POLICY REPORT

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Labor Monopoly and Antitrust Policy

by Robert D. Tollison

A standard precept of "Austrian" economics is that economics consists in the study of the unintended consequences of human action. This concept of the purpose of economics dates back to David Hume and Adam Smith. After a hiatus of approximately a hundred years, epitomized by such writers as David Ricardo and John Stuart Mill, Carl Menger, father of the Austrian School, returned to this theme in his magnificent *Grundsätze*. In this work he laid some of the foundation stones of modern economic theory. Menger stressed—and this is perhaps of greater importance—that the value of economic theory resides in its power to reduce the complexity of observed behavior to understandable terms. Modern Austrians, primarily Friedrich Hayek and Ludwig von Mises, brought this Austrian tradition to a very high level, an achievement recognized by the awarding of a Nobel Prize in Economic Science to Professor Hayek in 1974. In this respect consider Gerald O'Driscoll's observation:

> In Hayek's view, economics begins where direct observation leaves off. The immediate impact of most economic decisions is apparent even to the untrained: a legal control holding price below the market-clearing price makes goods less expensive (in money terms); a minimum wage set above the market-clearing level raises the income of (employed) workers. Economics deals with the hidden aspects of these problems, or phenomena not readily understood to be aspects of these problems (for example, shortages and unemployment).[1]

What does the Austrian approach to economics have to do with present antitrust policy toward business and labor? Generally, labor unions are recognized as monopolies, but they have been exempted from the antitrust laws for political reasons. The fact that labor unions are monopolies has carried little weight in political discussions about the antitrust laws. A major purpose of this essay is to report on the breaking of some new ground in the analysis of labor's exemption from antitrust. This new analysis suggests that an important unintended consequence of labor's exemption has been the promotion of *business* monopoly. Although this is not really a new point in labor economics, as will be stressed below, its implications for antitrust policy have not been carefully considered. This essay will review the analysis of how labor monopoly can breed business monopoly and will consider its implications for antitrust policy. This new analysis of labor monopoly suggests that either labor's exemption from antitrust should be repealed (an unlikely alternative) or antitrust policy should be abandoned. Since the former alternative is not likely to be politically viable, this part of the discussion will concentrate on the feasibility, indeed the attractiveness, of abandoning antitrust altogether.

"For a variety of reasons the most serious cases of monopoly have traditionally been those monopolies sanctioned by government."

Antitrust laws are, theoretically, aimed at the economic disruption caused by monopoly power in the economy. Yet while labor unions are monopolies of labor services, they are exempt from the antitrust laws. Unions were exempted from antitrust (along with agricultural and horticultural organizations) under Section 6 of the Clayton Act (1914), and this exemption was further strengthened by the Norris–La Guardia Act (1932) and the National Labor Relations Act (1935). While the Supreme Court decision in the *Pennington* case (1965) precludes unions from openly colluding with unionized employers to monopolize product prices or to drive nonunion rivals out of business, the basic features of union monopoly power are untouched by the antitrust laws.

In a fundamental respect, then, there is an important dichotomy in law and economics. The law exempts labor monopolies from antitrust prosecution, while economics treats labor monopoly on an equal footing with other types of monopoly power. Indeed, a strong case can be made that the forces of labor monopoly are much more disruptive of economic life than are the forces of business monopoly. With business monopoly there are always close substitutes available for people to buy. The more business-monopoly power is

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EDITORIAL

Energy Prices and Inflation

by Richard E. Wagner

Each day seems to bring new expressions of concern about inflation. The wage negotiations between the trucking industry and the Teamsters Union have captured much attention. So have the rapidly rising prices of such commodity classes as energy, food, and housing. Energy prices are widely considered to be particularly vexatious. Nearly everyone agrees that stronger incentives for the conservation of existing energy and for the production of new energy are incompatible with controls over energy prices. However, it is commonly feared that the elimination of price controls will intensify our inflation. For instance, the Energy and Power Subcommittee of the House of Representatives estimated that the full decontrol of oil prices on June 1 would cost consumers $14 billion in the first year, thereby increasing our rate of inflation by at least 0.5 percent. And this troublesome relationship between energy prices and inflation would seem clearly to have been aggravated by OPEC's recent price increase. Faced with what seemed to be a choice between more energy *and* more inflation or less of each, the Administration opted for gradual decontrol over a two-year period in an effort to reach some kind of middle ground.

In reality, however, the relationship between energy prices and inflation is not what we have been led to believe. We can have more energy and less inflation. Allowing energy prices to rise will *not* intensify inflation. Likewise, refusing to let oil prices rise will not contain inflation. There simply isn't any relationship at all between the price of energy and our rate of inflation. It is true that increasing demand or decreasing supply, other things being equal, will raise the price of energy. If the government stores vast amounts of oil in underground caverns or regulates Alaskan oil in such a way as to force its exportation to Japan, supplies will decrease and costs will rise. Similarly, if the United States guarantees Israel's oil needs as part of the recent "peace agreement," rises in the price of remaining domestic oil supplies will certainly follow. But we must always remember that oil prices and inflation are *independent* of each other. To understand this independence, it is necessary to distinguish between the *cause* of inflation and the *effect*.

There is no argument with the proposition that the decontrol of oil prices will result in higher prices for gasoline, heating oil, and various other products. Assuming there are no further government controls on the supply of energy, these higher prices will *not*, however, bring about a rise in the cost of living. There is no paradox here. Consumers may spend an additional $14 billion for energy, which makes it possible for energy prices to rise. However, they will consequently spend $14 billion less on other products, which means that the prices of these products must fall. Thus the increase in the price of energy will be offset by the decrease in prices of other products. The overall cost of living to consumers will not have increased. It will, of course, have increased to consumers for whom energy expenditures are a relatively large component of their budgets, but it will have decreased for consumers who use below-average amounts of energy. In no way can it be said that consumers in the aggregate face a higher cost of living as a result of rising prices for energy.

Because we are living in a period of generally rising prices, it is nevertheless possible for increases in energy prices to take place without decreases in other prices. Such a phenomenon, however, would occur only as a result of an expansion in the stock of money in our economy. It is this monetary expansion that makes it possible for prices to rise generally across the board. When energy prices rise simultaneously with the prices of food, housing, and other products, we can be sure that there has been an inflation of the stock of money. Otherwise, the rise in energy prices would have been offset by a decline in other prices. In other words, a general rise in prices is the effect of inflation in the stock of money, not the cause of inflation.

Recognition of this distinction between cause and effect is good news for economic policy because it means that policy toward energy is independent of policy toward inflation. The seeming interdependence between energy prices and inflation vanishes once the cause of inflation—money creation—is no longer confounded with its effect—rising prices. Once the relation between energy prices and inflation is seen properly, it becomes clear that we can eliminate the control of energy prices, thereby assuring ourselves of less disruption of energy supplies in the future, without affecting inflation. And we can rid ourselves of generally rising prices by stopping the printing of new money, without affecting energy. In short, if we pursue a correct monetary policy, we can have energy without inflation. ■

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exercised, the more people will turn to these substitute goods and services. The situation is quite different with labor monopoly. In a competitive labor market, firms can choose among alternative suppliers of labor. When labor monopoly results from an industry-wide union, firms have no choice; they face a single supplier of labor with whom they are legally required to negotiate. The potential for disruption of the economy from the exercise of such a strong form of monopoly power is clear and well documented in the history of strikes and work stoppages. Moreover, this legally protected power of unions grows over time as the division of labor expands and the dependence of one person on others increases. As long as the division of labor is coordinated by competitive market processes, there will be few problems of economic coordination. However, as elements of labor monopoly arise in this system, so does the potential for unions to disrupt the division of labor in pursuit of their own interests.

It seems clear, therefore, that a case can be made that legally protected labor monopoly is much stronger than business monopoly, which in turn implies that it has much stronger disruptive effects on the economy. Nonetheless, the antitrust laws ignore economic analysis in this regard. Only business monopoly is singled out as a source of legal and political concern.

These points are, of course, widely recognized by practitioners in both the economics and legal professions. The political basis of labor's exemption from antitrust is clear, and the argument that labor unions exercise substantial monopoly power does not seem to carry very much weight in political discussions of labor's exemption. What seems to have been overlooked in these deliberations, however, is the possibility of a complementary relationship between labor and business monopoly. It is possible that labor's exemption from antitrust can be used cooperatively by labor and business to promote industrial monopoly. If so, it would seem appropriate to reconsider the usefulness of antitrust policy generally.

The argument that labor monopoly promotes business monopoly is not new, although its implications and general importance are just starting to be recognized. In a 1944 paper on labor monopoly, Henry C. Simons makes the following observation:

> The obvious struggle within particular industries over division of earnings tends largely to obscure the more substantial identity of interest and functional complementarity of labor and employer organizations. Popularly regarded and defended as counterpoises to industrial concentration or enterprise monopoly, unions in fact serve mainly to buttress effective monopoly in product markets where it already obtains, and to call it into existence when it does not. Labor leaders have, indeed, a quite normal appetite for monopoly prices and for monopoly profits which bargaining power permits them to appropriate and to distribute among their members.[2]

Simons suggests here quite simply that rather than an adversary proceeding, labor-management relations might more accurately be characterized as a cooperative venture. It should be stressed that Simons develops this fundamental insight almost in passing in a long paper that is otherwise devoted to the conventional view that union gains come at the expense of the unionized industry. Moreover, he does not develop any of the implications of his argument for labor-management relations. He simply points out that labor monopoly can breed business monopoly, and that labor's exemption from antitrust may therefore make the fight against business monopoly a useless enterprise. It will be helpful in understanding the general importance of Simons's insight to draw out some of its implications in terms of an example.[3]

Coal mining is normally thought of as a highly competitive industry. There are a great many coal mining firms, and individual firms have little power over the market price of coal. A single coal company would only hurt itself if it sought to withhold output from the market in order to drive up the price of coal. But let the workforce in the industry be organized by a labor union. An industry-wide union affords the industry an avenue to monopoly profits. While a single coal operator cannot significantly affect the market price of coal by withholding output from the market, the price of coal will surely rise if all coal operators withhold output together. This type of coordination among firms in withholding output can be accomplished with an industry-wide union by having the union go out on strike and impose a work stoppage

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on the industry. As a consequence of the strike, industry output is reduced, and the price of coal is pushed toward a monopoly level. The gains from this monopoly pricing scheme can be split between labor and management, and the distribution of the gains between the two parties would be the subject of collective bargaining discussions.

The point to be stressed is that labor and management have an opportunity to earn higher returns by employing labor's legally inviolate right to strike to reduce output in the industry.[4] In spite of the Supreme Court's decision in the *Pennington* case, such cooperation between labor and management can proceed covertly under the guise of normal labor-management disagreements. Who, for example, would dream of bringing an antitrust case against the Teamsters in the midst of a long strike?

Matters would be simpler, of course, if the coal industry were simply allowed to form a cartel. This way, strikes would not be necessary, and a monopoly price could be achieved without the substantial economic disruptions that accompany strikes. But overt collusion among coal firms is illegal under the antitrust laws, and in the face of such a restriction, labor and management realize their substantial identity of interests in achieving higher returns through the more indirect route of strikes. So while the use of labor's right to strike represents a costly and indirect means of obtaining monopoly profits, it may be the only feasible and legally viable means to cartelize an industry when outright collusion among firms is outlawed by antitrust considerations.

If anything, the operation of a cartel based on the use of labor's right to strike will make labor-management relations more complicated. These relations will not now be adversary relations in the sense that union gains come purely at the unionized industry's expense. As stressed above, labor and management must cooperate to effect this sort of cartel arrangement. Labor and management must decide on how long a strike or work stoppage should be in order to push industry price up to a monopoly level. There is no reason that a cooperative spirit could not prevail in this aspect of cartel operation, but to avoid *Pennington* case problems, such activity can be carried out covertly as a part of the usual combative rhetoric of labor-management relations. The two parties must also decide how to split the returns from the labor-management cartel. This will be an adversary process in the sense that what one party gains, the other loses. And, of course, each side will have minimum demands for a share of the returns below which they will not go without deciding to quit the cartel arrangement. Under normal circumstances it will not be in the interest of either side to push the other party to the point of breaking up the cartel. Negotiations over the division of cartel profits can proceed in terms of the details of wage contracts, so that what to an outsider looks like a purely adversary proceeding, in which union gains come out of the hide of the capitalists, conceals the more fundamental cooperative activity that is taking place between labor and management.

"It seems clear that without legal sanction, the monopoly power of unions would be quickly eroded by competition in labor markets."

There are obviously going to be some important caveats to this type of analysis. For example, the ability of firms and unions to act in this manner will depend on the extent of unionization in the industry. If the entire industry is unionized, one-to-one correspondence exists between a strike and output reduction. Where the industry is only partially unionized, nonunion firms will continue to produce during a strike and thus erode some, if not all, of the benefits of a higher price brought about by the strike. In such a situation, unionized firms will seek ways to restrict the production of nonunion firms. One way to do this is to let striking workers, who have very little else to do during a strike, harass nonunion production. The history of labor violence against nonunion producers and workers is ample testimony of the lengths to which such activities will be pursued. In the absence of industry-wide unionization, some means must be found by the union and the unionized firms to confine to the unionized portion of the industry the benefits of the higher price caused by a strike. Otherwise, such a cartel arrangement would not be feasible because nonunion firms would capture most of the benefits of cartelization. Thus, it might be reasonably expected that the ability to use labor's right to strike to form an industry cartel will vary with the degree of unionization across industries.

There are a number of other caveats to the analysis, but they will not be pursued here.[5] Rather, it will be more useful to turn the discussion back to the issue of what this extension of Simons's insight has to say about antitrust policy. Simons again puts the matter squarely and forthrightly.

> We must alter our labor policy or abandon our anti-trust—as English businessmen so urgently recommend. If one big union is a *fait accompli* in, say, the automobile industry, that industry is all through as a competitive sector of our economy—and damned to full cartelization, if not to General Motors.[6]

Either repeal labor's exemption or abandon antitrust—this would seem to be the dilemma of public policy. The repeal of labor's exemption does not, of course, seem to be a reasonable political prospect in the near future. Moreover, there are strong reasons why the abandonment of antitrust may be the preferable choice. Simons's argument that legally inviolate labor monopoly breeds business monopoly is one such reason. And several other arguments can be adduced in favor of such a seemingly radical departure from the conventional wisdom in industrial organization, though space does not permit a comprehensive examination of this approach.[7]

At the outset, it should be emphasized that for a variety of reasons the most serious cases of monopoly have traditionally been those monopolies sanctioned by government. These monopolies obviously lie outside the scope of the antitrust laws. Monopoly power that does not carry legal sanction has seldom been a matter of social concern because of the instability of such power—in the course of time, it is eroded by competitive forces. Labor unions in fact provide a nice example of this point. It seems clear that without their legal sanction the monopoly power of unions would be quickly eroded by competition in labor markets. Labor monopoly would qualify as a massive nonproblem without its sanction by government. In so many words, then, who would argue against the proposition that the forces of competition, and not those of antitrust, have been the most powerful enforcers of competition in the economy?

Another issue that must be posed about antitrust relates to its discretionary enforcement by antitrust authorities. What guides these authorities in their decision making? It seems reasonably clear that they are not guided by the dictates of economic theory. For example, there is no compelling evidence that they bring cases where monopoly power, expressed in economic terms and not in terms of concentration ratios, is high.[8] More than anything else, antitrust authorities seem to follow two broad courses of action in their case-bringing activities, neither of which have any particular economic rationale.

First, they often respond to complaints brought by disgruntled firms, and these complaints typically lead to something on the order of the prosecution of unstable local bread cartels in upper Michigan. The wisdom of applying antitrust to such inherently competitive situations seems questionable. Second, antitrust authorities also seem to have a penchant for attacking large firms and firms that advertise extensively. Bringing cases against well-known large firms may be good politics, but it is by and large poor economics. From an economic point of view, the relevant issue concerns the source of a firm's size and not its size as such. If bigness comes from lower costs, then concentration in an industry should be of little concern to antitrust authorities. In fact, the evidence tends to point in this direction and suggests that the radical surgery that some antitrust radicals would impose on industry if they had their way would lead to substantial economic inefficiency.[9] Moreover, economists have increasingly come to stress the role of advertising as that of providing valuable infor-

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INFLATION MONITOR

A regular feature of *Policy Report*, the "Inflation Monitor" reports on the effects of inflation as a monetary phenomenon and demonstrates its distorting influence on the structure of relative prices in the economy.

	PERCENTAGE CHANGE (ANNUAL RATE)			
	Latest 1 month	**Latest 3 months**	**Latest 6 months**	**Latest 12 months**
M-1	0.7	−0.1	4.6	6.6
M-2	1.5	4.3	7.5	7.7
M-3	5.35	7.43	9.89	9.07
PRICE OF GOLD	−1.52	−11.26	22.18	28.16
CPI-URBAN WAGE EARNERS	6.54	7.63	7.78	9.03
COMMODITIES, LESS FOOD	11.35	9.94	8.74	7.72
FOOD	9.37	7.80	5.24	11.59
SERVICES	3.30	5.94	7.79	9.14
FINISHED GOODS	10.77	11.17	8.23	9.11
CONSUMER GOODS, FOOD	11.25	13.04	6.03	11.84
CONSUMER GOODS, NON-FOOD	10.15	8.79	8.53	8.29
CAPITAL EQUIPMENT	9.37	9.51	7.74	8.00
PRODUCER PRICES, BY STAGE OF PROCESSING				
COMMODITIES				
Crude materials, non-food	15.78	21.33	16.67	15.70
Intermediate materials, less food	6.45	10.05	8.65	8.20
Capital equipment	9.37	9.51	7.74	8.00
Consumer finished goods, less food	10.15	8.79	8.53	8.29
FOOD				
Farm products	−3.22	16.99	4.67	18.34
Consumer foods	11.25	13.04	6.03	11.84

All figures are taken from the *Chartbook on Prices, Wages, and Productivity* (U.S. Department of Labor), *Monetary Trends* (Federal Reserve Bank of St. Louis), and the *Wall Street Journal*.

✓Washington Update

✓In case you've ever wondered where all that OPEC oil is going, word comes from the Department of Energy that it is salting away 10 million barrels per month in salt domes in Texas and Louisiana. So far the department has purchased and dumped 80 million barrels into the ground in those two states as part of the Strategic Petroleum Reserve. They plan to stash one billion barrels by 1985, including some in the Northeast and some in Hawaii. Storage costs per barrel now run about $3.50; they will go to $10*l* per barrel when the above-ground facilities in Hawaii and the Northeast are used. Right now the oil is useless: DOE has neither pumps to get the oil out of the ground nor contracts with pipeline companies to distribute it. It seems that their plans did not call for an oil crunch until *next* year.

✓The Food and Drug Administration published proposed regulations on March 16 that would impose safety, efficacy, and labeling requirements on over-the-counter drugs, vitamins, minerals, and dietary supplements. The FDA claims that this is the first time it has systematically reviewed vitamins and minerals. Its proposed rule runs to 75 pages of fine print in the *Federal Register*. On April 3, the FDA published a 76-page proposed rule subjecting obstetrical and gynecological devices to its standards. The 69 devices to be regulated include the fatal electroencephalographic monitor, the condom, and several types of sanitary napkins, another first for the FDA.

✓The mood in Congress is ambivalent and volatile. Formerly it was wholly in favor of more government, more taxes, and more regulation. Some indications that that mood has changed a little can be found in the fact that Senator Cranston withdrew his day-care proposal because Congress was not interested in establishing new programs, or in the fact that the House Banking Committee voted down its own chairman's bill to make mandatory the holding of reserves with the Federal Reserve System. The Senate trounced an attempt by Senator Proxmire to keep the Renegotiation Board—a useless, Great Depression agency—alive. The House cut $14 million from the budget of the National Science Foundation, the agency that funds scientists who investigate the cooperative breeding habits of the white-fronted bee-eater, the social life of homosexual seagulls, and the development of the sense of taste in sheep. The combined effects of Proposition 13 and the balanced-budget movement seem to be having some influence on congressional thinking.

✓The Department of Energy is running a combination contest/lottery in six cities in a pilot program called Project Payback. At a cost of $2 million, the department hopes to encourage the public to submit suggestions on how to save energy. When one representative's office contacted DOE for information about the project, DOE denied it was running any such project. Later, a spokesman for DOE sheepishly admitted that Project Payback is, indeed, operational. There seems to be no truth to the rumor, however, that Treasury is considering a multi-million-dollar contest to solicit suggestions from the public on how to save money.

✓The Treasury Department published its "Report of Investigation to Determine Effects on the National Security of Oil Imports" on March 29 (44 FR 18818). The report pointed out that oil imports have risen from 1.8 mbpd (million barrels per day) in 1959, 6.5 mbpd in 1975, to 8.7 mbpd in 1978. As a percentage of total domestic oil use, from 18% in 1959, 39% in 1975, to 45% in 1978. As a percentage of total domestic energy use, from 9% in 1959, 19% in 1975, to 23% in 1978. OPEC's portion of the imported oil increased from 70% in 1959, 78% in 1975, to 83% in 1978; while Middle Eastern oil increased from 21% (of imported oil) in 1959, 27% in 1975, to 34% in 1978. The cost of the imported oil has risen from $2.26 pb (per barrel) in 1959, $11.45 pb in 1975, to $13.28 pb in 1978. Total costs increased from $1.5 billion in 1959, $8.5 billion in 1973 (when President Nixon announced Project Independence), $27 billion in 1975, to $42.3 billion in 1978.

✓Treasury, on an antiregulatory note, pointed out that "domestic production from existing wells has been hampered by price regulations. . . . In addition, the entitlements program, designed to equalize the price of imported and domestic crude oil to domestic refiners, has in fact encouraged consumption by indirectly subsidizing purchase of foreign oil."

✓The movement in Congress to bring back the draft, or at least registration, or to institute some form of national service, received a setback on April 9 when approximately 40 members of the House held a press conference to announce the sending of a letter to President Carter urging him to oppose any such action. Before the congressional opposition crystallized, the prodraft movement assumed that it would have an easy task getting a bill through the House.

✓The Department of Energy says that approximately 4600 full-time employees will be needed to administer the proposed rationing program. DOE indicates, however, that it already has adequate reserves of employees to man such a program. "Staffing," declares the department, "will be accomplished mainly through the reassignment of existing personnel, with few new hires."

✓The Delaney Amendment to the Food and Drug Act, adopted in 1958, is attracting more foes. It requires zero-risk in food and food additives. The occasion for its demise may be the ban on saccharin, which expires this spring. ■

mation to consumers about the characteristics and reliability of products, and there is growing evidence that advertising lowers rather than raises prices.[10] The use of advertising intensity as a guide to monopolistic behavior would thus seem to be a particularly perverse way to go about conducting antitrust policy. In sum, therefore, it can be fairly said that the record of discretionary antitrust enforcement in the past is not a particularly good recommendation for its continued use in the future.[11]

There are a number of related issues about the bureaucratic enforcement of the antitrust laws that are useful to pose. One concerns the effect that the threat of antitrust action has on the level of legal monopoly in the economy. That is, does the threat of antitrust cause firms and industries to seek the shelter of the state from open-market competition, and thereby lead to more legal and economically more severe monopoly power in the economy? Further, is there a political bias in antitrust enforcement? Do Democrats attack Republican monopolies, and vice versa? While these questions have not yet been addressed systematically, if the answers turn out as one would suspect, discretionary antitrust policy will receive even lower marks.

As stressed above, space does not permit a thorough review of Simons's proposal for abandoning the antitrust laws in light of labor's exemption from these laws. Simons viewed labor's exemption as the most compelling reason for adopting such a course of action. Several other reasons have been discussed here, but these by no means constitute a complete analysis of the subject. Suffice it to say here that much work remains to be done along these lines. However, in this area, as well as in those examined in the various works cited above, antitrust does not serve the public interest: It actually *creates* monopoly power and grossly distorts the otherwise efficient workings of the market process. ■

FOOTNOTES

[1] Gerald P. O'Driscoll, Jr., *Economics as a Coordination Problem: The Contributions of Friedrich A. Hayek* (Kansas City: Sheed Andrews and McMeel, 1977), p. xvii.

[2] Henry C. Simons, "Some Reflections on Syndicalism," *Journal of Political Economy* 52 (March 1944):23.

[3] The following discussion draws heavily on the analysis in Robert McCormick, Michael Maloney, and Robert Tollison, "Labor Unions as Cartelizing Agents," *Southern Economic Journal*, forthcoming in October 1979.

[4] A technical detail of the argument deals with the question of whether the higher price of coal would induce the entry of new firms into coal mining and thereby dissipate the excess returns caused by strikes. The answer to this type of question is no. For the relevant technical details, see ibid.

[5] Again, see ibid. for further discussion.

[6] Simons, "Some Reflections on Syndicalism," p. 24.

[7] For the reader who wishes to explore this approach further, the following works are recommended: D. T. Armentano, *The Myths of Antitrust: Economic Theory and Legal Cases* (New Rochelle, N.Y.: Arlington House, 1972); Robert H. Bork, *The Antitrust Paradox: A Policy at War with Itself* (New York: Basic Books, 1978); Yale Brozen, ed., *The Competitive Economy: Selected Essays* (Morristown, N.J.: General Learning Press, 1975); Israel M. Kirzner, *Competition and Entrepreneurship* (Chicago: University of Chicago Press, 1973), and *Perception, Opportunity and Profit* (Chicago: University of Chicago Press, 1979); Murray N. Rothbard, *Man, Economy, and State: A Treatise on Economic Principles* (Los Angeles, Calif.: Nash, 1979), pp. 560–660.

[8] See William F. Long, Richard Schramm, and Robert Tollison, "The Economic Determinants of Antitrust Activity," *Journal of Law and Economics* 16 (October 1973): 351–64.

[9] See Sam Peltzman, "The Gains and Losses from Industrial Concentration," *Journal of Law and Economics* 20 (October 1977): 229–63.

[10] See, for example, Lester G. Telser, "Advertising and Competition," *Journal of Political Economy* 72 (December 1964): 537–62; Lee Benham, "The Effect of Advertising on the Price of Eyeglasses," *Journal of Law and Economics* 15 (October 1972): 337–52; Richard E. Wagner, "Advertising and the Public Economy: Some Preliminary Ruminations," in *The Political Economy of Advertising*, ed. David G. Tuerck (Washington, D.C.: American Enterprise Institute, 1978), pp. 81–100; and Yale Brozen, ed., *Advertising and Society* (New York: New York University Press, 1974).

[11] See Armentano, *Myths of Antitrust*; Bork, *Antitrust Paradox*; Harold Fleming, *10,000 Commandments: A Story of the Antitrust Laws* (New York: Arno Press, 1972); and A. D. Neale, *The Antitrust Laws of the U.S.A.* (Cambridge: At the University Press, 1970).

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AMERICA'S GREAT DEPRESSION
by Murray N. Rothbard

A scholarly, well-researched examination of American economic history between 1921 and 1933, this volume represents the principal opposition to both Keynesian and monetarist analyses. Professor Rothbard evaluates the events of this period utilizing the Mises-Hayek ("Austrian") business cycle theory of central bank induced malinvestment, comparing it with more conventional approaches. This comprehensive work traces the Great Depression to the inflationary policies of the Federal Reserve System in the 1920s. In addition, Rothbard reveals how the further interventions of the Hoover Administration after 1929—increasing inflation, imposing tariffs, fixing wage rates, etc.—only served to deepen and prolong the depression. Rothbard's impressive work uncovers major deficiencies in previous studies and finds Austrian economic theory the most exacting explanation for business cycle phenomena.

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Responsive government

"The Department of Housing and Urban Development said today that displacement of poor people by the private revitalization of slum neighborhoods was minimal, but it promised to do something about it anyway."

—*New York Times*, Feb. 14, 1979

Creeping capitalism

"Radio Free Europe . . . said that Suddeutsche Zeitung, a West German newspaper established in Munich, recently reported from Moscow that the Central Committee's new secretary of agricultural affairs had recommended abolishing the upper limit on private livestock holdings and bringing to a practical halt the concentration of livestock-raising in big agricultural complexes."

—*Wall Street Journal*, Mar. 1, 1979

Fat chance

"The administration is publishing today a comprehensive list of coming federal regulations with an assessment of their costs and benefits. This so-called 'regulatory calendar,' which is scheduled to be published every six months, will be used to coordinate federal actions so that industries aren't buried by an expensive barrage of conflicting regulations.

"Administration planners say that once the total cost of complying with regulation is known, it's possible that annual ceilings will be set on the costs that particular agencies can impose on the public through regulations. It's also possible that a lid will be placed on the cost of all government regulations."

—*Wall Street Journal*, Feb. 28, 1979

And so is Mrs. Charren

"Peggy Charren, founder of Action for Children's Television, recommended that TV ads aimed at children 12 years old or younger be banned. This went beyond the FTC proposal last year to ban ads aimed at children up to 8 years old.

"Mrs. Charren said every commercial aimed at children up to 12 is inherently deceptive even when the message itself is truthful. She said this is because children are unable to understand the profit motive of the advertiser and therefore are deceived."

—*Los Angeles Times*, Mar. 6, 1979

The speed of blight

"Further analysis of President Carter's fiscal 1980 budget—the 'lean and austere' one—discloses that a significant barrier has finally been breached. The $531,566 million of spending that is contemplated in the budget works out to more than $1 million a minute."

—*Fortune*, Mar. 12, 1979

$196 million × 41% = ?

"[Treasury Secretary Michael] Blumenthal and Finance Minister Chang Ching-fu signed an agreement calling for Peking to pay 41 cents on the dollar to American individuals and companies for $196 million in assets seized by the Chinese starting in 1949. The U.S., in turn, will thaw $80 million in Chinese assets in America, frozen when China entered the Korean War."

—*Newsweek*, Mar. 12, 1979

Just a friendly warning . . .

"[Representative David R. Obey (D-Wisc.)] today warned state governments, 27 of which have called for a balanced national budget, that the Federal deficit could be eliminated by cutting Federal grants to state and local governments to the amounts they were five years ago.

"Mr. Obey said that 'since Congress is a democratic institution, I expect that a serious effort will be made to respond' to concern about Federal spending limits. But he added, 'I do think, however, that it is important for all states to be fully informed on the potential impact of eliminating the Federal deficit' quickly."

—*New York Times*, Feb. 19, 1979

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