

There are other factors also which can enhance discretionary pricing power. One is the development of "conglomerate" corporations—the merger into one of various enterprises with a wide variety of totally disparate products. This alone does not give them market power, but it gives them economic power which may be used to obtain market power. For example, a large conglomerate may be able to mount for one of its divisions a massive advertising campaign directed at product differentiation, which the division alone, if operated as a separate enterprise, could not afford.

Other factors that may tend at least to blunt competitive rivalry are those which produce a community of interests among competitors—such as joint ventures and interlocking directorates. As the study says:

If such ties became extensive enough, they would create a cartel-like atmosphere that would replace independent behavior with cooperation leading to a live-and-let-live attitude.

AGGREGATE CONCENTRATION

The study goes on to discuss the actual incidence of these various factors. It says:

Aggregate concentration of control exists in many forms. We have evidence of increasing control of manufacturing by the 200 largest firms. We also are witnessing increasing numbers of joint ventures among large manufacturers, interlocking officers and directors, interconnections among banks and firms in other sectors, and growing concentration of financial control outside manufacturing.

Between 1948 and 1967, there was a persistent and substantial upward movement in the share of assets controlled by the 200 largest U.S. manufacturing corporations. The sharpest rise occurred in the last 2 years, when merger activity reached an all-time high. By 1967, the 100 largest corporations held 47.6 percent, and the 200 largest corporations held 58.7 percent of the assets of all manufacturing corporations. By 1967 the 100 largest manufacturing corporations held about the same share of assets held by the 200 largest in 1948.

An even more startling figure is that only 78 corporations, those with assets of \$1 billion or more, held 43 percent of total manufacturing assets.

The study continues:

Concentration of profits within the largest manufacturing corporations is even higher than assets. In 1968 the 78 largest manufacturing corporations received 49 percent of all manufacturing corporation profits. Thus these companies enjoy not only large earnings, but also access to a reserve of uncommitted funds sufficient to afford them substantial independence from capital markets.

This latter point is of particular importance with regard to an anti-inflationary money policy, since it means that the investment plans of these corporations are virtually free of the restraints intended by such a policy.

The largest corporations are also especially prominent in those industries where discretionary power is most common—consumer goods