of such factors as rapid innovations in product or process of producing it, continuing demand increases, abnormally high risk, or unusually rapid rates of technological obsolescence and correspondingly high replacement costs not allowed for in depreciation allowances. Price inflexibility may supply a first clue of the existence and exercise of market power, but a fuller market study may be needed to confirm the assumption created by the clue. At any rate economists are not agreed that it could be accepted as a single standard for judging the exercise of market power.

In antitrust cases a detailed market study leading to accumulation of evidence of various types is usually essential to establish the exercise of market power. Such studies may take years or months and be followed by painstaking presentation of the evidence to win a favorable judgment from a court. Obviously, something less conclusive than this is needed as a guide for determining whether the public should consider price increases in an industry.

Certain types of evidence on historical market behavior, such as price inflexibility or high profit levels, could corroborate other data but their acceptance as the only criteria for inclusion would be unlikely.

Inflationary potential.—One way to narrow the range of public consideration would be to select those strategic sectors of the economy in which the exercise of market power might have the greatest inflationary potential. But how determine inflationary potential? One method would be to measure the direct effect on the costs to ultimate users—householders, governments, and industrial and commercial users—of the price increase of a particular product. A second method would be to concentrate attention on those increases which diffused cost and price increases widely throughout the economic system. One economist has listed 15 industries which show the highest diffusion rating. He has suggested also that the most serious contribution to inflation could be expected to arise in sectors—

> (*a*) which diffuse output widely throughout the system, (*b*) where demand is inelastic with respect to price, (*c*) where labor costs are a relatively high proportion of total costs and where productivity is increasing much less than the average, and (*d*) where wage-rate increases have a tendency to spread widely throughout the wage structure of the economy.[10]

Such tests would supply guides for limitation and concentration of public attention. Thus, for example, steel is an industry which is "a pivotal sector" according to the tests suggested.[11] A third method would be to observe wage and price movements to see which would be likely to establish patterns of behavior and to intervene with public hearings or other consideration only at these points. Annual moves for wage increases are now common; moreover, early wage decisions tend to set patterns for later demands. These wage moves may be made in different industries in different years, and hence public consideration would need to be based on close and alert observation to determine the key economic decisions which might set off chain effects. Similar observation might be made of independent price movements which would carry a heavy inflationary potential.

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[10] John T. Dunlop, "Policy Problems: Choices and Proposals," in "Wages, Prices, Profits, and Productivity" (American Assembly, 1959), pp. 137 ff., quotation from pp. 153–154.
[11] Ibid., p. 157.