

The current proposals and discussions anticipate inclusion only of increases. This is probably due primarily to these factors:

(a) The immediate problem appears to be avoidance of inflationary increases in wages and prices.

(b) The factors which would call for downward revision are varied and not too firmly grasped at this time.

(c) The political difficulties of forcing downward revision appear to be much greater than those of preventing increases. The former calls for departure from the status quo, in the case of wages for relinquishment of gains attained, and in the case of prices for gambles on the effects of changes.

It may be that machinery established for consideration of increases could serve later for consideration of downward revisions, but it may be assumed that no more than the problem of rising prices would be considered in initial legislation.

*Industries, companies, or products to be included*

How determine which of the thousands of decisions relating to prices and/or wages should be subject to public surveillance or supervision? What industries, companies, or products should be included?

What is contemplated in the proposals for public consideration of prices and wages is establishment of a category of industries, companies, or products which are or may be affected with a new kind of public interest. The new public interest is in inflationary effects from the exercise of market power. The question is: What industries, companies, or products are or may be affected with this public interest?

The discussion of this question will give attention to these specific points: (a) What are the criteria of inclusion which could be employed? (b) What are the policy considerations affecting decision on the width of inclusion? (c) What are the means by which Congress could determine the issues, either by its own action or through delegation to the President or an administrative agency?

*Criteria of inclusion*

*Market structure.*—The most commonly used measure of market power is the structure of the market.

Structure in turn is commonly measured by concentration ratios. Concentration ratios measure the proportion of an industry within the control of designated numbers of firms—1, 4, 8, or other number.

There are inherent difficulties in obtaining accurate concentration ratios. Shall the ratio be stated in terms of percentage of sales, sales value added in manufacture, employment, total assets, net capital assets, or capacity? Shall the ratio be determined on the basis of data for one or for more years? What number of sellers shall be used? Beyond these minimum determinations there are other difficulties. The chief of these is differentiation of the product or line of commerce, particularly where substitutes exist or new product lines are being introduced and old ones substantially modified. Another is the problem of defining the market; presumably this would be a national market, but often local or regional differences and international trade factors are significant. Also, questions arise as to what firms or units of production are sufficiently independent to be capable of independent action.