockholders, i.e., real ownership, control.

On the Changing Apparatus of Competition
Ross M. Robertson

p. 51:

Perhaps the most striking characteristic of the economic literature of the past quarter-century has been the preoccupation with the problem of small numbers.

A remarkable statement, from someone who works at a Federal Reserve Bank.

p. 51:

If we may judge by the volume of testimony which still appears in the journals, in monographs, and in recent textbooks, the conclusion is unavoidable that the orthodox presentation, as developed in the late thirties, is almost unanimously accepted by professional economists. Those who have described the oligopoly structure of modern industry, as well as those who have constructed the theoretical organon which presumably explains the determination of prices, have won out. Few would raise serious questions about this major proposition of economics—that competition in the American economy has persistently declined. Or at any rate this has been so until quite recently.

He argues that there is much less monopoly power in the U.S. economy than has been contended; but the features of the modern economy that he would have taken into account go far beyond the good approximation assumption.

Factor Markets versus Product Markets

Competition: Direct and Devious
G. Warren Nutter
It cannot be said that price theory has marked time over the last half-century. Competition and monopoly—the two parts into which the relatively simple Marshallian system is divided—have been dissected into many pieces…

We must certainly be struck by the fact that, when we are faced with concrete problems, we place our trust overwhelmingly in the simple and familiar tools of supply and demand, with results that are generally quite satisfactory for most purposes. This is not to argue that we should go back to Marshall’s Principles and stop there. Remarkable as his contributions are, they do not include an adequate guide for applying theory to concrete situations.

A firm behaves competitively if it produces an output at which marginal cost equals price.

A case could be made for placing this article in the “pox on both your houses category.” But put it in the Chicago column.

Monopoly and Resource Allocation
Arnold C. Harberger

Assume that long-run average costs are constant, for the firm and for the industry.

When we are interested in the big picture of our manufacturing economy, we need not apologize for treating it as competitive, for in fact it is awfully close to being so. On the other hand, when we are interested in the doings of particular industries, it may often be wise to take monopoly elements into account. Even though monopoly elements in cosmetics are a drop in the bucket in the big picture of American manufacturing, they still mean a lot when we are studying the behavior of this particular industry.
Farm Prices and Farm Incomes in American Agriculture: Is American Agriculture Still Essentially Competitive and Laissez Faire?

Attempts to Restrict Competition in Agriculture: The Government Programs
M. R. Benedict

p. 95: Early 1920s, Aaron Sapiro and American Farm Bureau Federation: campaign to have American farmers abandon support for competition, adopt combination as a tactic. Ended by 1924, but “seed planted.”

p. 98:

In brief, it seems fair to state that, ideologically, agriculture has moved rather far from its traditional position as the principal defender of the competitive system. Has it, in fact, been able to break away from it or are the forces of competition so powerful that they have continued to dominate the situation despite these major changes in policy?

p. 98:

Competition still is a powerful influence in both farm and nonfarm operations. But it is taking new forms. Price competition has been de-emphasized while sales effort, quality improvement, and service have become more prominent.

p. 99:

Most of the government programs have not changed significantly the basic structure of agriculture nor have they brought about any large amount of self-sustaining change in the competitiveness of agriculture. If the legal authorizations for acreage controls, marketing quotas, and marketing agreements were to be repealed, agriculture would promptly revert to essentially the same type of highly competitive organization as it had before these controls were established.

It is difficult to know where to put this article. On the one hand, it could be said to be written from the viewpoint that the models of monopoly and of competition alone are sufficient to analyze most industries in the U.S. economy. However, it also takes the position that the agricultural sector is inherently competitive while most of the rest of the economy (pages 93-95) is monopoly.
Competition in Agriculture: Fact or Fiction
D. Gale Johnson

p. 107:

Have the events and policies of the past quarter-century, as these have affected agriculture, resulted in a less efficient use of farm resources than existed in the late twenties?

p. 112:

…the general efficiency with which agricultural resources have been used has not diminished in the past quarter-century and has probably changed in a favorable fashion.

Exclude the Benedict and Johnson papers from the sample on the ground that they are mainly about government programs.

Industrial Pricing: Institutional Practices versus Abstract Models

Toward a Theory of Industrial Markets and Prices
Richard B. Heflebower

The Value of Value Theory
Richard Ruggles

p. 147:

The concepts of the theory of the firm are not set up to be operable in empirical terms, and this in turn prevents the theory of the firm from being tested empirically or from being used to analyze empirical situations.

p. 151:

…the effect of industrial organization on pricing. …the form of industrial organization appears to have no significant effect, as far as I have been able to ascertain, upon the behavior of these gross margins, and thus price-cost behavior, in the economy. The traditional case for price inflexibility in certain sectors because of the industrial organization of these sectors is, there, in fact quite unfounded.
Exclude this paper from the sample; it does not speak to the question with which I am concerned.

**Technological Progress and Economic Institutions**

Conditions of American Technological Progress  
Irving H. Siegel  

p. 170:

> Despite market imperfections, evidences of wastefulness and shortsightedness, and perennial dangers of overconcentration of economic power in a relatively small number of large firms, resources have on the whole been allocated effectively in the past.

Despite this almost offhand remark (which would justify placing the paper in the “inconsistent with Chicago” category), this paper does not address the question in which I am interested.

Technological Progress in Some American Industries  
W. Rupert Maclaurin  

Despite a remark in the middle of page 182 (which suggests the presence of monopoly in the economy), this paper is about determinants of technological progress, and does not address the analytical frameworks that can or should be used to analyze static market performance. Exclude this paper from the sample.

**Growth Decisions in the American Economy**

Some Institutional Factors in Business Investment Decisions  
Edgar M. Hoover  

p. 201:

> Economists have devoted much productive effort, especially in the past quarter-century or so, to bringing price theory “up-to-date” by adopting more realistic assumptions than those of perfect competition or simple monopoly.

See page 211 for comments suggesting that oligopoly theory goes in the right direction but is not yet “adequate.”
As a stimulus to progress, competition included both the carrot and the stick (the carrot of profits to the successful innovator and the stick of losses for those who fall behind) and elimination for those who fall behind substantially and persistently.

This discussion is incompatible with the good approximation assumption.

Economists have long preferred an eclectic approach to this problem. No universal solvent has yet been found that will exempt us from a detailed examination of the structure of particular oligopolistic markets and their history, as a prerequisite to explaining their behavior.
The Basing Point Decisions and the Steel Industry  
Louis Marengo  

**Research on the Business Firm**

Limits to the Growth and Size of Firms  
Edith Penrose  

Managerial Motivation and the Theory of the Firm  
C. Addison Hickman  

**Price and Wage Flexibility**

Economic Concentration and Depression Price Rigidity  
John M. Blair  

Full Employment, Wage Flexibility, and Inflation  
Kenyon E. Poole  

Subject is labor markets - exclude from the sample.

**Report of the Attorney General's Committee on Antitrust Policy**

Market Power and Business Conduct: Some Comments  
Edward S. Mason  
It is possible for the skillful reader to buttress almost any preconceived notion of what the antitrust laws are about by judicious citation of chapter and verse.

...there has been a substantial development of antitrust law in the direction of an expanding area of per se rules and of a greater emphasis on market power at the expense of illegal conduct or practices.

Enforceable Competition: Unruly Reason or Reasonable Rules?
Kingman Brewster, Jr.

The Verdict on Antitrust and Its Significance
Clair Wilcox

p. 491: Robinson-Patman Act “inconsistent with the essential logic of antitrust.”

The Committee accepts the goal of competition but does not distinguish between the cases where competition serves the public interest and those where it may not.

p. 495:
[The Report] shows, first, that expert opinion approves the substantive doctrines of antitrust as they have been developed, in recent years, through the decisions if the courts. And it shows, second, that the experts hold the effects made, in the same period, to shift the goal of policy from the maintenance of competition to the preservation of competitors to be inconsistent with the logic of antitrust and prejudicial to the public interest.

Exclude this paper from the sample: it is a description of the positions taken by the committee, does not comment on the correctness of those positions from an economic point of view.
Institutional Economics

A New Look at Institutionalism
Kenneth E. Boulding

p. 2:

…why do certain viewpoints or streams of development establish themselves as orthodox, or “main streams,” …why do dissenters perceive themselves as dissenters?

Descriptive; exclude this from the sample.

Price and Competitive Aspects of the Distributive Trades

Theoretical Implications of Empirical Research on Retail Pricing
Stanley C. Hollander

p. 260:

The extent to which retail behavior actually conforms to the predictions resulting from monopolistic competition theory may provide an interesting test of the theory. The verdict is a curiously mixed one.

Much here is inconsistent with the good approximation hypothesis; his literature review also points out evidence inconsistent with the applicability of the monopolistic competition model to retailing. Put this paper in the “pox on both your houses” group.

The “Product” and “Price” In Distribution
M. A. Adelman

p. 266: foot omitted, emphasis added

Chamberlin was to formulate Wicksell’s sequence rigorously, as the “tangency solution,” one of the most useful pieces of apparatus which the economic theorist has given to workers in applied fields.
p. 266:

…the modern theory originated in large measure out of the conflict between the normal competitive assumptions and the facts of daily life of which everyone is willy-nilly aware.

p. 270:

Unfortunately, we know little enough about competition in distribution. There is plenty of scope for collusive oligopoly in wholesaling. As an example take grocery wholesaling.

p. 271:

As for retailing, the inherent differentiation because of location, the inelasticity of demand with respect to the price of retail service (which is only a fraction of total price), and the inertia and ignorance of the individual consumer are the elements of a monopoly power which is usually substantial, at least in the short run.

p. 272:

The thesis suggested here is that competition in distribution often works slowly and with a lag.

pp. 272-273:

In fact, a useful if not a very precise index of the strength of competition in distribution is the resentment of the unsuccessful competitors…

p. 272:

The general conclusion is that there are elements of monopoly in wholesale distribution and retail distribution which tend to raise the distributive margin above what it needs over the competitive optimum, but that low entry requirements generate countermovements whenever the excess builds up to some critical point.

Mass Distribution: A Phase of Bilateral Oligopoly or of Competition?  
Richard B. Heflebower  

p. 277: Concentration ratios are used as a basis for assessing nearness to competition or oligopoly.
The Monopoly Problem as Seen by Social Scientists

The Monopoly Problem as Viewed by a Lawyer
Edward H. Levi

An argument could be made for excluding this paper from the sample on the ground that it represents a viewpoint from the discipline of law rather than economics. But place it in the Chicago category.

Anthropomorphic Corporations, Elites, and Monopoly Power
Earl Latham

Political science.

If this paper were included in the sample, it would go in the “inconsistent with Chicago” category. But exclude it on the ground that the viewpoint is one of political science.

The Social Significance of the Modern Corporation
Carl Kaysen

Consumers in the American Economy

Government and the Consumer Interest
Warren J. Bilkey

p. 568:

From the material discussed in this paper, it appears that neither consumers nor the public as a whole think of our economy in terms of any classical laissez faire model.
Exclude this paper from the sample: if it were included, it would be in the “inconsistent with Chicago” category; but for the most part it is descriptive, listing alternative possible positions. (See, however, remarks on solidarist theory.)

**Current Economic Questions Relating to Western Europe**

The Lessons of Benelux and the European Coal and Steel Community for the European Economic Community  
Raymond F. Mikesell  

European Policies on Restrictive Business Practices  
Roger C. Dixon  

Exclude these two papers on the grounds that they deal with a still-emerging European situation.

**Further Explorations in Monopolistic-Competitive Price Theory**

The Uses of Diversity: Competitive Bearings of Diversities in Cost and Demand Functions  
J. M. Clark  

Cost Accounting, Political Economy, and the Law  
Walton Hamilton  

Not germane to my topic; exclude this paper from the sample.

**Petroleum and Natural Gas and the Public Interest**

Natural Gas: Cost, Conservation, and Pricing  
Joel B. Dirlam  
Exclude this paper on the ground that it is about regulation.

Prices, Costs, and Conservation in Petroleum
James R. Nelson
502-515.

Exclude this paper on the ground that it is about regulation.

**Selected Papers: American Economic Association Competition**

Product Differentiation and Straight-Line Indifference Curves
Lawrence E. Fouraker
568-577.

Not germane to my topic.

Joint Subsidiaries in the Iron and Steel Industry
Daniel R. Fusfeld
578-587.

p. 587:

> If we are committed to a policy of competition in the American economy, quasi-mergers, like joint subsidiaries, should immediately be suspect, especially when they involve large firms in the same industry. And if we are committed to dispersal of economic power rather than its concentration as an essential element of political democracy, the interest groups that can be fostered by joint subsidiaries should not be tolerated.

A Partial Theory of Collusion
Dean A. Worcester, Jr.
588-597.
1959

**Power Blocs and the Operation of Economic Forces**

Economics by Admonition  
Ben W. Lewis  

p. 390:

It is my unabashed personal value judgment that in a growing number of key spots in our economy big units possess, and will continue to possess, a degree of power over the market incompatible with our confident acceptance of competition as our economizing force.

But note also skepticism toward antitrust.

**Economics by Negotiation**  
George H. Hildebrand  

Exclude this paper, which is about labor markets, from the sample.

**Administered Prices Reconsidered**

Administered Prices and the Inflationary Process  
Gardner Ackley  

Administered Prices: A Phenomenon in Search of a Theory  
John M. Blair  

1960

**Standards for the Performance of Our Economic System**

Changing Standards of Economic Performance  
Donald J. Dewey  
p. 6, footnote 3:

_The Control of Trusts: An Argument in Favor of Curbing the Power of Monopoly by a Natural Method_ (New York: 1901). Clark’s natural method is competition purged of unfair trade practices.

A Critique of Present and Proposed Standards
Tibor Scitovsky

He discusses consumer sovereignty at length, and states that most economists favor it as a standard for an economy. It seems clear from his discussion that by consumer sovereignty he means “let consumers decide,” not “maximize the sum of consumer plus producer welfare.”

Exclude both these papers: they are about what standards should be, and do not speak to the extent to which markets (or markets of different types) approach those standards.

**Relations Between Economic Theory and Economic Policy**

From Economic Theory to Public Policy
Clair Wilcox

p. 30:

In maintaining competition, the enforcement agencies and the courts need to know how monopoly can be identified, products defined, markets measured, and the structure of markets appraised, how far efficiency and innovation depend on scale, what terms in a decree will make an industry competitive—all of them matters on which economists have been of little help.

pp. 31-32: Antitrust consistent with economic theory, but motivated by politics.

This paper is about the broad sweep of theory, and not germane to my topic (despite the asides indicated above). Exclude it from the sample.

The Influence of Events and Policies on Economic Theory
George J. Stigler
We have been regulating railroads for seventy-two years, but neither this instance nor a hundred others of governmental regulations have brought forth even the rudiments of a theory of regulation.

Exclude this paper from the sample, as with the previous paper.

**Research on Theory of the Firm**

Sequential Decision Making in the Firm  
Julius Margolis  

p. 529: full-cost pricing.

p. 529: “…we often find that full-cost pricing in practice is seemingly modified to agree with a profit maximization hypothesis…”

Simulation of the Firm  
Kalman J. Cohen  

p. 535:

The neoclassical theory of the firm has been designed primarily to answer questions concerning ways in which resources are allocated among industries within a free price economy. While the neoclassical model may be quite adequate for this purpose, there are, of course, large categories of interesting economic questions which cannot be satisfactorily answered by this model.

p. 540:

To achieve satisfactory answers to such questions as how are resources allocated within firms, what are the effects of organizational structure on entrepreneurial behavior, and how are price and output decisions made in oligopoly market situations, we need to develop theories of the firm which incorporate a much greater degree of realism and complexity than does the traditional neoclassical theory.
It may well be that, on the whole, the efficiency assumption is not a bad approximation, especially for organizations that have survived over a long time; they have behaved as if they had pursued the goal of maximizing the chance of survival (not the profit);…

…it is very often the case that unrealistic assumptions about the behavior of individual economic agents constitute an important cause of inadequacies in macroeconomic theory.

Other statements indicate complete faith, unsupported by empirical evidence, that entrepreneurs are indeed in some way behaving in optimal fashion. For example, Milton Friedman suggested the following simple solution to the problem of what firms have minimum costs:

Surely the obvious answer is: firms of existing size. We can hardly expect to get better answers to this question than a host of firms, each of which has much more intimate knowledge about its activities than we as outside observers can have and each of which has a much stronger and immediate incentive to find the right answer…

Distribution Costs: Concepts and Measures

How Much Does It Pay Whom to Advertise?
Lester G. Telser

There are actually sections of this paper that seem incompatible with eventual Chicago positions (see discussion of oligopoly on page 201). Classify it with the Chicago-consistent papers.

Scale, Specialization, and Costs in Relating
Richard H. Holton

Considerable ambiguity in the classification of this paper; place it in the Chicago column on the strength of the last sentence: “So it is not at all clear that the increases in scale of establishment or of firm will operate to lower prices to consumers, although it may well be that grater retailing services per dollar of value are almost inevitable.”

An Interpretation of Change in Agricultural Marketing Costs
Frederick V. Waugh; Kenneth E. Ogren

No clear classification emerges.

Antitrust Problems

The Antimerger Act, 1950-60
M. A. Adelman

Policy Implications of the Theory of Interfirm Organization
Almarin Phillips
Mergers and Cartels: Some Reservations about Policy
Donald Dewey

1962

New Developments in the Theory of the Firm
Herbert A. Simon

The Economics of Research and Development

Determinants of Inventive Activity
Jacob Schmookler; Oswald Brownlee

Research and Development, New Products, and Productivity Change
W. Eric Gustafson

The discussion of pricing of new products on pages 179-180 is inconsistent with the “good approximation” hypothesis.

The Costs of Automobile Model Changes Since 1949

Franklin M. Fisher; Zvi Griliches; Carl Kaysen

In this short paper they suggest that the cost of model changes is so high that model changes may not have been worth it, even if consumers wanted the model changes at the time. This seems un-Chicagoish, but they decline to address the question directly; leave this paper out of the survey.
On the Principle of Consumers' Sovereignty
Tibor Scitovsky

Consumers' Sovereignty Revisited and the Hospitality of Freedom of Choice
Jerome Rothenberg

See comments on Pareto optimality at pages 271-271, which seems un-Chicagoish. Yet the discussion of the merits of freedom of choice points in the other direction. This paper would really go into an “other” category. Leave it out of the sample.

Transportation Problems in the American Economy

The Merger Movement in Transportation
Kent T. Healy

See discussion of potential effects of mergers on pages 442-443.

The Functioning of the Market for Economists
Gerald G. Somers

The text of this paper strongly suggests that the market for economists is imperfectly competitive, but the author does not frame the discussion in those terms. Leave this paper out of the sample.

1963

Principles of Economic Policy, Consistent and Inconsistent: Public Policies with Respect to Private Business

Consistency in Public Economic Policy with Respect to Private Unregulated Industries
Ewald T. Grether
Description of imperfect competition in the first full paragraph of page 31, strong support for antitrust policy, page 32, page 34.

1964

The Theory of Monopolistic Competition After Thirty Years
The Impact on Industrial Organization
Joe S. Bain

The Impact on General Theory
Robert L. Bishop

See remarks on page 40 on uses of the model of perfect competition.

Monopolistic Competition and Welfare Economics
William J. Baumol

p. 52: “Few economists today would accept, hastily and uncritically, welfare conclusions derived exclusively from a purely competitive construct.”

Efficiency in Agriculture

Efficiency of the Farm Firm
Earl O. Heady

Technological Changes: Stimuli, Constraints, Returns

Rates of Return from Industrial Research and Development
Edwin Mansfield

1966

To the extent that this paper finds underinvestment in innovation, one might place it in the category “inconsistent with Chicago.” But Mansfield does not directly address such issues. To err, if at all, against the hypothesis that Chicago views never commanded the economics mainstream, leave this paper out of the population surveyed.
Market Structure, Business Conduct, and Innovation  
Jesse W. Markham  

A lot of this paper suggests putting it in the “A pox on both your houses” category. The final sentence tips the balance to place it here: “The large corporation and some degree of market power appear to be concomitants of organized innovative effort, but corporate size and market power in excess of Schumpeterian threshold levels appear to be with us, and for this and other reasons are still legitimate concerns of public policy.”

Technological Change and Economic Theory  
Jacob Schmookler  

**Antitrust and Patent Laws: Effects on Innovation**

Anniversaries of the Patent and Sherman Acts: Competitive Policies and Limited Monopolies  
Mark S. Massel  

The description of motives behind passage of the Sherman Act contained in this paper is definitely inconsistent with Chicago views, but on balance his policy views seem consistent with the Chicago position.

The Joint Effect of Antitrust and Patent Laws upon Innovation  
Jesse W. Markham  

Patents, Potential Competition, and Technical Progress  
Almarin Phillips  

p. 309: “If it is recognized that leading firms are likely to be able to impede entry by means other than patents and technological progressiveness…”

**The Economics of Publishing**

The Market for Professional Writing in Economics  
Alexander J. Morin  

An interesting article, from which one can infer – but only infer – that the market that is its subject is one that is imperfectly competitive. Leave it out of the study.
The Pricing of Textbooks and the Remuneration of Authors
Paul M. Horvitz

p. 413: “My guess would be that neither a higher nor a lower average level of prices for his textbooks would increase a publisher’s profits. This does not necessarily mean, however, that profits are being maximized.”

The Economic Rationale of Copyright
Robert M. Hurt; Robert M. Schuchman

1967

p. 428:

If a pirated edition appeared, the first publisher responded with “fighter” or “killer editions”—extremely cheap editions designed to drive prices below even the copier’s costs, in the hope of establishing a reputation for retributive conduct which, while self-defeating in the short run, was highly effective in curbing the pirates in the long run.

The Economics of Broadcasting and Advertising

The Economics of Broadcasting and Government Policy
R. H. Coase

Plainly in the Chicago tradition, but excluded from the sample on the ground that the topic is regulation.

The Quest for Quantity and Diversity in Television Programming
David M. Blank

Supply and Demand for Advertising Messages
Lester G. Telser

Antitrust and Monopoly

The Goals of Antitrust Policy
Robert H. Bork
p. 87: The general case, in terms of microtheory, really is oligopoly, even under the large numbers of monopolistic competition, when allowance is made for spatial and product and service differentiation and market segmentation.

There is no mention, in his survey of differing points of view, of anything like the “good approximation” assumption.
Along with a critique of policy conclusions drawn from Bain and Mann studies, one reads on page 97:

Further reason for rejecting the notion that a price model of pure competition in a single industry is a suitable guide for a public policy directed toward the whole economy is offered by Professors Lipsey and Lancaster in their “Theory of Second Best.”

p. 103: footnote omitted, emphasis in original

For present purposes, we simply note that even if Markham’s conclusion … that “the larger horizontal mergers (of the 1920’s) on balance may well have stimulated as much competition as they stifled” is accepted without qualification, the anticipation of added profit through improved market power and competitive position surely was a very substantial factor in many of the mergers in this period, though probably rather smaller than in the massive consolidations earlier.

See also the next page, and the final paragraph.
Despite the emphasis on efficiency effects, the acceptance (p. 119) that vertical integration may translate into entry barriers places the paper in the “pox on both your houses” category.

**The Corporation, Technology and the State**

Is the Corporate Economy a Corporate State?
Robin Marris

See remarks on trustbusting, p. 113.

**Economics of Information**

Where Are We in the Theory of Information?
J. Hirshleifer

p. 38: “it is evident that resources are being wasted conveying inauthentic information.”

Searching for the Lowest Price
L. G. Telser

**Organizational Forms and Internal Efficiency**

Markets and Hierarchies: Some Elementary Considerations
Oliver E. Williamson

Legal Constraints and the Choice of Organizational Form
Donald L. Martin

This papers does not lend itself to characterization in terms of the issues I address; do not include it in the sample.
The Political Economy of Multinational Enterprises

Competition Policy Toward Multinational Corporations
Raymond Vernon

Is Economic Theory With It?

Economic Theory and Its Discontents
Vernon L. Smith

Is the Theory of Competitive Equilibrium With It?
Tjalling C. Koopmans

This paper does not lend itself to characterization in terms of the issues I address; do not include it in the sample.

Microeconomic Theory: Conflict and Contract

A Contractarian Paradigm for Applying Economic Theory
James M. Buchanan

This paper does not specifically address the use of the model of perfect competition in industrial economics. The criticism of the maximizing approach that it contains suggests that it belongs in the “pox on both your houses” category.

Problems vs. Conflicts: Economic Theory and Ideology
Ducan K. Foley

See comments on antitrust, p. 233, on the competitive model on page 234.
The Behavior of Firms in Oligopolistic Markets: In Theory and Practice

Firm Decision-making Processes and Oligopoly Theory
Paul L. Joskow

Oligopoly Theory, Communication, and Information
Martin Shubik

Information and Market Structure

Information and Monopolistic Competition
Steve Salop

Information and Competitive Price Systems
Sanford J. Grossman; Joseph E. Stiglitz

Information, Screening and Human Capital
John G. Riley

Political Economy: Some Uses of the Exit-Voice Approach

The Economics of Internal Organization: Exit and Voice in Relation to Markets and Hierarchies
Oliver E. Williamson
New Developments in the Theory of Monopolistic Competition

A Survey of Advertising and Market Structure
Gerard R. Butters

Interbrand Choice, Media Mix and Market Performance
Michael E. Porter

Product Differentiation and Welfare
Michael Spence

Equilibrium in Market Where Price Exceeds Cost

Uncertainty, Production Lags, and Pricing
Dennis W. Carlton

A judgment call, but place this in the Chicago category.

Resource Extraction with Differential Information
Richard J. Gilbert

Nonprice Competition
Michael Spence

Economics and Biology: Evolution, Selection, and the Economic Principle

Competition, Cooperation, and Conflict in Economics and Biology
J. Hirshleifer
Exclude this from the sample (if it were included, it would go in the “pox on both your houses” category.

**Efficiency of Managerial Decision Processes**

The Business of Business is Serving Markets  
Joseph L. Bower  

Highlights inadequacy of received models, also critical of antitrust.

On the Basic Proposition of X-Efficiency Theory  
Harvey Leibenstein  

**Changes in Consumer Preferences**

Endogenous Tastes in Demand and Welfare Analysis  
Robert A. Pollak  

Stochastic Properties of Changing Preferences  
Edgar A. Pessemier  

On the Study of Taste Changing Policies  
T. A. Marschak  

Leave these two papers out of the sample; to the extent that they admit the possibility of changing tastes, they are inconsistent with Chicago views, but otherwise the connection with my topic is tenuous.
What Economists Think

A Confusion of Economists?
J. R. Kearl; Clayne L. Pope; Gordon C. Whiting; Larry T. Wimmer

Applied Welfare Theory

Equilibrium and Welfare in Unregulated Airline Markets
John C. Panzar

p. 92:
…a noncooperative, free entry equilibrium always results in higher prices, lower load factors, and greater frequency than are socially optimal.

International Commodity Markets and Agreements

The Cartelization of World Commodity Markets
Robert S. Pindyck

p. 157:
It seems to me that over the next decade or two the success of international commodity cartels will depend more on the existence of potential monopoly gains than on the ability to solve the organization and stability problems.
…there is no inherent reason why the organizational problems cannot be solved…

New Directions in Industrial Organization

Strategic Entry Deterrence
Steven C. Salop

Equilibrium in Product Markets with Imperfect Information
J. E. Stiglitz
One might make a case for putting this paper in the “pox on both your houses” category, but on balance it seems to me that it belongs in the “inconsistent with Chicago” category.

Multiproduct Technology and Market Structure
Robert D. Willig

Some argument could be made for putting this paper, which primarily outlines tools of microeconomic analysis, in the “consistent with Chicago” category. See, however, footnote 9: “However, sustainability may be too strong a requirement of homogeneous product oligopolistic equilibria since here it implies marginal cost equal to price.”

Leave this paper out of the sample.

**Empirical Studies of the Rate of Return Capital**

Profitability and Capital Costs for Manufacturing Corporations and All Nonfinancial Corporations
Daniel M. Holland; Stewart C. Myers

Probably most reasonably interpreted as inconsistent with the Chicago view, but basically descriptive; exclude from the sample.

Rates of Return by Industrial Sector in the United States, 1948-76
Barbara M. Fraumeni; Dale W. Jorgenson

Substantial and persistent differences in rates of return across industries, failure of capital to reallocate in response to such differences.

Vignettes on the World Capital Market
Arnold C. Harberger

Probably most reasonably interpreted as inconsistent with the Chicago view, but sufficiently distant from industrial economics that it should be excluded from the sample.
Borderlines of Law and Economic Theory

Transaction Cost Determinants of "Unfair" Contractual Arrangements
Benjamin Klein

Models for Antitrust

The Allocation of Landing Rights by Unanimity Among Competitors
David M. Grether; R. Mark Isaac; Charles R. Plott

Investment Decisions with Economies of Scale and Learning
Richard J. Gilbert; Richard G. Harris

Contestability and the Design of Regulatory and Antitrust Policy
Elizabeth E. Bailey

Potential Competition May Reduce Welfare
Joseph E. Stiglitz

The Economists and the Problem of Monopoly
George J. Stigler

Recent Developments in Oligopoly Theory

Avinash Dixit
Recent work follows Harvard in acknowledging the possibility of markets not well described by either perfect competition or pure monopoly, and it follows Chicago in stressing the value of deductive analysis of explicit economic models.