many services, such as hospital care, education, personal care, et cetera, which represent essentially labor costs.

Incidentally, the Council has also stated that "businesses and unions can push up prices even when resources are not fully utilized." That was stated here again this morning. However, the record shows that from 1958 to 1964, when the economy operated substantially below capacity, wages and prices were not pushed up generally. Between those years, capacity utilization averaged between 74 and 86 percent in manufacturing. The unemployment rate was between 5 and 6 percent. Wholesale industrial prices recorded no change. The Consumer Price Index rose slightly more than 1 percent a year. And unit labor costs in manufacturing industries remained relatively stable, and for the entire corporate economy rose about 1 percent annually.

The assumption that big business has the market power which can be used to raise prices excessively is not a new one, and in this connection, it is instructive to keep in mind that the largest price rises in the past 2 years have been in farm products, foods and services, rather than in the products of big business.

In the absence of the guidepost policies, it is probable there would have been somewhat larger increases than actually developed in industrial prices. However, there is no evidence that they would have been as large as the rise for services or that they would have had an important impact on the CPI.

The question is not a new one. It was raised by Mr. Kefauver and the Kefauver committee in the middle 1950's. I have introduced two charts into my testimony. One shows the relationship between economic concentration and the rise in metal prices from May 1955 to May 1957. That chart showed there was absolutely no relationship between the extent of economic power as measured by economic concentration and the magnitude of price rises in those days.

I have just completed very extensive studies of the relationship between so-called market power inherent in intensive advertising and price changes, and in my statement I reproduce one of the charts which will be contained in that study scheduled to be published this spring. (See chart 2 p. 976.) Incidentally, that chart shows a line of regression moving downward slightly from left to right. To support the charge of relationship between market power and price increase it would have to move upward sharply from left to right on a somewhat different direction.

My conclusion of that phase of the advertising study was as follows:

> The most intensively advertised categories of products have tended to show smaller increases in price than less heavily advertised categories during the post-World War price inflation. The postwar record of changes in wholesale and retail prices for broad groups of products and for selected foods and proprietary drugs reveals that there has been no relationship between the intensity of advertising expenditures and the magnitude of price increases.
>
> These data indicate that heavy advertising expenditures did not create a degree of market power which gave the affected industries the freedom to raise prices substantially during this period of general price inflation.

These studies are cited to illustrate that market power need not necessarily be translated into higher prices.

I would like to say just a few words about the price and wage outlook for 1967, because these tendencies and trends will play an im-