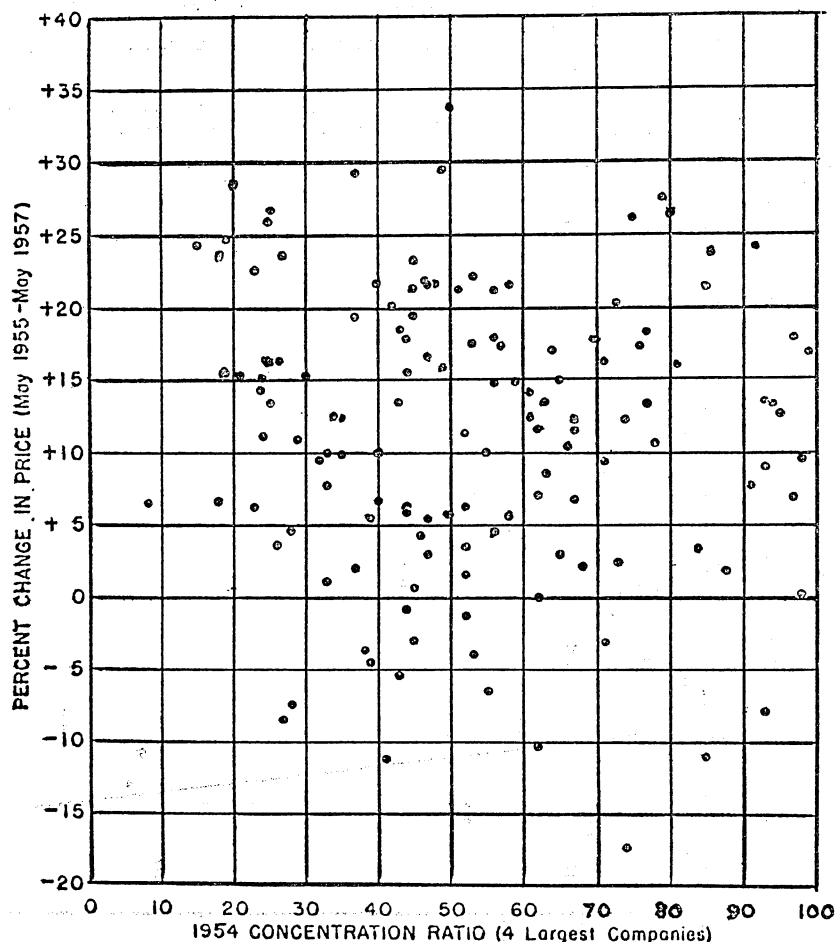


CHART 1. METALS AND METAL PRODUCTS CONCENTRATION VERSUS PRICE CHANGE



Source: Jules Backman, "Administered Prices, Administered Wages, and Inflation," *Current Business Studies* No. 28, Society of Business Advisory Professions, Inc., p. 13.

Similarly, it is frequently stated that large-scale advertising expenditures create market power. To determine the extent to which this market power has been exercised I have recently completed studies of the relationship between the intensity of advertising, as measured by the ratio of advertising expenditures to sales, and the changes in prices from 1947 to 1966.² Chart 2, which illustrates one of the comparisons made, is reproduced from that study. (See Table 8)

The general conclusion of my study is 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. It may be asserted that these data merely show that the market power was unexercised but

²The detailed findings will be contained in *Advertising and Competition* to be published by New York University Press in the Spring.