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Edwards: Big Business and the Policy of Competition

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RECENT BOOKS

BIG BUSINESS AND THE POLICY OF COMPETITION. By *Corwin D. Edwards*. Cleveland: The Press of Western Reserve University. 1956. Pp. 190. \$3.50.

Big Business is a deadly menace and must be condemned and broken up! Big Business is the only salvation of our economy and any interference with its activities will lead to chaos! Those who adhere to these extremist views will find little comfort in Dr. Edwards' admirable little book which is based on four lectures delivered by the author in April, 1955 under the auspices of Western Reserve University and Case Institute of Technology. Indeed, it is the central thesis of the book that public policy toward big business "cannot wisely be based upon a sweeping approval of the big" nor "upon a sweeping condemnation. We must find something more discriminating than a comprehensive yes or no." (p. 103) This refutation of a doctrinaire black or white approach is brilliantly and persuasively presented. Here are the high spots:

In the first chapter Dr. Edwards discusses "Issues and Standards in the Appraisal of Big Business." He analyzes the American credo that competition is "a source of good economic performance" (p. 5) but adds that the antitrust laws are not only rooted in economic beliefs, but in "the political traditions of American democracy." (p. 25) In fact Dr. Edwards reminds us that the political roots of the antitrust laws are older than the economic theories of competition.¹ These laws reflect our general philosophy that despotism, including private economic despotism, can be prevented and justice achieved only by equilibrating power.² Perhaps this explains, in part, why departures from the principles of competition have been limited to specifically defined areas such as labor, agriculture, and public utilities where competition is deemed impractical. These are viewed as exceptions from the norm. (p. 7)

Obviously, concentration of economic power could destroy competition. It has not done that yet, and the government's own investigations show that the growth of the largest industrial companies since 1929 has approximately equaled the growth of industrial activity generally. (pp. 13, 14) Moreover, according to Schumpeter, Kaplan, Galbraith and the N.A.M. (pp. 15-20) big business is a generally beneficent force. However, even the authors of these theories could not deny that under some circumstances some big companies have succumbed to the temptation of their power to restrain trade or to monopolize, and are likely to do so again. For example, I vividly remember an enthusiastic editorial in the *Wall Street Journal*—

¹ P. 5. The history of the Sherman Act confirms this. Senator Sherman said on the floor of the Senate that he was proposing a "bill of rights" and a "charter of liberty." Failure to heed the voters' appeal for action against economic giants would pave the way "for the socialist, the communist and the nihilist." Quoted in THORELLI, *THE FEDERAL ANTITRUST POLICY, ORIGINATION OF AN AMERICAN TRADITION* 180, 181 (1955).

² NIEBUHR, *THE IRONY OF AMERICAN HISTORY* 101 (1952).

a publication not suspect of bias against big business—hailing the government's victory in *United States v. Pullman Co.*³ Consequently, general appraisals of big business as being perfectly compatible with competition do not help in the solution of specific cases.

The second chapter builds "the case against big business" on the basis of a tabulation of all past and pending Department of Justice and Federal Trade Commission antitrust cases against the fifty largest companies. (pp. 59-68, 133-168) This demonstrates that violations of the basic antitrust prohibitions (price fixing, restriction of production, allocation of markets, exclusion and coercion) recur as a significant pattern of abuse of power.

The third chapter makes "the case for big business." The author explains that "the desire to grow . . . often points toward competition" in that it tends "to discourage some of the worst of the monopolistic vices, such as restriction of output and suppression of new processes and products. . . ." (p. 75) The pursuit of "large volume and quick turnover" at prices "set as low as costs permit," (p. 83) the care of the makers of nationally advertised products to guarantee superior quality (p. 87) and contributions to progress through research and development (pp. 88, 89) all add to the competitive picture.

The last chapter, entitled "The Direction of Public Policy," again stresses the need for a "selective appraisal" of specific situations rather than general preconceptions, because the conduct of the big is neither uniformly competitive nor non-competitive. (p. 107) The criterion in each instance should be the effect on competition. Dr. Edwards rejects both legal ceilings on bigness and tests of economic performance because both would lead to unlimited government intervention. Moreover, no uniform ceiling for all industries could be established, and each ceiling would have to be constantly adapted to changing conditions. (pp. 108, 109, 113-118) What is needed is more information, vigorous enforcement of the anti-merger law, a tightening of the law against interlocking directorates and prevention of joint action by the big. (pp. 119-130) Such a policy should permit us to "approach big business with neither adulation nor fear, but with the cool mixture of receptiveness and suspicion with which a business executive would himself approach a problem in which he saw both opportunities and dangers." Dr. Edwards thus concludes with the hope that the day will not come which will force us "to choose between bigness and the competitive policy." (p. 132)

The purpose of this book is the destruction of prejudice. This is praiseworthy in any area; it is particularly so in the complex field of the enforcement of laws which prohibit anti-competitive business conduct. Lawyers in particular will welcome this brief and pragmatic restatement of antitrust policy by a distinguished economist because of its repeated em-

³ (E.D. Pa. 1943) 50 F. Supp. 123, (E.D. Pa. 1946) 64 F. Supp. 108, affd. 330 U.S. 806 (1947).

phasis that preconceived general pro- or anti-business theories do not answer the problems of specific cases. Indeed, the approach outlined by Dr. Edwards would seem to offer the only assurance against the possibility that, some day, the antitrust laws will be replaced by far less desirable alternatives.

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