General Motors increased its 1957 model prices by an average of 6.1 percent.

What happened? Did Ford hold on to its prices in order to increase its share of the market? It did not. A week later Ford revised its prices upward to match almost dollar for dollar the comparable General Motors prices. And Chrysler, I might say, later got in line.

To the outside observer this sort of conduct suggests it must be the product of actual collusion. It could be. I do not make any such allegation.

My own hunch, though, is that this typically stems from the structure of the market. When you have a rather small group of firms, each accounting for a significant share of sales, they tend, over a period of time, to get in step with one another.

I think you could draw analogies to international diplomacy. These firms do not want to, and they openly admit that they do not, consider price warfare a proper instrument of their diplomatic policy. They will compete in advertising, in corporate image, in product design, but not in price.

And this need not necessarily be the product of collusion. It is the product of the structure of the industry.

Senator BUSH. If they did compete in price, somebody is going to win, and you would have even a greater concentration, then, in the winner, than is disclosed in your table here; would you not?

Dr. BARBER. Well, there are, I think, two points to be made.

First of all, the kind of competition that I am looking for in price terms, Senator, would be the kind that would occur in an industry structurally competitive. In other words, I am not starting with the assumption that we would have two or three firms.

My second point is that I am not at all certain that we would have a winner. This seems to me to suggest that in some way we would have, say, an automobile company that could drive out all of its competitors. I do not think that is the case.

Senator BUSH. But the case has been made, here, that in the automobile industry they have driven an awful lot of them out. And they have it down, now, as you say, to where four companies control 99 percent of the business.

I remember 2 years ago there were an awful lot of automobiles.

Dr. BARBER. Yes; and a good bit of the disappearance of companies has come through processes of merger. Mr. Patman yesterday read into the record a statement of the number of mergers which General Motors had made over the years.

Senator BUSH. A lot of the mergers were a result of failures. They could not make a go of it, and so just sold out.

Dr. BARBER. In part. But some are important acquisitions, such as those of Fisher Body and Chevrolet. I think this point may come out as we proceed along, because I know we are short of time.

The situation that I am outlining here, in terms of the lack of price competition, the lack of aggressive pricing action, the refusal to consider this an appropriate instrument of policy, has, it seems to me, very serious implications insofar as broad economic movements are concerned, particularly on the downside. When a company adopts, as a formula, a target of 20-percent return after taxes