Now this is 1967, so this is 2½ years old. Do you know they have not given any more detailed showing than this yet? We don't know what happened in the last 3 years in Hartford.

The "Fourth Report" is based on the first 2 years of the 5 years' experiment. They have never given any more information than the program guide which I think they wish they had never given anyway.

I would like to find out what happened in the past 3 years. I would like to analyze what we analyzed before. But we have not seen it yet. We know virtually as little now as we did 3 years ago.

If anything, perhaps we should have some more experimentation.

I would like to conclude with one last point: There is a kind of assumption among the committee that free TV is not free, and I think some of the committee members have doubt whether it is free. I don't want to indulge in semantics, it is not important, but I would like to point out that the theory that advertising represents an indirect charge to the public because the advertising costs are passed on to them in the cost of the product is a theory that is held by many people. I think it underlies the skepticism which this committee has in the word "free."

I would like to point out to the committee that that theory is not universally accepted. There is a substantial body of economic opinion which holds that advertising reduces the unit cost of the product because it creates the demand. That theory was, I think, set forth most recently in a book published in 1967 by Dr. Jules Backman called "Advertising and Competition," in which he makes the point that the cost—price in volume relationships are very complex but that to the extent advertising is successful, total sales volume expands and may result in reductions in unit costs for production and overhead.

In such cases total unit costs could be lower with heavy advertising than without it.

I am quoting from page 143.

I commend the book to the study of the committee because I think it sheds some light on this very complex question of the relationship between prices and advertsing.

Incidentally, this theory was also put forth as far back as 1943 in other works, a book by Borden, called "Economic Effects of Advertising" and a book by Sandage, called "Advertising, Theory and Practice."

I would like to conclude by thanking the committee for giving me the privilege of appearing before it and expressing our views.

Thank you. I shall be happy to answer any questions you have.

Mr. MACDONALD. On behalf of the committee I certainly thank you for coming here. I just have two short questions.

We have many other witnesses who are scheduled to be heard. Also, aren't you talking very inconsistently because as I understand from the title, you represent the National Association of Theatre Owners?

Mr. GAYNES. Yes, sir.

Mr. MACDONALD. Aren't they in the business of pay TV on occasion?

Mr. GAYNES. If you are referring to the occasional broadcast of sports over the wire to that extent, yes. But that is not this business.

Mr. MACDONALD. Has it worked out for you? Have you made money on it?

Mr. GAYNES. I suppose some have, some haven't. Some have lost money on it.