Application of such criteria of inclusion would not be easy. For one thing, factual data is incomplete. The Consurmer Price Index does not fully reveal the effects of particular price increases in basic industries. The wholesale price index would do this more adequately but it too would have elements of incompleteness, including failure to show the secondary impact of the product on the costs and prices of other products. The input-output tables from which diffusion effects could be determined are old and extend only to a limited number of product groupings. In addition, the latitude of judgment in determining inflationary potential, particularly where based on observation of wage and price moves, would be considerable.

Conclusion.—The judgment on inclusion would perhaps be based on a combination of types of criteria. Such a combination is illustrated by a recent study of the impact of steel prices on the postwar inflation.[12] Steel is shown to be an industry of high concentration, both in labor and company organization. It is known also to be an industry in which the diffusion effects of price increases are great and in which wage negotiations often have an important pattern-setting effect in the economy. The extent of the diffusion effect is revealed in this conclusion:

> If steel prices had behaved like other industrial prices, the total industrial price index would have risen by 40 percent less over the last decade and less by 52 percent since 1953. Finished-goods prices would have risen less by 23 and 38 percent, respectively.[13]

By use of various kinds of data with respect to market behavior it is concluded that—

> The wage and price behavior of the steel industry represents an important instance of inflation caused to a substantial degree by the exercise of market power.[14]

Studies of a similar kind for other industries, using multiple criteria of judgment, could serve as the basis for determinations to include particular industries in a program of Government surveillance of price and/or wage increases.

Width of inclusion

A dominant factor in determining the width of inclusion would be judgment on how large an effort the public wanted to assume. Undoubtedly the Congress would not want to provide for a new function of great complexity and difficulty unless there was hope for some reasonable amount of success in avoiding sellers' inflation. But this guide of purpose might be qualified by a desire for limitation of the number of occasions of public intervention. Consequently, some choice between completeness and limited intervention might be necessary. Some possibility for exaction of an excess charge from the public might exist in all cases where there was a high concentration ratio. On the other hand, there might be a desire to limit effort to those cases where the threat had been demonstrated by past experience to be real, or to those cases where the present threat of inflationary impact appeared to be material, or even further to only a few key decisions which would threaten a large inflationary impact.

---

[12] Otto Eckstein and Gary Fromm, "Steel and the Postwar Inflation," Study Paper No. 2, "Study of Employment, Growth and Price Levels," Joint Economic Committee, 86th Cong., 1st sess., Nov. 6, 1959.

[13] Ibid., p. 34.

[14] Ibid.