

existing and foreseeable demand. It is "accommodational" pricing not promotional. It is neither experimental nor creative. In brief, pricing along these lines is sterile as an inducement to higher consumption, production, employment, and rate of economic growth.

Another question to be asked is: How are our industrial concerns likely to behave under this approach in inflationary and recessionary periods? I believe the answer is that both at full or near-full employment, and also in times of falling demand, we shall experience inflation in concentrated industries. A monolithic policy like that described will lead to inflexible and even irrational economic behavior. At times it will unwittingly lead to a callous disregard of the impact of discretionary corporate power on the stability of the economy.

The recent abortive attempt at a \$6-per-ton increase by United States Steel in the face of falling demand and stiffened foreign competition illustrates the point. Mr. Roger Blough's explanation and justification essentially was: "We had to have the price increase if we were to meet our profits target."

A corporate policy of creating idle capacity and unemployment; that is, basing pricing decisions on a planned underutilization of capacity by upwards of 20 to 30 percent over the long run, in my view, collides head on with the higher national objective of full employment and full use of industrial capacity. Can we expect to have a higher rate of economic growth and full employment when corporations in the concentrated sector of the economy gear their own operations to a level substantially short of full utilization?

This situation points up a principal defect in our antitrust laws; that is, their inability to cope effectively with market power created by large corporations acting unilaterally and jointly. In particular, I have in mind those cases where 8 firms or less account for 50 percent of market supply, or the top 20 count for 75 percent. This situation characterizes approximately two-fifths of our national markets and approximately one-fourth of the value of shipments of all national manufacturing industries.

Industries that have become concentrated and calcified, and that tend to undermine the objectives of national economic policy, are also the administered-price industries. This committee examined this problem extensively several years ago, so it should not be necessary to repeat the findings of that inquiry. Suffice to say that there is a rigidity and lack of responsiveness of administered prices to changes in demand and economic conditions generally due to jointly acting dominant companies. More responsiveness in prices and costs in the concentrated industries, would, in my opinion, be conducive to a higher rate of plant utilization, higher employment, and higher rate of economic growth.

Instead, however, we find more and more evidence of collusive conduct among ostensible competitors, including some of our largest and best known corporations. The widely publicized conviction of a number of electrical equipment manufacturers and the imprisonment of seven corporate executives for what *Fortune* magazine calls "The Incredible Electrical Conspiracy," highlights the cogency of the problem. The executives of these firms decided that operations at substantially less than full capacity could be profitable if collusive agreements could be reached on prices, market sharing, and bid rotation.

Unfortunately, the electrical equipment conspiracy is not simply an isolated case of collusive conduct on pricing, market sharing, and production quotas. The 1961 study of identical bidding by this committee discloses suspect pricing in bids received by Federal agencies, which is almost pervasive in certain basic industries. I would expect that the report of the Attorney General to be released tomorrow will show just how widespread the practice has become. We should not be surprised at this development. Such behavior follows very logically and inevitably from highly concentrated industries. Identical bidding is simply another index—the sealed-bid version—of administered prices.

In order to demonstrate the logical chain of events flowing from concentrated industries, it is most useful to examine the structure and behavior of particular industries over time. I have not been able to make such an analysis for all of the industries included in the committee's report, but have analyzed the situation in one of the most important industries covered by the study—the chemical industry. (See R. F. Lanzillotti, "Pricing Chemical Products: Some Economic Considerations," Symposium on the Law and Economics of Pricing Chemical Products, American Chemical Society, March 1962, pp. 101-113.)

The situation in chemicals is roughly as follows: In 1958, in one-half of the subindustry groups (as classified by the U.S. Census of Manufacturers) the top eight firms accounted for over 75 percent of total industry output. (See the