

as against producer goods, and especially those industries producing highly differentiated consumer goods, where the 200 largest manufacturing companies were responsible for 73 percent of value added.

The largest corporations are steadily entrenching their leadership positions, frequently in several industries. Thus, in 1958, of the 100 largest manufacturing corporations, 29 were each among the four leaders in four or more industries; by 1963, that figure had grown to 48 companies.

Joint ventures are particularly common among the largest corporations. The staff study declares:

One study reported that the 100 largest manufacturing corporations appear as parents of joint ventures 210 times.

Another source of close relationships between corporations is through interlocking directorates. The study cites a report to the Senate Antitrust Subcommittee which shows that in 1962 the 29 largest industrial and commercial corporations had officers and directors who were also on the boards of 745 other industrial and commercial corporations, 330 banks and 51 other corporations.

MARKET CONCENTRATION

The above facts indicate that the *aggregate concentration* of economic power in industry is growing, and that some of the developments will tend to reduce competitive rivalries. The figures themselves do not show that *market concentration*—the concentration of economic power among a few firms in single industries—has also increased. And at first sight it would appear that it has not.

The degree of concentration is expressed by a "concentration ratio." This is a figure representing the proportion of industry shipments by a specified number of the top firms in the industry. Thus, a "four-firm concentration ratio of 60 percent" means that the top four firms control 60 percent of the shipments in that industry.

The average of four-firm concentration ratios for all manufacturing industries rose from 41.2 percent in 1947 to 41.9 percent in 1966—a negligible increase. But this picture changes when the industries are broken down by type of industry (see accompanying table). Thus, the concentration ratio in producer goods industries fell by 1.7 percentage points, while the concentration ratio in consumer goods industries rose by 4.8 percent. What is more significant, the concentration ratio in 17 highly differentiated consumer goods industries rose by 12 percentage points, from 48.2 in 1947 to 60.2 in 1966. Since total shipments of these industries in 1966 amounted to more than \$40 billion, or more than 45 percent of all consumer goods industries, the impact of this increase of market power on pricing policies and thus on prices is substantial.

4 FIRM CONCENTRATION RATIOS IN MANUFACTURING, 1947 AND 1966

	1947 (percent)	1966 (percent)	Change (percentage points)
213 manufacturing industries.....	41.2	41.9	0.7
132 producer goods industries.....	45.1	43.4	-1.7
81 consumer goods industries.....	34.8	39.6	4.8
17 highly differentiated consumer goods industries.....	48.2	60.2	12.0

Source: Studies by the staff of the Cabinet Committee on Price Stability.