Statement by
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It is a great myth of our time that monopoloid giants are the new Prometheans bringing the heavenly gift of technology from their celestial abode down to earth, and placing it in the service of mankind.

It is argued that firms should be allowed to be big, so that they can afford the substantial investments required by modern R&D; and they should be allowed to acquire market power, so that they will have the necessary incentives to make these substantial investments.

Like any myth, it is not supported by solid empirical evidence.

I. Some Empirical Evidence

1. Automobiles

The American automobile industry is a classic, tight-knit oligopoly, where the Big Three account for more than 95 percent of the industry's output. Yet, the industry's record on invention and innovation is somewhat less than spectacular.

The Independents accounted for a disproportionately large number of major innovations prior to 1941 (e.g., all-steel bodies, 4 wheel brakes, overdrive, hydraulic valve lifters, and turn signal indicators). The industry's primary emphasis since the 1920's has been on cosmetic styling rather than engineering innovation.

2. Steel

The American steel industry is another prototype of industrial oligopoly. Although the industry is composed of giant firms and highly concentrated, its record both in invention and innovation is marked by technological backwardness.

All major inventions in basic steel making have come from abroad. Our country, of course, is paying the price of this technological lethargy by the steel giants. Today, Japan, not the United States, is the technology leader in world steel.

3. British Experience

Reports of the British Monopolies and Restrictive Practices Commission indicate that monopoloid giantism is also no guarantee of technological progressiveness.

II. The Department of Commerce Proposed Technology Policy

Apparently oblivious of historical experience and institutional reality, Dr. Betsy Ancker-Johnson (Assistant Secretary of Commerce for Science and Technology) and Dr. David B. Chang (Deputy Assistant Secretary of Commerce for Science and Technology) have produced a draft study, entitled "U.S. Technology Policy," dated March 1977. It consititutes--to put the matter bluntly--a restatement of the myth that giantism and concentration are the indispensable prerequisite to technological progress. It is replete with suggestions for emasculating the antitrust laws and proliferating governmental grants of privilege.

This proposal is stale wine in old bottles.

Some beneficiaries of government-financed R&D assert "that the ownership of a patent is a valuable property right entitled to protection against seizure by the Government without just compensation." In this view, the patent is a right, not a privilege voluntarily bestowed by the government to effectuate a public purpose. By a curious perversion of logic, it becomes a vested privilege to which the private recipient feels entitled and of which he is not supposed to be deprived without just compensation.

In the United States, patents have traditionally been held out as an incentive. They were never conceived to be property rights inherently vested in private hands. Nor were they ever intended to reward persons who performed research at someone else's expense as part of a reskless venture.

Second, Ancker-Johnson and Chang charge that "the innovation incentive of patent protection is undermined by the compulsory licensing forced in the name of antitrust."

The Department of Justice cannot simply "demand" compulsory licensing "in the name of antitrust." Compulsory licensing is an antitrust remedy, decreed by the courts, only in those cases where the Department of Justice has shown that the patent privilege was abused.

Third, Ancker-Johnson and Chang state that "cooperative industrial R&D on high risk, expensive projects to alleviate national problems is desired, but is discouraged by antitrust attitudes." Here again, antitrust is made a convenient whipping boy, but no persuasive evidence is adduced for doing so.

Those familiar with antitrust history know that industrial cooperation, more often than not, is directed at dampening rather than accelerating the development and diffusion of new technology. The so-called Smog Control case, involving General Motors, Ford, Chrysler, American Motors, and the Automobile Manufacturers Association, is a case in point.