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## *Oligopoly and Technical Progress*

By Paolo Sylos-Labini. Harvard University Press, Cambridge, Massachusetts. 206 pages. 1962. \$4.75.

**T**HE THEORY OF OLIGOPOLY is in a fluid, not to say chaotic, state, according to Sylos-Labini in his readable discussion of micro-theory, macro-behavior, and public policy. His contention that there is no marginalist solution for the oligopoly problem will be refreshing to those who doubt the universal applicability of the myopic optimality conditions of static, micro-theory.

Sylos-Labini feels the overthrow of marginal theory follows from (1) abandoning the law of diminishing returns, (2) working with discrete rather than continuous variables, (3) focusing entrepreneurial attention on the behavior of other oligopolists rather than on consumer behavior, and (4) maximizing long-run rather than short-run profits. He evidently fails to notice that the overthrow follows directly from his steadfast [and justifiable] refusal to assume perfect knowledge on the part of oligopolistic entrepreneurs.

The chapters on firm theory develop a reasonable and practical approach to price fixing and concentrate on conditions of entry. The equilibrium firm organization, he finds, depends on initial firm and industry organization as well as on which entrepreneur reacts first. While several attainable equilibria may exist for a firm or an industry out of adjustment with its environment, each, when reached, can be stable. A reversal in environmental conditions need not induce a corresponding reversal in firm response.

The discussion of the distribution of income between agriculture and industry will be especially interesting to readers of this journal, as will the exposition of how the fruits of technical progress may lead to stable prices, higher wages and profits, unemployment and stagnation in a world of concentrated oligopolies. Growth and full employment in a developed economy are shown to depend on an effective demand maintained by government spending, principally for military purposes.

This enlightening discussion is not a basic text in oligopoly theory, but rather a valuable source of insights into the workings of modern market structures. The book is highly readable with a

few simple equations and numerical examples but with no graphs. It belongs on the reading list of economists interested in the consequences of industrial concentration as well as of those who still believe that competition rules the markets.

*Clark Edwards*