a severe exercise of organization power because it may result in greater distortion of the allocation of resources and the distribution of income through market power than would result in a period of general price advance. Finally, organizations may fail to adjust prices downward in deflation, or in response to selective weakening of demand or reductions in cost in a nondeflationary period. Such failure to adjust prices downward might be defined only as price rigidity, but it is also a form of price inflation, being either an inflationary factor in a deflationary period or sectoral inflation created by nonresponsiveness to new factors.

Any concentration of power capable of producing one of the three effects described in the preceding paragraph may be capable of producing the other two. Yet public policy may be concerned immediately only with price increases, either because this appears to be the present danger or because it appears to be the usual danger. Since this is true, and since the means for dealing with price increases may be simpler than those for dealing with both price increases and price rigidity, primary attention is given in this discussion to the means of dealing with price increases, and with wage increases which may result in price increases.

## II. Basic Approaches in Policy

### INTRODUCTORY COMMENTS

The existence of market power is now widely recognized as a cause for deep concern. The business community is concerned over the existence of this power in labor organizations. Thus, a statement prepared for the Chamber of Commerce of the United States says "that cost-induced inflation is becoming a very real possibility, if not an alarming probability," and finds the cause in the "monopoly power of organized labor." [2] Labor organizations are concerned over the existence of the power in industrial organizations. The AFL–CIO Executive Council has declared:

> The ability of the executives of the dominant corporations in strategic industries, such as steel, auto, and oil refining, to raise prices, regardless of economic conditions in recent years, represents a major problem that must be solved if the Nation is to achieve relative price stability.[3]

Others in a more independent position than either of these contending forces are concerned over the phenomena accounting for both statements, namely, the concentration of power in organizations.

Americans have always been concerned over concentrations of power. Once it was a concern over the concentration of political power. In the Constitution-framing period of our Nation, Americans learned how to limit power in two ways: by checking power with power through separation of powers, checks and balances, and federalism; and by direct limitations on the use of power through bills of rights and judicial review. In the following century Americans were alarmed over growing concentrations of private economic power.

[2] Administered Prices and Inflation: Some Public Policy Issues, Apr. 23, 1959. Submitted to the Subcommittee on Antitrust and Monopoly, Committee on the Judiciary, U.S. Senate.

[3] Statement issued at San Juan, P.R., Feb. 24, 1959.