

Senator, my position, so far, is this: That the industrial sector of the economy is becoming more rigid and more inflexible in its pricing, its production, and in its investment decisions.

I have pointed out, in the paper here, what I believe are the reasons why we have developed this inflexible and rigid posture in the private sector of manufacturing industry.

I think a point that Professor Adams has touched upon here is significant: In effect, what does the foregoing mean? These large corporations, in effect, are behaving in the nature of public utilities. I think this is a very distressing development for a free enterprise system.

I am obliged to raise the question: Do frozen profit rates that are a part of this target rate of return approach, standard-volume pricing, cost-plus pricing, restrictive production, and market sharing, characterize a promotive and an innovative policy, which is characteristic of a free enterprise system?

I think not. This kind of approach, it seems to me, essentially is pricing to satisfy the demand you can see, the demand which is foreseeable. It is what I call "accommodational" pricing.

It is not the kind of pricing that Dr. Kahn was alluding to earlier, that is going down the demand curve, and as Henry Ford I did, probing demands, trying to expand the market. It is neither experimental nor creative.

In brief, it is sterile as an inducement to higher consumption, to higher production, to higher employment, and a higher rate of economic growth.

In my paper, I have posed the question: How are firms following this kind of a policy, which I call a restrictionist approach, likely to behave under conditions of recession, under conditions of inflation, or under conditions which we now face?

I conclude, on the basis of the studies that have been made, that we shall experience, in these industries, inflation in the face of recession. We shall experience inflation in times of general inflation in the economy. And, at times, I am very distressed to point out, it will, albeit unwittingly, lead to what I consider a callous disregard of the impact of this power on the general stability of the economy.

As I noted, this may be unwitting. It even may be what you would call irrational economic behavior. Nonetheless, the results are what count. I would cite as an example that the recent abortive attempt at the \$6-per-ton increase in steel, in the face of declining demand and stiffened foreign competition, which, I think, proves the point.

What was President Roger Blough's, Chairman Roger Blough's, explanation and justification for the corporation's action? It was merely: We had to raise our prices in order to realize those target profits that we had set for ourselves.

He did not say that we are going to experiment with lower prices, attempting to increase the rate of production and increase the volume, and increase the employment. He said: We had to raise our prices in order to get the profits that we felt we needed.

I think that a policy of this type, creating idle capacity and unemployment, basing decisions on planned underutilization of capacity, upward of 20, 30, 35 percent over the long run as a norm, collides head