BOOK REVIEW

THE BIGNESS COMPLEX: Industry, Labour and Government In The American Economy, by Walter Adams and James W. Brock, Pantheon Books, New York, 1986.

By: J. William Morrow, Ottawa

This is an eloquent and well researched plea by two well known American economists for the adoption of the dispersal of economic power as a basic public policy objective in the United States. While there is nothing essentially new in the book, its analysis of the adverse effects of corporate and trade union giantism is disturbing. Luminaries such as James Tobin and Kenneth E. Boulding have praised the work, and much of the July/August issue of *Challenge* magazine was devoted to it.

The Bigness Complex appears at a time when, as the authors note, there has been some reduction in industry concentration ratios and when imports into the U.S. are at unprecedented levels. It is, however, also a time of widespread concern about the decline in competitiveness of American industry, when megamergers are rampant, and when the Reagan administration preaches the virtues of unrestrained bigness.

The authors are of the "structuralist" school of industrial organization. Walter Adams has edited a compilation of industry studies for many years; it is now in its seventh edition (*The Structure of American Industry*, New York, 1986); James W. Brock has been a contributor to this compilation. This work is the source of a number of the examples Adams and Brock cite for the adverse effects of bigness.

Adams and Brock single out for attack the policy prescriptions of "neo-Darwinists" such as R.H. Bork and W.F. Baxter, and "neo-liberals" such as John Kenneth Galbraith and Lester C. Thurow. The former contend that industrial "giantism" is both inevitable and desirable, and that to interfere with firm or industry size would undermine economic efficiency. The latter also accept giantism as inevitable but call for more regulation and control, including the establishment of "industrial policies". The authors state:

> The neo-liberals would trust a coalition of Big Business, Big Labour and Big Government. The neo-Darwinists would put their faith in the select few anointed by an untrammeled *laissez-faire* marketplace. (p. 371)

For their part, the authors contend that the scale of giantism has vastly exceeded the requirements for efficiency and has become a major source of inefficiency.

Adams and Brock are also sharply critical of their own profession for not taking adequately into account the realities of power. Micro-theorists, they contend, inhabit an imaginary world "in which power *per se* is unknown, except with reference to particular firms, particular products and particular markets. It is a world untroubled by conglomerate giants and undisturbed by technological upheavals". (p. 15) The authors also charge macro-economists with paying insufficient attention to power. For example, they argue that the stagflation of the 1970's was structural in part because it involved wage-price spirals resulting from power grabs by joint corporate-labour interests for a larger share of the national income, such as in the steel and auto industries. They point to the current wave of "deconglomeration" as casting doubt upon the view of Richard Posner and others of the Chicago School that social efficiency is ensured where there is willingness to pay.

A good deal of space is devoted to examples drawn from industry studies and anti-trust cases to provide inductive support for the authors' views. While they have obviously chosen their examples with care, few who read the book will want to argue, for example, that giantism in U.S. autos and steel has been sufficiently conducive to operating or innovative efficiency. Some of their examples of social inefficiency are also persuasive, such as the tardiness in introducing small, fuel efficient cars and the myopic policies of the oil companies in respect of national fuel conservation. The authors also examine other aspects of power abuse, including how the regulators have acted more in the interests of the regulated than of the public in airlines and trucking.

For Adams and Brock, the alternative to the policies of the "neo-liberals" and "neo-Darwinists" is:

> ...a nonidealogical, pragmatic alternative an integrated, coherent public policy founded on the principle of decentralization. Its objective would be to promote an economic architecture in which power is dispersed to the maximum extent feasible, subject only to the constraints of technological and economic imperatives. (pp. 371-2)

The following are "illustrative examples" of what might be included in a decentralization policy:

- Strengthen merger law by prohibiting all mergers with assets over one billion dollars unless benefits can be demonstrated.
- Continue the program of deregulation where inherently competitive activities are involved, coupled with strict antitrust enforcement.
- Resist pressures from oligopolies and unions for trade barriers.
- To meet the problem of wage-price spirals in oligopolistic industries, promote competition in those industries.
- Take steps to increase drastically the proportion of defence procurement that is based upon competitive bids.
- No more "bailouts" of collapsing bigness complexes such as Continental Illinois.