f 46 Maintaining competition

American Not Hiking Prices Of Cigarettes

5-19-58

NEW YORK, May 18 (AP)—A split price structure developed in the cigarette industry today as Liggett & Myers Tobacco Co. announced a price boost for Chesterfields, but the American Tobacco Co. said it would not raise prices for its Lucky Strike and Pall Mall cigarettes.

After the Liggett & Myers announcement, a spokesman for United Cigars—Whelan Stores Inc. predicted a retail price rise of a cent-a-package by next week.

No Increase.

This afternoon, however, American Tobacco sent a telegram to all its dealers and customers, reading, "We are not increasing our cigarette prices."

The company would not elaborate on this brief message.

Liggett & Myers had announced that effective today the wholesale price of Chesterfield regular and king-size cigarettes would be increased 45 cents per 1,000 on all shipments—a boost of nine cents a carton, roughly a penny a pack.

This put the wholesale price at $8.55 for regular and $9.00 for king-size in thousand lots, less the customary cash discount of 2 per cent.

The United Cigar spokesman said the action by Liggett & Myers came as a surprise, but that it would "definitely" mean a retail price rise, probably of a cent a package, in the more than 1,000 stores of his chain throughout the nation.

He added that, in accordance with past patterns, he expected notice of a similar price increase within a few days from other cigarette manufacturers.

Liggett & Myers said the increase was caused by higher manufacturing and distribution costs.

The move obviously caught other major cigarette producers by surprise.

At Winston-Salem, N. C., E. A. Darr, president of R. J. Reynolds Tobacco Co. makers of "Camels," said he had "no comment" on the increase.

The same response came from spokesmen for P. Lorillard & Co., "Old Gold;" and Phillip Morris, Inc., "Philip Morris."

A Study of the Anti-Trust Laws

Hrgs bfr Subcom. on anti-tr. & monpy of Com. on Judic. USS, 84th, 1st s.,

Bok Hing Firm Fined $10,000 ---Illegal Trade

The Bok Hing Trading Corp.—once operated here by Chin Bok Hing, the wealthy East Bay gambler—was fined $10,000 yesterday for illegal trade with Red China.

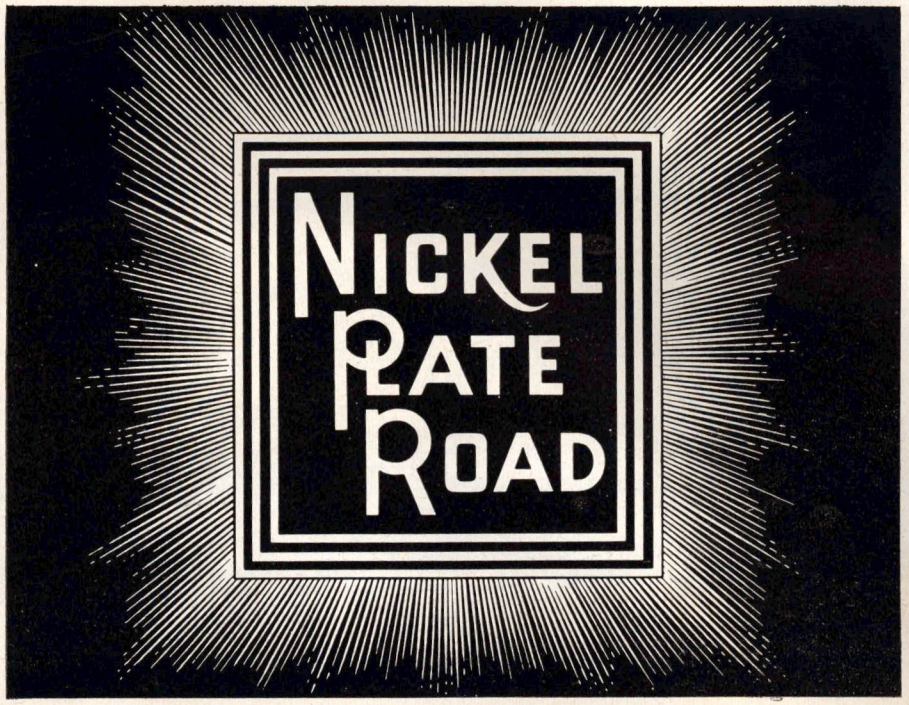
The fine, maximum possible on the one count to which the firm had pleaded guilty, was imposed by Federal Judge George B. Harris.

During 1951, according to Assistant U. S. Attorney John Riordan, the corporation, located at 805 Clay street, remitted $25,000 for Chinese here to their relatives in Communist China.

Riordan said he would ask today for dismissal of similar charges against Chin on grounds he is a fugitive and still faces a ten-year sentence for income tax evasion..

Q. fines for monopolies.

10-21-55.

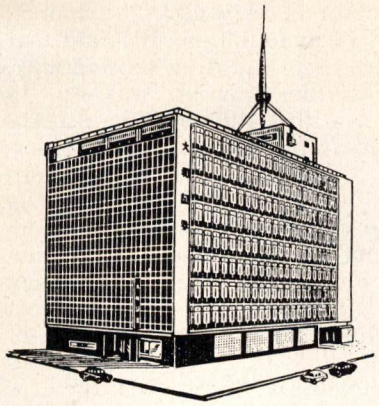


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SOURCE: a 1960 survey of newspaper business editors by Crossley, S-D Surveys, Inc.

Hawaii gets own antitrust law

Effects on "Big Five" companies dominating state's economy are uncertain

A state antitrust law was signed by Hawaii's Gov. William F. Quinn last week amid speculation that it could have significant effects on the five big corporations dominating the state's economy. The new law will go into effect next month when federal antitrust legislation will no longer apply to the former territory's intrastate commerce.

Though most states have antitrust laws, Hawaii's is regarded as rather stiff—with bars against both vertical (dealer-customer) and horizontal (competitor) interlocks that "substantially" lessen competition. Provisions include triple damages for injured parties, jail sentences up to a year, and fines up to $10,000.

The bill was passed after hearings in the state legislature focused on operations of the "Big Five" factoring companies that control 95% of the state's sugar production, more than half of its pineapple production, and its main shipping line, Matson Navigation Co. The companies, which have diverse other holdings, are Castle & Cooke, Inc., C. Brewer & Co., Ltd., American Factors, Ltd., Alexander & Baldwin, Ltd., and Theo. H. Davies & Co., Ltd.

Close ties. While there are no interlocking directorates among the Big Five, such ties among subsidiaries and affiliates are not uncommon. One saving clause in the law provides that courts shall not order divestiture of assets held prior to its effective date when this would cause undue hardship.

The effects of the new law are uncertain. Big Five executives deny that they will be seriously affected. In June, however, Alexander & Baldwin announced it was disposing of its 8% stock holding in American Factors.

The State Attorney General already is gathering data for possible damage suits against General Electric Co. and Westinghouse Electric Corp., which have sold equipment to counties within the state and are therefore liable. **End**



Newburgh's business district lies on the gentler slopes above bluff behind older waterfront section, now a slum.

aid. However, the U.S. Dept. of Health, Education & Welfare says the issue so far is solely between city and state; HEW doesn't plan to step in unless the state cuts Newburgh off from assistance—that would violate New York's agreement with HEW to distribute aid funds uniformly through the state.

One-third of a budget. Newburgh, a city of 31,000, is disbursing $983,000 on welfare this year, and the city's own share, after reimbursements from Albany and Washington, is $424,000. That's nearly one-third of the city's tax revenue.

However, far less money is involved in the parts of the welfare program that are at issue. Only two of the city's dozen forms of relief are affected by the controversial rules: aid for dependent children (which gets federal as well as state aid) and home relief (which gets only state aid). With three other federal-sharing programs, they form a budget item of $413,000, of which Newburgh pays only $106,000.

City officials concede that their 13-point plan would provide little immediate saving of money, but they suggest that publicity may give Newburgh a reputation for being tough and so serve to discourage families from moving there to obtain relief.

Migrant reliefers. City officials insist they are not anti-Negro, and they point to the city's record of racial harmony, but the subject of relief families from out of town inevitably turns to Negroes, who form a growing portion of the city's lowest economic stratum.

During the last 10 years, the city's total population has dropped from 32,000 to 31,000. But the number of Negroes, many of them straight from the South, has soared from 2,000 to more than 5,000—from 6% of the total to 17%.

Some Newburghers ascribe this influx to the use of migrant workers on farms back in the interior of Orange County; some farmhands, they say, moved into town after a harvest season and brought their relatives up to join them. Other Newburghers declare they came because Newburgh got a reputation for being "a soft touch."

The problem was first brought out publicly in 1958 by George F. McKneally, one of the Republican city councilmen (like most of Orange County, Newburgh is so Republican that it never once went for Franklin D. Roosevelt, who lived at nearby Hyde Park, for either President or governor). McKneally blamed migrants for the rise in crime rates, fire alarms, and welfare costs.

McKneally persuaded the council that the problem called for talks with the city's Negro leaders, but nothing ever came of this.

Time for action. The issue lay dormant until after the hiring of Mitchell as city manager last October. During his interview for the job, Mitchell gave councilmen his ideas of how he would cope with the slums on the waterfront.

Mitchell had not encountered slum problems in his brief experience as assistant city manager of a Los Angeles suburb and city manager of a suburb of Philadelphia, but McKneally says he gave the impression of being a man with the ability to get things done.

The first move, on McKneally's motion, was to authorize Mitchell to name a citizens' committee—a theater manager, an accountant, and a doctor—to study the city's welfare operations. While the study was under way, the city began to speed up its urban renewal program and inspection of rundown housing.

Pinning the blame. The committee report in May gave the council plenty of ammunition. It found that welfare costs had risen substantially, because the program was run to comply with state and federal regulations. It blamed the rise on "outsiders, principally from Southern states."

The report noted that aid to dependent children and home relief were running well over their budget and that this rise constituted "direct reflections on . . . the standard of moral values of the population element involved." Except for "the care of worthy folk in the city home and infirmary," the report said, Newburgh's welfare spending had been "a total loss." Instead of halting the decay of the city, it had financed migration and purchase of whiskey, cars, and "other indulgences."

The fault, the report suggested, lay in the tailoring of welfare policy to compliance with federal and state laws by a city department that had been "immune to the direction" of the city manager and council. The city council responded first by trying unsuccessfully to have Orange County take on its welfare responsibility. Then it voted sweeping powers to City Manager Mitchell to cope with welfare.

That's when the fight began. **End**

SCANNED AS FOUND

2 U.S. Lawyers Fighting Trusts, Price Riggers and Illegal Mergers

By EDWARD F. WOODS
A Washington Correspondent of the Post-Dispatch.

WASHINGTON, Sept. 24 — In the twilight of the Eisenhower Administration, two Government lawyers have launched a drive against price riggers, monopolists and illegal mergers.

They are Robert A. Bicks, 33 years old, acting attorney general in charge of the Justice Department's anti-trust division, and Earl W. Kintner, 47, chairman of the Federal Trade Commission.

Ironically, since the Eisenhower Administration generally is regarded as favored by "big business," the list of companies Bicks and Kintner have moved against reads like a roster of the blue chip firms of various segments of big industry.

Ironically, too, since the Democratic party usually is presented as the champion of small business against big business, Democratic chairmen of two important Senate committees are blocking confirmation of presidential nominations affecting the two crusaders.

In the last session, Senator James O. Eastland (Dem.), Mississippi, refused to clear the nomination of Bicks to be chief of the anti-trust division. This left him in his present acting status. At the same time, Senator Warren Magnuson (Dem.), Washington, blocked committee clearance of Kintner for a new seven-year term on the FTC. Magnuson is chairman of the Interstate and Foreign Commerce Committee.

At stake in the actions being undertaken by the two Government representatives are hundreds of millions taken illegally each year from the pockets of consumers, the treasuries of municipalities and state and government agencies, to say nothing of the damage done to free enterprise through strangulation of competition.

For example, Kintner is examining entire industries in search of violation of federal laws relating to price discrimination by suppliers favoring one customer over another. His demand for full reports on pricing and merchandising practices which might reveal hidden and discriminatory practices such as promotion and advertising allowances for preferred customers, denied to others, has brought protests from lawyers representing large combines of companies. They contend that such tactics are in violation of the Constitution's Fifth Amendment guarantee against having to give self-incriminating testimony.

First it was the vast citrus growing industry that found itself in the FTC web. Now the food industry, dominated by the big growers, processors and retail food chains, is under scrutiny.

Likewise, Kintner is going after fake labeling and advertising of goods moving in interstate commerce which take their toll from the gullible annually. He has on the boards a case against the S. Klein Co. of New York, which could open the way to attacks on malpractices by big concerns even if they operate in only one state.

This would be accomplished if the courts will accept the contention of FTC attorneys that Klein's, a big department store, falls within the jurisdiction of the Federal Trade Commission act because it advertises its goods in newspapers crossing state lines and because its alleged illegal practices have an adverse effect on competitors in interstate commerce.

Activities of Bicks.

But it is the Bicks operation, directed from the Justice Department, that provides the greatest drama in this battle of survival for ethical competitors.

Fifteen months of plodding by Bicks and his associates have resulted in a major breakthrough in the form of indictments of some of the nation's biggest manufacturers on charges of violating the Sherman anti-trust act in allocating markets and rigging bids in the sales of a variety of products used in the generation, transmission and distribution of electrical energy. Annual sales of these products run approximately $1,700,000,000 a year.

Bicks refuses to accept anything from the defendants less than a guilty plea, or a consent decree with admission of full liability, in lieu of going to trial.

The Bicks approach knocks down heretofore almost insurmountable barriers to states and municipalities seeking to recover damages from price riggers. States and cities are not equipped to establish proof of the existence of a nation-wide ring of collusive bidders.

Helpful to States.

The Bicks plan of attack relieves the states of this burden. The guilty pleas he has obtained and the convictions he expects to win will be proof enough for any court that the illegal conspiracy existed. What the states and federal agencies will have to prove then, in order to recover damages, is restricted virtually to the extent of damages they suffered as a result of the illicit operations in terms of over-charges and the like.

The bicks approach has won the praise of state attorneys general across the country, many of them Democrats, who have flocked to Bick's support in the controversy with Senator Eastland over the G.O.P. official's confirmation as chief of his division.

Twenty-nine companies and 46 officers were named in indictments in the electrical industry case.

General Electric Co. was named as a defendant in 18 indictments, as was Westinghouse. Seventeen individuals, ranging from vice presidents to sales managers, were indicted at General Electric. Eleven Westinghouse officers were named.

Federal Pacific Electric Co., which has a plant in St. Louis, is named in an indictment along with Westinghouse and the Wagner Electric Corp. and the Moloney Electric Co. were named as co-conspirators in an indictment for participating in the alleged combine.

The customers allegedly victimized in price-rigging include the Tennessee Valley Authority, the Atomic Energy Commission and the Union Electric Co. of St. Louis, the Southwestern Power Administration and dozens of small municipalities dependent on these big companies for their electric transmission equipment.

Missouri cities which stand to recover damages under the Bicks approach include Kirkwood, West Plains, Springfield, Lebanon, Independence, Sikeston and along with them the M and A power co-operative, Popular Bluff, Northeast Missouri electric power co-operative, Palmyra; Northwest electric power co-operative, Cameron, and the Pemiscot-Dunklin electric co-operative, Hayti.

The alleged conspiracy in the electrical industry, according to the indictments, worked this way: Company representatives met secretly, on 35 occasions, for example, in the price-rigging scheme for switchgear sales. They allegedly set up allocations of bids to Government agencies to assure each manufacturer with an agreed on percentage of the sealed bid market — G.E. 39 per cent; Westinghouse 35 per cent; Federal Pacific 15.6 per cent; Allis-Chalmers 8.8 per cent; I-T-E Circuit Breaker Co., 4 per cent.

Similar formulas were followed in bidding on other items, the alleged conspirators deciding among themselves who was entitled to submit the low bid, with the others committed to submitting higher bids. The defendants, according to Bicks, worked out a "phase of the moon formula" under which, through the rotation of position, one defendant would quote the low price, the others intermediate or sky-high prices.

The alleged conspirators took pains to see that no bid was too low, Bicks said.

And, according to the indictments, the companies shielded themselves behind a "security system;" use of plain envelopes addressed to homes rather than offices, bearing no return address or other identification of the sender; use of public telephone pay stations for communications; destruction of written communications shortly after their receipt; the adoption of a code number for each manufacturer to be used in communications.

Since taking over as acting head of the anti-trust division in mid-1959, Bicks has gone to bat against violators 114 times in terms of cases filed. Of these, 42 have been disposed of in whole or in part to the satisfaction of the Government through pleas or consent decrees. Many, such as the electrical cases, still are pending. He has struck out only once in this period.

HOMECOMING AT ACADEMY

Homecoming at Incarnate Word Academy, 2788 Normandy drive, Greendale, will be marked by the crowning of a homecoming queen at 12:15 p.m. today and a parade starting 15 minutes later.

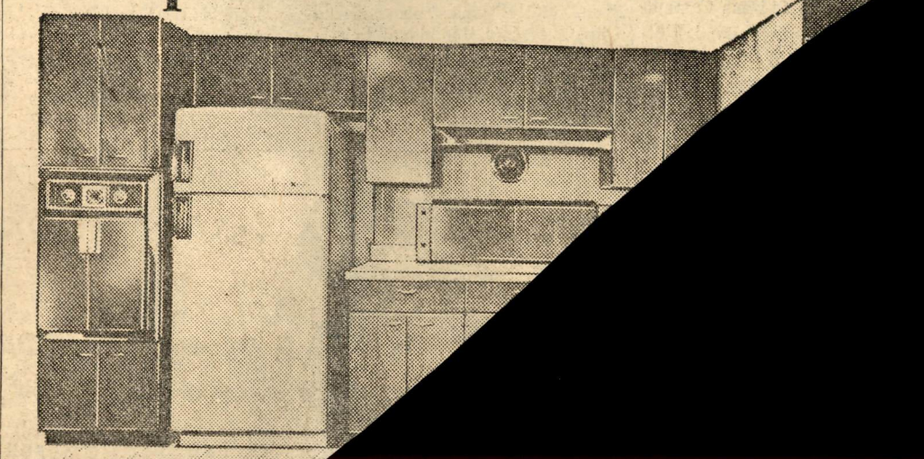
A fried chicken dinner will be served from 2 to 8 p.m. and a dance will be held in the gymnasium from 7 to 11 p.m. There will be games of skill, a carousel and art booths open during the afternoon.

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MIRACLE OF WORLD WAR II, by Francis Walton. *Macmillan. $7.50.*

In the stress of wartime, most people are so absorbed in military activities that they seldom realize the tremendous scale of the battle of logistics that must be won in order to assure victory. Here at last is the fascinating story of how American industry made victory possible. The author has done an excellent research job of co-ordinating thousands of facts about hundreds of industries, and he presents them in an absorbing manner. Here are facts that are largely forgotten, such as President Roosevelt's ever-increasing goal for the production of planes. Here, too, are many facts and anecdotes that were not known at all, hidden as they were by wartime censorship. Ships and planes, machine tools and shoelaces, were all vital in winning; manpower and womanpower, teamed with American technical ability, did a stupendous job without which this nation could not have achieved victory. Anyone who played even a small role during the war will gain a new perspective on the importance of his work from this book. Those whose memories are short will enjoy reading a vital chapter of history.

Mr. Walton has undertaken a monumental task. The result is an interesting, absorbing, and important volume.

THE REPORTER

learned to [illegible]
because his father was a lunat[illegible]
a tyrant—a first premise and a dull one straight out of the psychiatrist's book of case histories. Jason had a rough time of it at his British public school. There, too, he had to lie and cheat: He was caught eating coconut ice under a tree when supposed to be out for football. As every reader of British novels and memoirs knows, British public schools are filled with louts and bullies. That too fits into the case histories. In Cambridge the usual pansies got after Jason but a girl got after him harder, who was a fine girl but who worried all the time about peace and war and the fascists. This was England in the 1930's. So she took Jason with her to hec[illegible]e Mosley's black shirts at their meetings in the London streets and then she sent him off to the Spanish War. The big war came and Jason was very brave indeed until he broke down, but when the war was over Leah, his girl, was not there any more to look after him. She had entered the war herself because she was tired of hearing people say that Jews wanted other people to do the fighting for them, and she had been killed in a port somewhere on the Continent as a British agent. And so a rich Rolls-Royce woman took him for a joy ride and dropped him, and then he wrote [illegible]um checks and stole. And so he e[illegible]led in jail. All the while—a further casebook premise—

Lassen, David. Pvt. Mnpy, N.Y.
Harper & Bros., '45
Try in Lib.

Court Rules on Price Cutting

WASHINGTON—A recent court decision makes new anti-price discrimination laws more urgent than ever, Congressman Wright Patman (D., Tex.) said last week.

In a Standard Oil Company (Indiana) case against Federal Trade Commission, the seventh circuit court of appeals ruled that a seller may cut prices in "good faith" to meet competition. "Good faith" is hard to disprove, Patman pointed out.

The decision means, he said, that "big business can engage in discriminatory pricing practices to destroy small business, to substantially lessen competition, and to create monopoly."

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ses are conspicuous, they occur relatively infrequently.

"Unfortunately, publicity given to sentences suspended on condition of enlistment seldom follows through to include a report of whether or not the individual was accepted for enlistment," said the defense department official.

The American Bar Association said that such alternatives "unwarrantably stigmatize service in the armed forces and is a cause of grave concern not only to the individual members of the armed forces but to their parents, wives, families and friends."

NBC Drops 'M

"Medic," the daring NBC-TV show which recently got into hot water with religious critics for its handling of a Caesarian section birth has been dropped by its sponsors and the network.

Hollywood Reporter, film-TV daily, reported that producers James Moser and Frank LaTourette both hinted that their beef with NBC over the Caesarian show might have been responsible for death of the program.

Magazine S

XVII 2 1953 Dept. of Economic Affairs. Report and proceedings of the United Nations International Seminar on Statistical Organization, 1952. 1953.

II.D 1953 2 Economic and Social Council. Catalogue of economic and social projects of the United Nations and specialized agencies. 1953.

Documents Economic and Social Council. Official Records, Sixteenth session. Supplement 11. Restrictive business practices. 1953.

II.C 1953 2 Economic and Social Council. World economic report, 1951-52.

Celler House Committee investig's pvt. mnpy. Testimony of T. K. Quinn, who resigned as v.p. of G.E. in protest vs mnpy practices.

Catton, Bruce. The War Lords of Washington. NY: Harcourt Brace & Co.

Kennedy, E.D. Dividends to Pay. NY: Reynal & Hitchcock, c. '39.
renegade Luce fncl ed. goes wild.

Leg. IN FACT

18V. ☒ **THE MERGER MOVEMENT IN THE TEXTILE INDUSTRY.** A staff report to Subcommittee No. 5 of the Committee on the Judiciary, House of Representatives. This report attempts to outline the background out of which the current textile merger movement has grown, and deals with the scope of the movement together with the effect of the merger movement on the pattern of concentration in the industry. Following this general treatment of the consolidation trend is a description of certain specific mergers, primarily those involving Textron American and Burlington Industries. Next the report treats the reasons for and the probable effects of the merger process previously described. Finally, certain tentative conclusions are set forth with suggested lines of further inquiry by the Antitrust Subcommittee. 1955. 43 p.

Catalog No. Y 4.J 89/1:T 31/5 **20 cents**

☐ **MET[illegible] ATOMIC ENERGY.** The earliest [illegible]uclear energy were mostly

...ation. 1955. 104 p. il.
Catalog No. S 17.8... **55 cents**

8V. ☐ **FARM COSTS AND RETURNS, 1954 (WITH COMPARISONS), COMMERCIAL FAMILY-OPERATED FARMS, BY TYPE, AND LOCATION.** This bulletin presents summary results of farm operations in 1954 for 21 important types of commercial family-operated farms in major producing areas in the United States. For most of these types of farms average net returns were lower in 1954 than in 1953. 1955. 45 p. il.
Catalog No. A 1.75:139 **35 cents**

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side ⟶

Quinn,

Giant Business: Threat to Democracy

Voorhis, Jerry: Confessions of a Congressman

Lawson: Frenzied Finance

Hume, David, Hist. of Eng, v. 5, p. 458, on monopolies.

Leg.

Lewis, B. W., 'Price & Producn Control in Br. Ind' Chic. '31.

'Basing Point' Comes Up Again

WASHINGTON, June 19 (AP)—The House Judiciary Committee was informed today of a change in the attitude of the Federal Trade Commission on the controversial issue of so-called "basing-point" pricing by business. Representative Walter (Dem-Pa.) called the change significant.

The position of the commission was outlined in a letter introduced by Walter as a Judiciary Subcommittee started hearings on a number of bills to legalize competitive pricing practices clouded by recent Supreme Court decisions.

The letter, written originally to the Senate Judiciary Committee, stated that a majority of the commissioners were of the opinion it is not an unfair practice for sellers, acting independently and in good faith, to meet the equally low price of a competitor or to sell at delivered prices and absorb freight charges.

POSITION REVERSED

Walter told newsmen this represented a reversal of the latest position of the commission on a subject which has been the center of controversy in Congress for the past four years.

The commission split 3-to-2 in its opinion, as expressed by the letter, with Commissioners James M. Mead and Stephen J. Spingarn dissenting.

The majority held in favor of "good faith" competitive pricing and opposed a bill by Senator Kefauver (Dem-Tenn.) which would make it a violation of the antitrust laws.

The issue developed from Supreme Court decisions that businessmen, if they acted in good faith, could cut prices competitively without running afoul of the antitrust and antimonopoly laws.

Bills before the subcommittee would amend the antitrust laws, particularly the Robinson-Patman Act.

INTERPRETATION OF ACT

This act has been interpreted to mean it was a violation of the antitrust statutes for sellers to sell at delivered prices or to absorb freight charges, and to engage in unfair and discriminatory pricing which would lessen competition.

Chairman Reed (Rep-Ill.), in a statement to the subcommittee, asserted that if the "good faith" contention was found not inconsistent with the antitrust laws, then "appropriate amendments" to the antitrust laws should be adopted.

"But," he added, "if the imminent threat of antitrust litigation actually deters businessmen from actively engaging in vigorous competition and promotes price rigidity and local monopoly, then, I submit, the very purposes of the Robinson-Patman Act and our other antitrust laws are being frustrated."

CLARIFICATION NEEDED

"What is needed in such a situation is neither repeal nor emasculation, but intelligent clarification.

"Clarification can serve, under these circumstances, to strengthen the Robinson-Patman Act and our antitrust laws by removing all doubts as to legitimate competitive practices, while at the same time preserving intact our solid antitrust framework."

The Supreme Court in 1951, in an antitrust suit brought by the Federal Trade Commission against the Standard Oil Co. of Indiana, upheld the company's "good faith" defense of its pricing practices. The Court held this to be an absolute defense in such antitrust proceedings, the Robinson-Patman Act notwithstanding.

Basing point legislation was enacted in the 81st Congress, but was vetoed by President Truman.

'53

U. S. Tries to Void Alcoa Contract

WASHINGTON, July 20 (AP)—The Government went to court today in an effort to void a contract for Aluminum Co. of America (Alcoa) to buy 1,200,000,000 pounds of aluminum from Aluminum Ltd. of Canada over a six-year period.

The contract "precludes the complete disassociation" of Aluminum and Alcoa, the Justice Department said in a suit filed in U. S. District Court in New York.

This dissociation, the petition contended, was a prime objective of a 1951 court judgment against Alcoa and owners of controlling shares of Alcoa and Aluminum directing them to sell their shares in the Canadian firm.

The petition asked the court to terminate the judgment. It provided for three trustees to exercise voting rights while the shares were being sold over a ten-year period.

'A CONTINUED THREAT'

"The trustees no longer have power to be effective to achieve the court's purpose in establishing the trusteeship," the petition said. "The trusteeship is now only a fictional separation of Alcoa and Aluminum Limited and exists in the presence of a continued threat of further relationships between Alcoa and Limited."

Termination of the trusteeship, the petition said, will enable the court and the Justice Department "to utilize the whole of the reserved jurisdiction of the court to prevent defeat of the court's purposes."

COMPETITIVE CONDITIONS

It added: "Unless the contract between Alcoa and Limited is promptly cancelled, it will impair further the competitive conditions now prevailing in the domestic industry which do not conform with the anti-trust laws, and prevent the creation of requisite conditions.

"Unless the contract is cancelled it will deter, delay and prevent efforts of the Government to promote competitive conditions in harmony with the law."

In New York, a spokesman for Alcoa said the company could not give a formal reply to the Government's suit until its lawyers have had a chance to study the documents.

But, he said, the "company believes wholeheartedly that a legal contract was made and that it was made in the National interest."

54Y. THE RELATIONSHIP OF PRICES TO ECONOMIC STABILITY AND GROWTH, COMMENTARIES. The papers contained in this publication were submitted by 15 leading economists from labor and industry who were invited to comment on the analyses and issues raised by the experts from the colleges, universities, Government, and research groups who participated in the study: The Relationship of Prices to Economic Stability and Growth. These commentaries have been presented in advance of the committee's hearings, to be held Dec. 15–18, 1958, to provide members of the committee, the public, the contributors, and the academic experts who have been invited to return as panelists an opportunity to examine all of the commentaries before they are developed in oral statements and discussions at the hearings. 1958. 271 p. il.
Catalog No. Y 4.Ec 7:P 93/6

65¢

In long run we all dead —
empty view

~~Send him Nation article~~

Bill Johnson calls Robinson-Patman Act the Magna Carta of small bus. Ike makes no effort to enforce it.

Quantity discounts based on demonstrable cost differences are allowed. In practise this is tough, so FTC calls only flagrant cases to court.

Act not just vs chains, but impt thruout business.

vs. Countervailing power philosophy

To generalize, it is necessary that everyone stick his nose into everyone else's business, and that he begrudge to others their ill-gotten gains rather than allowing them and seeking some for himself too. We must, to make economy work, abandon these two principles which work all right in personal life.

Antitrust Suit Filed Against Two Companies

WASHINGTON (UPI) — Atty. Gen. William P. Rogers filed a civil antitrust suit today accusing General Electric and Westinghouse of conspiring to keep U. S. made radio and TV sets out of the Canadian market.

The suit, filed in Federal Court in New York City, also named as defendant, the N. V. Philips Co. of Eindhoven, The Netherlands.

The suit accused the defendants of conspiring, via Canadian subsidiaries, to prevent the import and sale of radio and TV sets manufactured in the United States.

The government charged that the defendants, along with 13 co-conspirators, set up a Canadian patent pool to restrict U. S. radio and TV manufacturers from access to the large and growing Canadian market.

The complaint charged the pool accomplished this by threatening to start patent infringement suits against manufacurers or dealers selling U. S. — made radio or TV sets.

The complaint also said the pool refused to license dealers who indicated an intention of importing sets from the United States.

The government claimed jurisdiction over The Netherlands firm because it does business in this country.

Mi

Monday, Nov. 24, 1



Min. wage law hits small banker,
bes labor intensive

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Court Revives Suit Against Soap Firms

WASHINGTON (UPI) — The Supreme Court today revived the government's civil antitrust suit against three leading soap companies and their trade association.

They are Procter & Gamble, Colgate-Palmolive, Lever Brothers, and the Association of American Soap and Glycerine Producers.

The 6 to 3 decision reversed U.S. District Judge Alfred E. Modarelli, Newark, N.J., who dismissed the suit last September.

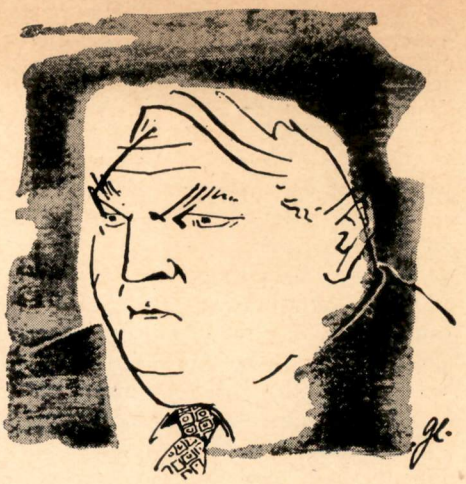
Modarelli threw out the government's case because it refused to produce for the companies' assistance Grand Jury testimony dealing with the antitrust charges. The Grand Jury did not return an indictment.

The Justice Department contended that since 1926 the companies and the association had conspired to restrain and monopolize trade in soap and synthetic detergents.

Speaking for the majority, Justice William O. Douglas said there are instances where a fair trial requires that the "indispensable secrecy of Grand Jury proceedings" be broken. But he said the necessity "must be shown with particularity."

The Well-Fed Prophet Of German Prosperity

EDMOND TAYLOR



BONN

JUST SEVENTEEN days after the elections in West Germany, Economics Minister Ludwig Erhard, whose recent appointment as vice chancellor formalized his position as the aging Konrad Adenauer's heir apparent, held a press conference that jolted both his admirers in the business world and his critics of the doctrinaire Left. Puffing angrily on one of his favorite Havanas, Professor Erhard bore little resemblance to the benign uncle image—seen on countless campaign posters—that had contributed so very heavily to the recent Christian Democratic victory.

Dr. Erhard gave newsmen an account of his unsuccessful efforts to persuade the coal barons of the Ruhr to abandon or reduce their projected eight per cent increase in the price of coal. This account differed strikingly from the impression he had given in his campaign speeches of a *soziale Marktwirtschaft*—a socially responsible free-market economy with labor and capital working in partnership under the benevolent but aloof eye of government. This arrangement, he had argued, would assure continual prosperity for the German people. Declaring that the behavior of the Ruhr magnates was "indescribable," the sixty-year-old, heavy-set economics minister proceeded to describe it as "shameful," "socially irresponsible," a "dishonesty towards the German people," and a *"Diktat"* to which the federal government would never bow. "If people try to take more than the economy can give," he warned grimly, "the only remedy is to take restrictive measures, as is being done in England."

Though Dr. Erhard—because he believes so passionately in a free economy—has lashed out before at German big business, observers here feel that this time he has probably committed himself to a fight to the finish with the Ruhr coal magnates. The outcome of the struggle may well decide not only his own political future but also the economic policies of the third Adenauer administration both at home and abroad, and perhaps even the durability of the German "economic miracle"—which won the election for the chancellor.

TO UNDERSTAND the issues involved in this paradoxically bitter conflict between an important segment of West German big business and the politician whom most of his compatriots probably regard as the foremost exponent of the business viewpoint in German public life, it is useful to begin with the paradoxical personality of Dr. Erhard himself.

He is a Protestant Bavarian who prefers Rhine wine to beer, a fat man who is volcanic rather than placid, an intellectual technician with the personality of a supersalesman, and an economic idealist who loves business but often has difficulty in getting on with businessmen. A cigar smoker of Churchillian capacity, Dr. Erhard surrounds himself with the expensive aura of an international banker yet wears the high-button shoes of an old-fashioned country lawyer.

Dr. Erhard's self-assurance, according to both friends and adversaries, is awe-inspiring, and his opinions on any subject are delivered with a professional authority that usually overwhelms dissent. When individuals or groups are unconvinced by what usually seems to Dr. Erhard his self-evident rightness, he lights into them with an aggressiveness that is heightened by his forthright, salty south German speech.

The truth is that Dr. Erhard, who seems engagingly free of spite or vindictiveness, enjoys a good fight and deals with the problems of his complex office as forthrightly as he deals with his adversaries. "The success of our policy," he boasted in his latest book, *Wohlstand für Alle* ("Prosperity for All"), which came out during the campaign, "is due to the fact that we have met all crises head-on and have always sought to solve them by steaming straight ahead." That the boast was not an empty one is demonstrated by Dr. Erhard's damn-the-torpedoes approach to the crisis precipitated late in September by the coal barons.

ADENAUER'S economics minister voices intense mistrust of cooperatives and labor unions—"the worst form of cartel"—and of economic planning. Rationing and price fixing particularly infuriate him. "The welfare state," he declares, "is one where everyone's hand is in somebody else's pocket."

The secret of perpetual prosperity, Dr. Erhard keeps telling the German people, is to go on producing and consuming ever more and more. He is not only the engineer of German prosperity but its promoter. Despite warnings from conservative financiers like Dr. Wilhelm Vocke, president of the Federal Bank, and the Cologne banker-politician Robert Pferdmenges, close friend of the chancellor, that he was overstoking the furnaces, Dr. Erhard has tirelessly prodded German industry to expand its productive capacity. At the same time he has just as tirelessly preached the new morality of consumption to the intensely conservative and thrifty German public. He does not disavow a touch of Coué. In reply to critics who disdain his cheery pep talks to the German people as "soul massage," he retorts: " 'Soul massage' is an essential factor in modern economic policy." Dr. Erhard's buoyant expansionism has

almost miraculously accelerated the pace of postwar economic recovery in the Federal Republic. But in the view of both Socialist and right-wing critics it has contributed to a potentially dangerous expansion of credit and to the get-rich-quick fever.

Though Dr. Erhard's paeans to free enterprise and free competition sometimes sound like speeches at an N.A.M. banquet in the United States, another side of his nature emerges when he speaks of necessary restrictions in economic freedom. "German businessmen must understand that freedom does not mean they are free to oppress others," he declared in a speech last spring.

Saving Business from Itself

Dr. Erhard has repeatedly demonstrated that he has no compunctions about using the police power of the state against abuses of the free-enterprise system. For the last nine years he has thundered against cartels in a way reminiscent of the early American trust busters, and one of his proudest achievements was to force through the last session of the Bundestag an anti-cartel bill which in his opinion is far superior to the Sherman Act or any other anti-trust legislation in the world. That is probably an exaggeration—the bill, because of its numerous loopholes, has been termed "the Swiss Cheese Act"—but in this traditionally cartel-ridden nation it is no mean feat to impose any legislative restrictions at all on monopolistic practice.

Dr. Erhard's long struggle with the cartelized portion of German business has helped to save him from the business-always-knows-best attitude of some economists who subscribe to his theories about free enterprise. Often, indeed, he seems to take the view that it is his mission to save business from itself. He instinctively dislikes and distrusts the managerial caste in the huge anonymous corporations. To him these "economic eunuchs," as he sometimes calls them, are not true businessmen. The impersonal way in which large corporations are run reminds him, he remarked to a small group of friends recently, "of a lot of damn bureaucrats shuffling papers. Give them civil-service ratings and they would just as soon be nationalized." What he admires, and what he misses in the modern corporation bureaucrat, is the enterprise and adventurousness of the nineteenth-century entrepreneur.

Though he is probably the foremost German champion of U.S. business concepts and techniques, Dr. Erhard is far from an uncritical admirer of American businessmen. Apart from seeing in our "organization men" the counterparts of the "economic eunuchs" he detests at home, he levels his chief criticism of America at our foreign-trade policy.

"The Americans are fine teachers," he sardonically told a conference of Christian Social Union Party deputies some years ago. "They tell us to tear down our trade barriers and create a bigger market while they close up their own country. They would rather give us presents to buy our gratitude than enable us to trade with them on a basis of equality."

For a while Dr. Erhard had high hopes in the Eisenhower administration, only to be dismayed by the intensification of the protectionist trend since 1953. Today he is particularly critical of Washington for applying the credit brakes while neglecting imports as a means of fighting inflation by keeping prices down. He fears that both government and business in the United States are tending increasingly to lose sight of what he considers the most basic of all economic freedoms: the consumer's freedom of choice.

The Professor Gets into Politics

In his youth Erhard soon showed a passion for economics that has never wavered. After front-line military service in the First World War, in which he was seriously wounded, he won his doctorate in economics and was appointed professor at the Nuremberg School of Commerce. During the Nazi period he had to give up his professorship—he never joined the party—and though he does not appear to have played an active role in the anti-Hitler wartime underground, he was in contact with several of the conspirators and narrowly escaped imprisonment.

After a brief, stormy period as minister for trade and industry in the reorganized postwar Bavarian government, Erhard got a specialist's job under General Lucius Clay, and in 1948 was made chief economic administrator of West German "Bizonia." There he gave top priority to industrial reconstruction and bluntly warned that the success of his policies depended on keeping the miserable living standards of the German worker from rising for several years to come. He wanted to do away with rationing and price controls long before most German—or Allied—economic experts thought it was safe, and felt that doing too much to ease the misery of the unemployed would undermine their character.

It was at a C.S.U. party congress in Augsburg in the spring of 1949 that Dr. Erhard first outlined the concept that was ultimately to emerge as *soziale Marktwirtshaft*—a term originally coined by his adversaries. But to the mildly leftist Catholics of the C.S.U., Dr. Erhard's new economic freedom sounded too much like old-fashioned laissez faire, and in consequence the party—which had never really accepted Dr. Erhard as one of its own—refused to let him run under its colors as a candidate in the first Bundestag election. He finally had to run as a member of the parent Christian Democrats and, having won, was made economics minister in the first Adenauer cabinet at the insistence of the Ruhr industrialists.

In the eight years since, Erhard has been able to hold up Germany's prodigious boom as vindication of his once unpopular ideas. His merit in the public eye is not dimmed by the fact that other members of the government have contributed to the result, and that the basis of the German "economic miracle" is the organized dynamism of the German people as a whole, while various external factors ranging from Marshall Plan aid to the Korean War have given the "miracle" powerful assists. "Erhard counts a lot on his luck," one foreign economic observer commented to me, "but I'm not sure that even he realizes just how lucky he has been."

In the recent electoral campaign, opposition economists, confronted with the towering reality of German prosperity, stressed its potential vulnerabilities. One of these is un-

doubtedly the enormous burden of debt contracted by German industry at interest rates ranging from eight to twelve per cent. Between the end of 1951 and the end of 1956, short-term indebtedness alone mounted from $3.1 billion to $7.15 billion. Other credit statistics show a comparable expansion, but many German industrialists complain that they are starving for long-term investment funds.

The dependence of West German industry on the export market—which Dr. Erhard has done a lot to foster—is even more dangerous. It is reflected in the ratio between the gross national product in 1956, estimated at a whopping $45.8 billion, and exports of $7.15 billion (as against imports of $6.64 billion). Thus in 1956 exports amounted to a little less than sixteen per cent of the gross national product, a ratio that gives many economists the shivers, especially when they try to calculate what even a mild world depression, touched off by a slump in the United States, might do to West German exports. The danger is the greater because Dr. Erhard's policies have not yet developed a substantial cushion of domestic buying power and consumer demand.



THOUGH he may not have answered all the opposition objections, Dr. Erhard has shown considerable awareness of the problems to which they refer. Foreign observers likewise feel that he recognizes the need of remedying the disequilibrium in European exchanges mirrored by the swollen West German gold and foreign exchange reserves—now at $5.75 billion—and the heavy speculative pressures against the British pound, the French franc, and the Dutch florin. That this disequilibrium threatens the European Common Market probably does not bother Dr. Erhard. He once enraged Chancellor Adenauer by referring to the Common Market in a semi-public meeting as "a marriage between a healthy young man [the German economy] and a worn-out prostitute [the French economy]." Erhard supports the British plan for a European free-trade zone, however, and he realizes that there may soon be no European trade at all unless West Germany uses its economic strength both wisely and generously for the common good. His coolness toward the Common Market is not based on economic nationalism but on a fear that it will breed bureaucratic controls and cartels behind the wall of European protectionism. Erhard is credited with writing into the Common Market treaty a number of constructive provisions aimed at averting or at least mitigating these dangers.

'Biting the Hand . . .'

The real threat to Europe and to West Germany's own prosperity is not the limitations of Dr. Erhard's economic doctrine, about which plenty may be said on either side, but the revolt of the irresponsible wing of German big business against his leadership. For the recent price-raising decision of the Ruhr coal operators was a coldly premeditated move with political implications clear to all concerned.

On July 27, at the height of the electoral campaign, the representatives of the coal cartel—which Dr. Erhard had attacked with particular vigor in the past—wrote to him warning that it would be necessary to apply to the European Coal and Steel High Authority in Luxembourg for permission to raise their price list effective October 1. Dr. Erhard was worried about the political implications of the move and unwisely asked the coal industry to keep the matter secret for the time being. The coal barons took this to mean that their demands would be met once the elections had been won by Adenauer's party.

Accordingly they wrote to Dr. Erhard again directly after the elections, announcing their decision to send the new price list without delay to the High Authority.

Dr. Erhard, aroused, called the president of the coal-sales cartel to demand that the coal men meet with him before taking any action. At their conference the minister agreed that some increase in the price of coal was justified, but he accused the mineowners of trying to get twice as much as was reasonable. The meeting closed with a vague agreement to consult further and to take no action before September 25. But on September 23, the coal men announced bluntly at a press conference in Essen—called without warning Dr. Erhard—that the cartel's decision to raise prices was final.

After going on the air and thundering against the Ruhr barons, Dr. Erhard swallowed his pride and asked the coal men to let him present a last plea before their general meeting, at which some two hundred mineowners or directors would be present. They agreed, and at a session on September 30, in the newly erected Ruhrkohlehaus at Essen, a big brick monstrosity topped by a fortresslike tower, Dr. Erhard made an impassioned plea for moderation in the interest of *soziale Marktwirtschaft*. Spokesmen for the coal men answered coolly that since West Germany now enjoyed the free-market economy that Dr. Erhard had so long championed, the government had no business interfering.

AS A CROWNING insult, the mineowners asked Dr. Erhard to retire to a little reception room while they voted on his proposals. Twenty minutes later Dr. Sohngen, the cartel director, came to inform him that the owners would agree to a four-

that we have the confidence of our voters—I'm sorry, I mean of our stockholders—we cannot disappoint them." As if to underscore their defiance of the federal government, the mineowners released to the press the text of a letter to other industrial organizations in West Germany, advising them likewise to raise prices at this time despite government efforts to hold the line against inflation.

Some observers see this demonstration as bringing into the open the real nature of the relationship that has been growing in the Federal Republic between its political institutions and the holders of its economic power. Others believe that this view is too pessimistic and underestimates both the character of Dr. Erhard and the political power he can mobilize.

Apart from the immense moral and political authority of Chancellor Adenauer which backs up his own considerable popularity, Erhard has recently gained a formidable if unexpected ally: organized labor. At a conference here with the chancellor the other day, in which the minister of economics participated, representatives of the major West German labor unions pledged support to the fight against price increases. The gratitude with which Dr. Erhard accepted their offer underlines the gravity of the crisis.

IT IS NOT ONLY national economic policy or Dr. Erhard's own political future that is at stake in his struggle with the mineowners. It is whether the federal government in West Germany is to become the servant of big enterprise or whether business exists, as Dr. Erhard has often proclaimed, to serve the needs of the national community.



VIEWS & REVIEWS

Homage To the Master of Prades

JOSEPH SZIGETI

PABLO CASALS' firmness in denying himself things he considers harmful to his playing must have helped to speed his recovery from a recent heart attack. Long before he was threatened, he would deny himself a glass of wine at mealtimes, which for a Catalonian is a greater sacrifice than we may imagine. When, in Prades in 1950, he offered my wife and me a glass of the sweet Malaga-like wine of the region without partaking of it himself, he made it clear that it was a sacrifice at the altar of the unrelenting taskmaster perfection.

IT WAS as a Catalonian patriot that Casals spoke to me during a crossing to America in the late 1920's. The subject was not music but rather the artist's need in the midst of his uprooted existence for a feeling of belonging to some spot, preferably his native soil. (He knew that I had lived in England, in Switzerland, in France—everywhere but in the country of my birth—without belonging anywhere.) He told me of his birthplace, Vendrell, and of the heartbreak and joys of the founding of his Barcelona orchestra, the Orquesta Pau Casals, of San Salvador in Catalonia, of his house there, and of the sentiment that binds him to the people of his homeland.

This conversation came back to me vividly when during one of my visits in Prades Casals suddenly turned to an old engraved map of Catalonia on the wall and—finger on the glass—outlined to me the boundaries of his Catalonia in former centuries, and told me of its repeated occupations by the French and of its specifically Catalonian culture.

His substitution of the native "Pau" for the Castilian "Pablo" is part of this pattern, proof of his preoccupation with the question of the right to use the Catalan language, the identity of Catalonia as a distinct entity of western Europe. Casals and his entourage speak only Catalan at home.

His composing of *sardanas* is an expression of this same preoccupation; the *sardana* is a favorite folk dance of the Catalonians, which "They cherish with patriotic fervor as an expression of the people and their



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CONGRESSMAN WRIGHT PATMAN of Texas stands at the right in this exclusive photo by The Independent Banker, with Everette MacIntyre (left), general counsel and staff director of the small business committee of the House of Representatives, and William Summers Johnson, chief economist of the select committee on small business. The trio was photographed on March 3, in the House office building.

5399

Prescription for Mergeritis, For the Health of Small Business

By Representative Wright Patman

THE THOUSANDS of readers of THE INDEPENDENT BANKER, I know, are vitally concerned with the pressing problems of small business today. They are concerned, and rightly so, both as managerial men responsible for their country banks, and as financial advisors to the multitude of owners of America's small businesses.

At the request of Mr. Roger Lewis, I am happy to repeat for this important audience, somewhat condensed, the remarks I made recently to the Congress when submitting my bill H. R. 9067. This bill, to graduate tax rates on corporate incomes, will warrant the serious consideration of Congress and the sincere support of the public. Since I made a public proposal for such a bill on January 16, 1956, I have received a great many communications from business firms of all sizes and in all parts of United States endorsing this proposal.

In combined corporate and personal taxes, the federal government is taking each year approximately one-fourth of the national income. We can no longer ignore the impact of these taxes. They are rapidly bring-

PRESCRIPTION FOR MERGERITIS

(Continued from Page 5)

ing about fundamental changes in the structure of business, none of which are good.

Among other things, the tax structure is channelling substantially all of the income available for investment in business growth into a few super-giant industrial corporations, and making them investment bankers. These corporations are rapidly taking possession of all of the nation's productive wealth, yet the result is a slowing-down of industrial growth and a disappearance of the competition upon which our historic public policy depends for regulation of the free enterprise system. Small and medium-size firms are being squeezed out.

If our free enterprise system is to survive, these trends must be reversed. We need increased business growth to provide jobs for our expanding population and children now growing up on farms. We need a wider availability of investment funds, a growth of small business and a restoration of a "middle class" in business firms. We need to check the wave of corporate mergers and consolidations, and we need to encourage a competitive structure of business.

H. R. 9067 will help to establish these wholesome trends. The effect of the bill on corporate taxes of several sample sizes is illustrated with the table below.

What It Will Do

TAXES WOULD BE REDUCED ON ALL CORPORATIONS HAVING NET INCOMES OF LESS THAN $50,000,000.

In summary, H. R. 9067 will do the following things:

1. It will reduce the "normal" tax rate on corporate incomes from the present 30% to a new rate of 22%. The "normal" tax will apply, as now, to the total net income of the corporation. In place of the present "surtax" rate of 22%, which applies now on all except the first $25,000 of the corporate income, it will substitute a series of rates which become progressively larger with progressively larger corporate incomes.

2. The "surtax" exemption will be raised from the first $25,000, as now, to the first $100,000 of net income. Thereafter the "surtax" rate will increase gradually over the entire range of income sizes, until it reaches a maximum rate of 53% on that part of the corporation's net income which is in excess of $1-billion.

3. The "normal" and "surtax" rates combined will maintain the present effective tax rate on a corporation receiving $50-million of net income; all smaller corporations would pay less taxes, and all larger corporations would pay more taxes. But the new rates are calculated to yield the same total tax revenue from corporations as the present rates would yield. In other words, it is not intended that federal revenues will be decreased or increased by this bill, but rather that the tax load be shifted.

The "surtax" begins to apply when a corporation's income is in excess of $100,000. Thereafter the formula, in general, is this: When the corporate income increases tenfold, the "surtax" rate increases by 10 percentage points. Thus, the graduation is quite moderate; in fact, hardly progressive at all, compared to the way in which the tax rates on personal incomes progress. The maximum marginal rate, taking the normal tax and surtax together, is 75%. This maximum marginal rate would apply to that part of the corporation's income which is in excess of $1-billion. Under the excess profits tax, which was repealed in 1953, the maximum marginal rate was 82%.

Under the bill, the total effective rate on a corporate income of $1-billion is 66.8%. Prior to the time the excess profits tax was dropped, the maximum effective rate was 70%.

If it is fair and just to have graduated tax rates on individual incomes, then it is equally fair and just to have graduated rates on corporate incomes. But the need for this bill goes far beyond the question of simple justice. Our economic system is rapidly undergoing changes, under the impact of our present tax laws, personal and corporate, which threaten the existence of the free enterprise system itself.

An Urgent Necessity

INVESTMENT IN NEW PRODUCTIVE CAPACITY MUST BE ENCOURAGED.

First of all, there is a compelling need to encourage investment in new productive capacity. One thing certain about our profit system of business is that the system must continuously grow, or it must collapse.

Despite the general impression that 1955 was a boom year, the output of goods and services last year failed to reflect the economic growth that should have taken place. The "gross national product" of last year reflected an average growth of only 2.8% for each of the three years since 1952 — which is less than the normal

COMPARISON OF TAXES AND EFFECTIVE RATES UNDER PRESENT LAW AND PROPOSED LAW

(Combined normal and surtax)

ON A TAXABLE INCOME OF	AMOUNT OF TAX			EFFECTIVE RATE	
	Present Law	Proposed Law	% Change	Present Law	Proposed Law
$ 25,000	$ 7,500	$ 5,500	—26.7	30.0%	22.0%
100,000	46,500	22,000	—52.7	46.5	22.0
500,000	254,500	150,000	—41.1	50.9	30.0
1,000,000	514,500	345,000	—32.9	51.5	34.5
5,000,000	2,594,500	2,105,000	—18.9	51.9	42.1
10,000,000	5,194,500	4,655,000	—10.4	51.9	46.6
50,000,000	25,994,500	26,255,000	+ 1.0	52.0	52.5
100,000,000	51,994,500	56,755,000	+ 9.2	52.0	56.8
500,000,000	259,994,500	312,755,000	+20.3	52.0	62.6
1,000,000,000	519,994,500	667,755,000	+28.4	52.0	66.8

increase in productivity, to say nothing of the increase in population. From 1939 through 1952, the growth in the gross national product, measured in 1955 prices, averaged 6.8% per year.

The revisions made in the tax laws in 1953 and 1954 overwhelmingly favored the big corporations and the high-income families. These revisions were sponsored on the theory that they would encourage investment in new productive capacity. The principal result, however, has been merely to give the big corporations an incentive for raising prices and taking more profits, and these profits have not found their way into new productive capacity. The excess profits tax, particularly, tended to place a ceiling on the profits which a corporation could take without increasing its investment and, correspondingly, this tax tended to deter price increases. Dropping the tax removed the ceiling and the deterrent.

The recent Economic Report of the President shows that in 1955, corporations took $8.6-billion more in tax allowances and in profits after taxes, than in 1952. But corporate outlays for productive capacity, including outlays for replacement items, were only $2.1-billion more than in 1952.

Study in Contrasts

BIG BUSINESS HAS ACCUMULATED GOVERNMENT SUBSIDIES.

Our experience during and since World War II should have driven the lesson home. When the nation urgently needed maximum output of all kinds of essential goods, farmers expanded output very rapidly, and expanded to a greater extent than did industry. This record of the most competitive segment of the economy was made, not with special subsidies and incentives, but despite shortages of machinery and fertilizer and despite other obstacles.

Some of our biggest corporations, on the other hand, were offered speed-up amortizations, government loans, and government contracts which assured repayment of the loans, amortization of the new plants, and handsome profits. Yet in spite of all this, many of these corporations had to be prodded, cajoled and threatened to accept the incentives and go along with the expansions which were desperately needed. The same has



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CONGRESSMAN PATMAN

(Continued from Page 7)

been true during the Korean hostilities, and during the so-called "defense build-up" which the government has sponsored since that time.

Government incentives have been given some of the biggest corporations in the country, to induce these corporations to make capacity expansions. These include speed-up amortizations by which plants are paid for out of taxes. They include agreements that the government will support prices by buying for stockpile the output which civilian markets do not absorb. And they include contracts by which the government guarantees premium prices for the output of new facilities.

Without naming names, I could point out that some of the biggest corporations in the land now have relatively little overhead costs, simply because their plants have substantially been paid for by the government. These corporations enjoy reputations for phenomenal efficiency, which many people believe enables them to drive out smaller competitors and would-be new competitors. I do not question their efficiency. I simply point out that the fact that their plants have been written off, through government incentives and subsidies, also enables them to drive out small competitors and frighten away would-be new competitors who are not so favored.

These big corporations have received the lion's share of the speed-up amortizations. They have received, and are receiving today, the lion's share of government production contracts. And despite their highly-advertised initiative in research and development, their research is being subsidized to the tune of $1.5-billion a year by the Department of Defense alone.

The tax concessions which H. R. 9067 would make to small and medium-size firms should help such firms, in a small way, to overcome the obstacles to entering those industries where big competitors have paid for their plants through government subsidies and have grown fat on government incentives.

Shortages of almost all of the basic materials still exist. There is not enough steel and cement capacity, for example, to support a federal highway program, and meet presently existing demand for these materials.

There is continuing inflation in big business prices and profits. Prices of metals and metal products have gone up during the past three years by the same rate that farm prices have gone down. One has gone up 16%; the other has gone down 16%.

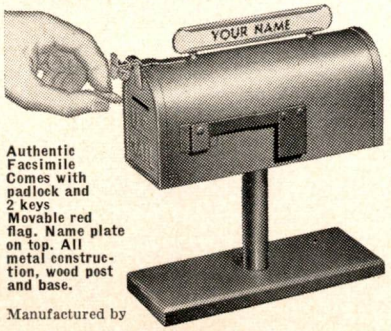
SMALL BUSINESS MUST BE ENCOURAGED.

For the past several years substantially all of the funds for business expansion have come from retained corporate earnings. The bulk of these funds are held, directly or indirectly, by high-income families who own the corporate stocks. Personal income taxes being what they are, these families naturally will not take out of the corporation those funds which the family would reinvest. This means that the bulk of the funds available for business growth are accumulating in the high-profit corporations, which are the big corporations.

Yet the big corporations show little willingness to expand capacity — at least in those industries where they are already well-established. These are the quasi-monopolistic industries where a large degree of control over prices and production exists. These industries are naturally reluctant to make capacity expansions, which could generate competitive pressures.

The basic solution to this problem

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New England OKs Plan

THE HOUSE small business committee met early in March with the Smaller Business Association of New England and heard a group of New England accounting and tax experts analyze several tax measures now pending in Congress. At the conclusion of its presentation, the New England business group, through its president, went on record as favoring the provisions of H. R. 9067, introduced by Representative Wright Patman of Texas.

Daniel F. Viles, president of the association, in his opening statement, said:

"We are prepared to show you by the actual five-year balance sheets of seven different companies that tax relief for small concerns is urgently needed. Many bills for small-business tax relief have been introduced. However, the Patman bill, H. R. 9067, seems to be the best thought-out, to be supported by the most intensive research, and to offer the best relief.

"We favor its provisions as those which are adequate to insure the health and growth of small business, which is so necessary to maximum employment. The *alarming number of mergers of small concerns with large firms* is already a matter of deep concern to Congress, as indicated by the many bills introduced to regulate and restrict such mergers".

Mr. Viles also said:

"The chairman of this committee, Representative Wright Patman, has earned again the high esteem in which he is held by small and independent businessmen in all parts of the United States.

"The investigations and studies of the House small business committee during the past year, and particularly those which have led to the drafting of the Patman tax bill, show a profound understanding of the economic influences which are bringing about a changing status of small business. Steps must be taken to preserve an opportunity for small business, and an opportunity for the growth of small business, in our free-enterprise economy". END

is to ease the difficulties which hamper investment by smaller corporations. Although more responsive to expansion opportunities, they are at present severely handicapped in obtaining capital from outside sources. Given greater availability of growth opportunities and less restriction on the accumulation of funds, smaller corporations can be expected to increase their investment in new capacity which is so greatly needed for the growth of our nation's economy.

There are no reports showing the profit experience of all large and small corporations since the tax changes of 1953. But there are reports for the most important segment — namely, the manufacturing corporations.

Nineteen-fifty-two was considered an extremely good year for corporate profits. In the first nine months of that year, the profits of the giant manufacturing corporations — those with more than $100-million of assets — were at an annual rate of 11.1% of stockholders' equity. Stockholders' equity refers to the stockholders' total investment, including original capital plus earnings over the years which have not been paid out in dividends. This generous return was after taxes, and in addition to generous depreciation, depletion, and amortization allowances which had the effect of returning to the corporation a substantial proportion of its investment in productive capacity.

Don't Share in Boom

In the first nine months of 1955, the profit rate of the giant manufacturing corporations had increased 27% over 1952. Conversely, however, the rate of the smaller corporations — those with less than $1/4-million of assets — had dropped by 39% from 1952.

There are other signs that small business is not fully sharing in the business boom. Dun & Bradstreet reports that there were 46 failures last year for each 10,000 firms listed in its reports. These were all small-business failures. In the decade prior to 1953, the corresponding failure rate averaged 20 firms for each 10,000 firms listed by Dun & Bradstreet.

At the end of 1952, corporations with more than $100-million of assets had 52% of all of the assets of manufacturing corporations. Two

MAKE THEM TRULY PERSONALIZED

When Personalized Checks are ordered for joint accounts, our copy for imprinting frequently reads "James C. or Mary A. Morrison" or perhaps "Mr. or Mrs. James C. Morrison." Such copy conforms, no doubt, to the official record at the bank, but we submit that checks so imprinted are not truly personalized. We appreciate that the bank has to know who signs with whom, otherwise Mary's checks might be charged to some other Morrison. And we appreciate also what a nuisance it is if cross indexing has to be employed. Nevertheless, checks imprinted "James C. or Mary A. Morrison" just don't have individuality.

What we would like to do—and, as a matter of fact, what we usually do unless we are instructed otherwise—is to imprint simply "James C. Morrison" and gold stamp the cover with the same name. Then, if Mary signed a check, it would be apparent that she signed with James C. If Mary wanted her own supply of checks—as indeed she should—we would imprint on her order simply "Mary A. Morrison," and then over the signature line, if specified, we would imprint "James C. or Mary A. Morrison" in order to identify the account as it was carried on the books.

By handling the imprinting in this manner, either or both could enjoy truly personalized checks and personalized covers, and the bank people would experience no inconvenience when sorting and posting. So why not sell two orders of checks to all joint accounts and provide each with individuality? It wouldn't cost any more in the long run and each would be using checks designed for his or her individual needs. Or, if you can't sell two orders, why not just imprint for the principal signer?

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RESOURCES

Cash and Due from Banks		$ 3,501,513.65
U. S. Government Securities	$2,781,934.38	
Municipal Bonds	595,971.75	
Other Municipal Securities	9,916.74	
Obligations of U. S. Government Agencies	660,804.01	4,048,626.88
Commodity Credit Corporation Loans	404,392.36	
F.H.A. Title I Loans	15,456.49	
F.H.A. Insured Mortgage Loans	704,372.46	
Farmers Home Administration Insured Loans	79,523.71	
G.I. Loans	115,594.84	
Other First Mortgages on Real Estate	388,898.53	
Commercial and Finance Company Paper	532,189.27	
Auto, Instalment and Consumer Credit Loans	544,675.56	
Other Loans to Corporations, Firms and Individuals	1,532,627.20	4,317,730.42
Overdrafts		1,554.02
Banking House, Leasehold and Parking Lot		75,109.59
Furniture, Fixtures and Equipment		8,270.11
Other Assets		16,730.84
TOTAL RESOURCES		$11,969,535.51

LIABILITIES

Capital Stock	$ 250,000.00	
Surplus	250,000.00	
Undivided Profits	176,933.82	$ 676,933.82
Other Liabilities		4,305.13
Postal Savings and U. S. Government Deposits	108,172.14	
State, County and Municipal Deposits	1,364,095.08	
Other Demand Deposits	7,850,920.81	
Time and Savings Deposits	1,965,108.53	11,288,296.56
TOTAL LIABILITIES		$11,969,535.51

BERT SHELTON.....Chairman of Board
J. C. WELMAN.....President
W. F. SHELTON III.....Vice-President
A. L. DAVIDSON.....Vice-President
W. C. McHANEY.....Vice-President
E. M. MERRITT.....Asst. Vice-President
E. L. ROBISON.....Cashier
M. WALPOLE.....Assistant Cashier
E. L. PORTERFIELD....Assistant Cashier
R. F. LAWYER.....Assistant Cashier
R. NELSON.....Assistant Cashier
MILES RICHARDSON ..Assistant Cashier

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(Continued from Page 9)

and one-half years later, 57% of the assets were held by corporations of this size. If this rate is not checked, it will take about 20 years for all of the manufacturing assets of the country to become concentrated into corporations of this giant size class.

If the tax rate on small and medium size firms will not allow such firms to accumulate expansion capital, then these firms will not be able to obtain such capital. It is by now undisputed that the capital markets for loan funds are generally not open to small business, and the capital markets for equity funds are even less so.

To Check Mergeritis

H. R. 9067 IS NEEDED TO CHECK THE MERGER MOVEMENT.

While the giant corporations are generally reluctant to expand capacity in those industries in which they are already established, they are not averse to buying up and merging corporations in related and even unrelated lines of business. The pressure of vast accumulations of investment funds building up in the big corporations make such a merger movement almost inevitable. The great wave of corporate mergers and consolidations going on today is principally a result of the accumulation of investment funds in the big corporations, and the scarcity of capital available to finance the smaller corporations.

The Senate Bills

COMPARISONS WITH SENATE BILL.

Questions will arise as to how the bill I have introduced compares with the two bills (S. 3128 and S. 3129) introduced in the Senate on February 3, by Senator Fulbright.

Insofar as the tiny one- and two-man corporations are concerned, both bills would have the same effect. In both bills, 22% is the lowest over-all rate. Senator Fulbright's bill would give the benefit of this rate on the first $25,000 of net income. My bill would give the benefit of the 22% rate on the first $100,000 of net income.

In more fundamental respects, however, the bills are in no way similar. The comparisons at bottom might be made between the effects of my bill and the effects of the two bills introduced by Senator Fulbright, the second of Senator Fulbright's bills being to replace the revenue loss which would be brought about by his first bill.

(See Table Below)

In other words, the bill I have introduced will make a true graduation, or progression, of tax rates; and it will help some firms of substantial size, not just the tiny firms. I would hope that my bill will help to restore and maintain a "middle class" in American business, and that it will help check the trend toward a business structure in which there are a few multi-billion-dollar corporations at the one extreme, and a number of very small distributors at the other.

It is time, I think, that we take a more realistic look at the way corporate incomes are distributed.

The latest available report from the Treasury department, which is for the tax year 1952, shows that only 508 corporate returns reported 48% of all the net income of corporations. These 508 returns accounted for, as a maximum, only one-tenth of 1% of the corporations. Thus, almost half of all the net corporate income in the country was income of corporations receiving more than $10-million, and if separate figures were available for the really big corporations, they would show that this bulk of the income went to corporations receiving more than $100-million of net income.



THE INDEPENDENT BANKER

"I've got nine daughters; you got any permanent loans?"

Similarly, the 3,000 corporations receiving more than $1-million of net income accounted for no more than nine-tenths of 1% of the corporations, but they received 71% of all the net corporate income.

Conversely, corporations receiving incomes of less than $25,000, accounted for only 6% of the net corporate income, and those receiving less than $100,000 accounted for only 12% of the corporate income.

There have been recent news reports that General Motors' net income before taxes last year, was in excess of $5-billion. This was more than the combined income of 98% of all the corporations in the country.

On a Taxable Income of:	Amount of Tax Under Present Law	Fulbright Bill Amount of Tax	Fulbright Bill % Change	Patman Bill Amount of Tax	Patman Bill % Change
$ 25,000	$ 7,500	$ 5,500	—26.7	$ 5,500	—26.7
100,000	46,500	45,250	— 2.7	22,000	—52.7
500,000	254,500	257,250	+ 1.1	150,000	—41.1
1,000,000	514,500	522,250	+ 1.5	345,000	—32.9
5,000,000	2,594,500	2,642,250	+ 1.8	2,105,000	—18.9
10,000,000	5,194,500	5,292,250	+ 1.9	4,655,000	—10.4
50,000,000	25,994,500	26,492,250	+ 1.9	26,255,000	+ 1.0
100,000,000	51,994,500	52,992,250	+ 1.9	56,755,000	+ 9.2
500,000,000	259,994,500	264,992,250	+ 1.9	312,755,000	+20.3
1,000,000,000	519,994,500	529,992,250	+ 1.9	667,750,000	+28.4

H. R. 9067 MIGHT ENCOURAGE DISSOLUTION OF BIG COMBINES.

It is not to be expected that the progression of tax rates provided in the bill will force any immediate split-up of the big corporations. It is entirely possible, however, that some of the big corporations will find it to their stockholders' advantage to work out voluntary dissolutions. This will occur in those situations where the management knows that there are no substantial technological and managerial advantages attached to huge combines, and division into smaller units can be worked out without loss of efficiency. This is the way dissolutions should be made — by the management that knows how to make them.

There are numbers of big corporations today that are living on the borderline — in the grey zone, as it were — of our anti-trust laws. This leads these combines to throw great resources and prestige into political support of the parties and programs which promise them greatest immunity from the anti-trust laws — in a condition which is unwholesome in itself. Finally, on those rare occasions when the federal courts are faced with the problem of ordering dissolution of an illegal combine, they have great difficulty in trying to unscramble the assets in such a way that real dissolution will be had and, at the same time, efficient and potentially successful business units will result.

May I suggest that if voluntary dissolutions were made in a few of the more highly concentrated industries, this would go a long way toward solving some of the more troublesome problems that are plaguing us today. I have in mind the increasing problem raised by large numbers of small fabricators or distributors, on the one hand, trying to do business with a very small number of giant suppliers, on the other hand.

The Automobile Business

We have recently had dramatized, for example, the problems of the automobile dealers. The pressure grows year-by-year for legislation to regulate, or give a new basis, to the relationships between dealer and manufacturer. And all such legislations yet conceived necessarily involve an elimination or restriction on competition between dealers — a solution which is contrary to our traditional policy. Yet the argument is plausibly made that we now find here more of the system of feudalism than free enterprise. The dealer's property rights in his business are abrogated at the manufacturer's whim to cancel his franchise. Investment of money and long years of building good public relations become worthless, or relatively so, and without enforceable claims.

The fact that franchises are cancellable is not, however, the root of the trouble. The automobile business grew up under this arrangement. The point is that not many years ago a man was content to put his money into a sales agency under a cancellable franchise. He then knew that if, say, the Chevrolet Motor Car Company cancelled his franchise, he would, assuming he knew his business, have no difficulty in getting a franchise from another manufacturer. He could sell Buicks, or Oldsmobiles, or Maxwells, or Hupmobiles, or a variety of other makes.

The loss of free enterprise does not result from cancellable fran-

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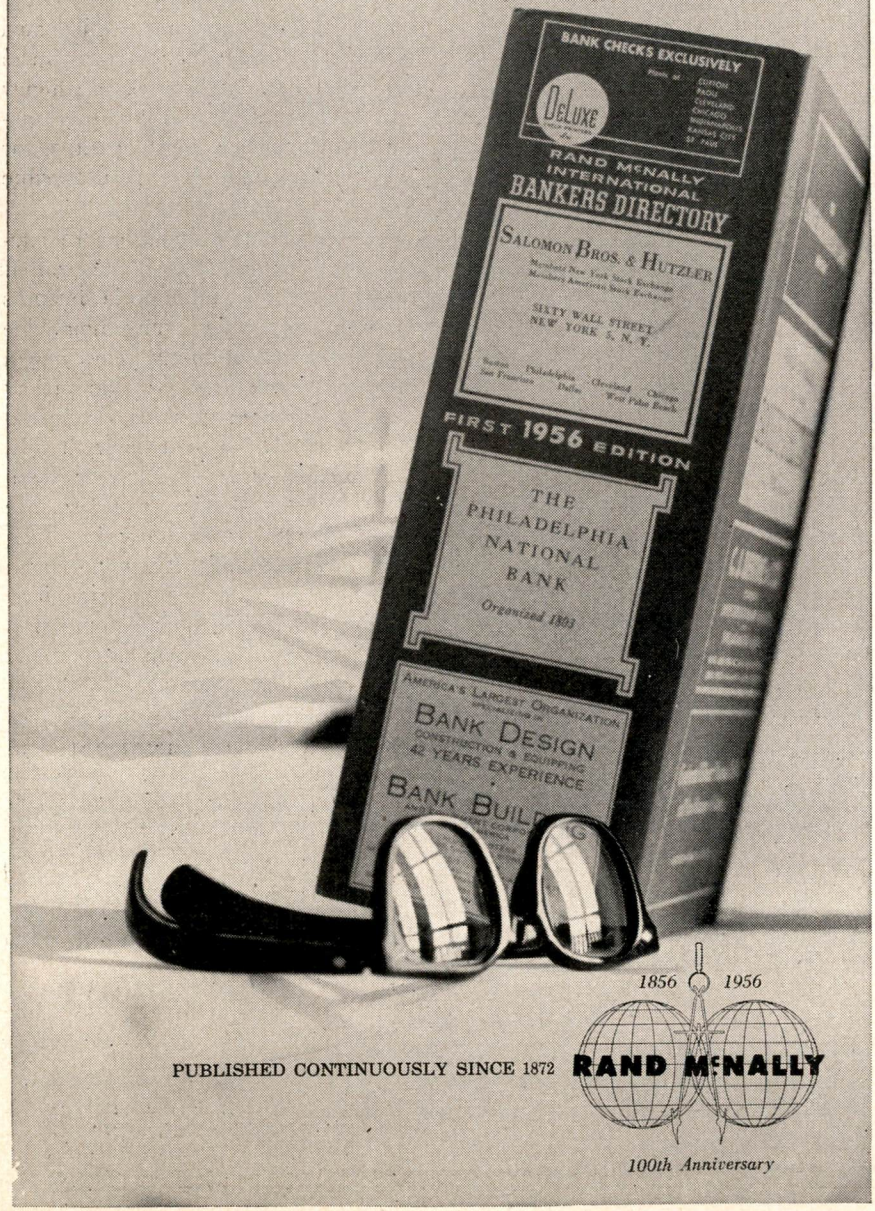
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100th Anniversary

First, when separate returns are filed, the corporation first receiving the income pays taxes at the regular rates and, in addition, 15% of the payments of dividends from one corporation to another are taxable as income of the corporation receiving the dividends;

Second, should any of the corporations in the corporate family have a loss, such losses are more likely to reduce the income liable to tax when a consolidated return is filed, than when separate returns are filed.

For these reasons the present law assesses a 2% surtax on consolidated returns.

What It Would Do

H. R. 9067 does not change these features of present law. If experience with the progressive tax rates shows there is developing a tendency to create subsidiary corporations, as a means of evading the impact of the progressive rates, then it may become necessary to amend the law further to prevent such evasion — either by requiring consolidated returns, by decreasing the amount of the exemption now provided for inter-corporate dividends, or by other means.

This is, however, a matter which can await experience and study. For presently existing corporations, the options have already been elected, and these cannot be changed except with the consent of the Commissioner of the Internal Revenue, upon application and presentation of good reason. Therefore, we will have at least a year to consider whether or not some additional amendment may be needed to prevent reorganizations for purposes of evading the new tax. END

The Independent BANKER

THE MODERN NATIONAL VOICE OF AMERICA'S COUNTRY BANKERS

. . . Editorials

A Sport Requiring Revised Rules

A March 1 editorial in *The Wall Street Journal* commented interestingly: "As expected, the House ways and means committee has voted to extend for another year the present corporate tax rates. It is likewise expected that both houses of Congress will vote accordingly. ***** The extension of these corporate rates, along with certain excise rates, is becoming a routine late-Winter sport. They are scheduled by law to be reduced April 1, but nobody is fooled; well before that date, year after year, the law is changed to continue them".

We, too, dislike the government's late-Winter sport. Like the *Wall Street Journal*, we, also, would like to see practically all governmental spending levels reduced adequately so that all tax rates can be lowered.

Beyond that, however, we see outstandingly important benefits for our nation inherent in new legislation proposed by Congressman Wright Patman that would achieve logical revisions in our corporate income tax philosophy. Our nation was founded on the basis of a multitude of individual small enterprises, each motivated by the hope of gain as the reward for diligent effort. Through the ensuing years our wilderness and scientific frontiers were pushed ever back under the powerful drive of this same stimulus. New services for the public, better products, better methods, and lower consumer costs are characteristically the hallmark of free enterprise. They are conspicuously absent or very scarce in the cartel-type of economy where suppressing production and controlling markets and prices constitute the primary objectives of cartel management.



REP. PATMAN

No editorial we might write could begin to present a suitable argument for the great wisdom and circumspect justice which is the quality of Mr. Patman's H.R. 9067, proposing a graduated corporate income tax. We strongly urge all our readers to read carefully Congressman Patman's article beginning on Page 5, to discuss this proposal with all their associates and friends, and to work faithfully in every way possible for its prompt, successful passage.

★ ★ ★

And So to New Orleans

To the officers, directors, committeemen, and rank-and-file members of the Independent Bankers Association of America, THE INDEPENDENT BANKER expresses warm wishes for a happy and successful convention visit in the queen city of the South.

In next month's issue we will bring you a concise, complete word-and-picture report of this 22nd annual national convention. You'll enjoy our May issue.

★ ★ ★

Progressive Path to Plenty

The editor of the *London Economist* once stated: "If our children are going to produce twice as much as we do, they are not going to do it by working harder than we do, or by being cleverer than we are, but by having twice as many inanimate slaves to assist them. The way to plenty is to build up the national capital of machines, of buildings to house them in, of power to drive them, and of communications between them".

This is a concept not always appreciated, yet it is in fact the foundation of America's productive vigor. Our country's present investment in just business facilities alone stands at a staggering $375-billion. What should concern us is that this investment must be increased constantly. It must provide not only the added increment to accommodate our population growth, but also a sufficient increase to satisfy our natural appetite for a steadily-rising level of living standards.

A major portion of the funds to feed the dynamo of our nation's economic growth has come from the direct reinvestment of corporate profits, farm profits, and individual savings in enterprises. Through the years, businessmen have plowed about half of their profits back into their businesses. Roughly two-thirds of our investment capital has originated directly from the individuals and corporations making the investments. The remaining third — a very crucial third — has had to come from external sources.

This external financing would never have been possible without the financial institutions of our country. Bankers are often much too modest in pointing out to the public the functions they achieve in this area. The constructive transfer of funds from millions of savers to the users of funds for economic growth is almost an American invention. In appreciable measure it accounts for the spectacular forward progress the world has witnessed in just the past half-century.

The tremendous growth of the funds under the care and supervision of financial institutions is revealed in these figures:

	1900	1956
Commercial banks	$10-billion	$204-billion
Trust departments of banks	3- "	90- "
Savings banks	2.5- "	31- "
Life insurance companies	1.7- "	90- "
Other financial institutions	2.8- "	185- "
Total all financial institutions	$20-billion	$600-billion

In last month's issue of THE INDEPENDENT BANKER *(Pages 29-31)*, Mr. Gaylord Freeman pointed out how

(Continued from Page 35)

one new style of financial institution, practically non-existent in 1900, has reached a most impressive position today in corralling savings from the public. As staid bankers, by-and-large, we have done not much more than to bemoan the situation and cry out, rightfully, "*unfair tax treatment*".

As we have been reminded, however, that style of financial institution, now grown so successful, holds no greater legal advantages today than it did a decade and more ago. It simply sensed an opportunity, evaluated the weaknesses of the competition, recognized the need for pleasing the public, and then exploited its advantages.

Finance companies, also insignificant in 1900, perceived a potential method to serve the public, which method was generally being rejected by the banking fraternity. This group also now stands importantly among the approximately 21 different types of financial institutions through which capital is channeled. How fast will each type grow, and what new forms will take shape in the future?

That $600-billion under the care of our financial institutions represents more than 20% of *all* assets in our economy. The first accomplishment, of course, has been to mobilize the savings of people in all walks of life and, next, to channel those savings both safely and effectively for the good of our mammoth economic machine.

The staff of the joint Congressional committee on the economic report, looking ahead, has predicted that in a decade from now the annual rate of business investment will be $65-billion; of consumer investment, $66-billion. These rates are about 50% and 33% higher, respectively, than 1955 levels.

For this investment need it seems reasonable to assume that the same "crucial third" must come from external financing. Are bankers making their plans for this 33%-to-50% growth? Are bankers prepared to assume their role of participation in this economic growth? Will bankers vigorously continue to marshal the savings of individuals to foster this needed acceleration in the formation of capital?

Or will brand-new styles and designs of financial institutions come into being? Will bankers sit back and relinquish the capital growth task to instrumentalities of government? Will other financial institutions seize the initiative and play the dominant role? Will it fall to others to pave the American path to plenty?



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~~More files:~~

Dynamic competition -- looking for flat or rising demand curves, & flat or falling cost curves, i.e. economies of large scale production plus resources that don't get bid up.

In this, the motor of progress, lies a justification of system, despite imperfect comp. Un-perfect comp. is ok, so long as economy is dynamic.

Why investing in land reduces real inv.

Open end stocks, & search monop.

~~Contracts~~ Migration

Cournot duopoly argument

shows why big monop. always gets cut down

-- esp. given free entry.

Oligop.*

It is not just that allocation is forked up, but general level of factor rents are reduced by oligop. Thus answering Rolph? Changes distrib. in favor of mnpsts; & reduces total out

Is it nec. bad that each firm anticipates falling dem. schedule?

If no way to block entry, will opt size, or fewness, cause restriction?

Must study real life. Young struggling firms, or firms new in field, will be aggressive price cutters or service improvers. Idea of 'impersonal mkt' is ridic. dream - credit, etc, all based on steady customers idea.

No 'nat. monop' is world wide, & ~~regi~~ is just regional, probly overlaps, get chain reaction competition, without tariffs, land spec, patents, etc, all non-opt. size causes of monop.

Takes time to build up customers, & to lose them. Prevents capricious pricing, which offends. Threat of comp. should be as good as comp, for whoever loses good will by monop. pricing will lose to comp. So, tho individual realizes he is faced with -k dem. curve, he will produce at price to discourage comp., i.e. with no ↑ monop. returns. - not nec. at min. ATUC, that is hardly relevant.

If natch monop, let the govt omit of its area or declare it ~~non~~ greater area natch monop, make it coop (which is required to allow free entry - free entry being keynote of system) or public function. Common carrier principle - can exclude none. Or my open end stock system. How about making r.r.s a coop of those with sites at termini, allowing any adj. landowner to get a terminal? - or even not quite adjacent?

Must obviously justify or explain competition on some other basis than "perfect" competition, which is and always was and always must be a myth. How did we get into this problem anyway? Original idea of mine was that factors & goods flowed to where returns were highest, thus returns were equalized & demand satisfied. Now we discover marg. value product means returns aren't as high as they should be, thus preventing factors from flowing to places where they would increase society's wealth the most. But I wonder if this marginal value product idea is the right way to look at it. It is more likely true that people do not think in terms of the demand curves they are faced with when they set price, but in terms of meeting competition.

Generally, they know they are faced with falling demand curves for any one product. But they know that if they change product, in any sense, they can expand thereby. E.g. a grocer wanting to expand would not make present store bigger, but establish branches, probly. Thus getting a different market. For the number of buyers is limited, as well as the number of sellers, & one aspect is to contact more buyers. In this sense everyone is faced with a horizontal curve. He can sell more & more, provided he changes the product appropriately. His market is unlimited if

work, probly -- esp those who have the mnp, won't work at other things.
Reduces cap. fmen, too. Etc. Creates social classes, obstacles to change, etc.

he chooses to make it so by going after new markets.

For any existing product, true, one is faced with a neg. sloped demand curve. But does this mean you raise price above competitive level? --i.e., restrict supply of yourself? No, because this neg. sloped demand curve is not a permanent thing. Over a year or two you would find it becoming more & more horizontal, as your higher prices encouraged competition & your customers left you. So the fact that individual firms are faced with sloping dem curves in itself means nothing.

It might mean something if fewness allowed collusion. But if free entry possible, collusion impossible. Possible in short run? But before long competitors will enter, & meantime look at the customers you have lost.

What of natch monops? There are probly no worldwide natch monops. They are regional: streets, e.g. They are generally sharply distinguishable -- only inst monop causes make them otherwise today. Coops, etc, possible forms for them.

So only a few things socialists want to socialize today really need it. & of them, socialization is just one alternative: coops, regulation, open stock, are others.

Monop. may give best allocation, for marginal unit may lower values of intra-marg. other units to society, not just to individuals who sell. Did Pigou cover this? Cars on roads, e.g.

Add to this compl., & comp. allocation is a dubious norm.

Usually consumers will take loss of intra-marginal rents into account when evaluating marginal units anyway. But society may not — as cars crowding roads. But taxes can fix that, monop. not nec.

Much construction is undertaken to raise land values earned by individual constructing them, hence private land ownership causes better allocation than ~~public~~ land.



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.25

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20 lbs. 21.25
60 lbs. 58.00

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8 oz. $ .40



ENAMEL
retouching

TIRE BLACK, LIQU

Monop. comp. theory misses another important aspect: gradually building up by investing cap. in good will. - development of a business or corporate personality. 'Getting established', discouraging competition, is not the mechanistic process they visualize. If a demand rise, you can charge more or sell more, but if former your advantage is only temporary, encourage competition.

Rolph. Jan 3

Keynes, 11 & 13
Bowman on income inequality in Rdgs Th. Inc. Distrib.
Lange, Ec. Theory of Soc.

He wanted us to discuss ~~functional~~ determination of income of particular factors

Interest theory: partial eq. no longer attempted much to explain it.

Demand & supply for & of securities

promp comp nothing

Merrill Lynch etc is not trying to restrict output of its service — it wants to get all the customers it can. It restricts those segments of it that have falling demand curve — & those segments will have competitors.

$S_1 = y_0 - C_1$ — Robertson's def. of saving
$S_1 = y_1 - C_1$ — usual statistical def. (I prefer it)

$Y = C + S$
$Y = C + I$
$Y = Y$
$\therefore S = I$

(But if consumption exp. are buying from middlemen, cons. not net income. Is this balanced by disinvestment? If you wish, but this obscures important points)

Profits is residually determined, is equation that insures that income equals product.

K. repudiates prop. to save, bottom of p. 65.

Hband of Ch, to conclude that adding something to product rec. makes opt. size smaller.

He has advertising make demand curve no flatter, & really, is reason it is steep. But observe advertising men --- they are trying to hit the big mkt, not keep a small one --- i.e., working to make a Nicols kink, so you can expand w/o -ΔP, but contract & ΔP ↳.

You can have complete lack of collusion among existing producers, & still have restricted production, if some device keeps some producers out. Recent emphasis on price collusion has detracted attn. from this more widespread aspect of monop.

Every new facet a 'product' may have is one more thing to regulate by any inst. trying to restrict comp. Hence is desirable, makes monop. harder

e.g. packaging, credit terms, service, advertising, etc.

Chamberlin singles out advertising, says it differentiates product, reduces production. [I think product diff. in general is what he

should discuss, nothing different about 'advertising'.]

The fact of differentiating gives a monop. potential to exploit. But the process of differentiating ~~is~~ is Ad production.

So Ch's so-called demand curves are drawn on assumption that proportion of advertising decreases, as production of rest of product is increased. If advertising increased prop., demand curve maybe flat. With this artificial, non-restrictive differentiation due to advertising, personal considerations, etc, must get a new concept of competition. Competition doesn't require uniformity.

I'm wondering if we won't be able to conclude that if we regard advertising as a part of the product that it doesn't reduce production or raise prices? Say a man puts a small ad in the paper that his bike is for sale, he now has given information, at a price. And so for any advertising. Now, does this limit the market? It allows him to charge more for his bike, but is this not because it is a better bike now, rather than that he is a monopolist?

Producer is faced with inelastic demand curve with given advertising, but if he wants to expand he can expand advertising too — so demand curve moves out! over
Like Fellner with Liquidity.

Hunter in Winson

After 1860 was a period not so much of expanding existing production types as creating new ones.

R.r. demand dominated heavy industry for a long time, levellin off only recently. Imperfect to monop.

c. 1907, all locomotive manuf. except Baldwin joined in Am. locomotive corp., made a little more than Baldwin.

Pressed Steel Car Co. of Pitt. made steel rolling stock, largest steel consumer in world once.

Some species of price rigidity are as likely to keep prices too low as too high, when trend is other way no? Hard to get competitors to agree to raise price. San Fran papers, e.g. - seem to have all gone up to 7¢ at once - but much later than other prices rose, (& still not prop?)

Thomas
Before p. 122

Clearing house just clears local checks. Local banks form a clearing house association. The clearing house is sort of cooperative -- being a natural monopoly. Trouble is, not with itself as a monopoly, but ~~xixk~~ it is such a convenient device for making local bank monopoly. Suppose e.g. new banks were not admitted to the clearing house. "Competitive practices are frequently regulated & standardized thru the assoc." If govt. is to be charged with creating channels in which competition can operate, pe haps it should run clearing houses? Local govt. probly? Not nec., for usual reason that local govt. is a monopoly. Of course rest of local people want cheap banking, esp. for themselves, will not allow themselves to be too victimized, just as with utilities, tho they may arrange price discrimination that helps them.

Clearing house also used to organize bankers in taking over assets & liabilities of failed banks, if they wish, to keep general confidence in local credit situation. -- in local banks i.e. Also, before FR loans, used to make loans to banks in trouble in panics.

For collecting out of town checks, this is most commonly done now thru FR clearing system. Non-members can use too, if they keep min. balance. Only checks drawn on par banks can be so collected.(but I guess non-par banks are allowed to collect on others checks -- that is ok, the service is mainly being done for the bank whose checks are so honored)

Prohibiting branch banking doesn't prevent monopoly, but rather cuts out the most likely competition. If each bank in two towns establishes a branch in the other town, you have more competition, not less.

Arriving at that mystic oligop. position, don't know if will act monop. or comp. A few determinants are in key: likelihood of inspiring entry, substitution, legal action, retaliatory monopsony, etc. -- Δ prop. tax, comp. from excluded resources, etc. Possibility of enforcing monop. contracts; limited transportation, etc.

"Oligop. indeterminacy" is just that when limit solves to

Galbraith says
brand monops exist only
where consumer too busy
to worry about it. --
where it is very small
thing to them.

Brand monops not
serious, on big purchases
people stop & think.

Where public demand
is for lower price, some
firm comes thru with it,
less advertising, & gets
business. -- 10¢ cig. in
depr. (& have cheap

Having oligop. decision to keep comp., now you try to change product, to ~~a~~ ~~more~~

a, Δ demand

b, secure position if others -ΔP

Taxes economists with worrying about little wastes in luxury production, like advertising &c, when ~~more~~ luxuries are waste too, & the economy that buys one kind gladly buys the other.

Theorists set up too rigid conditions for 'pure comp.'; when we are int. in 'workable comp'. Nicols contrib. good, on that.

& even in pure comp, have diff. mcs. because of ~~finite~~ costs of cap. mkts. Nor should have perf. knowledge, for costs something to dispense knowledge, & must account for factor payments to newsmen, as well as bankers.
& who can see future?

Once raw is mnp,
& procsg too, bitrl mnpsts
cm + tms, ~~then~~ set cmptv
p But thn cn use
each othr --- mnplst slls
nly + ~~mnpsnt~~ mnpsnst, v.v.
xclding othrs
so 1 mnp hlps mk othrs.
~~Vtcl~~ Vtcl nrgtcn
fllws nrly, or is prtcly sm

If you lower P to expand volume of individ. firm -- like a self-serve gas station -- must advertise to get mkt.

Advtsg often goes with widening mkt, not narrowing it a la Ch.

Wide fluctuations of demand, hence of price, are esp tough on mgnl producers, hence Δ monop. --- when -ΔP, % injury to those with no rent > % to richest.

Hence smoothing cycle will help comp.

Bldg. industry is atomized, but not very competitive, due to institutional restraints, political ones.

So small size doesn't make for comp. nec.

But rather lack of inst. restraints, laws sympathetic to competition.

Bain, Joe: Industrial Concentration & Govt. Anti-Trust Policy

Main cause of concentration was seeking economies of large scale production. Much integration was vertical (thus not contributing to monop. power?)

Post civil war, improvements in transportation brought people into competition who never were before, a nat. mkt.,

& this made many mergers desirable that had not been worth the trouble before. So they occurred. By 1904, most of the easy ones had been made, & movement slowed. (how about anti-trust laws?) In 20s, it speeded up again, in new industries. (but, again, this may have been technological -- when an industry is new, get many experimental pilot plants all over, then some discover economies of size, get big & lower prices. A perhaps natural eveolution for each new industry) Auto, radio, movies, mergers. - easy in new environment, & worthwhile.

Technology paved way, but desire to reduce competition was also involved. Holding co.s a major means. Inv. bankers engineered many, and made large profits from doing so, these profits were a primary motive for doing it therefore.

'70s & '80s which saw m ny mergers, were times of very keen competition, as those outfits which discovered economies of large scale production expanded, others went under as prices fell. same in 20s.

Effect of Sherman Law was to encourage all-out combinations, where in Europe they had cartels, agreements to restrict competition, which were outlawed by Sherman. i.e., productive units in Eur. remained small, but stopped competing. In U.S., continued comp. led to large units?

Final phase of concentration mov ement was taking over distribution of product in vertical integration.

Patents, tariffs, natural resource control, helped monop.

Some merged monop.s, after cutting out their competitors by jungle practises, raised prices. Courts were hard on them. Those who behaved better got off easier. By 20s, few tried to obviously exploit their positions. (remember, that many of these co.s sell to other co.s with interlocking directors, etc. So they are in especial position to benefit from non-price rationing, they will take care of their own first)

In 20s, more stress on non-price competition: sales efforts, product improvement. "fair" competition. (is this why we have so much damned advertising today?)

Before 1890, many state laws reinforcing commonlaw vs. monop. Could do little vs. interstate corps. Got series of judicial decisions that outlawed "voting trust" as means of combination, got business to look for other means to same end.

Sherman Act little used at first, had been just tossed in to appease some farmers by a Congress mainly interested in tariff, wh ch farmers opposed. 1895 U.S. vs. E.C. Knight, act interpreted to be about nothing. But 1904 Northern Securities Co. case, act applied to mergers effected thru prop. transfer, & holding co.s. Then came TR & trust-busting. S.O. busted, & Am. Tob. But not really much. Difficulty was that in period of active merger formatin, act had not been used, so when they got busy, mergers already formed, and they didn't interfere with most of them, if well behaved. 1918, USMC, 1920 USS, declared ok. Basis of decisions in S.O. & Am Tob cases was that these co.s were still trying to expand by harassing competitors. While if one had done this in past, he was allowed to keep what he had.

Sherman act was thus never really applied. & when applied, very leniently. During the years of its quiescence, mergers develo ped, were never split. Due to a general ec. philosophy which tolerated such things..

After 1920, Sherman Act not used vs. mergers, but vs. agreements among independent co.s in restraint of trade. Until 1932, tho, was pretty actively applied to a number of agreements to fix prices etc., they were outlawed. But had little effect on working of economy. 99% violators weren't even prosecuted, & those that were not punished, often just required to change technicalities of their practise. Price & output behavior was never the basis of complaint, but just some technicality.

'33-5, suspension under NRA. '37, surprising tough renascence of Sherman under Thurman Arnold. Stopped by war.

Clayton Act emasculated, never did muc . Fed. Trade Comm. set up to enforce it, was nothing to enforce, has grown to do other thin s. It makes investigation & publicizes monop: Wilson thought that would discoura e monop. enough. regulates brands, etc. But does nothing to keep competition going. Justic does what is done.

Are many more good papers on Am. hist in here

In a Chamberlin atomistic product differentiation situation, altho we get each firm smaller, this leaves resources out of industry. Rolph mentions they would be cheaper, thus lower cost curves and increase size of firms. But they also could go into new firms. And there would doubtless be some consumers who didn't want the advertising, would be the marginal customers at lower prices, new firms w/o advertising could sell to them, you might end up with just as many resources in industry as before.

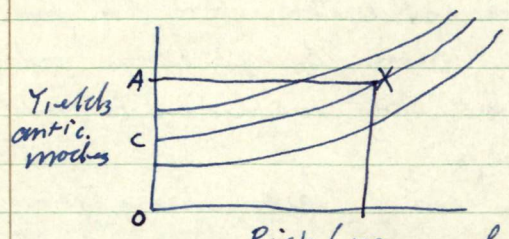
TAN, Khwat-Poh
To Pewarta Soerabaia
Surabaja, Java

Small Sonoma
Cheesery makes for Kraft,
according to their
specification, as well as
making its own.

So Kraft is just a
marketing method, not
such a big producer.

This selling under
another's brand knocks
Chamberlin into a cocked hat.

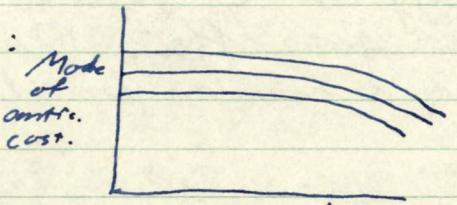
Lange on innovations.



You must have a higher antic. yield mode to compensate for Δd risk (dispersion)
If X is pt. chosen, OC is "effective receipt", & CA is risk premium.

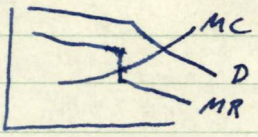
(All this is conjectural. Maybe people prefer risk)

Same for antic. costs:



This limits future plans, creates horizon of planning. What limits planning is lack of knowledge -- when you plan with less knowledge, doesn't just Δ risk, but reduces mode expectation.
2 causes of uncertainty: P & prod. fn.s.

Sweezy's kinked demand curve was a solution to finding eq. price with oligopoly.
But all it shows is why prices are sticky nothing more.



Graph shows situation facing indiv. firm. Kink because if you raise P, go alone, but if lower, others follow.
Lange takes seriously & uses it for oligopsony too. Kinked supply curve.

Because of discont., output & price do not respond to Δ MC over a range. So innovations under oligop. won't Δ output unless MC moves out of that range. But innovations that reduce firm's demand for factors are encouraged. (He didn't have to bring in Sweezy for this. falling MR & rising mc to firm are enough)

Oligopsony favors factor-neutral innovations (by which he means those that do not change demand for factors. Presumably their value then is they Δ output. But purpose of all innovations is to Δ output per factor. ~~Extent~~ Amount produced is another consideration, except where opt. size of innovation so large it rec. affects Q. So . . . . . ?)

over

He concludes:

Oligops. favors factor neutral inner., for demand for factors ~~only ch~~ does not change (unless change large enough to break discipline of group) So output ↓ing innovations favored.

Oligopoly favors ~~factor~~ output-neutral, factor saving innovations.

(A link in his view that factors are as subst. as compl.)

The only characteristic that can be uniquely attributed to innovations here is their ratio effect. Quantity of output is independently determined, innovations don't directly determine it.

Problem of a co., say Life magazine. Its mc are very low, but due to high fixed costs, ~~ffxaii~~ and mc which do not rise, it would go broke if it sold all for mc. (This I deduce from fact that they give lower prices to some buyers, price discrimination. But this may be just advertising. They may have rising mc -- but I doubt it) (Publications, in general, should be a classic example of decreasing costs. Yet they are very competitive. Why? Product differentiation) Hence they sell for more than mc, yet this gives them no monop. profit, nec. It may give them a handsome return on the original inv -- but this can hardly be called "monop." in same sense with some other monops., for entry not restricted.

Since it is possible to get handsome profits from establishing such a position as Life's, others will try to break in. They may invest in advertising and in good products for years, to build up such a position as Life's. When & if they reap any returns by restricting output, they are not the same as other monop. returns.

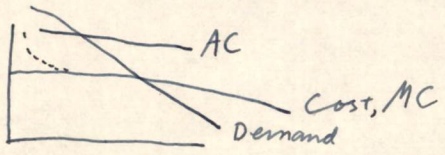
Publicnotoriously fickle about such preferences. Very risky investments. Public may get more than is taken from it. Individual always has choice of buying a product that is building up, rather than one exploiting its position.

(Ch.'s assumption of uniform conditions for each plant is very wrong, for is not each product differentiated?) ✓

What is ideal output under such circumstances? Obviously not where price equals mc, for this would not pay off the original cost of entry, the advertising, nor perhaps other fixed costs. Hence price for such products should exceed mc, by some am't that can only be determin d at the discretion of the mfr., balancing his desire for present profit vs. future.

Far from bemoaning fact that such firms reach falling mr curve before mc rise much, we should be glad. For if ~~mx~~ demand for any one of them were unlimited, it would expand and we would have a natch monop. Product differentiation saves us from this, and we should be thankful.

Ch's models show mc rising sharply. I wonder if we would get sharp product differentiation then? Probly.



Obviously they must sell for more than MC, or go broke

Above could be natch mnp. Or cd. be Ch. -- with rt. side cut off. & he could have something there. Some tonic, if all demand put together, could use economies to scale. But so many brands, etc. ~~each has~~ & so much advertising that makes people price unconscious, brand conscious, that none can achieve the scale it might if mnp.

Ch., depression writer, popular to play up shortcomings of comp., overdid it. But may have point, here. But why not sell under diff. brands. & Nicolskink.

We have on one hand funny kink:  ~~worst of all possibilities~~, to explain why conventional P are maintained. & on other, Nicols, just opposite, , you tend to change P either way.

To be sure, they apply to 2 diff. mkt situations, but the 2 not so diff., not such a clear distinction, range in between is most cases. Which applies?

Answer probly is, institutional factors ~~dom~~ determine. So neither map nor comp. inevitable, depend on what society does.

& on how few firms there are. Nicols depends on others not cutting P with you .... which is possible, they just lose a few customers, while cutter gains many. .... but if only 2 firms, loser loses as many as gainer gains.

Firms get fewer by acquiring assets. & this due to imperf. cap. mkts & high cap. regs. (LVT)

If firms get large by

~~get~~ creating their own new cap, ok. Are just acting like competitors, responding to flat demand curves.

Trouble is where they grow by acquiring others.

Uses for indifference curves, or things similar to them.

Indifference curve.
Cassels' isoquants. Analyze varying proportions & am'ts both of different factors.
Constant outlay & const revenue curves, to analyze multiple products, &/or multiple factors. With the lowest const ~~rexzxexzzxexzxexxx~~ outlay curve, reach the highest const. revenue curve.
Constant product curve (isoquant, but different use). Marg rate of subst of factors must be inverse to prices, just like indiff curve.

Little points to remember:
Hicks' def. of complementarity
Chamberlin's conclusion ridiculous: any firm could operate at min. costs & sell under two brands. & there's no one opt size, etc, is absurdly mechanistic.
Cha's familiar conclusions are for atomistic monop. comp. without collusion: many firms. With monop, he gets higher price; oligop, indeterminate, depends on oligop. - except he gets monop solution for oligop too only
A method: take as variable categories: price, cost, selling cost. Holding two constant, vary the other for best position. Ultimately, vary all for best position. An infinity of possibilities, you look for best. (can you imagine a socialist system experimenting with these?)
Ch. shows that the eq. when slanting demand curve tangents cost curve is ~~tenuous~~ not nec. equ., because by varying sc can get another cost & demand curve, & this may cause us to change. Too bad he didn't apply this to his own analysis and show it was no good. But when I'm showing it's no good, be sure to credit him with this.
Actually I say our cost & demand curves for one firm don't tell us when firm will get competition. For our cost curve is drawn arbitrarily, & maybe when we're getting a price way above it no one can compete. Showing we have left something out of the curve. So this is another criticism that Ch. recognizes, but without integrating into theory.
Ch. says if you take account that ~~xhø~~ your lowering price or improving product or increasing selling costs will make competitors do likewise, you are behaving monopolistically without collusion. But this is collusion. and restricted entry.
Finally concludes that advertixing increases scale,: ~~xhø~~ its monop. aspect reduces it, but its changing product aspect increases it.
Re profit, I might add that speculative gains do perform a function.
Someone defined profit as residual income: approve that def.
Knight's theory of ir is just that the cost of producing an asset yielding a certain amount is always the same, so, no matter how much is demanded, ir stays same.
Knight, etc, say i.r. determines mr; K says opposite. I say mutual.
Somers' ir theory: individuals equalize marginal returns from holding cash, buying securities, consuming, buying real assets.
Ch. concludes that monop. comp means: 1, factors get mvps; 2, factors in selling cannot have mps at all (dead wrong), so "productivity theory of distribution" cannot explain their rewards.
Gordon wants to integrate fact that entrep. makes own demand into profit def, call that a reason for profits. Thinks risk bearing doesn't explain return to someone in corporation (manager?) but return for function of control does.

Alfred, UCLA

Nicols, "Rehabilitation of Pure Comp.", QJE, Nov. '47

True, he says, will be many 'attached' buyers. But also many unattached, so seller who lowers p will get all he can handle, have horiz. demand in effect, in many cases. But when he raises p, he won't lose as many, only his own unattached buyers.

Nicols says cons. attachments are compatible with neo-classic eq. - with large numbers. & With small, refers us to neo-classic monop & oligop. solutions.

His kink argument seems satisfying. If you raise p one unit, lose 10% your buyers. If lower it one, all others lose 10%, you gain 10% greater %.

Differentiation only possible, usually, with small numbers. Where curve is so, no problem of where eq. reached:



But when so:



problem.

These demand curves rising for other reasons than the kink idea, I presume.

So Ch's solutions no good because differentiation only effective with small no.s, & then oligop. analysis relevant. Throw it out, says pure comp. fits facts better.

Chamb. overlooks possibility you might (identify competitor's reaction, &) disimprove, go back to previous product. But on strict e.p. logic, they wouldn't. -- bs?

Idea is, mm means when ~~[illegible]~~ you improve, others do too, don't raise your demand curve. (d curves)

Where e.p. reasoning doesn't lead to improvement, get no more improvement.

→ Same with SC - treat them just like product changes, cost changes.

Ch ~~[illegible]~~ errors: But Chamb. admits this as quality, so chap. ed.

1. Idea that price cutter or product improver gets no more of market.
2. Assumption of identical firms. 'No profit' is [illegible]
3. failure to let demand curve flatten with entry, or threat of it. (& cost curve too?)
4. Unrecognition of kink of Nicholls
5. No connection with reality. Where does atomistic mkt comp exist? Oligop common, & this is indeterminate. - Tho Chamb. gets his old solution for it.
6. His 'full eq', where 2 tangencies coincide, re SC, does not begin to cover possibilities, is heavily pretended to.
7. He qualifies assumptions later, but fails to integrate qualifications e.g. identical firm ass.

Stat I would only take to get job, & can get job w/o it, with Int. or 216.

Possibilities:

Int.

216

~~Xpart~~

Silly to take taxation, when already have m&b. Take int. finance, & int., be all thru! Still, I could round out 255 with 230, & let 216 stand alone. So I can prepare in same time for each program, & by preparing 230, get taxation & manag. in both, instead of just intern.

It's int. & m&b vs. taxation & manag.

or m&b vs ~~taxation~~

(int. vs. manag)

or take int & manag. ? No point.

But what is hurry of getting Ph.D. ? Why not take taxation?

Bain, 14 April

follow the Chamberlin & Stigler assignments closely.

Undifferentiated oligopoly →

Circular interdependence, essence of oligopoly.

Chamb. gets simple monop price with no collusion due to all anticipating reactions of others, moving to some point.

Or indeterminacy in some cases, this facet of theory undeveloped.

Ch. has to establish reasons for propensity of all to move to monop price, any can take role of price leader, move right to monop price, all will follow like that.

→ 1) Assumptions: no seller thinks he can get rid of rival by price cutting. Every seller must know that his rivals accept him & won't make war, will not refuse to close up to a price he leads to. Lacking assurance, none would take leadership up maybe, not being sure others would follow.

→ 2) No lags or frictions in adjustment. - if lags, leader up would lose customers before others come up.

Market shares are statistically determinable at any price. Ch. assumes if 2 sellers sell at common price each has 50% mkt. Actually the slower upward mover might increase his share, & keep it up.

Ch. could get his solution by various combinations of assumptions, but none are real. frictions, & lags, & uneven mkt splits, advantage gained by lagging in price change esp., make it unreal. Experiment is not costless. How else can you know?

→ 3) further implicit ass., all have same monop. price. But in fact cost differences a basis for different prices & indeterminacy.

Ch. on duopoly is fairly convincing when a stability has been reached. But previous experimentation has shown what rival will do, is really collusion.

A magazine that has built up a reputation can sell magazines for more than cost of production, & often does, price discrimination, prove this by selling for less to students etc. But this reputation is their capital. Any factory could sell for less than it does, short run, by lowering its profits. -- but if this were general, factories would never be built in first place. Nor would reputations be built up.

So reputations — product differentiation — do not stand condemned because of higher price

over.

But is question of sloping demand curve. Product differentiation means selling at higher price to those persons who will pay it, & reducing output. -- except as it can be maintained by price discrimination. (Take Kiplinger letter as extreme example. Price, $18.00; marg. cost, $.50 -- but this is decreasing cost situation, as far as you can see. Is allocation imperfect? Anyone else can start a news service. Much to think on.

Calling "selling costs" a separate cost, rather than part of the product, seems merely clumsy at first. But it becomes positively dangerous, error-inspiring, when people talk of sharply falling demand curves for "the product" when they really mean just part of the product -- which is natch.

Really, people are trying to continually alter their products, so find more elastic demand curves. This is the way the system works, this is its dynamic. They wish to find the combination with most elastic demand, push that. It only works one way: they will not try to find item with inelastic demand, and restrict production of that: for they would immediately inspire com etition. Speaking now just of advertising monops, & product differentiation monops. in general.

1st degree discrim: separate bargain with each buyer.
2d degree: a dead category, forget
3d degree: segregate markets.

With oligopolies, if there were in fact no competition, firms would remain always the same size. For when you expand production, you are competing; when improve your product, competing. We know in fact relative sizes of firms changes. If they were in non-competing agreements, they would never change.

Chamberlin's oligopoly solution is that by mutually recognized interdependency, which Bain says is really tacit collusion and should be called that, they move to monopoly solution. But this is not correct, says Bain. No one will take the upward price leadership, would lose customers. And costs will differ from monop., as must use each plant under capacity, instead of keeping some wholely idle. By this, oligop. solution differs markedly from monop.

It might be useful to develop various hypothetical market situations, as Chamberlin does. His results seem to me sterile. But are possibilities. You would discover the results of various conditions, know if socially desirable to create those conditions. Most fruitful example: ~~Patinkin~~ Sweezy and Nicols' kinks. Each is true, given certain assumptions. Chamb.'s results are based on too unreal assumptions, rigid, & too fanciful processes.

200A Review, 4

Whether it is ec. for a firm to expand depends very much on character of management. Some, perhaps most, do not wish to expand, and this makes it unec. But those who wish to can, if they want the struggle and its rewards, and this makes it ec.

Method of infinite experimentation: reach eq. with given product and/or sc; then vary the sc, which varies demand curve, find that eq. giving highest profits.

But this in itself shows Ch's equilibrium is no equilibrium, for you can still change. And this change is the life of the system.

Ch.'s assumption of identical firms completely overlooks the idea of marginal and infra-marginal firms, ordinary supply curves, etc. & if each firm produces a different product, how can they be identical?

200A Review, 3

Chamberlin postulates several different market situations, with different solutions.

1. Undifferentiated competition -- Ch.'s "large group". Fixed products, equal sized firms, same substitutability between every pair, no entry, no selling costs.

Each firm moves out on its species curve, uses that for planning, but all move down on app. gen. curve. They never react to each other directly however, or by implicit collusion.

Eq. is where mr curve cuts mc, for each firm.

He never explains, says Bain, why species curve for each firm is not Horizontal.

He doesn't go into this, but wherever the firms scale ends up, will be min. AC, due to Ricardian rent, Viners, because no entry.

Bain's criticisms: he should flatten demand curve; and consider Nichols kink. (which only applies to large nos., not oligop)

Even so, Ch.'s solution is very close to competitive. Not tangency, but mc=mr close to min. ac

2. Undifferentiated oligopoly.

Here his solution is very close to monopoly. It is monopoly. Each seller acting on his m.m. curve, therefore moving automatically to monop. price.

Criticisms: who will lead up? Bain thinks you might move along species curve backwards a little at first, as others lag moving up. (But this is relaxing Ch's assumptions)

No selling costs. (i.e. no chance of changingproduct. Unreal)

Each individual's demand identical with market demand, in shape.

Here should consider multi-plant problem, different marginal costs. Market-sharing gives different cost picture from complete monop. -- higher costs -- hence less production. Hence superiority of monop -- a very important point.

3. Differentiated atomistic competition, with selling costs.

Get entry, forcing demand curve to left, until tangent with ac curve.

Nicols says if you cannot have appreciable differentiation with large nos. so this is no good.

4. Differentiated oligopoly.

Same as "3". Triffin criticizes, for this goes on ass. that differentiated oligopolist considers only his species curve, not app. genus curve, and why make such a distinction between diff. & undiff. oligop?

Cournot's duopoly: smaller keeps growing, and larger receding, because smaller has fewer intramarginal rents to lose from price cutting. This probly has much bearing in real world, and is why share of largest in market tends to fall.

Good stuff.

Rolph notes, review.

To discuss monop. we must always specify of what one has the monop. For it is only this that may be held idle. Of course its complementarity to other factors will then reduce their mps; but it will not keep them from working elsewhere. But this might also be said of the thing monopolized: e.g., bauxite land could be used for farming. So how does monop restrict production: by keeping the factors it controls from producing this kind of thing, which may mean keep them idle, or employ them otherwise. And to also keep factors it doesn't own from producing the product. Latter cheaper.

Ch. theory deals only with det. of use of factors that are owned, & hired. As to the other, one just keeps them out as much as possible: that is what gives one the elastic demand curve that makes for Chamberlin-like calculation Ch. errs, I'd say, in saying free entry & monop. can co-exist.

LVT & monop. Fixed costs should increase production. LVT would be a fixed cost. It would make it unprofitable in almost all cases to hold land simply for the purpose of preventing another from using it. Here, incidentally, is a motive for holding land idle I have not mentioned in thesis.

Our analysis says fixed costs do not affect current output decisions, only variable costs, thru marginal cost. so?

(note that long run mc involve capital, & capitalized land, to buy, & you must say their mc is the price you pay minus your own estimate of the things value. So whenever capital & land are for sale for less than most buyers think them worth, they will expand production in the present, as well as preparing to do so in future. and v.v.)

But fixed equipment & land affects decisions all the same, because it affects vble costs. The more you have, the lower are vble costs, and the slower they increase as output increases. ~~What is merely just vble costs that~~ So mc is horizontal nearly for long stretches of output, or falling.

So, in terms of mc analysis, & I think it is best way to look atit, the reason high fixed charges cause more production is because they are associated with capital that lowers mc, not because the fixed costs "must be met".

I venture that typically for monopolists mc are only slightly higher than a.c., the main vble in their calculations being mr. They could increase production considerably with no great increase in cost per unit, at least long run, but would lower, or think they would lower, price.

Monop. can only be a serious cause of reduced production where demand is inelastic then.

The thing monopolized may be simply one's individuality, or a firm's. Everyone & firm has such monop. I rather doubt if this element of monop. is usually strong enough to over-rule the customs of business etc. I think economists under-rate those customs. Still, firm has its market. But it can expand if it expands selling costs proportionately, probly.

(when upward price rigidity, as now, causes companies to be charging lessthan they might, this causes investment by those between company and consumers, partly in antic. of price rise, etc. Or perhaps by consumers themselves, in same anticipation. Thus lower hps cause more investment. & production of course)

Whenever a company has a sales dept that is trying to sell -- must they be expanding?--- it is tantamount to lowering the price, for they are increasing the amount of product, countingsales effort as part of product, without increasing price. Trying to expand sales. Just by virtue of trying to sell they are trying to expandsales, even tho they don't succeed. Hence they are competing. Th y are trying to underbid their competitors. This is even true where monop agreements exist, for they can hardly apply to all phases of the business --- tho if production is definitely fixed, little

→ A big thing Chamberlin missed: when oligopolist restricts output, he turns resources over to his competitors, As their production. This aspect of monopolistic maladjustment has been completely overlooked.

→ Rolph notes review. 2

→ My monop theory

chance to compete -- or if areas fixed. But if just price is fixed, then competition. & if price is only fixed by implicit agreement, stronger competition.

Firm differentiation means that if one lowers its price, others won't necessarily. & if it increases quality or sales effort, others won't necessarily. -- tho ultimately they will. But if mores are such that each knows that"if he doesn't someone else will ", there is little resistance to price cutting or quality increasing. Only rather specific combinations with explcit agreements are the major worry. As long as these agreements are illegal, and at least unenforceable (nowadays law tends to side with, rather than against, them), merging is not major worry. &, esp., mores of society must be against it. That is powerful. Today, with overproduction ideology, mores tend toward it, that is a powerful cause restraining competition.

Amore potent consideration is: if firms could not actually hold factors out of their industries, their restricting production would make them smaller, release factors to go into competitive industries. Rolph sees this, when he said monop. makes individual firms smaller. I mean competitive firms. The fact that one firm released factors would make those factors cheaper for competing firms,lower their mc. Rolph saw this, thought it might bring price back down to where it started, with monop. factors getting bigger cut. He didn't see that it would release those factors for new firms, as well as old, encourage entry, unless entry is somehow blocked. So it is not paucity of firms, but ability to restrict entry, that causes monop. policies. Otherwise monop. policies would thwart themselves, by increasing number of firms. If, whenever you restricted your own production, you were just making factors cheaper for your competitors, you would be in effect just giving part of the market to them. You wouldnot reduce industry's production, couldn't raise your own price. Come to think, Rolph did too see that new firms would be formed, mentioned entrepreneur's moving into new firms, factors turning into entrepreneurs.

So the only effective monop. is that which can either keep factors out of agiven kind of production, or out of production altogether. With land, this means owning it. With labor, (with all factors, whatever keeps out necessary complements keeps them out of course) unions, patents (keep inventors from applying work to product), educ. requirements, etc. With capital, I mean new investors, fewer ways: SEC is one, as with Tucker's troubles selling new securities; bank control, investment bankers i.e., as with r.r.s maybe; encouragement of consumption thru tax policy etc, but this is general not specific, & applies to all 3 factors; franchise etc; NRA etc; & doubtless more.

But note the important conclusion which emerges: the monop. problem is just a facet of the general restriction problem. Monop doesnot ordinarily arise because opt size limits number of firms, but because it is possible to hold factors idle, hold others out, etc. The larger part of the monop. problem then is solved by my general proposals for reducing holdout prices. As for the opt size monops, my proposals for stock multiplication may solve that.

(as to stock multiplication: problem is to distinguish returns to efficiency from returns to monop. Manager really should get former, public latter. We could give incentive by to manager by giving him commission every time new stock was sold. With natch monop, it is capital & management to which the opt size, hencethe monop position, applies, ordinarily. With these devices we cause manager to work hard as he can, & capital to be invested as long as returns exceed market. These securities would not exactly be common stock. More like bonds. Fixed money price. One

might arrange to adjust price for changes in price level, better to arrange stable price level. Still, they would not be bonds at all, for corp not obliged to pay them off. They get all the profits, that's all. Further might require that no profits be plowed back, to avoid I know not what, butseems unnecessary. Should one require the corp to buy back all those offered?

I'm wrong that capital is the monopolized factor here. The franchise is. But the way franchise is exercised it becomes associated with capital, maybe land too.)

New subject: idea that all firms will have same opt. size obviously wrong, since their land will differ, their capital doubtless will since it will have been built at different times, & you cannot go for long enough with no technological change so that all plants will be built the same; labor & management will differ too, people & regions being different.

What does this do to proof that entry will reduce ~~xxxx~~ price and raise costs until all are producing at lowest pt. on ATUC curve? Well, so long as any kind of plant has a price above that point, plants like it, or else better, will be built, until price is down to that point, or below. If below, plant will be used at less than pt of lowest AC. This may be good, socially. Other plants will produce at price < min. ATUC then. Lose on fixed costs.

But who says plants like it will be built? Similar capital is possible, similar labor less likely, similar land still less. Last esp. cannot be duplicated. So problem can hardly be analyzed without getting into rent theory. Unless assume homogeneous land available, which is what they do. Just so they realize it is for simplicity, isn't usually realistic.

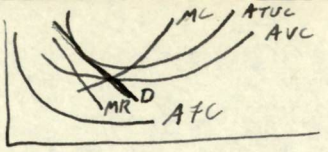
So we will have plants of various sizes, only the most efficient operating at lowest A.C., others operating at less than that, since where m.c. equals price will be under their curve entirely. All m.c.s will be equal, this is sociall best.

This approach handles residuals poorly, & Rolph was inadequate on this. Might talk to him about it. Since in eq. best plant gets no return above costs, equity return must be included in costs. It would be a fixed cost. Yet all the time we are not at equilibrium it is not fixed. Ard the only reason others enter just enough to bring us down to AC and no further is that they will come in to get going return on capital. But if going return should change, so would our "fixed costs" have to, etc. Many little things to work out.

As to the RENT matter, analysis would begin thus: with good lend, you get a variable cost curve much lower than others. You have no way of evaluating the equity item infixed costs, for there is no possibility of entry, duplication, etc. So you figure rent in here. Wonder if anyone ever worked on this?

Land spec. is a big thing blocking entry, aiding monop.

LVT would discourage monopoly, for monopolist would find his land taxes rising because of higher price. & higher tax on land in other uses that might be used here would force its entry.



How know that MR = MC at same q as makes D tangent to ATUC?

Rolph Review, 4

In thesis I already showed how it is anticipated yield of cap that counts. But perhaps I didn't fully realize the full significance of this. Almost all production is of capital. We speak of "marginal revenue", but we really mean anticipated marginal revenue, as determinant of production to cf. to mc. Perhaps we should speak of anticipated mc, too? No, mc can be said to be entailed at time of production, any future potential costs can be called subtractions from m.r.

It is a mistake for Ch. to go ahead with his analyses when he hasn't even solved problem of fixed costs.

It would be pure waste for a monop to maintain excess capacity, unless that were a way of keeping resources idle, or else a threat to potential competitors.

In general I'm dubious of Ch's conclusion that each firm will end up producing at less than minimum A.C. For if one knows he is going to produce there, why not build smaller plant? But then we still have question of lowest long run a.c. Given a long run opt size plant, and a fairly horizontal demand curve above its minimum. Opt. size plants will be built, and will not produce at greater than opt size, but if one is going to employ more resources he will build another opt size plant. (note, incidentally, that land spec. makes more plants more expensive, prevents this adjustment. But even without it, time lag required to build more plants, & meantime existing ones will produce at more than min. a.c.)

over

If there is no free entry, or threat of it, at all, production won't nec. occur at min. a.c. But monop. will tend to build that size of plant giving the lowest a.c. for the output decided on. But in practice markets etc will change before plant can be changed, so he will probably just build a pretty big plant & not use it all, using it to tie down resources that might otherwise be used to compete with him perhaps, & to threaten competitors. That is a big item, I suppose, often: why should a competitor enter when he knows that the monopolist has large unused capacity? It is a threat for price war.

If there is free entry, this is Ch's case. Why now should anyone restrict production? He knows that the factors he doesn't use will be used by some other firm. New opt size plants built until price down to min. a.c. As far as advertixing goes it can't cause falling demand curves, as I've shown. --or probly won't. Geography may. This is monop. based on land., & opt. size considerations. But such monops are commercial, and they are all subject to the opposite motivation, complementation, as shown. Well, not all are commercial. Cement plants, e.g. But is it not so that any heavy material is likely to be an abundant one? So even here, regional oligop. less likely. Future improvements in xport, cheapening it, will further reduce such monops. There is, for this reason, probly far less monop now than ever before, generally speaking. Further, judicious use of lvt would really ruin such monops, tho discretionary powers here might be dangerous.

Ch's example 1, where he starts with too many firms, is simply one in which opt size is too high for number of firms, some have to drop out.

Case 2, they are behaving as a monop, will just let some of their capacity be idle, ultimately waste away.

Case 3, they are competing fully. Again, some would have to drop out. Not so many as in case 1, tho, for more would be produced. However each firm would produce more, so maybe more would drop out -- depends on case.

Bain made this criticism of Patinkin, but it should apply to Chamberlin too.

Brief notes on Purdy Lindahl Carter

Common Law Background

Never monopoly itself, but only means of achieving it unlawful sometimes.

Forestalling, regrating, engrossing. Now mostly ok: in England dividing market, etc, is quite legal.

Restraint of trade meant the contract of business seller not to go back into business.

Joint action also punishable as conspiracy, a doctrine originally used against labor unions.

Restraint originally not upheld for fear of unemployment, gradually accepted by courts, c. 1700.

American courts never would enforce restraint of trade contracts, but netierh were they objected to.

But some Am. courts would enforce "reasonable" restraints, esp if not tending to monopoly.

English courts, esp. since 1930, especially generous inenforcing restraint of trade contracts.- the monopoly kind.

1898, Taft opinion in Addyston Pipe case, concerted action by competitors to control market is invariably an unreasonable restraint of trade.--no "rule of reason" allowed at that time.

Before Sherman Act, courts and states often voided contracts and revoked corp. charters vs. monopoly, with monopoly the sole cause.

But, even tho unenforceable, price agreements, market sharing, etc, still occur.

1887, ICA.

Before 1890, many states had anti-monop. laws. More afterwards, some still don't.

The central states, Texas MO Ill. esp, most active anti-trusters, indifferent success.

Chap 16: The Sherman Act and its interpretation

Contracts, combinations or conspiracies in restraint of trade unlawful. Monopolizing a criminal offesnse, this has not figured in proceedings much.

Criminal actions: with grand jury, indictment, jury trial. These give penalties, 5,000$ or 1-2 years. Civil actions in equity court, to prevent and restrain only. Civil remedies: injunction(with contempt penalties for enforcement), dissolution decreee, consent decree.

3-fold damages to injured individuals. Decisions in public pros. are prima facie evidence in private suits,. Since Clayton, private can ask for injunction, too.

The previous common law policies had been applied only by state courts, the federal courts did not do so. Sherman Act merely told fed courts to follow this common law principle.

Civil suits have proved more efficacious than criminal, govt suits than private.

Knight Case, 1895, Court held that Am. Sugar Refining Co. could buyout its last competitor because the competitor was located in one state only, hence not subjet to interstate jurisdiction.--even tho both companies involved sold in interstate commerce. Probly the case was lost mostly because of a weak presentation.

Many combinations followed, partly as result.

Addyston Pipe, 1898-9, interstate commerce observed, perpetually enjoined from combination. Northern Securites case 1904, Swift and Co vs. U.S., 1905, and finally Standard Oil and Am. Tobacco cases of 1911, Knight decision virtually reversed, fed jurisdiction preserved.

1897, U.S. vs. Trans-Mo Freight Ass, r.r.s held to be subject to Sherman Act, too. ICC declared decision had no practical results. Why

PLC, chap 16, cont

is it important, then? Are these institutional laws that aren't obeyed significant, anyway?

But 1920 Transportation Act, authorized some mergers under ICC direction. 1940 Transportation Act allows it to be done without ICC taking initiative.

1894 Debs Case applied Sherman Act to labor unions, when r.r. union boycotted Pullman. 1908 Danbery Hatters case, Loewe vs. Lawlor, union successfully was sued for secondary boycott under Sherman.

Clayton Act had vague passages making Sherman Law not applicable, but courts interpreted them away. Duplex Printing Co. Case, 1921, secondary boycott declared still injunctable, despite Clayton. 1932 Norris-La Guardia Act, 2dary boycott virtually legalized. Supreme court upheld, in Anheuser-Busch case, 1941.

But if union combines with non-union groups to restrain trade, it can be prosecuted.

Current campaign of anti-trust division to stop union abuses.

1914 legisl, Capper-Volstead Act of 1922, Agricultural Marketing Act of 1937 (succeeding AAA) allowed much leeway to agric marketing ass., they beig even encouraged by govt, but must not be "unduly raising prices". 373

FTC has charge of foregin trade export ass. under Webb-Pomerene Act. Such combinations can be used vs. domestic consumes in various ways, as by entering cartels. Utterly unregulated in fact.

Northern Securities case, ca. 1904, est. that h.c. cannot be used to effect monop. combine---i.e., all forms of combination whatsoever are wrong. Actually in the particular case the community of interest due to common ownership succeeding was just as effective, and that is probably true in most cases.

In Am Tob case court said that law could not be circumvented by any disguise of form. In other words monopoly in any form is to be prosecuted. Yet later, under Clayton act, we have trouble because acquiring stocks of comptitors is proscribed and assets not. The courts must change their minds.

Chief Justice White, 1911 S.O case, doctrine of "rule of reason", reversed previous court position that any restraint of trade was illegal, as in Trans-Mo. Freight Ass, 1897. This was obiter dictum, for s.o and am tob were dissolved.

Chap 17: Application of Sherman Law after the rule of reason

Courts little affected by "rule of reason"; they found every market sharing etc scheme an "unreasonable" restraint of trade. But with outright mergers, rule of reason has allowed many. Since 1911 the only close combinations outlawed by courts have been r.r.s. St.Louis Terminal Case, 1912, but they didn't dissolve it, only required it to accept all comers.

1912, forced U.P. to give up S.P., 1922 S.P. to give up C.P. Just how the giving up was done he does not say. Since their rates were all ICC controlled anyway, this does not seem to be very significant, exp. as r.r.s do not compete much anyway. Congress r.r. policy is confused.

Reading and Lehigh Valley r.r.s had acquired most of anthracite coal in n.e. Pa. Strange that they could acquire most of the coal in Pa. before they were found to be violating an ICC provision that r.r must not carry goods it owns or has interest in. 1920 case, doctrine enunciated that even if power were not abused they could be prosecuted for monopoly. This followed agreed with U.P. and Northern Sec. decisions, which preceded rule of reason.

1918 Shoe Machinery Cases, they said that existence of power not used for monop. was not offense! This is probly main use of rule of reason.

PLC, Chap 17, cont

1920 USSteel case, dissolution invalidated. Since formation, lost gradually % control of steel industry. 1911 suit too. Again, potential monop. power said to not be used, therefore not violating Sherman. Actually PittPlus was monop, court winked at it. 1927 Int. Harvester Case, same view. So we have a complete reversal, from the r.r. cases. Which is just the opposite of what should be.

Every case has been decided on its specific facts, varying principles being brought in, so legality of various mergers still unsure. Generally it seems you can get away with more by merger than by informal cooperation.

1941 Alcoa case, district court held it not a monopoly. FTC Govt no longer appeals to supreme court much such cases.

Chap 18: FTC and control of competitive system

1914 legislation to prevent monop, for Sherman interpretation was such that not until a monop had been actually achieved could it bedissolved, and then it was too late to restore competition with the limited methods at hand.

19th cent. common law developed idea of "unfair competition". Deceitful diversion of patronage, misappropriation of confidential info, interference with competitors' business relations.

Deceit involves brand stealing. Common law never effectively protected brands. Information stealing was forbidden only if stealer did not admit that his product was a copy, frankly imitate. Interference involved disparagement, inducing breach of contract. But remedies rarely obtainable.

1900 Washboard Case, Supreme Court said misbranding zinc as asluminum was ok.

"Unfair methods of competition" the object of Clayton Act, as "restraint of trade" was of Sherman.

Federal Trade Commission Act declared "unfair methods of comp" unlawful. No definitions, expected to "mold itself " to changes. Obviously left definitions up to courts.

Clayton Act specific: Price discrimination prohib. if it tends to substantially lessen competition or tend to create a monopoly", in any line of commerce. Price discrimination between localities to extend monop, and between individual firms to favor some by monops, what was aimed at.

Tying contracts, by which you mut buy something else with it; and exclusive dealing, by which you cannot buy from competitor, forbidden. Not that such contracts are just unenforceable, but absolutely forbidden. Patented goods included. Previously, in 1912 Dick Case, tying contracts had been upheld. But law only condemned those which tended to monop, not all. ~~Boty ins ok, if you lease, don't sell~~

Forbids one corp to acquire stock of another, or any combination by stock acquisition, where this lessens competition. This, it would seem to me, would make many present holding companies illegal. Circumvented by acquiring assets, etc., narrow def. of what competes.

Interlocking directorates of competitors forbidden, but not common ownership.

Clayton Act made part of anti-trust laws, Atty Gen resp. to bring suit to enforce. FTC exclusively to enforce "fair comp", including both Clayton and FTC Acts, and Justice helped with Clayton Act.. FTC not to enforceSherman Act.

Chap 19: Organization and procedure of the FTC

1938 Wheeler-Lea Act made commissions orders enforceable before going to court, so respondent instead of commission had to go to

PLC, Chap 19, cont

court. But only applies to FTC Act. ICC similarly blessed since 1906.

Chap 20: Interpretation and Administration of the 1914 legislation.
2 kinds of prosecution: dishonesty and monopoly. For monop: corp. combinations, agreements among competitors, resale price maintenance, price discrimination, tying -exclusive dealing.

Courts continually using legal loopholes to sustain monop. As when Int. Shoe Co. acquired McElwain, declared that there had been no previous competition, merger ok. etc.

F? Merging of physical assets most common way of combingin at present.

Several cases appear in which violations are discovered years after a decree, and some mild contempt of court fine imposed. So what good is it to get a decision? This method of enforcement is useless.

F Loose associations vigorously prosecuted, successfully.

Before Fair Trade Laws, you could not prosecute a distributor who sold your product below agreed price; but you could refuse to deal with him further. Or you could designate him your agent and prosecute him. But, in 1922 Beech-Nut case, too much espionage involved in system, ftc upheld.

1931, Cal. Fair Trade Law, first; 1936, Cal and Ill laws upheld in Supreme Court, now all but 4 states have them. 1937 Miller-Tydings Act says resale price maintenance that is legal in a state is not violating Sherman nor FTC Acts. Not over 10% retail trade estimated to be affected by fair trade acts. Drugs, mostly. Easily evaded.

Very few cases relating to geographical price cutting. Tob and S.O. were condemned as monops in 1911 because they had doneit, but few do it now.

Issued order vs. Pitt Plus on basis of this section.--tho it is still a 3d type of price discrimination. 1924. USS consented by stipulation, no appeal. But with passage of Wheeler -Lea Act, 1938, USS steel petitioned court to set aside order, evidently because of higher penalties for breaking order. In fact, it was that previously they could not be penalized because they had only agreed by stipulation, and in order to penalize they must be in contempt of court. It is evident that they were violating. They don't say what was the outcome.

The Cement institute also uses basing points. Supreme court has dissappoved such systems twice, 1925. But they remain.

Trade status price discrimination: charge more to retailers than wholesalers. When Mennen refused to give wholesale rate (1923) to coop drug buying group, FTC pros, courts rejected. But in Van Camp vs Amer. Can Co, private suit, court ruled that discr. was not ok, 1929. This gave commission new strength, but Robinson Patman Act, 1936, amending section 2 of Clayton about price discrimination, gave it even more. Said that price discrimination among wholesalers was unlawful if it tended to promote monopoly. Court legislation on this not yet decided. Further, if only a small number are large enough to take advantage of wholesale discounts, the discounts are illegal. This is the first step in making mere size an offense. Buyer is not allowed to receive discounts in the form of brokerage payments, and courts have interpreted that services rendered shall not be an excuse for paying, either.

Commission has been very active in this field--ha: they will work

PLC, chap 20, cont
hand to keep prices up, not to get them down.

Tying contracts forbidden when they help monop, as in 1922 Shoe Machinery Cases. RCA, IBM, Rem. Rand, ABDick, and others, all prevented from using tying contracts. Usually they were used to extend a patent control to control over unpatented items.

In Tank and Pump Cases, declared legal to rent them to filling stations and stipulate that only one brand of gasoline go into them, if other pumps were allowed, etc. Whether competition is lessened is also an important criterion, and here it was said not to be.

Exclusive dealing also is illegal if it tends to monop.

Chap 21: Maintaing standards of fair competition.

In fact, Oct '45, lists Mises, Wilford I King (NYU), Nourse (Brookings) ~~Lut~~ Hartley Lutz (Princeton), as paid by NAM. & many others not heard of.

Nicholas M. Butler, Ellsworth Huntington also.

P, L, C.

Part 2: Industrial Monopoly

Some products monopolized at one time or anther in last 75 years: Al, Fe and steel, salt, wall-paper, enamelware, Mazda lamps, asphalt, petrol, sugar, tobaccoproducts, shoe machinery, bicycles, gunpowder, .

F Al, shoe machinery, ethyl fluid and harvesting machinery "stand as the important products sold on nat scale that appear to be still under such control"---whatever that means. (Climax is one of 200, so 'important', I'd say)

Tobacco comp by big 4 is non-price, shows some monop. effects.

F? Only in alum and ethyl has monop. had at any time 100% control.

Anti-trust laws have forced reorganization, but have not completely restored compet. by any means. Tho the requirements of reorg. certainly prevent stifling of non-price compet, where if ? companies were more directly controlled that, too, might be stifled.

Chap 10: Tobacco

1840, Va grew 40% product, no, produced it.

1870s, patented cigarette machines developed. Industry centered in Rochester, N.Y.C., Durham, Richmond. 5 large co.s, 9/10 product. So of course competition among them led to consolidation. Obviously the patents were the cause.

Duke deliberately started price war to end competition. Spent 800,000$/annum with this purpose. Before Duke went to N.Y. in 1884, "gentlemanly competition". The potential monopoly situation evidenly needs a prcipitant, and Duke was it. He started out as a small fry, with 100,000$ capital. PLC says nothing of the patent situation. Evidently he by no means tokk over the others, jus made competition impossible, so they combined. Am. Tob Co., N.J. 5 m. assets subscribed, 20 m. stock issued. Now if these were the F29 assets of the entire industry, whence Duek's 800,000/annum to throw away from 1884-'89? He must have had support of some very large concentration of capital, of which PLC says nothing.

It went on from here to dominate the entire industry, except the home cigar industry.

1891, independent leaser of cigarette machines to independents, Bonsack Machine Co, acquired. Am. Tob controlled practically all G machines. If you give out many samll monops, as patents, it is hardly to be wondered that they are amalgamated into a large monop. Obviously the large monop. rests on the small ones, just as cartels rest on domestic monop.

Tariff protection, after civil war.

Effect of lvt will be to convert an implicit fixed cost into an explicit one. Implicit fixed costs are the crux of the supermarginal G? firm. Unless we use opportunity cost definition. (over)

Small firms often had to be bought out at very high prices, this was cheaper than a price cutting campaign. So monop. does not mean F usually that one producer has conquered the others, but rather that he has engineered an alliance.

1899 "union tob co" bought out, for about twice its value. It had been organized to be sold at a nuisance value.

[illegible], we prevent speculation by holding out of use.

That land is used by long term contracts is essential. ∴ I should study long term contracts for land use.

Explicitizing cost does not make a firm less supermarg.; as a 'firm', opp. cost view. It does destroy firm's advantage in holding supermarg. land.

PLC,cont

G Another device, jobbers required to handle only the brands of the combine. Certainly if patents are going to be given, the patentee must be regarded as a common carrier, i.e. he must do busines s with all applicants.

F 1899 high point of monop, 93% cigarettes and little cigars. But it could not hold this position, down to 80% by 1910.

Made 10% profits on fictitious capitalization of 25 m first year, which was 25% on real tang and intang assets.

Using cigarette profits, it then sold plug below cost ~~for~~ until 1898, when Continental Tob Co combine of pluggers.--Am. Tob and 6 others. Ligget and Myers soon after came in. Am Tob seems to have gotten more stock in the new co. per asset contributed than the others. This may be not true, for Liggett and Myers is aid to have brought into combine important financiers, who made millions on sale of property, presumably L&M, to combine.

1900, same tactics, American Snuf Co. combine

1901, AmCigar Co, but it never got more than 25% business. Which perhaps is the limit that size alone, by great sacrifices, can

G achieve in a non-patent etc industry.

1901, Consolidated Tob Co, h.c. for Am and Cont. Stockholders took 4% bonds in h.c. for stock, "the central financial group"

F bought stock. Cont. stockholders had never had a dividend! Am. tob

(over) had been getting 6%. Management must have been doing ok. Of course, much was plowed back, esp to create monop. Highly overcapitalized,

F control to a few common stockholders, and 80% sec were bonds! Stockholders stood to gain in event int. rev taxes taken off tobacco, as anticipated, but in case of disaster their risk was no greater than bondholders. Actually it was a little greater, I think.

1904, a r.r. h.c. was successfully prosecuted under Sherman act, dispelling belief h.c. was immune from it, so they abandoned Consolidated, used new Am.Tob Co ~~to/ho/to~~ as overall operating co.

Meantime, developed Amer. Cigar Stores.

1911, Dept of Justic prosecuted, ~~or/de/or~~ Supreme Court ordered dissolution.

Reduced costs and int. rev taxes brought no reduced price nor increased production.

Why not allow ~~th/os/se~~ nat. monops to exist, but tax their land on principle of the use they can put it to, but no one else can. Patents, likewise. Which would amount to a franchise and a patent tax, may be

G better than applying them directly. The question is, shall the govt collect the revenue from the monop. position, or regulate the rates so the monop. position is not taken advantage of? Or shall the monop. rates be charged nd returned to consumers in patronage dividends?

Monop. element was c. 1½¢/package of 20 cigarettes. I judge 15¢/

F package is normal price, monop. element is thus c. 10% or less.

F In 18 years, total income to stockholder of original AmTob was c. 1100%.

Duke, meantime, becomes only one of 7 large stockholders. Brady, Payne, Widener, Moore and Schley, Ryan, Whitney, all hd more.

F Firm bought many plants just to close them. These were that portion in which mr was smaller than mc for combine as a whole, but greater than mc for indep units, because their mr was larger mostly, partly because their mc were lower. LVT would prevent this

G because the fact that the land could be used for tobacco would make it extra valuable when monop raised price. However, the land probably isn't so specialized that that would be workable. However, all land suitable for tobacco manufacture would have its assesment raised, until someone wet into it.

Significant study would be: are mergs more profitable, when achieved the hard way than compound int. would have been alone?

PLC, cont

G Since the monop. owns most land like this, this would hurt it most of all. However this policy must not be driven to the point of forcing all suitable land into tobacco, for when it was a little bit is diverted, the differential will cease, and we will have started too much tobacco expansion. This must be controlled with some long run considerations in evaluating. Anyway, lvt is a powerful weapon for dealing with monopoly. Perhaps it could even be consciously applied to them, if they exist at all, taxing them specially high because any land they own has the power of getting higher prices than land owned by others. However, if they can get the higher price, so could anyone else unless kept from producing by force. So once the forceful monopoly methods have been controlled, nothing remains to worry over.

The explanation of their closing the plants involves not only a loss on the plants assuming they owned them all the time, but also on the money spent for them. Well, it is the same anyway. We are finding it profitable to keep so much of our assets idle, whether we start with money assets or real ones.

Am Tob advertised expensively, and gave impresssion of "doing business" expensively. Optimum size mederaterly large, but small enough for many plants.

Monop. can afford to hold land idle because it buys it at the competitive price, so only that much investment is being lost. But under lvt if they held it idle they would lose not jus the small am't comparable, but its value would increase because of the monopoly. This is the heart of lvt attack on monop. So if there is market room for say 10 optimum size firms they would have to compete. So by holding land idle, monop would find that it s mc increased as much as its mr. The more land it brought into play, the lower its taxes and hence costs. If assessments could be perfectly adjusted, monop. would bring no profit whatsoever therefore. It would be wise to realize that assessors cannot run up and down the scale perfectly with monopoly prices, so when evidence of monop. appears, when in doubt about increase, take largest figure, to discourage monop. But, in general, free entry assured, no monop. will exist. Esp. when we have world competition and, thru full employment, etc, greater demand for all products. Today we say it is easy for oligopolists to get together. But if land is not used for monop. at a time is ever increased in value because monop raises price, that means this land is supermarginal and fitted to the particular production, therefore the competing producer situated on it is not marginal, therefore it he breaks the monop. he will not be put out of business-----unless restoring comp. means reducing rent in that business below rent in optimum land use----??? so today's concept of marginal firm is changed by spec. rent probly, under lvt there is almost always room for more comp., as long as there is rent. Oligopoly is probably an early stage of monop, not the result of optimum size growth. Above is most unorganized speculation, contains elements of theory that in lvt monop. will be practically unknown, save nat. monop.

F Management began to be divorced from tobacco experts. Payne and Whitney were financiers, politicians

F By-product utilization was pioneered by independents, not Am Tob: they made cheap chewing tob from cigar waste.

F Advertising a large cost, reducing it was element in monop. success.

F29 1910, manuf cost $1.70/thousand, advertising cost 60¢/1000. I recall seeing somewhere that advertising was a very small part of cigarette cost. F29

PLC, cont

F 1911, dissolution. Reynolds always semi-indep., now fully so. Engl. cartel forbidden. A Split into AmTob, Lorillard, Liggett and Myers, but they were owned by same people, tho separate co.s, and supreme court said that was as far as it could go! Certainly they could at least have seen that certain interests were given one co., and others another, but evidently they just left the distribution of stock in F new co.s to discretion of old AmTob! Standard Oil dissolution, same deal.

1917, cigar machinery perfected, International Cigar Machinery Co. leases machines, which do 40% business.

F Reynolds, given no cig. business in 1911, now has ½ of it with Camels.

For some reason, I thought that the fact that ~~production~~ demand for durables decreased more in depression than for perishables, explained why output of them changed so, thus being an alternative to the monopoly explanation. But I missed the boat, for output changes are the evidence of monopoly, price changes revealing competition.

Aluminum:

Hall's patent original basis of monop, during which time vertical F expansion, esp. buying of bauxite in Ga, Ala, Ark. Meantime they had to import it from France And BGy. Power sources bought, too, far from industry, not useful for other purposes. Water, mostly.

Since many inventors were working on Al. reduction at the same time as Hall, for the same ec. reasons,and Heroult made the same discovery in France simul and indep and patented it in Europe, F it follows that 19 years, which was the life of the patent, is far too long. One might argue that without such a long patent as incentive the inventors might not have been seeking the process. I think with no patents whatever they would have been seeking it, just to reduce costs. The revenue from patents is probably far out of line from their cost of production----tho, on the other hand, the G high rewards undoubtedly increase expenditures for invention until they come to roughly equal the rewards of patents. etc.

Vertical integration of power and reduction advantageous so that out of the way power sites could be used. Private co.s could do the same, with proper contract protiection. But vertical integration is not monopoly anyway.

Holds Guiana bauxite, French, Italian and Yugoslav

Holds 90% Am bauxite, says Dept. justice. 45%, says Alcoa. But, 1912, F French co. set up in N.C. imported ore from France.

Refining different from reduction. Refining at E. St Louis; reduction near power, at Niagara, Shawinigan in Quebec, Massena NY. Alcoa Tenn, Arvida Queb(Saguenay R.)

Advantages of research do not grow with size forever. Smaller F esearch labs have been more successful.

F Tariff. World price lower than Alcoa.

35% ingot is from remelting scrap. Is this also true of steel? Important limitation on raw material monop. Presumably all metal G is saved somehow, and once it is all out of the ground and "circulating", the monopoly based on mining is kaput. The fact that scrap ingot producers are small indicates that the largeness of the primary co. is mainly due to govt intervention and private land monop factors, which are lacking in the scrap ingot business. Swigart's steel scrap business is "viciously competitive" said manager, with many small competers, cheap equipment, etc. If that is the optimum size for remelting, it may very well be also for original preparation.

PLC, cont

G Here is a fertile field for investigation. Optimum size of metal co.s as revealed by studies of scrap melters. But reduction & refining already done for them.
1909-14, 17% earnings; 1923-9, 10%. In second period, lower because new plants were being brought into production---a feature of boom.
Aluminum, Ltd, of Canda, ½ size of Alcoa. larger than anything in Europe.

12: Shoes and shoe machinery
? 1845, first machine used. Obsolescence said to be rapid, and this the reason the leasing system developed. Since the McKay and Goodyear processes have been used over a century, I can't see very rapid obsolescence. Actually the leasing system effects no economy, unless the small manufacturer would be unable to borrow as effectively as the machine pool. However perhaps it is as a guarantee that new
G patents will not be developed by the company which is known to hold unused ones that the leasing system could induce people to use the machines when they would not buy them.
1890, 2/3 shoes from N.E., esp e. Mass. Lynn in lead, 323 factories.
The leasing system makes shoe industry competitive by lessening
G capital requirements of entrants. Think how this lesson applies to lvt vs. private landowhership! One can pay his rent from current expenses instead of buying land, what an advantage! Small competitors encouraged, etc.
Philly, Rochester, Cinncy, Milwaukee, St. Louis, developed shoes.
1890-1900, about 50 indep. shoe machinery leasing concerns combined. Goodyear and McKay Co.s by far the largest, Evidently the patent position was maintained, by continual changes. Yet anyone can come up with a new patent. Perhaps that is why there were 50 co.s.
United Shoe Machinery the outcome. 99% control.
Use of one patent monop. to force further concessions common.
pre 1922 ~~Present~~ legal doctrine: if machines are leased, tie-in clauses ok. If sold, not ok(Motion Picture Patents Case, 1917. This reversed 1896 Button Fastener Case and 1912 A.B. Dick Case).
1915-22, pursuant to Clayton Acts, court decisions declared tying in clauses unconst. But Had no effect, practically.
One Bresnahan, employe of United, invented new method of cementing uppers to soles. Refused offer of 50,000$ for patents, formed Compo Corp, now a small competitor. 1932-38, profits flueutated from 18 to 37%!!!!
The "bottoming" process is United's stronghold.
United paid 10% thruout depression.
F? Royalties and such costs are a small % of price of shoes.
United has large research staff, withholds some patents.
International Shee and Endicott-Johnson have grown fairly large, mostly we have small vigorous competitors, because of low cap. requirements.

Chap 13: Oil, Ethyl Gasoline, Farm Machinery, Cash Registers
1859, Drake. Titusville, nW Pa. Immediately the region boomed to grea oil production. Transport unprepared, expensive at first. No storage facilities. Cleveland became refining center, after 1869, despite Pa r.r. trying to maintain Pittsburgh in lead. Erie and NYC.
1865-74, Rockefeller grew from nothing to head of a loose "standard alliance" of 50% refiners in country. And then on. They do not say how.
Mo$ oil moved by pipe, not rail. The Union Tank Line Co. controlled all r.r. tank cars somehow, and standard controlled it. Pipe lineswere their main monop. They did not drill oil at all. They controlled 80% refining from which they started their expansion.

PLC, cont
Controlled co.s frequently operate in guise of independents.

1895-1906, margin between cos of crude and refined increased by 50%. Price level meantime increased 25%, so real increase was only 25%. But he does not say why. A most unorganized, smarty pants, irritating, inconclusive book. If he were going to write it he should have organized his facts and drawn some conclusions.

Astronomical earnings hinted at, but complete picture not given. Method of restrainig competition not specified.

Lima-Indiana Field had to have sulfur removed; standard chemists perfected a Frasch process to do it. They also made California oil useful by ironing out some ø difficulties it presented.

At first Standard and all oil companies used r.r.s, esp. "the three", I presume Pa, Erie and NYC. Rebate system developed, so 1874 Pa R.R. built first pipe lines, to assure itself an independent supply of oil, escape Standard. Other roads thereupon started rate war, and Pa "gave up" oil lines to Standard. 1879, Tidewater Co. built line from w. Pa to NYCity. Standard bought up refineries served by Tidewater, and damaged its pipes. 1883 Tidewater passed to Standard.

R.r.s reported to s.o. on all oil shipments by competitors.

Sources: Tarbell; Lloyd; Giddens: The birth of the oil Industry; Standard Oil Co of NJ et al v. United States, Oct 1909, Brief for the Appellants, Brief of Facts and Argument for Petitioner.; Seager and Gulick; Petrol Industry, 70th Congress, 1st Session Senate Doc ument 61(1927); John Moody, The Truth About the Trusts, 1904; Report of Fed Trade Commission on Foreign Ownership in the Petrol Industry, 1923;

F 1911 Supreme court orders SONJ to stop voting its stock in subsid and stop getting dividends on it. It is returned to holders of h.c. But the same small group that controlled the h.c. controlled its separate parts.

Fuel oil in 1925 still ahead of gasoline as product.

1922 Royal Dutch Shell, already huge internationally, entered market. Shell Union Oil Co, its subsid, 250,000 acres oil land in u.s. By 1926, 9 indep refiners with over 100,000,000$ inv. Non-standard co.s equalled Standard in refining capacity, had 1/3 crude production. He previously said that Standard produced no crude. A very incombplet and jumbled account.

Direct control of Rockefeller, Jr, lessened by donations to foundations, his holdings were concentrated in 7 co.s. The various standard co.s left their preserves. Socony still sold 50% in NY and N.Eng, 6 others sold 30%.

1925, some sort of important combination among 35 large concerns hinted at, no definite statement given by this vague ass.

Now a gentlemanly competition among 20 giants, in u.s. two instances of price conspiracies. "Gentlemanly" competition is about the best we can expect from oligop: beyond that is below cost for some.

1936 case: co.s supply 95% middle west oil conspired to buy up small amounts of indep gas, raised prices. Standard of Indiana, Socony-Vacuum, Pure Oil, Shell, Sinclair.

Ethyl Gasoline:

High compression engine introduced knock, ethyl prevents knock. 70% gas. sold contains ethyl. (ethylene bromide plus tetra-ethyl lead) GM found it, patented. Licensed Dupont to make it, organized Ethyl Gasonline Corp to market it.

12,000 independent jobbers handle "substantial part" gasoline sold from refiners to retailers.

SONJ shared ownership of Ethyl with Gm. Ethyl co. licensed jobbers,

PLC, cont

prevented their competing with big refiners wholesale depts by cutting their supplies if they cut prices. '39-40, enjoined by courts from this practice, but only because they did it by forcing the refiners to whom they sold ethyl to do it. If they could have done it direct it would have been ok. And they still have the patent on ethyl, evidently. This is carrying patenting much too far, probably . They didn't invent the compound, they jut discovered a use for it.

International Harvester:

1847, McCormick Plant in Chicago. Never many plants to start with, because of patents.But when patents expired, still not many. Those few who existed competed vigorously, for a time. McCormick and Deeri g the important 2. Harvesting machinery alone is now under discussion--mowers and reapers.

1902, International Harvester formed to own them all. No watered stock, one of the few.

F Had strong financial backing of Rockefeller and Morgan. It made 12% profits.

Abortive prosecution, 1913-18, few importan results.

c. 1912, John Deere Co., successful plow manuf, entered harvesting and rapidly became important second placer. So we seem to have these monopolies not always growing in strength by any means. They seem to have reached a peak 1890-1920, then at least one competitor has made his way.

Combines produced mostly by others than int Harv.

8 important harvester co.s now---and they extend into other lines, too, but this descriptionis mostly for harvesting machinery of many kinds: Int, Deere, J.I.Case, Allis-Chalmers, Oliver Farm Equipment Co, Minneapolis-Moline Power Implement Co, MasseyHarris, B.F.Avery and Sons. No common ownerhip or directors, but Deere and Int are the price leaders. Competition exists. See FTC, Report on Causes of High Prices of Farm implements", 1920; and FTC Report on the Agric Implem. The National Cash Register Co. /// andMachinery Industry, 1938.

The National Cash Register Co.

Stevens, "A group of Trusts and Combinations", Quarterly Jounal of Economics, vol 26, 1912, p. 629

National had patents, but anyone can invent another cash register, so 158 competitors had to be laid. PLC describes their unethically criticizing competitors machines, seems to think they achieved their monopoly by this. Bull. Intimidated competitors with threats of nuisance patent infringement suits. Most of its business now is replacing machines which its new patents make obsolete.

Chap 14: The economics of Monopoly

Great merger movement of Coolidge and Hoover days, did not create monopolies, but set up predominant large firms.

If monop. is achieved by merger, then this might make its mc lower than if it simply ruined competitors and let them lie, so it would F? produce more. Actually, do monopolies ever jut ruin competitors and let them lie? Don't they always buy them out?

Even today, not alone monopolies introduce improvements. Compo Corp has made the greatest modern contribution to shoe machinery.

Usually monop. has several plantsof optimum size. E.St. Louis refinery of Alcoa the exception--it serves entire industry.

FTC, competition and profits in bread and flour, 1928, on opt.size.

1936, c. 9% was average earnings for industrials. Cf. with monop. F earnings, monop are not so out of line.

Buying and selling in big lots is not always an advantage. Indeed,

if buying in big lots is advantageous, selling in big lots might be disadvantageous. Altho the main factor is reduced exchange costs, buying and elling. But evidently it is not an important factor.

Of coure smaller corps are usually more adjustable.

He says smaller corps borrow more of their capital. F29. Cetainly F29 r.r.s and utilities are the biggest borowers. See 20th Cent Fund, How profitable is big business"

Smaller plants typically have higher % opeating costs, lower % fixed costs. Which makes them more adjustable. In fact, you'd think it would make them better able to meet depression, which is not the case. Other factors must override.

In general, the consolidation movement of 80s and 90s did not F produce higher returns. See A.S.Dewing, A stat. Test of the Success of Consolidations", Quarterly Journal Econ, vol 36, 1921-22, p 84.

Eliot Jones lists following pre-1900 combines as failures: asphalt, bicycle, cordage, cotton duck, cotton yarn, glucose, linseed oil, malt, newsprint paper, paperbag, salt, shears and scissors, silverware, sole leather, starch, upper leather, wallpaper, whiskey, writing paper

When you hear fearsome things about the 200 corps; remember ½ assets of 200 held by rr & utilities. So this tells nothing about relative sizes in other industries.

Critics of system have directed fire vs. relative size, rather than vs. proved monop. practices. They let reader infer the practices. Which suggests they have been unable to get evidence of actual monop. practices so much.

Melder, 21 Apr.

Sect B. Barton's Address – get mag. back from Bissell.

24 Apr

Magnitude? Cap. goods ind. are esp. construction, also items that go into constr & permanent instalations – steel, machine tools.

50 financial corps comparable to 200 non fin. Seems a lot.

In them: (the 250) ~~2,722~~ directorships, held by. – 500 more multiple directorships.
2,722

Only 25 corps had no duplication; 225 had. 2 in common or more
187 3
141 4

(Above 25 had small % assets. #46.)

1 man held	9	
3	8	(Sewell Avery, Mellon, Wiggam
7	" 7	
6	" 6	
19	" 5	
151	" 4	
102	3	
303	2	

Are these cumulative? I think not. It is not 303 hold 2 or more, but they hold 2 & no more. So c. 592 men hold 2 or more, & c. 1700 directorships were held by these who held some other directorship.

AT&T has most interlocks – 25 other corps interlocked. Stockholders should object. – but they like it, for it breeds more monopoly than stockholder fleecing.

Holding Co. for Mon.

9
24
49
36
95
600
300
600

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Rolph, 18 Nov, Fri.

Stig, ch. 16

Fisher, Capital & Income, chs 1, 2, 4, 7 – Rolph thinks best ec. book ever, suggests read it all.

finishing price theory, getting into income theory.

Selling costs.

Advertising supports papers etc, They come cheaper, so you don't pay as much. You like ads, get paper cheaper.

1. Informative
2. Propaganda
3. Costs are falling, so by advertising you sell more, lower price.
4. Advertising necessary to introduce new products.

Rolph thinks we are less prestige minded than used to be – fewer estates than were 50 yrs ago. So?

Sometimes you just can't sell things at low prices, people just won't think it's any good.

'In perf. comp, selling costs don't exist'. All are informed. Rival advertising unnecessary. Industry adv. out, assumes collusion. So no adv. in perf. comp.

Entry & exit problems.

Ch. always gets price where 'profits', as he defines them, = 0. & Monop. makes same "returns" as competitors.
returns on what? Must define costs.

Entry is what drives d. curve of each indiv. firm back to left until tangent to ATUC curve to left of minimum. Firms smaller than would be under competition, output less, price higher

Monop. firms have 'excess cap.', i.e. are operating on declining part of cost curve. So competition would reduce number of firms, by making each one larger!.

If there is entry, can demand curve of individual curve be inelastic? I should think increased entry would flatten curve, as well as or rather than pushing to left. He may mean new firms enter with advertising. But as to that, he's drawn demand curve wrong. for he means increasing production of everything but advertising when he has curve slope down. If increased advertising & ΔP, curve might be flat or even rising – this is highly unpredictable. Can we measure amount of advertising by its results, or by its cost? Its result is its cost, in a way – in this sense we can say that the 'same amount' of advertising per product is that amt which kept schedule flat.

I wonder if Ch. hasn't misinterpreted advertising. Instead of making competitors monop., it makes oligopolists competitive. Each is faced with a horiz. demand, if he increases advertising prop. It makes each calculate that Δ production by him ~~cost~~ with maybe lower price is possible without lowering others' prices, etc.

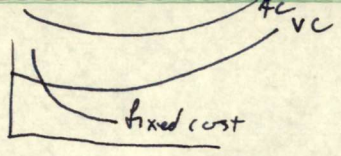
Makes each firm aggressively competitive, often, despite oligopoly.

Ralph, 25 Oct, thoughts.

I have assumed pure competition ideal because when rewards in one field are higher ~~raise~~, other factors moved in. ~~But~~ it is ~~also~~ more true that when rewards in monopolized field ~~raise~~ are higher, monopoly produces more. ~~So must face question of absolute amount.~~

Depends on nature of monop, too. If monop holds given resources idle, bad. But if monop. is of a certain product, rather than certain resources, are monop calculations then bad? Resources then won't be held idle, just diverted to other uses. Will their products in those other uses be as great? Suppose the other uses to be more competitive. Then products in other uses will not be as great in terms of current values, but will be the same in terms of value product.(word "marginal" shouldn't be used here, I suspect) Suppose the monopolized product to become de-monopolized, mvp of factors will rise. This seems good. In fact, this seems like a good criterion of what is the best situation. That situation is best which makes the rewards of factors greatest, in real terms. We want to maximize the real rewards of productive sacrifice. Must we consider the reduction in the monopolists returns then? No, for his contribution is not productive?

Pigou says when we increase production, the increased cost should be figured as not just the increase in average costs(let's assume no increase in cost rates, for now) but also reduction in price times previous quantities sold, and also perhaps increased price of factors times amount hired before. This is the return to the industry. But I say these calculations are irrelevant, socially. For every loss to this "industry", by which he means the entrepreneurs in the industry", is a gain to those who deal with it, hence not a social loss. Of course it does mean that the factors owned by the monop. are no longer in a monop position, hence their rewards are lower. But just what factors does that mean? Not his plant, for that now has more compl factors. Is it not just his monopoly interest that suffers, & not any productive interest?



By 'cost' they refer just to explicit? Equity residual at some arbitrary level is evidently included, since equ. is when price equals cost & 'profit' defined as return above this arbitrary level?

Costs include implicit.

The assumption of firms with identical cost patterns I don't like. But before knowing what one is talking about as to this, it must be decided if costs refer to just explicit costs. Evidently they do not intend them to, since they get equilibrium where profit equals zero, hence all costs must be subsumed. Now assumption that all firms will have same optimum size is fantastic, and also useless for most arguments.

Immobile vs. equity factors

Also, must be realized that many "costs" are residuals, determined on basis of what the thing is worth in this industry, this firm rather. But again, one must analyze carefully: does this mean items owned by equity, or immobile items? -- the two should not be assumed identical. Well, perhaps they can, for utterly immobile items will not be able to command any price at all ~~xxixxxx~~ if owned by someone outside equity, since he will have no alternative for them -- except holdout, which must be considered. But tendency will be for all such items to become owned by equity.--if not explicityly, then de facto, thru equity's getting services of factor at very low price.(here is a case in which we cannot say at all what explicit price will be, but can only say, after price is set, who has come to own the factor -- or what %s of it) If the thing were big & indivisible, would it be paid its mp? Well, again I say, maybe not explicitly, but then nominal owner is not entire real owner. Explicit payment becomes a matter of bargaining power. It happens that in such cases buyer of service may be in a position to become part owner. Then ownership of thing becomes part of equity, and return is residually determined.

This is much less likely to be true of labor, since that is divisible and more mobile. But it might be, & this must be considered. My theory that mp always equals returns only goes if we allow for these changes in real ownership. One might try to object that this theory in no way tells us exactly what price will be charged, etc., but only tells us after it is charged how much of its potentialities the equity is taking, etc. True. But no theory limited to ec. facts can do more, for it is up to the human decisions just what explicit price will be charged. For instance if firm has an equity, it can give it various values by setting various prices. These are holdout prices of the equity. Our theory doesn't say what the equity is worth before, but says thatwhat it turns out to be worth is its mp, etc.

Residuals & cost curves

Where, now, are residuals in cost curves? I don't think they are there, as curves usually drawn. Some residual is vble, as management, other is "fixed", as --- nothing. Management isn't vble, either. ?

Producers -- the ambitious ones -- keep trying to hit the big mkt., find that product with large demand, reap economies of large production! Looking for ways to break thru falling demand curves -- big incentive to innovation.

Rolpy Review, 5

Ch's idea that the demand curve will be driven back to the left until tangent to cost curve is, besides failing to define costs, wrong, because if entry is free demand curves get flat. He covers this up with talk of advertising, I think, saying they are free to enter by advertising, but this doesn't flatten curves.

Conclusion that monop firms nec. have excess capacity doesn't follow either, then. In first place, it only refers to those that advertise to get monop. 2d, it makes false assumptions about effects of advertising.

Let's interpret it this way: the shape of the demand curve depends on what the product is. Each firm will be always trying to find that addition to the product, be it advertising or gloss or substance, that will make its demand curve flat. If product is in big unadvertised mkt, no chance to do this. If more individualized, more attempt to flatten it. So when we have differentiated products, we have possibilities of further differentiation, always in direction of flattening demand curve.

& whenever we do succeed in restricting production, we release factors to other firms. And if we make the fine calculations about how much we will reduce price by producing more, we must also make the fine calculations about how much we will increase competition.

We recognize, with other things than advertising, that a given increase in cost does not increase the physical product proportionately, nor does the value in exchange of the increase stay constant. With advertising, one would probably buy it at a flat rate in market, as a physical entity. The only variable would be its exchange value. Of course a company might do its own work, in part always does, & it is subject to changing productivity. It should be analyzed just like the rest of the product then, being subject to declines in value as more is produced I suppose, tho this is not true if rest of product is increased proportionately, up to point of opt size.

So we don't need to worry about measuring the advertising by its effect, which would be measuring it by its exchange value. We could, just as we could with any other product, measure it that way, save a step, when desired.

The fact that advertising is generally hired, hence is not subject to increasing costs like some other items -- in fact, the existence of all items contributing to the product that are bought in such markets --- makes the cost curve more constant, encourages increased output. Simul, to small firms!

Now who is to say that the demand curve of any firm is not flat? Proportionate expansion of advertising will not nec. make it so, but will tend to. But whole story is that all characteristics of the product can be varied in such a way as to seek the flattest demand curve, and this is what all are always trying to do. This is something that wouldn't happen under socialism, even theoretically, since in Lange's scheme each company equates mc & price, regardless of effects on price, has no incentive to produce those things whose demand curves are flatter. -- that is, to change the product. Lange's scheme pictures firms producing an uninspired uniform product. What provision is there for improvement? There is idea that when improvements come, they will be used. But what is to make them come?

In our society a man may improve his product, with advertising or by other changes, and thereby increase the demand for his product. This does not nec. mean he is faced with an inelastic demand, but may mean opposite. He now faces an unlimited market. Price rigidities may even prevent his raising the price -- non-price competition being in this sense superior to price competition. And his position is never fixed,

over

In 30s, we had 2 attempts to show that institutional barriers to entry were not the causes of unemployment. Keynes in monetary theory; 2 in price theory, Chamberlin tried to show monop. would occur w/o institutional barriers to entry. Both wrong.

provided only nothing institutional keeps out competitors. Others may always improve the product. So in this sense firms are faced with horizontal demands, that they may always improve the product. Perhaps this is a series of neg. sloped demand curves. But this means that if they produce less of the present product they will invest the money not spent invested in producing the current product in improving the product, maybe?

When a residually rewded one sets a hp for product, he is setting hp for his own service.

Might just as well adopt terminology that cost is every outlay except the payment to the residually rew'ded one, or investor. That is the way we must think, anyway. Return on his inv is a cost to consumer, not to him. And it is just as much as he can make it, by playing with his holdout power in markets. --for what is bargaining power but holdout power. By supplying more of himself, i.e. by investing & managing, he lowers his own margin. But this is only true if we regard him as someone who only arranges the production of a uniform product. But if he is an improver of the product, then improving the product is not exactly the same as producing more of the same product. It is the same in that it is producing more product, but it is different in its effect on elasticities, and on anticipated marginal revenue, and actual marginal revenue. By supplying more brains & investment this way, the man may increase his spread. If, with same resources, he puts out a better product, his margin is increased. Hence a great incentive to use his resources this way, a terrific stimulus to progress. This dynamic aspect is one hardly accounted for in current theories.

Ch.'s conclusion that each firm will produce at less than opt. size is ridiculous. For one thing, it is not the output of the firm to which the advertising monop. pertains, but to things sold under that brand. No reason why they cannot lower a.c. by increasing production and sell the rest under a different brand. (those who condemn a dvertising are blind to its role in change. Argument that you need it to introduce a new product is good, but is just part of whole story that I have picture above. --or hinted at.) No reason why another firm could not enter with a demand curve of less neg. slope and get to opt size -- there would still be monop. profits to cut into from that new firms' view. And this would flatten out demand curve of first firm.

But most distinctive point remains: tho there may be neg sloped demand curve for ~~xzcxnxtxnxt~~ that part of the entrepreneur-investors' service which is improving production of existing products, there is a horizontal or rising demand curve for that part of his service & investment which improves. Thus our oligopolistic situation gives a subsidy to progress, which may be imperfect allocation according to consumer desires, but is socially very desirable.

Is equity necessarily any more associated with investor than any other factor? Entrepreneur may be primarily a landowner or ~~xxxxxxx~~ laborer, borrow all his capital. The distinctive thing is that he must buy the services of factors and resell them, & this means he invests in them. But what if he is a barbershop owner? He invests in equipment etc, but not in haircut inventories. His barbers indeed invest in him each week before being paid, if so paid they are -- which is doubtful. Well, if he takes risks by guaranteeing to pay them so much regardless, he is investing in their presence. -- abstracting from weekly question, where investment may be other way.

One cannot be residually rewarded without having invested. --even tho

you may borrow

to invest.

When many factors are associated with the investor, then all their returns accumulate to him as manager & he must try to figure out what to impute to each one. If they are contractually joined the contracts may result in changing ownership of economic realities. There will probly be no explicit way to tell what each contributed. But that is his accounting problem, not our theoretical problem.

Rolph observes that monop. by "firms" (a disembodied spirit idea) won't reduce production if other factors have no hps. I wonder. How can they increase their own price without reducing their own supply? A rather searching question, regarding macro- vs micro-economics, etc. Try it when fresher. ~~cf 10. Nov notes~~

cf. notes for Rolph, Ec. 102, for November 10

Difference between scrapping policies under comp & monop is not as Rolph sees it. Main difference is that under comp someone will introduce new stuff, but this won't put old stuff completely out of use probably, just lower its value. With monop, you aren't going to increase production probably, so to introduce new you must scrap old. But this depends on cfative marg costs. Maybe with new you would produce more.

The loss w ich you must figure is not the cost of the old equipment, but of the new. The new will allow you to produce the same amount with lower ac & mc. With the new mc, you will arrive at a new profit amount, when you have equated the new mc with mr. When this profit exceeds the old by an amount equal to the price of the new times the interest rate, you will invest in the new. When the new is worth its capitalized yield to you, you buy it. With competitition, on other hand, someone will buy the new when its capitalized yield equalsits price, only its yield need not have subtracted from it any yield from existing equipment, nor need falling mr be figured in. (besides, capitalization will occur at higher i.r., since comp raises them, & ---this will have opposite effect, its capitalized yield will be lower)

This advertising cost curve is just to say that as you increase output on a falling demand curve you must increase some elements of the product, in other words must make it a better product, in order to keep price constant. This would not only be true of one part of the product, like "advertising", but also whole product.

But again, this is only valid with a static view as to what a product is, & fails to describe the whole spirit of progress, in which entrepreneur's are always trying to adjust their products so as to give them the characteristics of things for which demand is elastic, this is what we mean by trying to please the market, etc. Were it not for change, oligopoly would have much more restrictive tendencies than it actually does. (& of course restrictive policies themselves are the worst enemy of change, hence the encourager of monopoly)

Generally speaking, the more a company can vary its product, the more it will act as tho faced with horizonatl demand curve. Advertising is one way of varying product, hence its existence helps flatten demand curves. Given a producer without advertising, if he increases production he will have a hard time selling, because, regardless of advertising, his product is indeed differentiated in the nature of things -- unless he is producing a fungible item, which few are. It isnot advertising which differentiates products. They differentiate themselves. -- usually. Advertising now comes along and allows a person to expand his sales without lowering price. Obviously makes things more competitive, horizontalizes demand curves.

Rather than being primary cause of product differentiation. Most producers are differentiated w/o advertising.

America's Capacity to Produce, Brookings Institution, Nourse and Associates, Washington, 1934

Bituminous coal highly competitive, very abundant and easy to reach, many small producers. They think of them as "always over-producing"---attitude that any but monopoly industries are overproducing clearly stated, p. 47-8.

Anthracite monop more, production restricted more.

Bituminous, c. 1925 mines started shutting down, from "fall of demand". Never up to even capacity of opened mines, even in boom--80% about highest. Down to 60% presently. p. 53.

Anthracite, p. 7 62:"Even the low-cost, high-profit companies have had reserves sufficient for some expansion and could have developed additional collieries in theyears after 1898, but have in the main refrained from doing so."

Petroleum: p. 73:"until the development of ~~proration~~ the practice of proration about 1927 nearly every producing well was being utilized to its capacity."

Competitive drilling forced the development of new pools when found, without regard to needs of market; // p. 74. This he regards as an evil. With all its conservation faults, comp. drilling has good aspect then. He speaks of "oversupplied markets" etc. Says it is bad that phenomenal East Texas field was discovered in 1930 when market ove supplied. What would have happened to employment in refineries, in building autos, etc, and in oil fields, if this had been kept off mkt. What harm was done by putting it on.

Scattered ownership in oil, prevents restrictions. p. 75

p. 82, after 1927 "various devices for curtailing production on a pro rata basis were developed, usually under state authority."

Fixed capital investments in coking ovens (p. 66) and oil refineries (p. 89) do not operate at capacity either, far below it, thus fixed capital assures no processing employment when extram or labor either becomes too expensive.

P. 101: during war, capacity in minerals is expanded, generally. True. And does not that account in part for post war prosperity? Raw materials prices cannot rise.

P. 114. Copper mining, peak production 1929, peak price also which stimulated it, was still just c. 85% demonstrated capacity. Of course the way capacity is figured much that is justifiably sub marginal may be figured in. It is the question of how it becomes submarginal, etc, that is interesting. Theory needed, not stat.

Mather, Kirtley F., Enough and to spare, Harper and Bros, NY, 1944.

Only in petroleum are reserves not likely to last long. World reserves perhaps 100 years. In others, reclamation looms big. Present high grade supplies will last 30-100 years e.g., and then, p. 160, "..most of the proved districts contain many more millions of tons of the metal (copper in this case) in material too low in grade to have been profit able in the past but ready at any time for extraction when costs can be reduced or demand has increased to a point beyond the ability of the cheaper sources of supply to satisfy the needs."

Some day read "Leadership in a Free Society", TNWhitehead, Cambridge, 1936

p. 14: "The innumerable gadgets, tools, weapons, and mechanical devices of 20th cent civilization are availble only when there is an unbroken flow of cotton, flax and wool, of coal, iron and petrol, of copper, lead and tin, from the ground to the processing plant and thence to the consumer."

Mather cont

p. 25: 1940, 45% production iron and steel was from scrap. Rust is main obstacle to reclamation. Cu doesn't rust, may almost all be reclaimed.

Mather not worried about even oil exhaustion, citing shales, ersatz from coal etc. Nothing else a threat at all. cf Tanzer

If a field of needed investment is wanted, investment in mining will provide it as ores etc become more and more difficult to extract from.

p. 29: "There is no prospect of the imminent exhaustion of any of the truly essential raw materials, as far as the world as a whole is concerned." This is his general attitude.

Try the document room for stuff on holding natural resources idle. It is easy to find, in Am's capacity to produce e.g., evidence of idle capacity. But implication is that idle is all marginal. And the figures on fluctuations weren't there: they should be easy to get, and worth getting.

Conference Board Studies in Enterprise and Social Progress. National Industrial Conference Board, NY, 1939

p.3 400m acres, or 1/5 total u.s., is "valuable cropland". 300m acres now in pasture need only be plowed to be cropped. 100 m acres might be cleared drained or irrigated and brought in. Tendency in recent years has been to withdraw land from production.

Obviously fixed capital, altho its ho motive is low, does suffer from unemployment. p. 47, e.g., machines stand idle 1/4 time they were used in 1929. When others withdraw, fixed becomes unemployed, regardless of inclinations. It can't spread itself around over more labor and raw because it is cheaper to use what variables are available on just some of it.

v. Gardiner Means, Notes on Inflexible prices, AER supplement, March 36. & Senate Document 13, '35, p.8

p. 189: (quoting Means) agriculture and industries processing agric products had most price drop and least production drop. Petrol like agric--because they kept pumping.

If all industry were like agric, so deflation couldn't raise hps, deflation wouldn't stop production, there would be no problem from it but debtor suffering. Howeverif production couldn't stop there would be no cumulative deflation. Cum. defl not caused by a spiral of lower wages-lower prices, but of no wages-lower prices. Give labor work at lower hps and liq. pref won't rise. If prices stay up, so does liq pref. etc

A common error to suppose raw materials were generally in excess supply. Only some were, and those helped employment.

This book is a sad example of miserable apology for monopoly, by conservatives. No wonder people react from them.

p. 215: 1914-37, cost of materials ranged from 34% to 41% total value of production. In 20s and esp 30s was falling, started rising again in '31, kept on up. Much of this 20s fall represented farm, doubtless.

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Loss on Potato Support Is Listed At $170,169,000 for Last 5 Years

By BESS FURMAN

Special to THE NEW YORK TIMES.

WASHINGTON, Aug. 4 — The potato support program under the Steagall amendment during the last five years has operated at a net loss of $170,169,000, the Department of Agriculture computed today. By years this loss ran as follows: 1943, $21,650,000; 1944, $3,346,000; 1945, $14,691,000; 1946, $90,963,000; 1947, $39,529,000.

Under the law whereby potatoes are supported at 90 per cent of parity, the department has been compelled to purchase a total of $196,268,000 bushels of potatoes. By years these purchases were as follows: 1943, a total of 23,567,000 bushels; 1944, 3,612,000 bushels; 1945, 23,537,000 bushels; 1946, 109,542,000 bushels; 1947, 35,010,000 bushels.

The department explained that a scarcity of potatoes early in World War II made it necessary for the Secretary of Agriculture to request increased production of potatoes. This brought potatoes under the Steagall amendment.

By 1946 the potato yield per harvest acre was 186.3 bushels as compared with but 141.7 bushels in 1943 and the Government was buying one-fourth of the crop. The department cut down the acreage goals and decreed that any person who exceeded his individual goal was not eligible for support. Potato acreage declined from 2,355,000 acres in 1942 to 2,138,000 in 1948, or 36 per cent.

While the Steagall Amendment expires at the end of this year, the department noted, the Agriculture Act passed at the last session of Congress makes it mandatory that 90 per cent of parity support be continued until the entire 1948 crop is marketed. After that the support price will be between 60 and 90 per cent of parity under the long-range provisions of the 1948 act.

The difficulties of disposing of the surplus potatoes were de-

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Farben Liquidation Mapped; New Concerns Are Planned

U. S. and British Officials Discuss Measures to Break Up Chemical Cartel—Sale of Stock Will Be Authorized at Later Date

By JACK RAYMOND
Special to THE NEW YORK TIMES.

FRANKFORT ON THE MAIN, Germany, July 24—The United States and British Military Governments are expected shortly to authorize the sale of industrial and nonindustrial properties of the vast I. G. Farben cartel in an attempt to liquidate the assets and pay off the creditors.

The program will include the public sale of shares of stock of new corporations to be fashioned from at least seventy-seven independent units so far established in the combined area. Details of this plan are still being worked out.

The United States and Britain have been hesitant about making this move because the Russians are sure to charge another violation of a four-power agreement.

However, considering the present state of affairs in Germany, those who favor it consider any objections merely a legal technicality.

Under Allied Control Council Law No. 9 title to the vast chemical trust rests with a four-power agency through a special I. G. Farben control office. Law No. 9 does not specifically authorize the disposal of the I. G. Farben property or the payment of the I. G. Farben debts. It does authorize many of the intermediate steps now contemplated.

As in the case of other quadripartite agencies, the I. G. Farben control office is not functioning as intended.

Gen. Lucius D. Clay, United States Military Governor, emphasized at a press conference last week that for all intents and purposes the four-power control of I. G. Farben had been discarded and that the present action was taking place on a bipartite level.

The Russians have refused to cooperate, Western sources said. The last I. G. Farben control office meeting was said to have taken place in September. At that

Continued on Page 9, Column 1

al Assembly

42. Composition of the Secretariat and the principle of geographical distribution: Report of the Secretary General.

43. Proposal for the adoption of Spanish as one of the working languages of the General Assembly: Report of the Secretary General.

44. Violation by the Union of Soviet Socialist Republics of fundamental human rights, traditional diplomatic practices and other principles of the Charter: Items proposed by Chile. (i) Violation by the Soviet Union of fundamental human rights in preventing the Russian wives of foreign nationals from leaving the Union of Soviet Socialist Republics either in company with their husbands or in order to rejoin them, action which could impair friendly relations among nations and violate the principles of the Charter; this in accordance with Article 14 of the United Nations Charter; (ii) violation by the Soviet Union of fundamental human rights, traditional diplomatic practices and other principles of the Charter in refusing to allow a member of the fimi ylof the ex-Ambassador of Chile to the Union of Soviet Republics to leave that country in company with the Ambassador; this in accordance with Article 14 of the United Nations Charter.

45. Treatment of Indians in the Union of South Africa: Item proposed by India.

46. Equitable geographical distribution of the seats for the six non-permanent members in the Security Council: Item proposed by India.

47. Amendment of Rule 149 of the Rules of Procedure of the General Assembly to provide for the recognition of the principle of a percentage ceiling in the scale of assessments to meet expenses of the United Nations: Item proposed by the United States of America.

48. Increase to twenty-four of the number of member states represented in the Economic and Social Council: Item proposed by Argentina.

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in his possession. The men were Maaman Pick, 18, of 27 West 111th Street, and Alphonso Clark, 17, of 45 West 136th Street. Both were held in $2,500 bail by Magistrate Samuel Orr for grand jury on a robbery charge.

LIQUIDATION PLAN ON FARBEN MAPPED

Continued From Page 1

time, Western sources reported, the Russians were asked to carry out a similar program and they refused to consider it. They also refused to permit the extent I. G. Farben decartelization in their zone, these Western sources added.

West Pushes Separate Action

The United States and British Military Governments are thus planning to go ahead on their own in clearing up this phase of the economic mess left by World War II. Since the main office of the Farben organization is in Frankfort, nonindustrial assets, including foreign interests, have been under United States control.

According to the plans on which General Clay and Gen. Sir Brian Robertson, British Military Governor, worked during their bipartite board meeting here last week, the various units of the one-time chemical trust would be transferred to custodians, still under Western Allied control.

There are fifty-one such units in the United States zone and about twenty-six in the British zone. The remaining industrial and nonindustrial assets would be broken down into independent units and also would be transferred to trustees. Presumably, this would include foreign assets, as it is understood foreign creditors have been urging a move of this kind.

To substitute for the present four-power control office a "bipartite organization and a bizonal panel for control of the I. G. Farben properties in the combined area" would be established. The decision to do this was delayed until the legal question involving the Allied Control Council had been straightened out.

The trustees, most of whom are former managers and subofficials not implicated in war criminal charges would arrange for the transfer of the properties to private corporations. Within 120 days after notification by the United States and British Military Governments, the Germans would submit plans for the public sale of shares on the stock market. Within six months, a plan for payment of creditors would be submitted.

Thus title would be distributed and I. G. Farben's debts paid from the proceeds.

The assets of I. G. Farben, whose directors are now awaiting judgment in Nuremberg, totaled more than 6,000,000,000 Reichsmarks at the end of the war. What this means in dollars cannot be estimated because of separate currency reforms in Germany, the destruction of properties and the lack of real exchange rates.

There were 380 German concerns and about 500 foreign companies involved in the giant enterprise. About 40 per cent of these concerns are in the bizonal area.

Units Are Widely Spread

The estimated value of the physical properties is 2,171,000,000 reichsmarks for the units in the Soviet zone, 1,198,000,000 for those in the British zone, 1,052,000,000 for those in the United States zone, 1,040,000,000 for the concerns in the French zone and 506,000,000 in Polish-held territory.

About 13 per cent of the I. G. Farben assets are claimed by foreign creditors, claims that must be handled by the United States Military Government because Farben headquarters are situated in the United States zone.

The estimated debts of I. G. Farben are trade accounts, 18,000,000 reichsmarks, other debts, 21,000,000 and bank debts, 14,000,000.

Swiss Claims Are Highest

Of the assets held abroad, Switzerland claims 3.57 per cent, Britain 2.93 per cent, the Netherlands 1.09 per cent and the United States 0.71 per cent.

In addition to making it possible for creditors to get some return on their money, the projected move would serve to smash to a large extent the world's greatest trust.

The bipartite action, however, indicates a further struggle between the United States and British views on decartelization itself. The United States has continuously sought to break up cartels—the I. G. Farben unit in particular, whereas Britain, influenced by a desire to nationalize industries, has been slow in this direction.

The French apparently are out of this program for a while, although some participation may be expected when the three zones are fused and a Western Government established.

6,000 DEAD LAID TO RUSSIA

U. S. Zone Paper Says Interned Germans Died of Abuses

BERLIN, July 24 (AP)—The United States licensed Neue Zeitung said today that about 6,000 Germans have died of malnutrition and illness in the last eighteen months at the Russian-operated Muehlenberg, Saxony, interment camp.

The newspaper, official organ of the United States Military Government, called Muehlenberg a concentration camp. It is said its information came from former inmates.

"The dead were buried in mass graves idn adjacent woods," the paper said. "The crosses on graves became so many that the Russians ordered them removed and then also leveled the graves to ramove the last traces of where the bodies lay."

The Russians have refused repeated requests by Western correspondents to inspect the camps in the light of such charges.

Osman Pasha's Slayer a Fugitive

CAIRO, Egypt, July 24 (AP)—Hussein Tewfik Ahmed, Egyptian youth who escaped during his trial for the killing of Sir Amin Osman Pasha, wartime Egyptian Finance Minister, was sentenced in absentia today to ten years in prison at hard labor. A reward of $20,000 has been posted for Tewfik, who fled June 9 from a doctor's office where he had been taken for treatment.

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" sheets, **3.50** *ea.*

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Patents:

Not a final solution just to say patentee may set royalties. But doesn't specify how much. How set price on royalty?

Decentralization of cities, & deconcentration from the key cities, means more competition.

In W.W. #2, banks outside N.Y. & Chicago grew more. -- FRB, Postwar Ec. Studies, #8, p. 33

& small banks in general more -- tho this was maybe just because banks outside those places are smaller.

Pottenger says spread between beef on hoof price & beef in store is much greater than formerly, due to increased health requirements which favor shipment to large packers. Requirements stem partly from interest of large packers, partly from desire to create jobs. He struggles later

Read:

Moody, John. The truth about the trusts

Truman Comm. rept.

O'Mahoney " "

Kilgore " "

Look for Wendell Berge groces

EPT discourages new firms.

Davis, Joseph S.

'44-'47, US food production 40% above 1935-9.

Postwar price supports for potatoes, eggs, turkeys, & dried fruits. By mid '46, subsidies on "cost of living" foods discontinued "on several food products".(Did this make them rise more than they would anyway? How did this work?)

After war, liquid assets equalled a year's disposable income. Supplemented by credit sources for durable consumer goods & homes.

1946, 27% incomes spent for food. Never before so high, in 1929-47, had only exceeded 24% once, when was 25% in 1930. (This puts kibosh on theory that when people get richer they necessarioy spend a smaller % on food. It depends onwhat people, and what food.)(More luxurious foods bought more.

Suggests: American public consume less luxurious food. Voluntarily. Sad.

Rest of year
French Political Thought in 19th cent
Sat Eve

In rereading notes, check items which should be re-reviewed for tests.

Look up Scott for Humphreys

VI. Public policy on corporation security issues

A. State regulation and early regulation under federal postal laws.

B. Recent federal legislative action.
1. The Securities and Exchange commission
2. Securities Exchange Act of 1934
3. Public Untility Holding Company Act of 1935
4. Other federal protection of investors

Assignments:

✓ Purdy, Lindahl and Carter, Corporate Concentration and Public Policy, Ch. 8, 9.

VII. The Corporation in the American Economy - Trends

A. Expansion of the corporation's role

Tippetts & Livermore, 2nd Edition, Ch. XIV
✓ *Taylor, Ch. XXX
✓ *Berle & Means, Ch. I and II, Book I

B. Separation of ownership and control
1. Dispersion of property ownership
2. Impairment of participation - pyramiding, extra legal devices
3. Minority Control
4. Management control

✓ *Purdy, Lindahl, & Carter, Corporate Concentration and Public Policy, Ch. 5, 6.
✓ *Berle & Means, Book I, Ch. IV, VI.

C. Concentration of Control and Economic Power.
1. The "two hundred corporations".
2. The Holding company.

✓ *Purdy, Lindahl, & Carter, Ibid, Ch. 4, 7.
✓ *Berle & Means, Ch. III, Book I
✓ *The Structure of the American Economy, Part I, Basic Characteristics, National Resourses Comm., Ch. IX. pp. 153-170.

Available from Supt of Documents, Wash, DC, $1.00

TNEC Monograph No. 29, Distribution of Ownership in the 200 Largest Nonfinancial Corporations, by Staff of the Securities Exchange Commission, 1940.

Economic Concentration and World War II, by John M. Blair, etal, Report of Smaller War Plants Corp. to Spec. Concen. to Study Problems of American Small Business, U. S. Senate, 79th Cong., 2nd Sess. 1946.

Exams: Wed, May 28, 1:30-3:30, Econ 35 / Mon, June 2, 8-10, ec. 31
Thurs, May 29, 1 - 4 ec 43 / Mon, June 2, 1:30-3:30, pol 44

VIII. Some practices tending to curtail free competition or to promote concentration of economic power.

Nurses Org, Pasadena
Huntington Hosp.

A. The patent and copyright laws.

esp read 2, 3, 8 9

✓ ☆ TNEC, Monograph No. 31, Patents and Free enterprise,
76th Congress, 3rd Session.
Ch. II, III, VI, VII, IX.

B. State restrictions on a free market.

✓ ☆ Melder, F.E., State Trade Walls, Public Affairs Pamphlet No. 37
Melder, F.E., State & Local Barriers to Interstate Trade in U.S.

C. Samples of declining competition industries - monopolies.
☆ 1. Tobacco
2. Aluminum
3. Shoes and Shoe Machinery
4. Oil, Ethyl gasoline, farm machinery and cash registers.
5. The economics of monopoly

✓ Purdy, Lindahl & Carter, op. cit. Ch. 10- 14 inclusive
and pp. 177-179.
~~Chap 31, Taylor, ec. analysis, as in Bunn & Bach.~~

D. Samples of declining competition - Oligopoly and industrial cooperation
1. Iron and steel
2. meat packing
3. glass containers (See TNEC, Monograph No. 31, (above) Ch. VII.
4. sugar
5. milk, anthracite coal and sulphur
6. The economics of oligopoly

Purdy, Lindahl & Carter, op. cit. Ch. 22-27 inclusive
and pp. 467-471.

IX. Public policy on competitive and monopolistic practices.

A. Common law and state approach to monopoly and restraint of competition in trade.

✓ Purdy, Lindahl and Carter, op. cit. Ch. 15.

B. The Sherman Act of 1890
1. Its interpretation
2. The "Rule of Reason"

✓ Purdy, Lindahl & Carter, op. cit. Ch. 16, 17.

C. The 1914 legislation - the Clayton and Federal Trade Commission Acts.
1. Policing trade practices
2. Problems of maintaining competition and related matters

✓ Purdy, Lindahl & Carter, op. cit. Ch. 18, 19, 20, 21.

D. Public Control of industrial cooperation

Purdy, Lindahl & Carter, op. cit. Ch. 28.

X. Public policy on competitive and monopolistic practices.

A. Anti-trust approach.

TNEC Monograph, No. 16, Anti-trust in Action
76th Congress, 3rd Session.

B. Proposals to revive competition.

Purdy, Lindahl & Carter, op. cit. Ch. 29.

C. Abandonment of competition
1. Public utility regulation
2. Government operation

Purdy, Lindahl & Carter, op. cit. Ch. 30.

Those monopolies which are due to personality, or market ignorance, result in the benefited person's producing less & charging more than otherwise? Perhaps, but probably they cause him to produce more personality and market information, which are the things wanted, and to then produce more of his product along with them. So he does not really make a simple monop. calculation, but a multiple product calculation, and his market is unlimited as long as he produces the product in the right proportions, and only limited when he is not capable of changing the product, and it is at this point that he stops increasing production.

The higher price paid for the parts of the product whose production he curtails are what the consumer pays for his laziness, or devotion.

resting on their laurels. They should be looking forward to it in the sense that investment in general is profitable. They should also expect competition. & of course have no political restrictive power.

It is certainly legitimate for a consumer to figure in the reduction in the utility of other items owned when figuring the marginal utility of the last item. Of course if we could split the consumer into xxxxxx parts, we could increase the total pleasure of society. But we can't. This monopoly position must be tolerated.

These monopoly calculations appear in the price that consumers will pay, lowering it when they apply (i.e. when the last unit does lower the utility of previous ones, which isn't always so. And sometimes it will increase them.)

Now the question is, if these calculations are legit for consumers, why not for producers? Note first that producers by increasing production will lower the price of all units willy-nilly (usually), partly destroying analogy, for with consumers the utility of previous units is only sometimes reduced.

The consumer calculation makes him buy less than otherwise. The producer caculation makes him produce less. If the consumer consumed more, he would be consuming something of less net utility than if he consumed something of the same or a little less marginal utility that didn't reduce utility of previousunits, this being a reduction of net satisfactions, hence wrong. If producer however stops his resources from producing a thing because of reduction in value of previous units in the market, & turns them to producing something of lower marg. value but higher value product, you are producing fewer satisfactions. You will be using those resources to produce something of lower price than what they might be.

This reduction in price due to selling more does not represent the caculations of consumers about loss to them. They have already figured those losses in in figuring what they will pay for the marginal unit. The demand curve represents what should be satisfied to take all these considerations into account. The net utility is there represented.

So if we fail to satisfy the demand curve, ~~if~~ i.e. if we use resources to produce things of lower selling price than we might, we use them at less than maximum efficiency.(except for complementarity etc considerations)

If a demand curve is very inelastic, it is probably true that the good is the kind which lowers the utility of previous units of itself. With monop, the less elastic the demand curve, the more likely we are to produce less than competitively. Well, the more likely we are to charge more, I don't know about producing less. ~~If~~ The steepness of the curve prevents producing much less. ~~If it~~ This does not mean the monop. calculation is right; but note that the loss to society is not nec. so great. Well, that depends on whether we consider the monopolists part of society or not.If the monopoly is caused by their personalities, rather than their political ability to prevent competition, they are part of society, & the loss is just the difference between the production of the resources area under the demand curve that is unsatisfied that would be under competition. And this area won't be much: for if demand is inelastic, production won't be much affected; if elastic, price won't be.

I suppose most important thing to keep monop. comp. progressive is that people should be looking to the future as hopeful. For then they will be expanding, & building up good will, etc, rather than

Smallness has not prevented universal restriction in France.

Perhaps better to allow some to grow big, freely, lower price by achieving advantages of size, always threatened by freedom of others to do same.

Hempelmann's attitude to those who compete by cutting prices, invading markets, was quite in opposition. It was almost unethical. 'But it happens' - & Wiebenson asks why people who have much still want more - competitors now being blamed for undue greed!

He thinks in terms of inelastic demand. His company produces 'what it can sell', lowering price wouldn't make it sell more - he thinks, sometimes.

A Check on Monopoly

Sun Times, Chicago, Dec. 18, 1950

WASHINGTON

CONGRESS AT LAST has closed a loophole in the Clayton antitrust act that has been used to bring about corporation mergers that have lodged control of American business and industry in fewer and fewer hands.

While this action comes late, nevertheless it is timely. For we are in the midst of another industrial mobilization and the opportunity for huge corporations to gobble up smaller, independent businesses. That has happened at an alarming rate since World War II.



Stokes

The Clayton act was put on the books during the Wilson administration to strengthen the 1890 Sherman antitrust act. But smart corporation lawyers quickly found a way around its Section 7, which prohibited purchase of stock of one company by another where that would be monopolistic in effect. They invented, instead, the device of merger through purchase of assets, a procedure upheld by the Supreme Court. Presidents Hoover, Roosevelt and Truman have urged closing this loophole.

That now has been done by banning merger through assets purchase in the Kefauver-O'Mahoney bill passed by the Senate last week, 55 to 22. It has passed the House. Now, after adjustment of differences between House and Senate forms, the measure will go to President Truman for his signature.

★ ★ ★

THERE IS STILL MORE insidious danger which is directly involved in the crisis our democracy faces today. This is the power that industrial and financial monopoly confers upon a few. Historically, such power always has been used to control the political government; and, if the trend in concentration continues, our nation "will surely sink into some form of collectivism—fascism, socialism or communism," as Sen. O'Conor (D.-Md.) put it during Senate debate.

Sens. O'Conor, O'Mahoney (D-Wyo.) and Kefauver (D.-Tenn.) cited the hastening trend toward concentration which now finds one-tenth of one per cent of corporations controlling 49 per cent of the total assets of all corporations.

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ernment's ration and food procurement program has broken down. Regulations on the issuance of ration cards for food have been widly flouted, with many customers getting ration allotments far in excess of what the government intended them to have. The Minister of Internal Trade accused officials in charge of issuing ration cards of irresponsibility and mismanagement.

Aggravating the problem in Czechoslovakia has been the widespread defiance by farmers. The Government's efforts to procure food in the countryside have fallen below the mark by a wide margin, while farmers have engaged in large scale illegal slaughter to produce meat for sale on the free market at much higher prices. The result has been substantial depletion of Czechoslovakia's livestock and great difficulty for the government food distribution system.

In Hungary, the food minister attributed the present difficulties to excessive meat consumption last year, which greatly reduced the supply of livestock. The slaughter of cattle and hogs last year set a new Hungarian record, and until these losses are made up consumers wil have to be content with the present low ration, he added.

He told consumers that this year's harvest was a rich one and that livestock now being fattened would be available for slaughter by the end of the year, permitting a rise in meat consumption.

In both countries, government authorities said that the predominantly peasant character of their agriculture was the basic cause of their difficulties.



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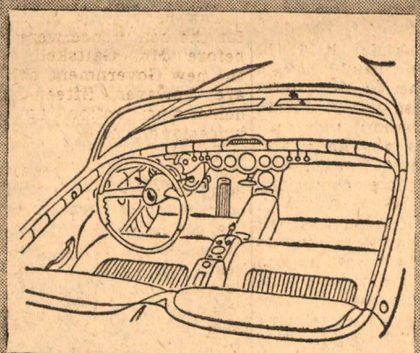
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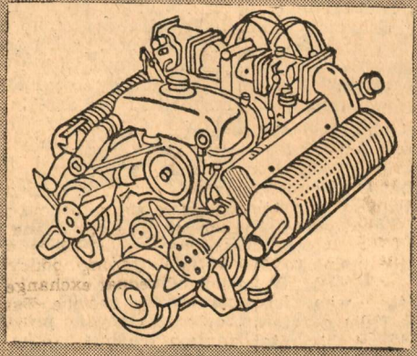
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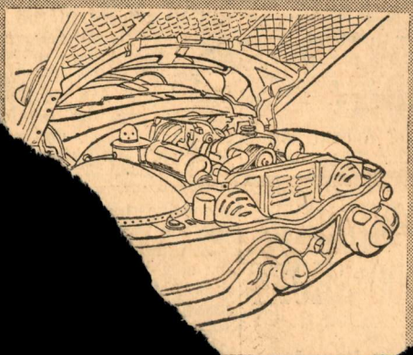
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E. C. A. PLAN FACING FRENCH OPPOSITION

Official Says Capitalists and Reds Both Will Fight New Productivity Program

By DANA ADAMS SCHMIDT
Special to THE NEW YORK TIMES.

PARIS, July 29—The Economic Cooperation Administration's new productivity program for Europe, announced in Washington last week, is going to meet opposition from French capitalists as well as French Communists, one of the highest ranking French officials said today.

Supporting the project, on the other hand, are a minority of progressive capitalists, the non-Communist trade unions controlling 30 to 40 per cent of labor and—more or less mutely—the consumers, he added.

Trade and professional associations are upset about the new program, the official explained, because its broad approach challenges the basic way of life of French capitalism. Up to now United States officials have concerned themselves mainly with technology, supplying raw materials and re-equipping industry in accordance to the Monnet plan. To a large extent this has been accomplished. Now the E. C. A. proposes to take a role in traditional business and labor practices.

[The agency's "production assistance drive" plans to work directly with labor and management groups and individual companies instead of operating, as in the past, through governments only. The program is designed to improve defenses, the civilian economy, trade and living standards in Western Europe.]

French Economy Covered

The French official held that American officials would have to realize that there was no sector of the French economy not covered by private agreements among producers and those providing services, setting prices, limiting output and regulating competitive practices.

"Trade and professional associations are all in league against the consumer, but it is almost impossible to put your finger on the trouble because most of these agreements in restraint of trade are not recorded," he said.

If the agency persisted in its project the French official predicted it would encounter at all levels of French economy the same kind of opposition that the coal and steel cartels had brought to bear against the Schuman plan, which bans all associations and practices restricting the "normal functions of competition."

Attack on Schuman Plan

Thus André Metral, president of the General Association of Steel Processing Industries, charged in a recent article that the Schuman plan would "destroy the whole principle of professional organization" and predicted that interested associations would combine to defeat it.

The Communists, who have everything to lose from a reform of the practices of French capitalism, meanwhile allege that the effect of the agency's project would be to put French industry under direct United States control. According to Humanité, French prices and wages henceforth would be set in Washington where productivity meant "generalization of the speed-up and bigger profits for the trusts."

In the opinion of a contributor to the popular French periodical Match, the Communists will from now on have their hands full fighting this "new interference in French affairs," while the traditionalists will have to mourn one more innovation.

WHEAT PILED IN TH



Some of the 10,000 bushels dur
shipping and storage facilities were
and told them they could leave it on

NARCOTICS RING TIES STUDIED BY SENATORS

WASHINGTON, July 29 (UP)—Senator Herbert R. O'Conor disclosed today that the Senate Crime Investigating Committee was looking into interstate angles of th international narcotics combi routed by Federal agents in Ne York yesterday.

The Maryland Democrat, wh heads the committee, said t crime investigators had been f lowing the case "even before arrests were made" and indica that it might figure in the c mittee's second group of hear in New York, which they ar pected to start within two w

The raids by fifty Federal a resulted in ten arrests for s gling and counterfeiting. F officials said the Italian end "ring" was headed by "Lucky" Luciano, deporte eteer.

Meantime, Representati J. Latham, Republican York, urged Congress down on the illegal drug authorizing a $500 "beast reward to anyone providi mation leading to the co of a narcotics peddler.

He said he would intr bill in the House tomorrow t out the plan. Similar legis will be offered in the Sena added, by Senator Irving M also a Republican of New

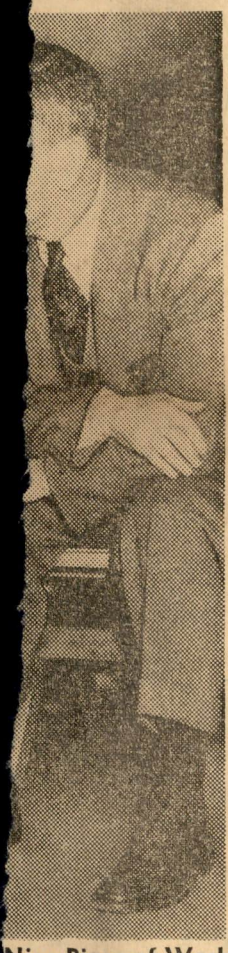
"Bounties have work throughout American h ridding communities o coyotes, snakes, and enemies," Mr. Lath

NEW CITY BUDGET ...5,000,000 SHORT

... Page 1

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Pro Grid Peace



Nice Piece of Work



s Cal's Defense



TOO MUCH MONEY LOST

Thompson May Urge Common Player Draft

'Let's Make Sense and Cents,' Eagle Boss Will Tell National Meeting

PHILADELPHIA, Dec. 16 (AP)—Alexis Thompson today opened the way for a new peace offensive in professional football.

The millionaire owner of the Philadelphia Eagles disclosed he planned to "feel out" his National Football League colleagues on their latest reaction to a common draft with the All America Conference.

"Either that or some other sensible solution to the fantastic situation that finds me with a championship football team that will lose close to $32,000 this year."

'SENSE AND CENTS'

The NFL and AAC have been at loggerheads for three years and the only result has been high salaries and money losing franchises. It's this condition Thompson is anxious to find a cure for.

"I'd like to make some "sense and cents out of this muddled pro-football business," Thompson explained. "Please understand, I'm not the kind that changes his mind on this subject every 24 hours. I'm 100 per cent in back of any policy the league decides on but I'd be a fool if I didn't try and resolve a situation in which most of us are losing money," Thompson contined.

The Eagle owner is determined to try and make other NFL owners see the light at the draft meeting here next Monday.

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"But darn it, they're in it. They haven't folded up. The competition has driven salaries up so high that nobody can make a franchise really pay. We must recognize this fact and act accordingly."

BELL: 'WE'RE SATISFIED'

But NFL Commissioner Bert Bell says, "The National Football League is satisfied with its operation this year in view of the general falling off of the amusement business.

"Our future is bright as long as our owners conscientiously and aggressively pursue the football business without regard to outside factors."

Cleveland Official: 'There'll Be Peace'

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He said the "imminent peace" probably would not come during the All-America Conference meeting here tomorrow, Saturday and Monday, because officials of the National League also would be meeting on Monday at Philadelphia.

"But," he said, "it's coming and it's coming soon. We all know that now and are preparing for it."

The spokesman also confirmed reports that the Chicago Rockets have been in such serious trouble the owners of the Browns, the New York Yankees and Los Angeles Dons had to contribute something like $100,000 to keep the team going in mid-season.

Navy P... ...der Consid... ...Move

CHICAG... ...Don Mc-Auliffe, 19... ...ack ...ho quit as a N... ...d today he wa... at an one ... He admit...

SPORTS TODAY

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Valentino Is Slim Choice

Chronicle Fight Headliner Looms Dead Even Affair

For reasons which remain fairly obscure at the moment, Pat Valentino, the Excelsior District heavyweight, has been made a slight betting favorite to beat Turkey Thompson of Los Angeles in their battle Monday night at Civic Auditorium in the annual Chronicle Christmas Fund show.

If any fight loomed as a tossup, i'ts this 15-rounder for the California heavyweight title. Consider that, six years ago, the pair fought twice within the space of three months, Thompson winning the first one and Valentino the second. Consider also that in 1948, each lost a decision to Jimmy Bivins of Cleveland and each won a decision over Tony Bosnich of San Francisco.

The one factor which may have influenced a swing toward Valentino is the fact that he defeated Bosnich in a 15-rounder, finishing in strong fashion. Thompson has never in his life gone more than 10 rounds, although, as Manager George Moore has pointed out, he was scheduled to fight 12 rounds on several occasions.

"None of those bouts ever went that far," he recalls, with a smile. "Turkey knocked 'im out early. He won't have to go 15 rounds on Monday night, either."

As a knockout artist, the Turkey has a good edge in the record books. He began life as a southpaw, and although he soon switched to an orthodox stance, his left hand is still his best weapon.

In the last year and a half, Thompson stiffened K. O. Hooker, Johnny Haynes, Kid Riviera (who boxed an exhibition with Joe Louis the other night), Whitey Berlier and Willie Bean. Haynes has scored some good wins in the East recently.

Valentino's win over Bosnich and his two draws with clever Joey Maxim, who just beat Bivins in Cleveland, were his best performances of the year.

Two sixes and a four-rounder completes the card. Matchmaker Benny Ford yesterday signed Alex Amador and Buster Chikami for the opener. Grant Butcher, the USF student, tackles Frank Buford in the six-round semifinal and Dave Whitlock faces Gil Mojica in the special event.

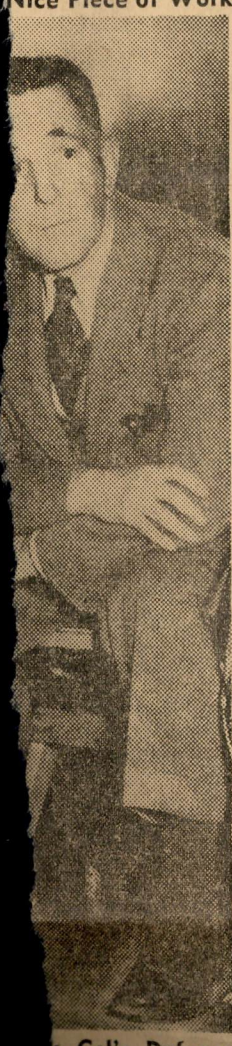
...ll-Italian-Amercian ...d Team Named

...INES, Dec. 16 (AP)—Seven ...were named today on ...an-American foot- ... the Unico ...

Pro Grid Peace



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Navy Plebe Gridder Considers Next Move

CHICAGO, Dec. 16 (AP)—Don McAuliffe, 195-pound [illegible] back who quit as a N[illegible] today he wa[illegible] at an one [illegible] He admi[illegible]

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Chronicle Fight Headliner Looms Dead Even Affair

For reasons which remain fairly obscure at the moment, Pat Valentino, the Excelsior District heavyweight, has been made a slight betting favorite to beat Turkey Thompson of Los Angeles in their battle Monday night at Civic Auditorium in the annual Chronicle Christmas Fund show.

If any fight loomed as a tossup, it's this 15-rounder for the California heavyweight title. Consider that, six years ago, the pair fought twice within the space of three months, Thompson winning the first one and Valentino the second. Consider also that in 1948, each lost a decision to Jimmy Bivins of Cleveland and each won a decision over Tony Bosnich of San Francisco.

The one factor which may have influenced a swing toward Valentino is the fact that he defeated Bosnich in a 15-rounder, finishing in strong fashion. Thompson has never in his life gone more than 10 rounds, although, as Manager George Moore has pointed out, he was scheduled to fight 12 rounds on several occasions.

"None of those bouts ever went that far," he recalls, with a smile. "Turkey knocked 'im out early. He won't have to go 15 rounds on Monday night, either."

As a knockout artist, the Turkey has a good edge in the record books. He began life as a southpaw, and although he soon switched to an orthodox stance, his left hand is still his best weapon.

In the last year and a half, Thompson stiffened K. O. Hooker, Johnny Haynes, Kid Riviera (who boxed an exhibition with Joe Louis the other night), Whitey Berlier and Willie Bean. Haynes has scored some good wins in the East recently.

Valentino's win over Bosnich and his two draws with clever Joey Maxim, who just beat Bivins in Cleveland, were his best performances of the year.

Two sixes and a four-rounder completes the card. Matchmaker Benny Ford yesterday signed Alex Amador and Buster Chikami for the opener. Grant Butcher, the USF student, tackles Frank Buford in the six-round semifinal and Dave Whitlock faces Gil Mojica in the special event.

All-Italian-Amercian Team Named

[illegible]INES, Dec. 16 (AP)—Seven [illegible] were named today on [illegible]an-American foot- [illegible] the Unico

violated the Sherman and Clayton Antitrust Acts.

The company appealed from its conviction by the U. S. District Court in Los Angeles. That court upheld a Government complaint that Richfield had contracts with independent service station operators which restricted brands of petroleum products and automotive accessories used and sold at the stations.

Nixon Says R
Hurt GOP Ca

BOSTON, Nov. 13 (AP)—Senat
Richard M. Nixon (Rep-Calif
cautioned Republicans tonight th
"indiscriminate name calling a
professional Red baiting can hu
our cause more than it can help i

The 38-year-old freshman Sen
tor told a $100-a-plate dinner
Massachusetts Republicans that
is essential that our program b
one which is fair, sane, intelligent
and effective."

Nixon explained to newsmen u

Man faced with falling dem. curve won't produce more of that, but that doesn't mean he will stop producing, if he doesn't have power to hold factors idle.

Fact that, in some particular case, a man holds back production of his brand to avoid lowering price, doesn't nec. mean imperfect allocation, when all is considered. His incentive to get in such a position may depend on his power to do that, e.g., & to destroy it do more harm than good.

As long as new investment is occurring, all firms have the threat of entry, will behave more competitively. Hence competition works ever so much better when new investment possible, esp. when by new firms, but probly even when not.

But entry can come from re-investment, too.

Good will, like any investment, encourages production, to use it while it lasts. Our economy consists of firms that invest in good will, exploit it, & then, perhaps, die. Theory should account for them, rather than its unreal models.

Monop. forces continual development at fringe, is an important spur to progress. But it distorts progress, narrows its benefits, & prevents progress at the core. Without monop, would people settle down to enjoy what they have more, & become complacent? Or would this just cut off the neurotic strugglings, make people "happy to be ~~unhappy~~ dissatisfied", for they would at once have security, & strong marginal incentives. Monop. causes progress by reducing both assets & marg. incentives of excluded, forcing them to make their own marginal. Non-

monop. would raise marg., & allow asset accumulation only in cap; which would be more subject to risk, so assets not as sure. Anyway non-monop. spurs progress by increasing welfare, monop. by reducing. So would probly get a less neurotic progress with non-monop.

G.I. rent payments might be given as incentives, rather than flat payments.

Land taxes cause ag. subdivision.
Maybe they would cause industrial
subdivision too.

Given an economy with most products individualized, monop. doesn't nec. mean anything harmful, since the monop. is of a thing with many close substitutes. The seller of a particular item will not be motivated to increase its production indefinitely, but that wouldn't be socially desirable anyway. He won't be motivated to increase its price above what competitors could produce it for since that would encourage competition. If he does desire to increase production, he will change the product so as to find the flattest demand curve. Now here arises the question, will he play the demand curves forward or backward? Will he try to make a product very

differentiated, with inelastic demand, and then reduce production, or increase production with a product with elastic demand? If there were no ability to restrict use of factors he would always choose to increase production, since if he develops a new product he cannot count on raising price above others "cost of production", but by increasing production he can keep his position Monop. competition then doesn't mean individuals act as tho faced with sloping demand curves. For competition, ~~tho~~ if slow to enter, is slow to leave. And the ever important struggle is to keep customers, & substitutes actual & potential are near at hand. Note that lower prices are often a form of investment in goodwill, & what discourages inv. thus discourages competition.

Since there is no one definite opt. size usually, &xsixxx a few competing firms can take advantage of restriction by one to expand themselves, not relying on entry. to prevent production's stopping when one restricts. Of course this doesn't go for immobile factors, esp sites.

Entry is the big factor stopping combinations of existing producers. The desire to invest is what makes new entry likely. When investment rewards are reduced by taxes, competition suffers.

Mr. Cate & Hempelmann

Think anti-trust laws effective, at least for big business.

New firms trying to make places for self, innovate, cut prices. Monsanto pre-war, e.g. But once set, less aggressive

So maybe competition only occurs with change & growth? Let change stop. & all firms get set. Competition is change, almost by def.

Sees many inelastic demands now.

Talk to businessmen, get inspirations. Read business journals etc.

Bob Grey describes work as salesman for some-Ray lite bulb etc co. He is going around trying to convince people to buy his product instead of GE or Westingouse, the two of whom, incidentally, shortened the life of bulbs from 1000 to 750 hrs. Now he is certainly competing -- trying to take customers from other fellow. His bulbs cost twice as much, last 4 times as long.

Bye and Hewett, 5

4 efforts of New Deal: 1, Inflation. 2,helping distressed debtors, stopping the process of "liquidation". 3, Relief and public works 4, Encouraging monopolies in labor and farming.

In NRA, employers were to increase wages and reduce hours, in return for monopoly privileges which restricted production and limited price competition./Govt was forced to continue its relief expenditures, they thought because unemployment continued. Actually itwas the other way around. Not only was labor holdout encouraged, but the costs of living for laborers, such as their rents, wou d not go down under such circumstances. The idle competed with everyone for things to live on, forcing other laborers to demand higher wages.

Of course the govt relief projects competed with private industry for factors, too, preventing their employment by private.

I suspect this relief of debtors was a great factor in keeping up land values. Maybe not, tho. I should find out just how it worked. It kept farmers and small home owners from losing thru foreclosure proceedings. This would make both of them less likely to work, but only in case of farm land cause much idle productive land.

Wilhelm Ropke, Crises and Cycles, recommended.

In 1939, the evidently monopolized price of steel was at 108 of 1926, and stayed there until 1946, while other prices were rising, other construction costs i.e. Cement was also slow to rise, but its price varied a little more than steel's, which was absolutely invariable. Nothing rose the way lumber did, in Dec '46, which was a biggest jump. It is well known that agricultural products mose most. Showing, perhaps, that monopoly ~~of~~ suffers in inflation. Why their prices are slow to rise I don't know. Perhaps they tend to set them higher than the most profitable, so in inflation they discover they are doing better, keep price down. so?

2 monop. motives by [stock] resource holders

-- reclaimable ones

1. usual
2. supplying raw for future competitors.

(Evolution of merchant to banker, & "domination" of others by central, shown well by 19th c. evolution, as described by Moody in Masters of Capital. Dry-goods merchants, the big intermed., tend to sell on credit, and also buy on credit. Thus they in effect borrow from their suppliers, and lend to their customers, thus become financial intermediaries. And after a bit the financial business proper proves more profitable -- at least for those who accumulate capital -- & they move into it.

The middleman has greatest potentialities for monopoly; he has greatest uses for capital if he creates it, hence greatest incentive to create it; & he can borrow from others, be financial middleman if he does not create it himself; Hence tendency of those in this position to become "dominant" in trades; to be engineers of monopolies of whole.)

(Merchants cannot be parasitized by unions etc as well as those whose capital turns over slowly; or who depend on local privileges or monopolies, or landownership. For merchants can take their capital away in a trice. Growth of unions follows & reflects growth of land values or monops. Reminds me of Si Van Cleve in that awful movie "Raton Pass": "When I see the kind of stakes your playing for, and how you're playing, do you think I'm going to be just a hired gunman?"

(Seth Low observed in 1890s that it was just becoming stylish for collegemen to go into business, previously always professions -- journalism, teaching etc. So business respectability a late 19th phenom - & decline of PBK ideals)

Carnegie, 'The Gospel of Wealth'

Chap. on Trusts.

Only S.O. is real monop, due to exclusive control of nat. resource.

Other trusts not monops.

They originate in depression, when capacity is excess. Excess cap. comes from overbuilding in booms, which occurs because when demand first revives after depression, (he so pictures it -- I suppose this not. from viewpoint of one who always concentrated on his private affairs, not social issues) takes a while for supply to be finished, & in this time get prolonged high price, so many starts -- (a cobweb theorem of cycle.)

Trusts formed in depression. Comes revival, which would come anyway. Founders say due to trusts. Critics say AP due to trusts. Actually trust has no monop, no effect. Only monops from patents, or nat. res., he says.

Our patent system, with its stronger monop grant than Eur, cause of our techn. progress.

Trust raises P monopolistically. This attracts competitors. -- they have trust at mercy, for they can cause much more loss to it than it they will lose, & may have as much capital behind them. -- e.g. a big cap. outside may be raiding. (Carnegie did some of this himself) So trust bumps this one out, & more do same, trust falls -- can't stop marginal competition.

Derides small shops -- petty decisions make petty men Better a coop. team member in big dept store. -- which were objects of main criticism at this time.

& the new producers come in with latest technology, which also makes them tougher in any war. - lower costs

(So is no inevitable drift to monop., save as patents, laws, licenses, govt., & nat. resource monop make it so (& tendency of land to agglomerate)

When govt subsidizes a price, it is automatically giving more subsidy to bigger producers. Which in one sense seems to be just natural, & non-discriminatory, but in another is definitely giving subsidy a size. Nothing in this encourages largeness over smallness (except as pegged price does), but from view of who taxpayers are giving M to.

If you go to San Quentin, your family gets help; go to county jail, no help; desert, no help for 3 yrs.; unless illegitimate child, help right away.

Thomas tells how farmers around Turlock ship melons on consignment, agents dump some in bay at farmer's loss to keep up price. They tell him 'there's no market, & they rotted'.

Oil man tells about large oil reserves, capped wells, etc. Thomases match mon stories of capped wells in La, avowed purpose to raise price.

In both oil & water well drilling, one hears of steel casing as the thing they always wait for.

So it must have price below value, be rationed.

Chronicle Jan 19 '52

Europe's Production

U. S. Campaign for Efficiency Meets Some Rugged Opposition

By WILLIAM H. STONEMAN
Exclusive to The Chronicle
From the New York Times

PARIS, Jan. 18—The great American campaign to teach Western Europe "productivity" is meeting with stubborn opposition from both industry and labor.

A recent super-junket of 300 Western European industrialists to the United States to study American methods and to attend an international management conference in December seems to have resulted principally in a low opinion of the American cuisine.

Most of the returning travelers who have been sounded on their impressions feel that American methods of mass production at low cost and high wages are not adaptable to European conditions.

At the same time many labor leaders, especially here in France, are outspokenly opposed to the idea of streamlining industry because it would compel many low-efficiency plants to close and throw large numbers of people out of work.

OPPOSITION VIEWS

Industrialists have a number of solid arguments against "productivity," the basic idea of which is to abandon cartel and price-rigging groups with industry, to open up competition in such a way that more efficient plants would capture the market by underselling less efficient plans, and finally to give employes a larger share in profits by increasing wages or granting production bonuses.

profits by increasing wages or granting production bonuses.

French industrialists insist upon maintaining their present system of cartel agreements which guarantee ~~small~~, inefficient producers against disaster and give ~~larger~~, more efficient producers fantastic profits.

Without even admitting that these cartels exist they claim that the extinction of small factories throughout the land would work great hardship on the laboring classes. With a great lack of foresight the labor unions support them in this argument.

U. S. ANSWER

The American reply to this is that under a system of free competition the ~~large~~ efficient plants could absorb workers from old-fashioned plants and pay them far higher wages than they can now hope to earn.

Argument No. 2 of the industrialists is that in France and many other countries there is no capital available for retooling and rearrangement of present factories.

French manufacturers pay usurious rates for capital, when they can get it. Overdrafts draw 6.85 per cent interest, medium-term loans up to five years 8.16 per cent, and long-term loans 10.33 per cent. All the benefits of streamlining would be absorbed by these excessive charges, they claim.

Standard Oil are two companies that have done some of these things.

Yet the vast majority of American firms go right along with their French comrades and some of them even lag behind the French in their treatment of employees, a recent survey indicates.

Why shouldn't the U. S. Government ask them to lead the way in "productivity" and the establishment of an enlightened relationship with their workers?

"We can't risk being singled out from our French colleagues," is the answer of the Americans themselves. "They would gang up on us in no time, cutting our raw material allocations and delaying services that we need. No, thank you!"

The answer to this would seem to be that the U. S. Government should not put itself in the position of asking French firms to do something that it doesn't dare to ask of its own American citizens.

If American firms are victimized the U. S. Government — France's benefactor to the tune of $600,000,-

CAPITAL UNNEEDED

The Americans reply that retooling is not necessary to increase the productivity of countless plants in Western Europe. Many plants now running at 40 per cent or 50 per cent efficiency could achieve 60 or 70 per cent efficiency without any capital expenditure they say. They point to work already done by production engineers working under national productivity centers in several countries as proof of this.

Stock argument No. 3 is that French or Italian trade unions, which are purely political, refuse to collaborate with management in "bonus" schemes and other means of increasing workers' incentive.

France's General Confederation of Labor which is Communist-dominated, would regard any such collaboration as "selling out to the enemy," they say.

The Americans say that any corporation which attempted to introduce a proper bonus scheme would soon enough find some trade union group which would collaborate with it.

Still the opposition remains, fierce and rugged, threatening the accomplishment of what has become a major goal in the American program for Western Europe.

TWO PLANS PROPOSED

Two plans have been suggested for ramming "productivity" down the throats of selfish employers and union officials.

1—On pain of cutting economic assistance to the country in question the United States should insist upon tariff cuts in certain key products, to expose local industries to outside competition, including American competition.

In the case of France, for example, cotton textiles are more expensive than they are everywhere else in Western Europe and workmen's overalls cost about $10 a pair. The manufacturers have been making a killing while maintaining rock-bottom wages.

Without protection against the Italian textile industry they would have to cut prices and some old-fashioned mills would go out of business. The same applies to the Lyons silk manufacturers who run a "closed corporation."

2—There are more than 200 American corporations or subsidiaries in France alone.

Some of them have quietly introduced the bonus system and given their workers extra benefits such as company canteens and stores, extended vacations, and higher overtime than most French companies pay.

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Fortune, Feb '52

FTC.

1920s, 'Trade Practise Conferences' held, to educate businesses on ~~ways~~ how to obey law. But tended to become price-fixing conspiracies. 108

This under Humphrey, Coolidge appointee, who had voiced vs. Clayton Act, was outspoken vs anti-mnp laws. Then came NRA, anti-trust ended ~~lang~~ altogether. FTC just gave reports

Price discrim., freight absorption, basing pt pricing, it objects to. -- (primarily because these are conceived as devices to mnpize, by underselling at loss. Clayton Act had forbade)

Has vaguely specified powers

Chains growing in dep. Indeps objected, got Robinson-Patman Act, which amended Sect II Clayton Act, which had forbade price discr. only where effect was to lessen comp.; R-P Act forbade injuring a competitor. -- by discrim. Limited quantity discounts. Morton Salt decision, Supreme Ct, was that NO price diff., even if based on cost diff., is ok if FTC says no -- but hasn't followed this up.

Basic policy is that P discr. is instrument of mnp., disciplinary, so is prevented. & freight absorption, or basing pt system.

Recent Standard Case, some discr. allowed -- but doubt. Wherry, McCarran, Johnston, intro S. 719, to legalize discr. -- intended to legalize basing pts. Kefauver opposed. Douglas, too -- he for R-P Act.
Now all up in abeyance.

R-P forbids many price cuts -- e.g. discounts when don't need broker.

Levy, Hermann, 'Monop & Competition' Macmillan, London, 1911

Preface to 2d ed., 1927, says Eng wentover to protection in '25. (Bothe is a Em, hypersensitive on this pt.)

Chap I The History of Early Capitalism

c. 1600-1685, era of nationally recognized & sponsored capitalis monopolies. Something more than earlier local gild monops.
New industries, many introduced by foreigners, c.c. 1600. Salt mining, alum mining, glass making, soap making -- big ca italist enterprises. Tin mining -- small miners, monop. arranged by intermediaries.
Most important factor in development of early industrial capitalism was coal, from north Eng. 17th cent., big increase of production occurred -- much sent to France, too.

Nef says 1540 - 1640 was era in which Eng. first surpassed France, Eng. had its first industrial revoluti on. France, having achieved more political stability I think in 15th, after winning Hundred Year's war, (1453 I think) & getting central govt. strong under Louis XI (1461-83), internal waterways etc., made some progress -- paternalistically probly. But certainly Eng. unity did not wait until a century after that. Henry VII took over in late 15th, Tudors reigned in 16th. So early lead of France not attributable to earlier nat. unity. To what, then? To denser population, proximity to centers, etc?

Power & Poston: Eng. so weakened by Roses Wars, late 15th, had to capitulate to Hanse: let Steelyard keep privileges of being duty free, while Hanse excluded English merchants from Danzig & Koln, where they had been beginning to penetrate with shipping & cloth.
I imagine, after this weakness, Henry VII didn't immediately pull all together, took long time to make Eng. strong govt. under Tudors, probly not until Elizabeth, late 16th, was much accomplished -- about a century after Louis XI.

(Big free markets, like Antwerp, get transit trade; & diversification. Therein their insurance. Where you monopolize your trade, lose diversification; lending business; transit trade; etc. Like Eng. today)(having this insurance, have steadiness, essential to developing good trade. With monop. politics, have continual stoppages, delays, bargaining waits, etc) (Like Eng. with Hanse, early 15th)(& with Duke Philip of Burgundy, who controlled Flanders, Brabant, Zealand)

(When you feel you are being attacked, this gives unity. E.g. when Eng. govt. disintegrated, 1450, Eng. pirates attacked all Hanse shipping, united Hanse vs. Eng., strengthened it to exclude Eng. -- previously, complements had prevailed to allow Eng. in. When your govt. is attacking foreign lands, this may cause disintegration at home -- e.g. Eng. disintegrated at end of 100 yrs war, 1450.
Perhaps it is if your govt. loses a war, that is not mostly defensive.
Aggresion of Crusades weakened nobility, forced concessions to towns. Eng. aggresion in 15th weakend nobility, gave towns strength.. Pirot of Reading, 1440, v. Power & Postan

As Eng. govt. weakened, 1440, conflicting factions in it would give privileges to various parties to get their support. E.g. "Gloucester faction" sought for merchants support by discriminating vs. foreign merchants -- not Hanse yet, tho tending toward it, but other for. merchants now. Suffolk faction gave letters of marque to well connected adventurers, allowing them to pirate Hanse ships. Thus Eng's disunity simul. lost Eng. power to keep concessions in Hanseland; and ~~xx~~ discouraged trade with Hanse. Which suggests generalization: it takes a powerful govt., not a weak one, to keep foreign trade going. E.g. Louis Napoleon. A weak govt. must look for support from special interests, give favors. E.g. all other recent French govts.

Dobb: says Eng. towns were stronger from early times, because Eng. feudalists weaker, due to stronger central power; & kings encouraged towns.

Early Eng. towns were more spontaneous ec. growths from countryside; continental ones were established by govt., or grew around castle.

Towns, esp, in areas where central govt. not strong, like Gy., Italy, Switzerland, Holland, would extend political sway over environs, to exploit them, often, by monopoly measures -- not allow environs to compete, force them to complement.

Imperialism: when one nation conquers another, it cannot usually exploit it ~~xxxxxxxxx~~ by directly, by taxes, slavery, etc. But can by forcing it to complement, not compete. Modern Gy & Russia, to be sure, use slavery, but less common.

Oddly enough, best policy is to behave as you would if other nations were exploiting you: free trade. Well, this is half as tho they were, you still retain alternatives, in fact you expand them. Thus, following biblical injuction of if neighbor ask they coat, give him thy cloak too, get better off -- bread cast on waters, etc. This is really just refraining from exploiting neighbors.

Gy, 16th, trade declined, feudalism revived. This probly means transit trade had stimulated so much piracy & robber barons & hardened lines of regionalism, -- besides, towns had lost outside mkts, growth of national states elsewhere, turning to New World -- same things that hurt Italy hurt Gy.

(But reconcile with statements that 16th was revival of industry in Gy. Well, Dobb is speaking of NE Gy that feudalized, maybe rest didn't then?)

1485, Battle of Bosworth, Tudors started strong govt., allied with towns. Fostered foreign trade, growth of home industry. Towns said more in Tudor pmt. than landowners.

Under Tudors, the dominant merchants were those in foreign trade. They wanted their complements, the local merchants, to be non-monopolistic, and hence Tudor legislation broke town monops., at least vs. London traders. Town merchants had to buy competitively from importers (& sell competitively to them?); could still exploit their environs. (those poor gentry?)

1598, Hanse kicked out for good.

Dobb gets fuzzy on 17th cent. But says c. civil war, old monops. replaced by new, jt. stock ones; new ones interested in more than just commerce, production too.

Says 1624 anti-monop. act was vs. not monop. in general, but group of London merchants that had grown so powerful under Tudors. Monops were not destroyed, but taken from old decadent group, given to new, Whig, Puritan group, with capital, & more vigor & interest in production. But he is very fuzzy, probly don't take seriously.

Piotrowski: Darcy vs. Allen, 1602

Under Tudors, dominant Merchant Adventurers broke local monops., at least as they hurt them; but gradually got monops for themselves, & exploited them. These were originally intended by Tudors, I judge, to exploit foreigners, by monopolizing exports. But also operated to exploit local producers, monopsonistically. And, as you can well imagine, an export monop. is competing in sales vs. the whole world, has n't much monopoly power; but, over local producers, has complete monopsony power. So export monopolies are the worst thing a nation can do to itself. (So repeal Webb-Pomerene Act) Tin, e.g., monop. arranged by export group.

For thesis, get dope on this, preferably from more reliable sources than Dobb & Piotrowski.

Coal monop., formed 1590. (perhaps originally formed because many customers were foreigners, said they were out to exploit them) Many other monops in Eng. mining given by king, 1550-1650, c.c. 1664, law fixing coal price, unenforceable. -- was in response to complaints of monop., supposed to keep price down.

Despite statute of monops, many remained. e.g. law specificall exempted patents, which kind could give any time; and munic. corps.

Many monopolists were foreigners, German miners (Hochstetter?) e.g. (Hanse merchants?). This one reason for later anti-monop. tradition in Eng. Levy says, (says P.) Gy. never knew as strong a monop. situation as Eng. under Eliz. & Stuarts; another reason for Eng. anti-monop. tradition, ass. with fight for pmty control, anti-Cath., etc.?

Ashley: Gild system half destroyed, 16th, by advent of capitalist production. (putting out, plus factories, mentioned by Levy.) Fully destroyed, 18th. (This jibes with Nef, who said was minor ind. rev. in late 16th. Also jibes with fact of enclosures then, & in 18th. So there was a definite speedup in Eng. development, c. 1600c. A 16th cent. comm. & ind. rev. Reformation attitudes, confiscation of monasteries, involved. Merchant Adventurers, exporting woolen cloth, succeeded Stapler, who exported raw wool. Staplers exported thru Calais, which Eng. owned until 1558. Had monop. there, were not aggressive, expansive. Adventurers, looking for cloth outlets, were excluded from Bruges & Ghent, accepted in Antwerp. -- because Antwerp didn't process wool, as did B. & Gh. I suppose closing of Calais also lowered raw wool price in Eng. -- perhaps that is why Tudors were willing to lose it. Antwerp then boomed, assoc. with Adventurers -- tho of course Antwerp had many other irons in fire.

Merchant Adventurers not stock co.s
The wool production with which Adventurers, Antwerp, etc., assoc. -- the cloth prod., i.e. -- was first evasion of gilds. Production in country, putting out,
Eliz. also encouraged immigration of wool craftsmen.
The putters out who evaded gilds were merchants, called "clothiers".-- intermed. between weavers & Merchant Adventurers.
Ashley is best source by far. Can reduce Dobb's maze of succeeding classes to two: 16th cent., described above, with Protestantism; 18th c., with Non-Conformism. The 16th c. Adventurers were pushing aside Staplers who, tho rivals of Hanse & Venetians, were of same stamp -- Adventurers represented growth of nat. states which was reaction to the stagnation & monop. of Rorig's Medieval World Economy. That is about as neatly as we can sum it up -- might make Staplers intermediate, being not Hanse members, & somewhat assoc. with revolt of nations vs. Hanse. But they more represented weakness of nations before Hanse, because of divisions within nations.

Hypothesis: Bullionism went with 16th c. boom, because that was based on local raw materials. No "re-export trade" argument needed. Mercantilism, in Mun's sense, went with 18th c. boom, for it required imported raw materials; & Spanish gold was slowing.

Cunningham: Agrees on clotheir development. It was putting out to country people, who would both farm and weave wool. Often owned own machines; usually did not own cloth, save in Yorkshire.
Dates Staplers more exactly. A 14th cent. boom, Edw. 3. He probly invaded France partly to expand trade opp. for them, Unwin toyed with idea. They were merchant gilds of towns, new towns. Town monop. their baby, & taking over from foreign merchants. Edw. 3 being strong, & responsive to landowners who wanted free trade, he probly kept good deal of it. Weaker successors gave mor & more privileges, finally govt. broke down, 15th. Edw. III noted for giving foreigners free reign. So I judge Staplers at first were city merchants who resisted foreigners at city gates, tho Edw. let them into London & all over Eng. Staplers then got monops within the Hanse scheme, stagnated.

& now, with this preliminary, to Levy.

(save Ashley said 1688 was end of royal power, revival of landowner power, squirearchy. Pmt controlled by rural boros -- & individual landowner wanted to get one, to get jobs for youngest sons. Also marked pd. where landowners wanted to get estates entailed -- "Family SettlementS". Before that, central power forced entail, to make local landowners serve king. JP function, which had been a Tudor means of exercising central control, became strongly local. Squire or clothier was JP)

So, with this balance, 18th ind. rev. possible, rural power preventing urban mnp; urbem power finally breaking rural mnp, 1846; & then urban mnpies developing.

Key dates: 1485, accession of Henry 7, allowed centralization Tudors, allowed 16th ind. rev. with clothmod export 'clothiers'. Merch Advs, Antwerp, chartered Co.s! Provisions system flourished, stagnated, to 1688, decentralized & freed from central mnpies
1846, export urban ints motivation. 1914, war; 1931 Ottawa Agr. 1950, Labor

(& this is really Levy)
The gild monop. craftsman was a small master, his passing to capitalist "verlageren" (putters-out) lamented by some. (But he was monopolistic, inevitable.)

Coal enterprises were big, 16th, many employees. Other new industries then: salt, alum, glass, paper, etc. -- big factories. Factory not an 18th c. innovation, save to those who focus on textiles.
Agrees that c.c. 1600 was big boom, growth of Eng. industry. Consequent on expansion of shipping, commerce, trade.
But says new industry organized as monop. often. (But this is probly different from stagnant monopoly. This was time of expansion, after all)

Chap II: The organization of monopolies

Eliz. granted freely. Bowed to complaints occasionally, 1601, but they recurred. James worse. 1624 statute was phrased magnificently vs. monop., but excepted most of them at end, & substantive measures it did contain were nullified as James started to rule w/o Pmt, & depended on patentees for much funds.

General picture: early Tudors, with Merchant Adventurers, reduced local monops, created free nat. economy. 16th, time of growth of trade, mfr., agric. enclosure. Stuarts represent decadent phase of this wave. Grant monops freely. Revolts were vs. monops, inter alia. 1688, landowner Pmt domination, Protestant, monops overruled, new wave of progress initiated, ind. rev. of 18th & 19th.
18th required mercantilism advance over bullionism, because used imported raw, unlike wool export of 16th.
Free trade maintained comp. thru 19th. c. 1900, monops spring up again. Levy says they are from natural evolution of capism, law of concentration, he doesn't look for political factors, like patents, rise of land values, unions, licenses, etc. Free trade continues to limit them, but they foreshadow stagnation of wave that started in 1688.

Longest domination of 1 country in recent hist; & engineered thru free trade.

Late 19th, mnpy grows in protected Gy & U.S., not Eng. Island, low freights to all parts; free trade; & most raw materials imported from various sources, not mono olizable by local folkal. Main local raw, coal, widely distrib., not mnpized since 1830-40, when Newcastle Vend broken by r.r.s.

Turned more & more to hignly finished goods, later stages of production (& finance). & high quality. Skill & traditions of workmen. (condition for labor monop) Withdrew resources, therefore, from cruder production, in which other countries had cftive advantage. (New England similar)

Crown right to claim all mines with silver or au was means of mnpizing cu, pb, zn. 1689, changed, no bars to free comp. in mining, & had it after that, save coal. Landowner owned all, not restricted by crown. (Thus production of raw materials in this era in Eng. depended on landowner ownership of subsurface, that was origin of justification of that institition. Where king was mnpist, royal control of subsurface, as France, must have hindered)

Since Henry V (/), severance tax on coal. But it had not been paid (cf. Calif. oil cok.s) Eliz. claimed it, but coal co.s bought her off -- agreed to pay it in future, she forgave past arrears & gave mnp. 1624 Act exempted coal specifically.

Tin: crown's right of pre-emption, sold to individuals -- thus they mnpized. London Pewterers acquired it after a bit. Involved financing producers, as well as buying.
Forest of Dean, had traditionally been free mining, James I, 1612, gave mnp to Earl of Pembroke, miners refused to recoggize, fights, sees w to 1688.

Salt: was imported, tried to establish it by giving mnp. Never did, until rock salt discovered.
Alum: 1607-48, but again, Eng. not suited to produce it, users complained much, etc.
Glassk: mnp, 1574-1642, first by an Italian Versalini, then Mansell, retired admiral, " courtier". Mansell used coal, got conservation measures to stop others, who used wood.

Above were new ind. Soap was old, mnp harder to get. Some courtiers patented new process -- "Like o many other mnpies, it starte with the grant of a patent for a particular process of mfr." 34
Got potash import stopped, for they didn't use it, others did.
New method failed, 1640 old London soapmakers gild bought back mnp, then they were mnpists, one of few to survive anti-mnp Commonwealth. (because not from courtiers)

"Craft corporations" were often media of new monop -- capitalists organized in that form, because these were already considered legit mnpies. Patentee with designs for factory, e.g., with nationwide mkt, would organize with some former producers as a "craft corporation" -- a gild with actual incorporation --- then not consider small masters, for whom, in rationalizati ns, corps formed.

London was trade center, so craft corps there were already start toward nationwide mnp, esp, if helped by crown.

Pins: same deal: by paying govt well, got foreign pins excluded, competing factories suppressed by law. Wire, too. Chas. I, personally actingas promoter, tried to combine pins & wire. King just wanted share of profits -- but he lacked money to promote it successfully, failed.

Chap III: Effects of mnps: their fall

All mnps commenced with fair professions, object was to increase efficiency, lower prices, by centralizing, introducing new proce ses. Result always higher prices: coal, soap, pins, alum, glass, salt, wire, etc.

Newcastlers had made Tyne non-navigable above them, to restrict trade.

1670, rock salt discovered, this made local Eng. salt industry feasible. (Interesting, it occurred so soon after protection withdrawn, & landowners given subsurface)

1615-17, brief attem t to encourage dying in Eng., by forbidding export of white cloth. Failed. Later, due to immigration of skilled workers, dying industry est. List had wrongly attributed it to protection of Stuarts.

Tin mnp was supposed to encourage capital in mining -- middlemen loaned to miners. But, by mnpsny, increasing risk of miners, kept other capital out.

Tin was export mnp, but foreigners had other sources, couldn't be exploited, Eng. miners were explted. Cromwell stopped it, immed., in war, mines sprang up all over.

Mfr. of pins, & beaver hats, mnpists, posing as craft corps, in fact eliminated pd. of apprenticeship, wanted more labor, were capitalist mnpsts.

Sombart said "purely financial admin" of ind. was highest stage of mnp capsm; but 17th c. ind had that already. One with much cap., by merely undertaking financial org., or mkting, ran industries.

So those with much cap. laid it out to gain mnp, rather than build new works.

After 1688, many charlatans sprung up, offering fraud investments -- the seamy side of freedom.

59 Soap makers lasted thru Commonwealth days as mnp, because were so many of them, & weren't courtiers. Most mnpsts had been court favorites, retired officials or soldiers, or very rich with court influence, or those who loaned to crown & so got favors. But soap makers, an old gild, posed as "just folks".

Mnp experience under Eliz & Stuarts was more acute than most countries have experienced; just as corn laws were more one side class legislation than others (so? Junker legislation? But this was mild when Levy wrote) Up to Eliz., "mnpst" in Eng. was term for grain speculator. After royal mnp policy, Eng. very mnp conscious, opposed, from this dates later successes.

17th c. "free trader", like Misselden & Malynes, was vs. both mnp & protection, lumping two concepts toegether.

But 17th c. free trader not vs. import duties per se, but as specific means of mnpizing. "Liberalism", systematic objection to all restraints on trade, later development -- 18th, 19th.

When large farmers were taking over much land, opponents called them "mnpsts". ~~&~~ 67 v. his "Large & Small Holdings", authorities cited. (Which suggests people then saw identity of process: those with low mrs taking over land)

17th c. anti-mnpsts were not nec. vs mnp per se so much as vs prtclr indvdls enriching selves by it -- i.e. they still favored nation using its mnp power, probly -- this my inference.

After 1689, Pmt only grnted frn trd mnp, nt intrnl.

Royal prerogative on mines ended, 1689.

~~kkkk~~ 18th, fostered industry by protection; but insisted it be competitive at home, fostered several industries, not mnp. Pmt allowed "usual inventors' patent"; & some bounties~~x~~, for invention; & protection. But no mnp. & no undue renewing patents. Silk, tinplate industries e.g., grew up with no mnp help.

(Schumptr etc argue new industries must have mnp because they are going to be so short lived anyway, to make it feasible to go into them, projectors must be assured of being able to squeeze mnp profits out. Thisnot new, similar to 17th c. idea.
Movies an example? ~~Xxx~~ Are an e.g. of what he thought, but he thought wrong. He says no one would go into a trade unless he had mnp, because of danger of competition. But if no one is going into trade, how can there be any danger of competition? The argument is self-contradictory.
Free mkt forces have a way of luring capital into risky ventures. If quick technological change anticipated, people will demand high yields before investing -- & when they get high enough, will do so. -- & the risk will keep out much other capital. This is the ecnmcl way -- Shmpter, Gm snob, wants to stress what "a few good brains" can do -- bs.)

A. Smith cld fnd no mfr mnp to cuss. Only sm lcl mnp: Butchers. & clnl trd mnp.

18th, lcl crps. & co.s, gilds, -- craft unions they seem to me, but different in that members were self-employed, hence also cptlsts too, like Barber's Union, best modern counterpart -- these still made some trouble, but they were greatly weakened over former times. Growth of good transport had much to do with it. These gilds had no power over new industries -- & I judge even their farm hinterlands could buy elsewhere if they got difficult -- factory goods could replace hand goods, etc. Thus they were weakened.

(A good principle: guide your optional consumptio n towards things just going out of style: pianos, movies, hiking, old cars, etc. They will have been produced in great abundance, be very cheap now. Let others rush for the newest fads. You pick up an old piano cheap.

On other hand, make yr living in something new, where are few trained people to depress wages.

Ch. IV: Cfson with German development

Gy., mnp widespread, but more people had interests in it, was never so unpopular, hence so reviled, as in Eng. Small states, restrictive mining laws. Prussia, too. 1865, reform of mining laws. Up til then, corps not allowed in mng, tried to keep old small masters, & restrict production.-- in all states. Mines heavily taxed, & state engineered mnp, fixed prices, inter alia to make mines more taxable.

(This hardly supports Arnold's glib statement that Nap. wars swept away all mnps,) But Levy says 1806 e.g. "Siegerland", French abolished mnps, but some at least restored 1813, were very potent longtemps. Were finally abolished by r.r.s. Here, too, state had prevented competition of big vs. small, had maintained mnp of small. (perhaps that is why Gms reacted so vs. small production -- it had been mnpstic & static.)

82 1850-70, reform of mini ng laws, "nowadays it would be admitted that no slight share in the resulting expansion of mining was due to the era of free trade then inaugurated."

Schmoller says 1840-70.

In trades with no craft ass., mnp thru granting privilege to specialfactories & mfrs. This stopped in 1800 (Nap. effect?)
18th Gy., like 17th Eng., infant ind. fostered by mnp, failed.

3 main sources of Gm mnp, 18th & early 19th: mining, thru state restrictions, & smelting derived mnp; crafts, gild carryovers; & special new industry mnps given by state.

Local States had given mnps. With Zollverein, r.r.s, etc., their power to do so waned, nat. ec. emerged.

Pt. II: Free Trade & the Earliest Mnp Combos.

Ch. V: The Doctrine of Free Competition

A. Smith noted those trades with fewest in them mnp easier. He spoke of labor groups: "by combining not to take apprentices.." (v. i, p. 209-10)

(All this study contradicts idea of capital or land mnp first, labor mnp a reaction. Gilds some of oldest mnps.)(Indeed, ind. rev. was competitive capital escaping from mnp. gilds)

Mill, like Smith, saw that comp. not inevitable, saw exceptions. lesser men took comp. as invariable, inevitable condition.

Comp. was really thriving, 19th, very few exceptions. 100s of firms in most trades.

(This also contradicts idea that was no 19th c. golden age of competition. There was.)

Ch. 6: Mnp combos in Eng mining.
A: Coal

Various acts vs. Newcastle, failed. But if contracts in restraint of trade were unenforceable, &, more, illegal; if injured parties could sue in courts, rather than waiting for anti-trust division; if penalties, rather than mere injunctions, were issued; etc; would get farther.

c. 1750, great d coal prdctn, from techn. & transport.

Previously, many owners had taken on long term leases, to mnplize.
-dP hurt them.

1771, new coal gild -- not continuation of old, save in actions. This gild only succeeded in mnpizing London for Newcastle -- north now lost to new mines. Agreement secret -- for mnpsts were fined, fear.

In cartel, mgnl mines kept prdcng, which might have been submgnl with comp. - anyway, they didn't produce their limited quantity at lowest costs, but kept all mines going, quotas.

A ring of coal wholesalers in London, an extension of the mnp. It was limited by law, til 1830 -- coal had to go thru "factors".

(One of the so-called effic. advantages of size is that if you are going to limitproduction, is more efficient to combine all in one ownership first, so needn't bother with quotas. If all ownership interests are merged. Then you use the lowest cost methods available to you, & the richest ores.)

Coal mnpst defended self thus at Pmt inquiry, 1836: "I consider it to be a combination that we are perfectly justified in entering into. It is a combination of the proprietors to keep up the price of their article in the same way as a combination of workment keep of the price of their property, which is their labor." 136, cited from Pmty Rept on the Coal Trade of 1836, p. 12

141 From 1826, "combinations of employers" legal -- I judge against unions. Thus fighting unions was first break in competition?
Common Law, from earliest times, contracts in restraint of trade illegal.

B: Cu

Prdctn strtd ~~just after~~ late 17th (another effect of 1688?) Grew rapidly. Cu discovered in Cornwall. Replaced German & dutch imports, home industry grew. 18th, exported much, biggestEur. exporter, Sweden way behind. Import duty. Cartel, Eng. home price above Eur. After 1790, cartel got strong, to do this.

Cornwall producers agglomerated; Anglesea ones same; then two groups got together. (thus frequently: the mnp not formed by grouping large no. smalls together; smalls group together first, for local agglomeration reasons -- perhaps to fight labor unions inter alia -- thus if govt. fought unions, would make opt. size smaller)

1799, investigation of cu (due to war probly), unearthed dope on mnp. After that, no info, save that 1848, duties ended, cu imported, local production fell to negligible.

I hypothesize: in war, they broke mnp, made them produce. 1799 investigation touched that off. Postwar, mnp restored. Cu ran out, or else cu consumers became more powerful than producers, forced free import.

C: Breakup of coal cartel

It had been muchly a transport mnp. Coal producers had mnpized local "wayleaves", thus kept many mines from competing. R.r.s ended that.

As production increased, demand didn't so much; besides, export duty in 1842, limited that outlet.

Rivalry between canals & waterways severe, forced down freights, big effect. The waterways came first.

Cartel restricted its production, dropped prices, but just gave mkt away. 1844, broke up.

An overall coal cartel was attempted, but failed.

Miners, too, tried one --see T. Rogers, Ind & Com Hist of Eng, 617; also Rept. of 1873 (pmty rept on coal trade presumbly) Suggests how unions may have started mnps)

Part III: The Modern organization of English Industry on a mnpst basis.

Ch. 7: Intro: xition to present

18th, & more in 1st ½ 19th, unparalleled ind. dev. in Eng. (Maybe repeal of corn laws, by increasing industrial l.v., retarded further expansion, gave impetus to mnp? But it would have made more industry ec. in Eng., not less. So it would increase specialization at first, increase production in special industries; but ultimately lead to mnp by d l.v.

Besides, it broke power of rural landowners, who were ones who had kept industry competitive. When industry & labor got pol. power, door open for mnp.

Late 1880s, some small ones. But big movement in Eng. was after 1903. Germans dumped before 1903, knocked out many mgnls. Then, Gm prosperity revived, their competition ceased, Eng. mnpized, many lines.

But mnp in Eng notably followed mnp in Gy & France -- &, he says, U.S., tho I suspect outstanding U.S. mnps at that time may have been

more spectacular than widespread.

(Increased specialization in Eng., after 1846, would also lead to mnp because victims of mnp would more & more be foreigners.)

172: Small cultivation was growing in this era, regarded suspiciously by many economists.

Liefmann, inter alia, said comp in Eng. remained because of individualist Eng character. Levy poo-poos, says they do it when they get a chance. I suspect Leifmann has something -- read him. If not the businessmen, then the others, voting vs. mnp laws.

80s & 90s, "repeated attempts" by the large firms in industries to organize cartels.

176: "Birmingham Alliance", which failed, was attempt by companies, "in conjunction with an organized ass. of workpeople" so mnp bedsteads, & later more. Frn comp. ruined it.

1870-80, were "shipping rings". & Eng. "bus. houses" inaugurated Chile nitrate cartel, early 90s.

Chap 8: The Sphere of competition

179 Minerals frequent source of mnp: Gy potash; Austria kaolin; Chili nitrate; Italy, marble; U.S. petrol, cu, borax; Transvaal diamonds; Gy-U.S.-Bm. zn. These are world mnps.
Are local mnps: Ruhr coal; Mesabi iron.

Mnp in mining a, because concentrated; limited; b, because owners of richer ores turn them into capital, buy out others.

Eng, no mineral mnps. Imported raw, available to all equally. Her only big mineral is coal, & that competitive, widespread. Tin now negligible, after 2,000 yr dominance. (did high wages make tin mining unprofitable, or mines run out?) Malay produces most. Cu, zn, very little. Iron little (whence cometh it now then?) As coal exporter, is being replaced by Gy & U.S., but imports none. (Fall of tin may be ~~not~~ mainly that Malay prdctn has cheapened tin so)

Gm coal concentrated in Rhenish-Westphalia, & Silesia, mnpized. U.S. antracite, e. Pa. Eng. coal all over. Even in the separate districts, no concentration
(Seemingly, if you have two or more distinct districts, you cannot mnpize the separate individuals in them at once; but the districts must concentrate first. So?)

S. Wales coal area has natural advantages over others -- hence room to raise P -- hence has more concentration & cartels. Thus existence of foreign
(Hence U.S., wanting to prevent foreigners from exploiting us mnpistically when we have free trade, should try to keep them on equal terms -- if a supplior can give us lower P, & mnpizes vs us, then we hit him with tariff, force him to come down or finance our govt.

land values means existence of potential mapy, because land has no value until special natural advantages limited.

Eng. Fe not mnp either. U.S., ores of L. Superior belong to "the Steel Trust" (USS?) 1902-7, it had 50-60%; 1909, by agreement with Hill, who held rest (thus r.r. land grants started us off to mnp), got rest. 187, cited from Rept of Am Iron & Steel Ass., Phila, 1906, 77-80; & '08, 87-88.

Minette ore, Gy. (then), mnpzed by finishers of iron. Little goes to mkt, most mines "captive".

(Markets are essence of competition. Whatever makes mkts more expensive encourages integration, raises opt. size. Hence urban mnp., making mkt facilities dearer, discourages competition -- e.g. iron ore, to sell it to others requires mkt. To use it yourself, obviate expense of mkt. The cheaper the mkt facilities, the less incentive to do this.)

About ½ Eng. iron made from ore imported, mainly from Spain. No mnp. Spanish ores also compete in Westphalia with Minette ores.

The more finished the good, the less the chance of mnp, because it comprises higher value in smaller compass, hence freight small % value, & wider sphere of competition. Eng. specialized in finished goods more. Free Trade prevents cartels in these products.

English were happy to have cartels in Gy., reduced competition vs them. 1908, were alarmed when Gm pig iron cartel broke up.

Eng. silk & paper industries kept comp by free trade.
U.S., Paper Trust allowed by protection.194
Eng printing ~~xxxxxx~~ firms have become very large, just a few remain, but they compete, because of foreign competition 194

Often people ignored they would stir up competition, cartelized anyway, cartels quickly gebusted. Birmingham Bedstead Makers Alliance e.g., collapsed 1900, having doubled P since 1891. 194

In many lines of production, late 19th, where Eng used to export, they started to import. (Probly because resources were moving into other trades as ec. situation shifted. Perhaps because mnp, unions, etc., stagnated old industries)

Textiles, simpler stages, very competitive. Cotton s inning; wool spinning, weaving.

Joint action of mfrs & unions, 1904, cotton yarn spinning. Shortened hours of labor, thereby limited production. Macrosty, Trust Movement in British Industry, p. 123, calls it first step to mnp.

1904, a prolonged spell of "organized short time". But enterprise broke thru, rise of price thus caused caused tremendous entry, new plants, production. -- probly too much. This possibility of entry prevented mnpy in cotton spinning. Even moreso in wool, very easy to enter. In wool, can rent not only the land, but room in factories, & looms. Very low cap. reqmnt therefore. Factory hands frequently make themselves independent operators this way.

In finishing branches of textiles, on other hand, is greatest concentration in Eng. ind. Also some "special grade products".

Brentano said concentration came first in simpler stages. Levy says, no law. Is all over world more concentration in steel rolling than pig iron, e.g.

Eng. turned more to highly finished, high quality goods. (Countries with cheaper raw, or labor, better on mass, cheap goods. Eng., with trained labor, good mkt position, capital, better for quality)

Those individual firms whose brands had good reputations "reject all proposals for coalition", 198 Quality finished paper, e.g., so many brands, kinds, qualities, common price regulation very difficult, so is competition. Eng. imports cheap stuff, newsprint.

Woolen yarns: highest quality, many different differentiated brands. No combo. "For as a rule only the producers of articles that come into fairly direct competition with one another are easily moved to set bounds to the force of that competition by means of joint action."

I.e., some standardization nec. for combo -- or helps.

He then modifies above -- some ~~industri~~ branches of wool, have combined, & individual brand monops didn't hinder.

Individual firms smaller in Eng., due to no need for vertical combination. Hence entry easier, because new firm won't affect P much.

Combination elsewhere much hastened by fear of combination -- finished goods mfrs, to avoid exploitation by raw, got their own raw. (cf appropriative doctrine, effect on water speculation)

Eng. steel works often not combined with blast furnaces; U.S. & Gy, always combined.

202: U.S. & Gy, monops in raw make it impossible to start new works in fnshed, hence mnp there too.

Am. "Paper Trust", mnp forests, thus lamed competition. Aided by high duties on wood & pulp.

Soda cartel, Gy, combined with salt cartel, refusing to supply new works with salt.

Am Borax trust tried to create derived mnps in Eng., failed.

Tin-plate production, Eng exports all over world, dominates U.S. & Gy. Small, competitive, units. Gm & U.S. industries mnpized, U.S. with help of USS. Eng. industry has no imports to fear. But very low cap. requirements -- labor intensive. 74 firms, 1906.

Am. tinplate trust formed 1898, 38 works had to be bought up, many marginal, having been rash speculations.

Wales the center. Trained workers abundant.

(Mobility of labor nec. for competition, entry. If existing firms mnpize, they hire less labor. If unemployed then stay put, new firms difficult. If they go where competitiors pay them more, get entry)

U.S., since mnp formed, no. of outsiders production increasing faster than trusts'.

Chap 9: Existing mnp orgs in Eng ind

A. The movement towards concentration.

Cotton spinning, & others, firms grew, but mkt grew faster, got more firms.

High firm size in: shipping, wholesale & retail trade, hotels, newspapers.

(You can, & often do, get concentration of ownership when opt operating unit size not rising. Showing other force at work: differential mr. e.g. can tell nothing about concentration of pigiron by no of blast furnances, for many owned several furnaces; ~~xomexowned x~~ many just one.

Eng. export industri s had to be adjustable; e.g., 1890s, U.S. tariffs vastly reduced Eng. tinplate production. Maybe that's what kept opt size low -- can't pour in fixed cap. unless you're more sure of big mkt.

Early 1900s, horizontal combinations thruout Eng. ind.

(Thus Eng., just as era of increased opt size opened, was just ossifying her small factories by horizontal cartels. U.S. & Gy on other hand were ready for it, with vertical integration.

217: "..the fear of not being able to combine later when all raw material is completely monopolized generally leads to the rapid "ve tical" combination...."

Some vertical integration in Eng, as processors reached overseas for raw: Brown & Co, steel; Lever, soap.

Pigiron: concentration, but foreign comp. prevents mnp.

B: Chief existing Eng cartels & trusts.

Portland Cement Trust: The one Eng mineral protected by high freights. Concentration, 90s. Causes: handlabor replaced by machine, higher cap req; for. prosperity reduced competition; slump of 90s, drove ~~mnyks~~ mgnls down. Not a mnp of raw materials, they too widespread, & outsiders have increased. Cheaper for. products, lower quality, being imported & substituted. Trust succeeded in good years, failed in poor, due to imports mostly.

The Steel Associations:

Ship boiler plates. Prdctn scattered, but each local group combined to make local mnp. Then combined in Eng, shared mkts.

1903, when dumping stopped, got strong. Exists til "today" (1911)
Now they dump. -- w/o protection, for they dump in India, Japan, Norway, Australia, Canada, too far to reimport.
Raw iron, other hand, goes to Gy, Holland, France, Italy, re-import would be easy, dumping impossible.
1907, some works closed, general agreement, closed owners compensated. (but not the disemployed complements)
1907, general -dP, mnp plates P fell much slower. Crude iron not mnp.

Galvanized plates: similar ass. to boiler plates. Prdctn conctred S. Wales, whose tinplate ind. chief consumer.-- of tin plate bars. Gm dumping hinder mnp until 1903, then they formed, later Gm cmptn forced -dP again.

"Crude iron" prdctn still free of cartels.

Industrial Spirits:
Again, impetus end of imports after 1903. 8 large stills had to be joined only.

(When Eng was biggest thing in frgn trd, she could be free trade, for no foreign country could much upset her. Now she is small, frgn influences buffet her so much, changes in demand & supply conditions are so violent, probly that is why she finds free trade bitter now. & it is we who could find it sweet)

The 8 had cartel, quotas to each.
1906 Finance Act, excise (he calls it "duty") on industrial spirit lowered -- but they raised price.
(In general, were excises etc rising in this pd? That could explain mnp growth)

Wall Paper:
31 mfrs, 1901, formed Wall-paper Mfrs Ltd.

Cable Cartel:
Elctrcl generally in Eng comptv, subject to imports. U.S. & Gy more mnp.
Ind. backward in Eng because: insufficient technical education (no lvt to support schools); municipalities given very low prices, by law, early 80s (more for landowners).
Besides, is laborintensive industry, & Eng wages still higher than Gy.
Only in wires & cables is Eng ahead -- high quality products.
Is a monopsony buying cables, "Electrical Contracting Org". & is frgn cmptn, lower quality cables, making inroads, ass. members recently allowed to make them to compete.

Above subject to imports; below not, so much

Salt Trust:

Salt Trust:

1888, Salt Union formed. Most salt in Cheshire. Export industry. Mnp. of transportation involved in mnpizing salt -- he's not clear on how it worked, but big outfits began to have their own boats, locomtives, r.r. lines, trucks, quays, & thru these beat little ones into line. Were many salt deposits, but not so many transport means. (Common carrier principle essential to competition)
dP greatly immediately. (Perhaps govt encourages, to exploit foreigners)

Fine Cotton Spinners & Doublers trust:

Export ind. Like textiles in general. Textile exports increased vastly, early 20th (so that's what Eng. resources went into) Specialized in high quality goods.

In earlier stages of prdctn of textiles, mnp impossible, entry so easy. Finished goods, more specialized, required more skilled workmen, old reputations valuable, mnp more possible. Fine Cttn Spinners an e.g. of such mnp. (Probly these had become ostentation goods, inelastic demand. But very bad to exploit such mnps -- future belongs to those who make cheaper stu f, lower P, no mnp practise, widen mkts. Is no future in narrowing mkts, exploiting snobbery)

Sewing Cotton Trust, & " Syndicate

Export Ind. Mnp thru J & P Coats, large corp. Reputation, they exploited it -- not clear if they dP very much.

Bleaching & Dyeing Trusts

Effected thru mnp of water supply. Anti-pollution laws prevented new industries. (This is nothing vs anti-poll laws, but vs way of using them. Old polluters could continue, new ones couldn't at all@) Limited workmen, too. 22 firms, 90% prdctn -- this was low no. firms, cf with others above. Combine easy. A very successful one.

Calico Printers Trust

1899. 46 firms. Declining industry, most of the firms were quite old. 256 "Expense of acquiring new inventions & discoveries" "or of securing the best designers & prickers" is "excessively great" for a single firm. (I.e. high cap req. because things have cap values.
Export industry. Trust fded 1900. Demand rose.

Locomotive Trust
Weak, as many r.r.s own own works.

Whisky Trust

Brit & Internat Rail Trust

All producing countries, large firm size, few firms. Combination, all countries. Internat. mkt sharing -- this allowed mnp in Eng despite free trade. Gy, France, Bm, U.S. Eng, in Trust. Now Canada, outsider, producing, no agreement yet.

Soda Trust

Mnp of Le Blanc Process. But Gms, with far cheaper ammonia process. New agreement had to be reached. United Alkali Works, Eng mnp. Solvay, dominated Gm cartel.

After internat agreement, prices very steady in internat heavy chemical trade.

Tobacco Trust

Increased use of machines meant concentration in U.S. & Eng. Internat. agreement, mkt sharing, after struggle.

269 Counter monop among tobacco sellers, a planter's ass in W. Ky, Tenn, O. Enforced by "night riders". Now, perhaps, an agreement, & cutting out outsiders.

(This, cutting out newcomers, is an outcome of bilateral mnp which F doesn't consider, I think.)

Chap 10: Questions of Organization

In Eng., ~~where~~ in ind.s with many firms, a mere association has been inadequate for mnp, have had to form a "trust". In Gy, because of greater opportunities for mnp, large no.s of firms can mnp product by merely "associating". In textiles, salt, soda, cement, were many firms, Trust nec.; in ship plates, boiler plates, rails, ind. spirit, & cables, few firms, mnps just by assoc.

Eng. ass.s, firms usually of about equal size & power -- i.e. where a small no. have mkt. Contrast continental cartels, firms of very variant size & vertical integr. In Eng., where large no.s, a few big ones, use Trust.

Eng Trusts remained very decentralized; &, altho they were a financial amalgamation of sorts, in inner workings they were more like a badly organized cartel. This in textiles, where individual firms retained because they had special reputations it was wished to capitalize on.

(Once a mnp is in sight, mnpst can outbid other for land assets, because a mnp gets higher net from given assets than cmptr. Hence mnp grows by such buying. But if assets, land, were taxed, mnp would raise rent, but mnpst wouldn't collect it, govt would. Also, entry much easier, lower cap. requirements)

Most successful mnpies are those coming from amalgamation of a few large firms. When many small ones, usually it costs so much to buy them all in at mnp. spec. prices, doesn't pay off. -- tho mnpy is effected, all same. J & P Coats, Bradford Dyers, Fine Cotton Spinners, financial successes. & Tobacco Trust, & Whisky. A few large firms engineered.

Chap 11: Theoretical Conclusions & Criticisms

In Eng, mnpies have only been formed when no of producers fell to 20-40; other countries, were formed with many more producers.

Free trad countries, fluctuations of prices much smaller than protectionist countries. 287 cites H. Dietzel, Das Produzenteninteresse der Arbeiter und die Handelsfreiheit", Berlin 1903, pp 63-5.; & Levy, "Einfluss der Zollpolitick auf die Vereinigten Staaten", in Conrad's Jahrbucher, 1906, pp 641-5

Eng mnps differ from Gm & American in that they primarily are in high grade mfrs. Freights give no protection; &.

In Am borax, cu, petrol; Gm potash; Chilean nitrate. & raw zinc; inelastic demand, & little competition.

General rule, that demand for raw materials is much less elastic than for finished goods. So Eng mnps can't do much, are not really amounting to much.

Larger no.s make combination tougher. But other factors very important, such as esp. what advantage to be gained from combining; what demand elasticity, what potential outside competition, entry, etc.

German sugar industry, 450 very different firms joined, because protected, wanted to exploit situation. But when duties fell, under Brussels sugar convention, cartel collapsed. Russian sugar, 171 joined. 96, later 100 firms, in coal syndicate of Rhenish Westphalia, 1893 & 1903. etc. Since 1870, "Am. petrol. trust" acquired 215 refineries, so great was possibility of mnp profit, inelastic demand.

Am tob. trust, acquired180 firms, 1890-1904, most after 1899, after M'Kinley tariff, which replaced lower Wilson tariff. (Wilson-Gorman tariff, 1894, which "disappointed advocates of tariff reduction"--dict.) Pittsburg Coal co, bitum. trust, 140 firms joined. Old Newcastle Vend had c. 100 members, 1830s.-- & disbanded into small units when protection withdrawn -- no large opt size here.

Eng. textiles were export industry, no fear of foreign comp., hence mnp in home mkt possible, unlike steel.

296 "Most foreign (non-English) cartels & trusts are either directly based on the monopolization of raw materials or indirectly control the raw materials they require."

USS, 1905, found many mgnl competitors springing up. These had higher costs, because USS mnp best raw mtl. But they lacked USS "overcapitalization" (but that of course no hindrance to producing low. Just means mnp not profitable for projectors, who paid too much to former interests. But then, most former interests probly took payment in stock, thus providing the capital to buy themselves. So no loss.

British consumers sometimes boycotted accused mnpsts.

App. II, Lord Furness's speech, on Combinations of marine engineering firms, under Richardsons, Westgarth. 1908

(Conceivably a mnpy may raise lv in ind, thus make it easier to borrow, thus finance expansion, produce more than before. Dubious, for producing more than before would lower P, lower the l.v. This is a Schumpeter type fallacy)

Stresses several pts that make it sound like labor monopsony is aimed at. Can fight strikers better, & reduce overtime. If labor mkt competitive, they couldn't do it, for as they lowered wages, would lose all. So this implies sticky labor mkt to begin with. Thus labor mnp encourages other mnpy.

Mentions also uniformity; standardized design; ending duplication; reducing transport costs by mkt sharing; pooling brains;

Cites how well Gms have done by pooling firms.

Mkt selection has flaws. But so does academic. I've been thru enough schools to know academic excellence not based on performance ability alone.

Some free mkt MDs are charlatans? Many patients want them --- cheaper than priests & psychoanalysts, wiser than media & palmists. Now docs complain they get hypochondriacs. Old system, quacks get them, smart patients seek out good MD. Nor. expensive for all.

Article on doctor shortage, Sat Eve Post, mid '57, says doctors don't deliberately keep down no. of students. But keep up quality, & this limits no. There are fewer ~~docs~~ MD/cap now than 1900, but better trained. Was big movement, early 20th, to close many med schools, 'diploma mills'.

So selective process of who is replaced with that of schools -- with obvious restrictive bias over

conspiracy among all
large cap. sources. -- as
thru big banks, e.g.

It seems to me virtually impossible to form monop, barring legal & barriers, w/o community of int. of all big cap. groups. For, given a mnp, it has great int. in price maintenance. New comp. has little such, but can lower P. His bgng position: stronger. Hence outsiders would enter continually, to create & exploit nuisance value, & contel impossible.

So one of these conditions requisite: blockaded entry; or

~~Not numbers of firms~~

Large no.s of firms make monop. somewhat more difficult, but this is far from the most crucial factor, which is possibility of large profit from combining, due to inelastic demand. Levy, p. 291 ff., many eg. of 100s brought into cartel quickly when inel. demand, & political sit. allowed blocked entry, etc.

So stress we must depend on much besides large no.s.

Conceivably cartelization might be closable primary to Δ modern. ~~Of~~ If new ec to scale fnd, bt I co nos to Δ prodctn that mch wd -ΔP too mch. to 1st it acquires mgnls, thru them, generalizes.

Dubious, serve as rationalization

Bon Mot: "Rationilazation" is just a rationalization of monop.

Whatever we do, must not give patents a cap. value. May give them free, or may auction, but never give cap. value, as block to many of our firms

Monop wld cm fst in
xpt ndstry, fr a, Mnpzes
hm mkt; b, cd explt frms

Incentive to form cartel:
if foreign production monop,
you know u can bgn w them
if mnp, this excludes fgn
cmp.

Like Eng tbco mnp.

Levy 264-70

When dmd fills, & mgnls
grg to ull, as long as
comp. prevls, lw p, richest
can buy in chp. He may even
by tme tht were going unused
anyrg, just to kp thm from
cmptg after mnp.

After all bought, thn
he SP, & hlds mgnls idle.

If a corp has a monop & holds P under comp., it can ration. Directors can give rationing favors to other corp. in which interested; take bribes to give rations; etc.

Eng. ind. comp thru 19th, because imp. raw, not monop. If ~~monop.~~ industries had gotten protection, no benefit, for they owned no limited resource. & any no. of competing firms could spring up. Hence no rationing of gains by rent. But when good urban or factory land crowded; or other reasons entry restricted; -- unions (with leg. vs new machines, advantage from which offsets normal difficulties of entrant). - or monop. from slow agglomeration

finally crystallizes, due to
-U.K., wave of Gm dumping followed
by none, etc; then becomes
advantageous to ask for
protection.

Once you get protection,
Monop. easier, accumulates,
rapidly in Eng's case -- a
worldwide mkt suddenly
turned into small one,
no anti-monop. institutions, or
leg. devices for making
monop. useful to society,
as in Gy

Oligopoly.

In making predictions with the tools used by theoretical ec-ists, much uncertainty, bgng ranges.
But in fact, solutions are reached. These depend much on institutional items.

Brems mentions desire for security. Where this strong, people tend to form cartels. Where gambling desire strong, & individualism, power drives, etc strong, stay independent. ~~Xmarx~~ Anti-trust laws just small part of inst setting that determines. Rewards for successful gambling vs penalties for failing, important -- which depends on tax structure, how open to entry is rest of econ my, character of people, etc. More apt to cartelize when dropping from previous high position than when expands.

Throw in Neumann & Morgenstern, math description of bgng process. But softly decry such mock precision -- easy, Fellner goes for it. But remember this phrase: "Dislike for uncertainty is only possible motive for forming coalitions in zero-sum two-person games." N&M do not deal with uncertainty.

Fellner has duopoly move to mnpy solution by implicit agreement.

But oligop can't move there easily, for involves interfirm payments, & the idled firms lose production & sales contacts. (But could not this also be compensated for?)

Hence uncertainty + planning for future prevent coalitions.

Small firm, less intramgnt rents to lose, tends to grow more, break rules ... Cournot duopoly e.g. --- while big one wastes self administering & enforcing & practising restriction.

With duopoly, every customer you gain, other loses one; but with 3, you gain 2 as each other loses one; 3, 4, 5, etc .... so workable large no.s are approached very quickly, & difference of triopoly over duopoly much greater, %-wise, than ~~here~~ of 7 over 6, e.g.

Need a more modest thy, as F. says. Cannot predict, from limited data, exact outcome of complex situation. & should consider purposes for which we want solutions, & how thy contribute to them.

Purpose is to evaluate social usefulness of free ent, & cf. its performance with some alternative ... e.g. socialism .... & to suggest ways of making it work better. Much analysis begins assuming entry is blocked, proceeds to analyze behavior of existg ~~ten~~ members. More useful to society is: how can entry be reopened.

Mut. Mut. curve says when you -ΔP, competitors produce more. Takes no acct of opposite tendency ... for them to be driven from production by your lower P. Is a peculiar thy, which postulates the lower the P, the greater supply.

In I.T., e.g., is agreed elasticities rise with time, which is to say, when more repercussions & adjustments are considered ... the mut mut curve is more elastic.

Ass. of uniform firms is one thing lending credence to complete stress on inelasticity. ... ass. leaves no mgnl. firms to push out.

Ch.'s 'mut. mut.' curve considers just one repercussion of your -ΔP .... those of your competitors. Are also mut. mut. of complements. As to competitors, they likely to be discouraged by your low P, & instead of competg with you, try to get away from you, by differentiating their products more from yours. Is well known that producers try to simulate expensive articles, not cheap.

So I think Ch. has it backwards. Deterrent to -ΔP is not competitive cuts to much (tho that is an element) as the immediate losses, because demand curves are inelastic, sht. run.

Few firms will be mgnl. in sense they go ~~into producing this~~ out of business; but many will, in sense they move to other fields, of less cross-elasticity with lowered product.

Anticipated ~~theroy~~ theory question: cf mnp & comp behavior. Besides elementary curves, throw in much.

Chamberlin, p. 148, diagram on shifting selling costs as well as price, to find max maximorum.

Max profits over time.

Mnpy with bad cap mkts may offset.

Fear of arousing comp or pol action.

Mnpy must allocate production among plants somehow ... perhaps 'rationalize' Mkt sharing inefficient. Using existing plants inefficient, at new scale of prodcn

Mnpy can take advantage of external economies to industry. [Land development e.g.]

Can price diterim. (Y-effect limits)

Demand Curves.

Hard to find curves indep. of P on them. Mutatis mutandis curve is that.

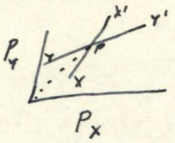
Cd. interpret Robinson curve as being that.

Vetlen curves, too.

Interdependent demand curves are following out Gen. eq. idea, of many repercussions.

Triffin carries this farthest, industries have mut. mut. demand curves, all indeterminate.

Hicks, tho ass. of perf. comp., helps find solution:



XX' is with arbitrary Y prices, find P_X that clears mkt. At P, both mkts cleared.

(If P_Y Δ a little, P_X would have to Δ much, along YY', to keep it up; but it really just Δs along XX', not enough)

Suppose X & Y are 2 mnpy products ..... hardly fit into Hicks pattern, which is for competitors.

Curves ±Δ with time, too .... probly become more elastic, tho some say less.

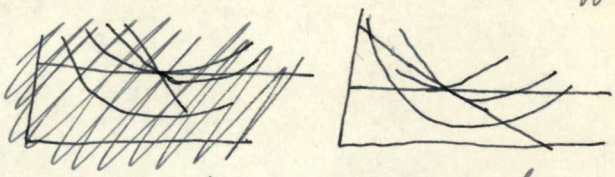
Elast. changes with # Q, is not same as slope.

Who makes the risky investments.
Not very small, they can't
gamble. Not very large also
avoid -- become institutionalized
So need medium sized
investors.

Chamberlin

Method of cases, where one thing may vary while another const., then v.v.
2 costless springs, assume rival's supply const; or assume his P const. -- 2 diff. results.

His mapy solution, varying price, product, S.C.



Reality & usefulness of such approach? Is just one way of saying agents juggle things to max returns. The particular description of the juggling is strained ... is no esp significance to const SC; ~~NOPRA~~ may be some to const P. -non price comp. Even to, has to oversimplify by defining product as that "most advantageous in ~~terms of overall~~ relation to the whole solution".
Useful in showing some of alternatives ~~in the~~ involved in deciding price & outpu

Says uncertainty renders out come indet. & of course we have uncertainty always.
Fellner stresses different opinions of future bsng position as deterrents to ~~mapy~~ union.

Is an exercise in predicty outcome ~~fff~~ in hypothetical conditions, never corresponds to reality; but useful like comp. model, evaluaty results of various conditions, what would happen if they were fulfilled, what does happen as they are approached.

In his atomistic model, he neglects the use of SC for expandy output, as shown above, stresses just how fixed SC ~~(which are a product decision, as a Ad)~~ go with inelast. demand.
Might better have put SC with fixed cost, stressed how they Ad scale. He was stressing just one aspect of SC.
Here is big criticism ... his SC, fixed per unit of product, might go with level or rising demand curve. Only kind def going with falling demand is fixed total sc
Then, by Aing cap req. to break in, makes firms larger, ~~thus~~ possibly narrows mkt by ΔP .... tho doubtful adv. big element in items of inelast. demand that can bear a little cost Δ, as Galbraith says, mkt little reduced. Firm size not Ad in sense of producing more of product? Yes it is, higher fixed costs make that ec.

Chamberlin, 2

Atomistic mnp comp

Oligop & diff. Mnpy solution. (No s.c.)

Differentiated oligop.

Indeterminate, between Mny & mnp. comp. Selling costs, may vary.

'Industry' concept, overdone.

Chain mkt comp.

Uniform firms, very unreal. Relations of large & small firms most interesting aspects. .... big firms restrict, have excess capacity, but small use all. (Uniform firms incompatible with imperfectly elastic supply curves.)

Problem has very complex instit. & empirical determinants, hard to study a priori. --- e.g. mgnl wheat mills.

Product changes, incentive to .... he fails to see this is progress.

His thesis that advertising is appreciable cause of mnpy dubious. --- but vital to his distinction of mnpstc from imp comp.

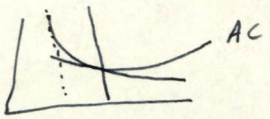
p. 166 Ch. def. draws real conclusions from his hypothetical graphs. ~~Scale smaller.~~

adv. lowers scale of to perf. comp, ΔP; ~~but as of mnp. w/o adv, d. scale~~

Much about price collusion, nothing on selling cost (or product quality) collusion.

In history of product differentiation analysis, spatial differentiation came first, and early, Hotelling .... to Lancaster should be considered.

If products are differentiated, dubious to speak of 'the industry'; (& identical firms)
Instead of 'entry' & 'exit', should speak of less discrete changes in product & advertising,
to get away from low price areas.

One Ch. solution: 

For differentiated competitors, not recognizing interdependence.

Ch. if start from high price, has you get way down to losses before firms eliminated ....up until then, they produce more, as leader lowers P. A strange discontinuity. However he does allow M.M. curve to shift to right as firms exit, to eq. in effect then he does allow my pt. .... so it is less valid vs. him.

Ch. disregards innovations pretty much. ... tho he has product variation.

I say when leader cuts P, he may induce competitors to cut P; but not to expand output. Here is important pt. Leader ...i.e. one who is willing to $-\Delta P$ & stay in field .... is obviously one not likely to leave, be mgnl. Others may meet his price cut; but not likely to pour more resources into a field which is now less hospitable. But rather, the lower P causes them to retract. So ΔQ in industry goes to him who wants it. Thus where one firm affects P, we have more than perfect comp .... in perfect comp, others unaffected by your ΔQ. In reality, they withdraw, leaving field to you. Does this not compensate for lower P --- greater security?

Ch. large no.s & small no.s models. In large, may still be just a few in closest comp. with you. He says in small no.s, you hesitate to cut because rivals will too ..... this is what I think I have disproved. He hints it may apply to small subgroups within large no.s, too. ..... his drift is that way, even more than

Ch. 3

his formalities. In him, explicit collusion unnec. .... that was his big
pt. - & I deny it. I do not deny restriction occurs. But collusion must be
explicit, joining to max profits by mnpy practise. But not by fearing
repercussions. --- for they wd. be favorable, to P cutter.

You might fear deliberate retaliation. --- social pressure, violence, price war, laws.
But this all amts to collusion. Ch.'s central thesis of mnpy pricing w/o collusion
seems unproved.

His other central thesis, for diff. comp., he gets tangency solution, based on
$\frac{1}{2}\lambda$ of c.p. demand curve. But if are many such curves, is no one determinate one, solution is
hazy. ~~*~~ λ varies with time ---- which of inf. curves does he mean? Complications
easiest solved by thinking of maximizing cap. value of firm over time --- at relevant d.r.

He arrives at this  in 2 ways: 1, Starting with too few firms, entry
moving c.p. of each to left.

2. " " many " , exit

" " " right

He doesn't consider demand curves will be more elastic, as more enter. That some cd
sell under 2 brands, more to opt size; that firms not uniform; that can change
product to find more elastic demand (e.g. store on one site, limit to your demand.
But you never reach this limit, before reaching Δ costs limit. But if you do, build more stores
elsewhere --- but then have inel. local demand, too bad. The change of product, i.e., may
keep you from using economies.)

Generally, the very thing that Δ opt size also Δs ~~price~~ comp. --- for it is
Δ size of mkt that Δ opt size.

He has identical firms, & cost conditions, & demand .... yet if produces
differ, both demand & cost differ. Even if were same, costs wd. differ.

He does consider, p. 101, possibility that P cutter considers rivals quantities fixed.
This yields less elast c.p. curve than if ass. their P fixed, for at fixed P, they
produce less. Both ass. rigid, foolish. Ind. assume rival adjusts to new mkt curve
But still he himself assumes they will produce more, at lower P --- & this results from
original price cut.

He also explicitly ignores time lags (But if considered them, very diff. results: less elast. at first, more after --- for adjustment wd be for rivals to leave mkt, not ΔQ.

His diff. oligop. solution is indet., between limits of mnpy P & mnpy comp. price, depending on what they ass. about each other. In any individual case he says can be det., for in indiv. case you know which elements dominate.

Ch.

Free exit from industry helps comp greatly, as shown. Minimal ~~inco~~ transfer rents. This means a, free entry into other industries

✓

b. No special privileges in this ind. ... all firms are mgnl

c. Mobile pop. & cap. xfer inst.

He thinks only way to get comp. solution is to ignore mut. interdependence. But this follows from ass. reaction of others will always be to Δ output at lower P.

Ch

Doesn't consider they might $-\Delta P$ & produce less.

✓

Recognizes large range of doubt between oligopsts who move to mnpy P, by being sure of retaliation (which? dispute, even for oligop); & those who compete, because just one or more cut P anyway

Ch.

(In fact, is very familiar with small numbers to have P cutters enter field with expectation of driving others out --- not nec. to est. mnpy, as is often called sole motive, but just to expand mkt. Job for economists, to find conditions encouraging such good behavior. Low transfer rents essential.

✓

Basic attitude

Summing: He is all on one side, emphasizing all deviations from comp. solution.

Says he has demonstrated excess prod. capacity; but has just ~~shown~~ concluded that firms will be at less than opt size, which is very diff. --- except that to produce at less than long run opt size means to be on envelope cost curve, at less than sht run opt size too.

Ch.

✓

Ch. 4

His model where demand curve is pushed to left is for when no dist. of c.p. & MM curves? No, it is case of atomistic mnpstc comp; solution where they are dist. is same solution, but approached from too high P, not too many firms. Is here no possibility of anyone recognizing his MM curve. --- then it differs from oligop.

He later concedes non-uniformity --- w/o acknowledging this destroys his solution. He has entry ensmalling firms by ensmalling their mkts, so none can reach min. AC, because demand limits growth.

In fact, wd sell under 2 or more brands, avoid.

Besides, Ricardian rent of some factors affects opt size, & rent det. by P. So min. AC pt changes with P. -- When, due to entry, your P falls, your opt size falls too, your AC curve falls --- so you can -ΔP much farther than Ch's tangency, recede to another tangency, farther to left. --- or farther down.

The fixed cost that recedes is advertising --- so you use less, get less differentiation.

(v. Hicks p. 82) In every firm there are freedoms, resources limited to firm, that is why have a min ac, an opt size. This analysis implies there is a limited resource to each firm, its share of mkt. limited to firm, but not to all firms. As others enter, value of this falls. So advertising outlay falls --- & it tends to be a fixed cost, not vble, as in Ch --- you get both lower value of the potentiality to differentiate & advertise, which is a characteristic attribute of being a firm, (in Ch's ass, where you must be a firm to have a brand) (& hence a demand curve) & lower adv. expenditures.

Limit to how far down MC curve min AC pt can go --- no further than min MC. But if adv. & adv. ~~fixed~~ potentials are fixed costs of dubious social merit, the smaller size is closer to social opt., anyway.

Rolph too, stresses possibility of selling under 2 brands --- but calls it multiple product.

Mrs. R. says mnpst exploiting labor. Ch. says no one making mnpy profits, system exploits all. But this just because they are ~~talking~~ talking of different things --- she of mkt imperfections. To him, entrepreneurship is divisible, anyone can become, no excess profits, just mnpy.

In oligop, when you $-\Delta P$, you raise costs of rivals, by taking more factors; & lower their prices. Discouraging them, both existing & potential.

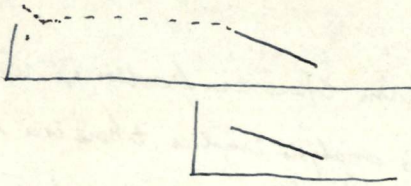
Ch. considers neither.

Ch. has oligop. move to mnpy P. But they lack same cost picture, match differs

---

Relations of firms of diff. sizes .... small ones, fewer intra mgnl rents to lose

Demand curve of given slope is more elastic for small firm.



$$el = \frac{\frac{\Delta Q}{Q}}{\frac{\Delta P}{\Delta P}}$$

Ch. reason just in terms of slope of demand curves -- const. slope. to he is having them become less elastic as entry shifts to left? No, more elastic. Mr curves get closer to demand curves, despite their const. slope, as they shift left.

Nicholls kink, makes for more comp. solution

Sweezy " .. .. oligop. determinacy. But is dubious, with its ass. of matching downward $-\Delta P$.

Robinson approach oversimplified. Triffin also considers indiv. firm, but recognizes indeterminacy & interdependence of demand ... & costs. Most promising .... gets away from Ch's artificial 'industry', const. costs, equal size, etc.

Ch. 5

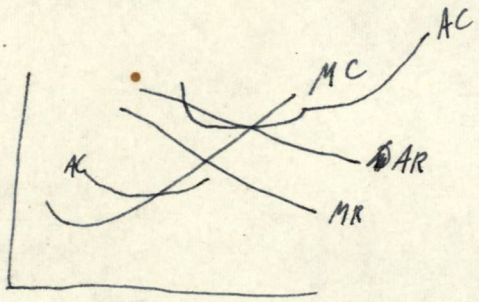
Ch. lets his mnpst vary things -- but doesn't mention simul - ΔP & Δ sc ---

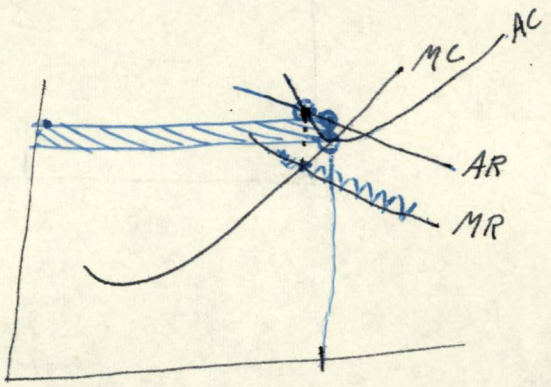
that hurts his thy. But is most common use of advertising.

Schumpeter stresses tremendous force of ec. dev. I make precise: innovators take price data, create complements for cheap things, substitutes for expensive ones.

Ch's complete adj. graph, he has fixed ave sc, & the demand curve corresponding to it ~~right side~~ falls --- but in fact it might rise. & is it same product?

Are no mgnl firms in Ch. -- entry of new doesn't remove others. Unreal.

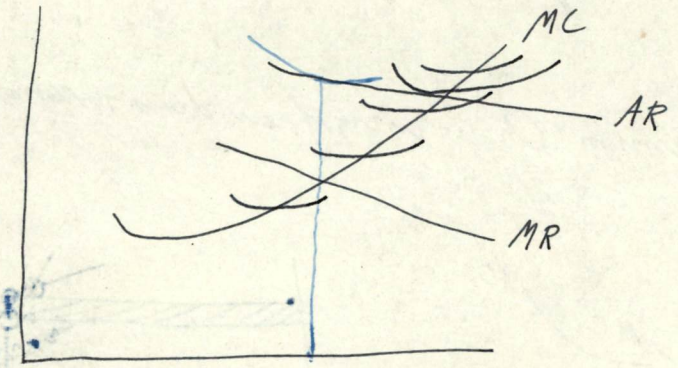


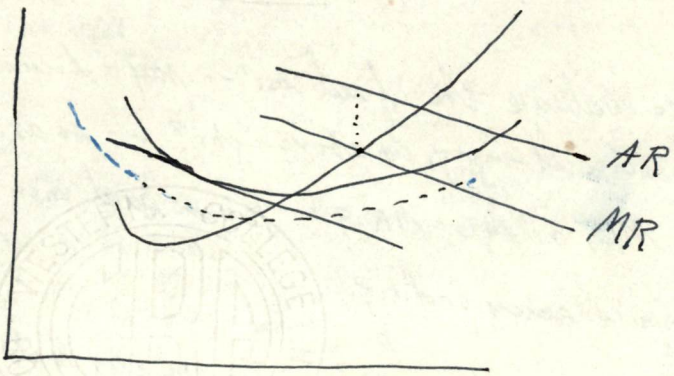


Would you have to evaluate the 'fixed cost' -- say a license -- that allows you to be in industry of restricted entry, as above right? -- so as to impute to it all your excess profits, above MC, at MC = MR? Bain said min AC is where scale is.

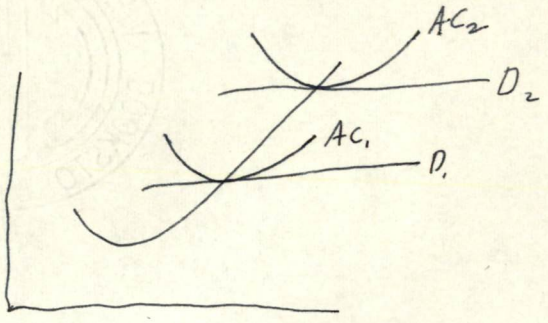
But then, to what impute excess profits?

The more you can vary product, the more you can look for flat or rising demand curves, & economies to scale. Adv. one way of varying product.


MC
AR
MR


AR
MR

Ch. 6



You could have perf. comp. --- but limited entry, due to limited factor, say land.

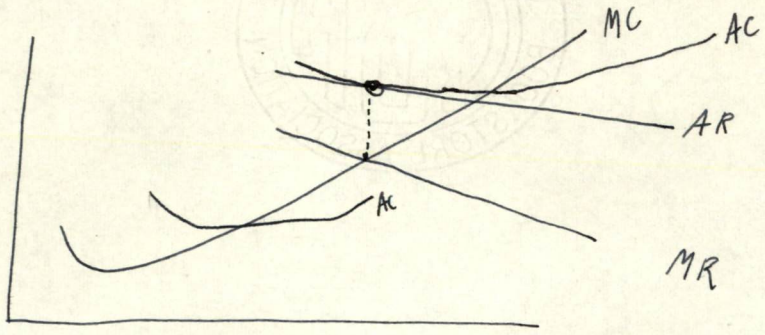
If demand rose, then, instead of entry → -ΔP, AC simply Δ.

If Δ demand is for one firm, & effected thru advertising, rise of demand det.s value placed on adv. factors. ---(or adv. factors may allow some of value to be imputed to good itself, rather than to them, rendering selves dispensable) (you might separate the 2 by treating adv. as a vble cost, adding above AC curve; & effacion value of fixed asset would be excess of AR over AC + ASC

Now, does adv. distort? It causes the adv. fixed factor to be used more intensively --- Δing scale of firm. New demand curve will be downsloping, but this won't reduce production, probly, to less than previous level.

As others enter, if they do --- but why should they, unless you are overvaluing your fixed asset.

Ch. 7



. Does $MR = MC$ imply that AC tangent to AR?

$$\frac{dR}{dQ} = \frac{dC}{dQ}$$

$$\lambda AR = \frac{d\,AR}{dQ} \; ; \quad AR = \frac{R}{Q} \; ; \quad \lambda AR = \frac{d\left(\frac{R}{Q}\right)}{dQ}$$

$$\left(\frac{d\,x^{-1}}{dx} = -x^{-2}\right)$$

$$\lambda AC = \frac{d\,AC}{dQ} = \frac{d\left(\frac{C}{Q}\right)}{dQ}$$

$$\frac{d\left(\frac{R}{Q}\right)}{dQ} = \frac{dR}{dQ}\frac{d\frac{1}{Q}}{dQ} + \; - \; - \; ?$$

Anyway, work it out, get equality.

Ch. 8

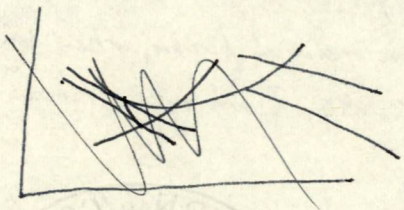
Ch. had firm AC drawn from first w/o putting value on firm's being in mkt where demand was so high. So it doesn't fall with entry, AC. Strictly, I think he should have started with higher AC on that account, that something was keeping firms out, up to our starting pt. But he wasn't, so no need to have it fall.

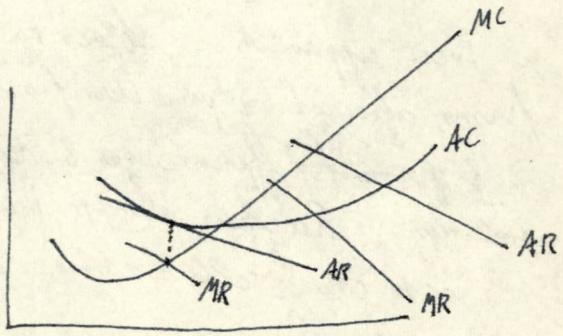
Leaving as major criticisms:

1. Entry makes demand flatter
2. One firm, lowering P, drives others out. -- takes their factors & their customers
3. Firms not uniform. Interesting relations of large & small. Ec. warfare. Selling under 2 brands.
4. Greater elast. as demand curve moves left. But Ch. stresses just ↓ of demand curve.
5. Attempt to equate advertising with legal barriers to entry.
6. ~~His SC~~, In one adj. of quasi-mopy firm, he has SC const ave, so with falling demand. Might cause rising.

As to there being no supply curve for mopy ~~firm~~ industry, wrong: is some output coming at each P --- not simple f(P), but still f(P)

& v. back of p. 3, esp.





7. Downward ↓ demand curve implies fixed SC. Entry means less effectiveness of SC --- hence exit of SC factors, lower fixed cost, lower AC, smaller opt size. & lower valuation for SC factors which remain.

8. Ch. concludes, large no.s, firms too small. But adv. may make them produce ~~at~~ more, by ↓ing fixed costs & ↓ing demand. Casts doubt on min. AC as norm.

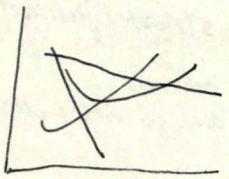
9. Too rigid 'industry' concept. Instead, more realistic to think of less discrete adjustments than entry & exit ---- avoiding high cost & low price, moving to high P, low cost ---- opposite from Ch.

10. Explicit collusion is nec. W/o it, have more than perfect comp, as others withdraw. This pushing others out is nec to comp. --- & overlooked by Stigler-type requirement that individual firm have no effect on price. ---- perhaps in effort to de-emphasize

ugly thought of replacement. But comp. is that .... pushing others out of more desirable fields. .... perhaps with thought that, having est. yourself by charging less or giving more ...(depending on which mkt responds to better) ... you can relax back to old conditions.

Even granting Ch's ass.s, rival wdn't cut P to just what first firm did. It wd have a new, lower demand & mr curve ... but not nec. such as to call for identical -ΔP. But certainly such as to call for less production.

But Ch's example is loaded ... for eg. starts with high excess profits. to no exit. .... tho he does allow some. Error is assuming price cuts will be matched.



But how does he have firms producing to little in prims? They are out of eq. anyway, as one cuts P, he lowers demand curves of others. ... ~~at least if we start from eq.~~ & ∴ lowers their output.

Best approach ... object to industry concept, propose to subst. individual firms, affected by price cuts of others opposite to what Ch. said.

& firms of different sizes & rents, ...& shifting AC curves, so no tangency solution. Rather, always have tangency, for individ. firm, when rents added to AC. --so that tells nothing, is just part of MR=MC, & whatever blocks entry even temporarily, has a rent.

to give this as outlined proposed approach. & note vast different implications on effect of -ΔP.

11. λ of demand curve varies with time. Which does he mean? Makes tangency solution hazy. He explicitly ignores time lags .... thus evading Δ of elast. with time.
10. Should not assume rival keeps P const; or Q const; or meets P cut. But rival adjusts to new MR curve.

Only exception: will start a P war. This should be explicitly considered. But not assumed to color whole economy.

12. Dubious that has demonstrated excess prod. cap.

13. Rolph relevant here. Ch. assumes same degree of mnpy par tout. So all mc curves fall, the same. Get same amt of production, same allocation. Except: have more people being entrepreneurs; & each firm too small. Too many firms. ~~Each~~ Each at under optimum size --- hence misallocation, despite full empl.

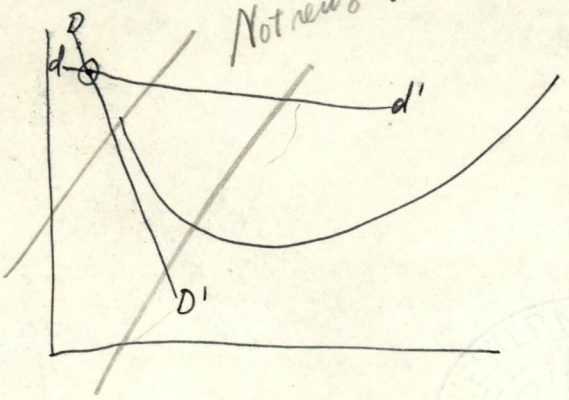
Nature of Mutual Interdependence -- P cutter should assume rival will adjust to new MR.

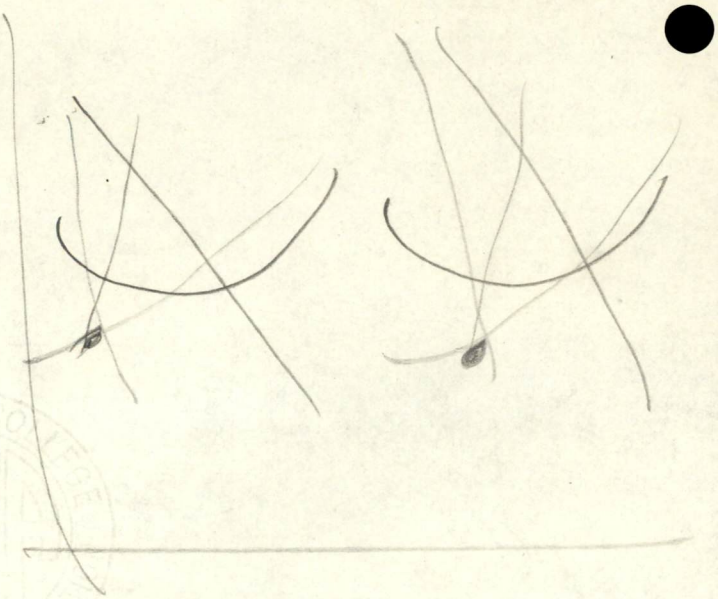
Tangency solution --- aren't they always tangent?

Excess capacity --- won't they lower size, minimizing excess cap.

Wages of mgmt dist. from profit?

Differential mrs & land allocation?





? Don't take mkt structure for granted.

Called 'Partial Oligop' problem. Fourzheimer 40yrs ago. --- other firms take P for granted. invader is strong. Price leadership. to leader has a demand curve.

~~X~~ Differentiation actually helps comp. in one way, at least, by making mkt sharing cartels difficult. --- product must be fairly standardized before can agree on what to restrict -- cf. Levy on Ind Sy, on AE&L&E.

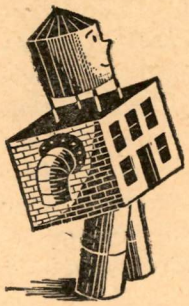
Diff. products also lessen interdependence --- you take customers from more others, than if standardized, have def. competitors.

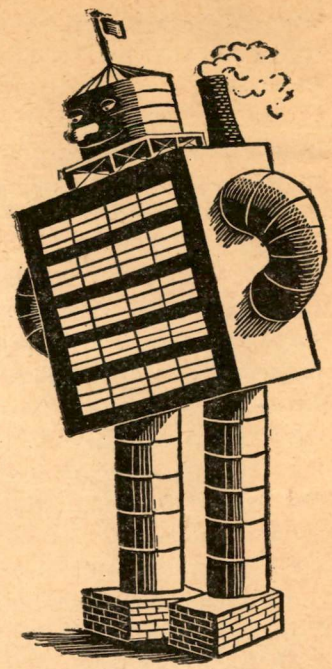
Size of firms is limited by rise of costs, & fall of demand. In perfect competition, only by rise of costs.

One reason for small firms is locally limited mkts, so they cannot expand w/o drastically lowering prices.

But if this were a major reason, we should expect to find the most competitive fields yielding the largest firms. We should expect farms to be the largest ec. units. But they are not. Therefore it must be that technological cost considerations play a more dominant role.

The Care and Feeding of Small Business





Peter F. Drucker

Drawings by Tom Funk

AMERICAN public policy toward "bigness" in business is radically shifting its emphasis. In the past the focus has been on the prevention of "bigness" and "monopoly." From now on it is likely to be increasingly on the encouragement and support of the small, and especially of the young and growing, business. President Truman's message last May, in which he demanded the creation of special banks to supply credit and equity capital to small business, was the first official recognition of this shift. It accepted by implication that bigness is here to stay (as was explained in detail in last month's article "How Big Is Too Big?"). It also acknowledged that the anti-bigness policy on which we have concentrated for the past seventy-five years has outlived itself. And the President's proposals were certainly only the beginning of the attempt to replace the negative and punitive anti-bigness drives of the past with a positive and constructive pro-smallness policy—an attempt which may well come to dominate American economic thinking for the next generation.

The new emphasis does not mean a change in the ultimate aim of public policy; which is to keep the economy in balance. Yet it constitutes such a break with the traditional approach that the reasoning which has led to it should be understood.

Most important is the new knowledge about the industrial life process which we have accumulated these past twenty-five years. We have learned that the real danger to the health of an industrial economy is not "monopoly" or "bigness" but the threat of a drying-up of the supply of small, new companies and of new industries.

We now know that there is a rather rapid turnover among the big companies over fairly short periods of time. Within twenty years about half of the leading hundred or two hundred companies drop out—a good many of them disappear altogether, the rest are overtaken by newcomers. Within forty years the turnover is all but complete—excepting only such companies as railroads or public utilities that are "natural monopolies" by definition.

We have also learned that a great deal that has traditionally been considered evidence of conscious monopolistic behavior is rather the normal life-pattern of a major industry, over which the individual company has little con-

This is the second of two articles analyzing current changes in the relations between big and small business. Mr. Drucker, author of The New Society *and other important books, is a management consultant.*

Rotary because of its popularity, and it is their motto to attack everything that is popular."

In the *Saturday Review of Literature,* Walter Lippmann called him "the most powerful personal influence on this whole generation of educated people."

H. L. Mencken!

"The buzzard of American literature says that 'one bold and intelligent editor could save Mississippi from the blight of Fundamentalism,' " wrote Frederick Sullens in the Jackson, Mississippi, *News.* "It is only wild-eyed, loud-mouthed jackasses like Mencken who seek to destroy mankind's faith in the fundamentals of Christianity."

Co-ed debating teams from Stanford and the University of California argued the question of whether Mencken was fit to associate with nice people. They decided he was.

H. L. Mencken!

"If a buzzard had laid an egg in a dunghill and the sun had hatched a thing like Mencken," cried the Reverend Dr. Charles E. Jones in the *Gospel Call,* "the buzzard would have been justly ashamed of its offspring."

In the *Peninsula Daily Herald* of Monterey, California, appeared the advertisement: "Wanted—Young woman would like position as housekeeper for single gentleman of simple tastes. Subscriber to the *American Mercury* preferred."

And throughout the Republic, in shabby Kansas city-rooms, one-building colleges, and brokers' offices; along San Francisco docks, Main Street drug counters, and Broadway bars; behind Vermont barns, stockyard fences, and Westchester hedges; in twenty-room mansions and one-room shacks; under chandeliers and freight cars—wherever thoughtful men rebelled against the brassy, shoddy atmosphere of a Model-T culture—the name became a challenge and a talisman:

H. L. MENCKEN!

The Tourist

S. P. ANDERSEN

WHERE gapes the chasm
There gape I.
Who sees the sea
Sees me.
What questions lie
In empty caves
Are mine.
I know the pine,
The shrine
The sign
Beside the road.
In ancient inns
Where darts are thrown,
I dine.

I am the Kansas license plate
You cannot pass
On winding mountain roads,
I am he
Whose thermos jug
Explodes.
For me
The Indians dance.

I make six hundred miles a day;
My family cannot falter.
A pilgrim, I must be away,
The distant cliff my altar.
(I watch my tires.
I munch on mints.)

Year-end reports
Consider me
A non-vital statistic.
But think of this:

When men have ceased to be,
Torn-yellow boxes from my films
Will lie preserved
In deep, cool clefts.

LABOR AND LABORING CLASSES

331.833	H8173C3r	Housing Authority of the City of Charlotte, N.C. Report.
331.871	P442	Peters, Edward. Conciliation in action. 1952.
331.1	Sh82	Shott, J.G. Issues in labor-management relations. 1953.
331.2973	T578	Tolles, N.A. Sources of wage information: employer associations. 1952.

ECONOMIC PRODUCTION

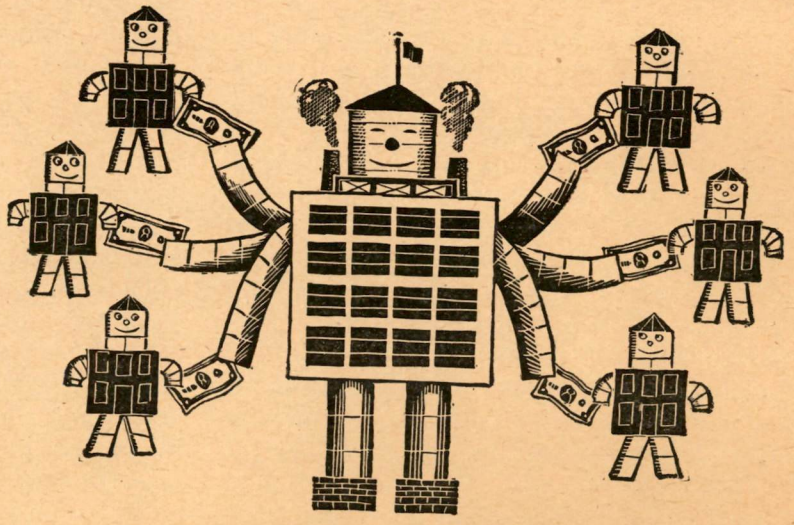
338.5	B561	Blackall, F.S. Price control in the machine tool industry. 1953.
	J826	Journal of industrial economics.
		Organization for European Economic Cooperation. European [illegible] and productivity. c1953.

trol. All new industries start out with a multitude of small companies—television today, the radio-set industry twenty-five years ago, the automobile industry in 1905. After ten or fifteen years, the field has sharply narrowed—two-thirds or so of the starters have fallen by the wayside, and a small group has emerged as the leaders. One of the leaders is usually out front at this stage by a tremendous margin and dominates the industry: U. S. Steel in 1900, Standard Oil in 1910, Ford in the early twenties. Another fifteen years later, the industry is still dominated by a small group, but the earlier leader has lost ground appreciably, if he has not been overtaken as Ford was, and new companies have joined the leading groups. From then on industry-leadership tends to become more and more widely dispersed. Small companies that managed to survive the industry's infancy are growing up. In the oil and steel industries the process has now reached the stage where we must talk of ten or twenty leading companies—against one leader forty or fifty years ago. In the automobile industry Studebaker is clearly moving into the top group. And new small businesses come into being in large numbers as suppliers, fabricators, service companies, etc. There are today, for instance, 12,000 more steel fabricators—predominantly small—than there were at the eve of the first world war when U. S. Steel was at the peak of its power.

But the radically new finding is that in an industrial economy one must take account not only of the competition within a given industry, but of the competition *between industries.* The traditional monopoly doctrine focused attention on the market structure of one commodity: steel, or oil, or glass. In the modern economy, however, the hottest competition is between different commodities. A monopolistic price on copper means larger sales for aluminum. Glass can largely be replaced by plastics, cotton by rayon, even steel by other metals. Each make of automobile competes against durable household goods. Only when you have decided to spend a certain proportion of your income on a car rather than on a refrigerator, a range, a vacuum cleaner, or a television set, does the competition between makes of cars begin. In an industrial economy very few, if any, commodities are so irreplaceable that they *have to be bought.* This means that a genuine monopoly is very much more difficult to establish, let alone to maintain, than we used to be told. It means also that one can no longer assume that the business man is driven by his own self-interest into monopolistic behavior. On the contrary, his self-interest must lie in maintaining, if not expanding, his share of the total consumer purchasing power—an aim which will tend to deter him from restricting production and raising prices, as the traditional theory of monopoly insisted he would do.

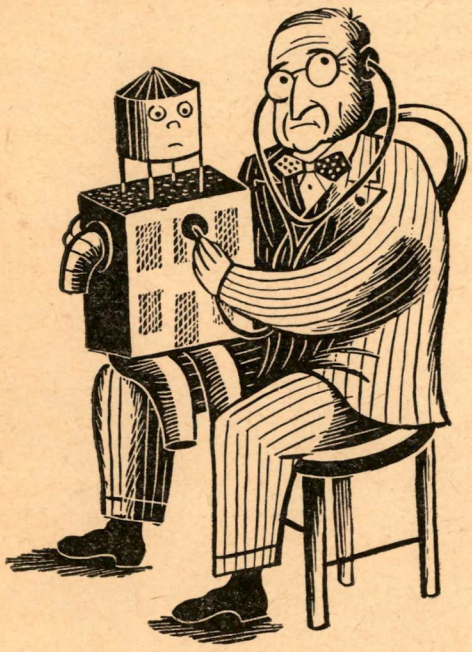
As long as we do two things—make sure that the small business can survive, and make sure that new business and new industries come into being—we need therefore not be too much concerned with "bigness" and "economic concentration." The economy itself brings forth its own antidotes to these economic tumors.

But at the same time we have good reason to believe that without such a positive policy of encouragements and incentives, the survival of the small business as well as the birth of the young business are



". . . they feel keenly the difficulties of being in partnership with giants. . . ."

seriously hampered in a big-business, big-union, big-government economy, such as ours inevitably is. Anti-bigness action is not the answer to these handicaps. One of the greatest of them—as was pointed out last month—is the difficulty of obtaining the capital needed to start even a "small" business in such industries as steel. Even if we split up all the big steel companies into units with a maximum of three million tons annual capacity—that is, into "medium-sized" companies—we will not



"In fact, the President himself pointed out that . . ."

make it one whit easier for the newcomer to raise the seventy million dollars or so that are necessary to be able to produce steel at all under today's technology.

The one thing we can encourage by anti-bigness action is inefficiency, as is shown dramatically in the government's most determined attempt to solve the problems of small business through attacking the big one: the current anti-trust suit against the A & P. This suit has been aptly characterized by one of the best of the new monopoly economists, M. A. Adelman of M.I.T., as "confusing the maintenance of competition and the protection of particular competitors." What the A & P is charged with in effect is efficiency—efficiency so great that smaller grocers cannot compete. But if small business can be maintained only by being protected against efficiency, it is hardly worth preserving, as the anti-trust lawyers themselves within their own four walls are probably willing to admit by now. The major function of small and young business is precisely as the safeguard of efficiency against the tendency of big and successful business to become inefficient, monopolistic, bureaucratic, fat, and sluggish.

What we need, therefore, is not a cure against a disease; we do not even primarily need prevention. We need positive action: encouragement and incentives for the small and the young.

II

TO ENSURE the flexibility and mobility of our economy, we need policies in four areas: *(1) The tax treatment of young and small business. (2) The supply of venture capital to young and small business. (3) Our patent system, which must reward innovation and risk-taking without encouraging bigness or monopoly. (4) The relationship between small business and the big units around it (the big businesses from whom it buys and to whom it sells, the big labor unions, and big government).*

Taxes. Our present tax laws are probably the greatest single force for excessive bigness and monopoly in our economy today. They make no allowance for the economic childhood diseases, the special risks and hazards of the young business, but load the full tax burden on its shoulders. To treat alike the well-established and the young business was justified when the tax burden was small—that is, twenty years or so ago. Today the payments on the first mortgage which the government holds are so staggering as to make it difficult for a young business to survive setbacks which the established business takes in its stride. The traditional financing of growth out of earnings is almost completely blocked for the young business, even though it is by and large the only way in which it can accumulate reserves and capital. Here the formal equality of treatment between established concerns and young concerns represents a crushing discrimination against the newcomer.

More important—and more damaging even than the tax barrier against the perpetua

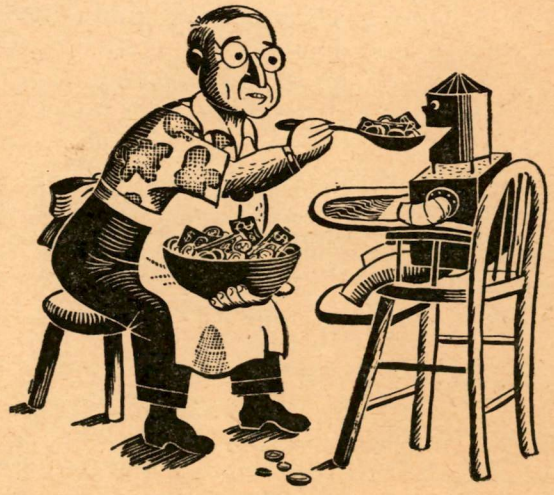
small business, no matter how successful. The owner of a small business has really only two choices when he reaches retirement age: he can liquidate or he can sell to a large corporation. The executive vice president of one of our largest manufacturing companies has told me that almost every day one of his suppliers—prosperous, well-managed firms—offers him his business for purchase on advantageous terms. If the small business man has sons able and willing to take over, a transfer can, in some cases, be arranged without a crushing tax penalty—though the arrangement is difficult, beset with technical traps, and likely to be attacked by the Bureau of Internal Revenue. But in American industry, small-business management and ownership have not usually been handed down in the family. An able young employee who has shown his competence in the management of the business has been given the chance to pay off the former owner out of profits, thus becoming an independent owner himself. This is impossible under our present tax laws. The best tax brains of the country have tried to find some way around this absurd barrier, but there simply is none. Yet to have the ownership of small businesses transferred to able new men who lack inherited wealth is the simplest way to keep the economy healthy.

Venture Capital. New and small businesses face even greater obstacles than an obsolete fiscal system. Venture capital is simply not available to the business that is too small to make a public stock issue. The old local sources of small-business capital have dried up; new ones have not yet been developed.

Of course, the capital problem of the small and the young business is only a part of the much larger problem of the capital supply of our economy altogether. We face an unprecedented capital demand during the next decades. The record birth rate of the past ten years has completely changed our investment picture; where in the late thirties we heard talk of a "mature economy" we now need very large capital investments—in housing, schools, hospitals, public utilities, transportation, and manufacturing—just to maintain our standard of living. In addition, practically all major industries face radical technological changes that threaten to make many of our existing plants and machines obsolete.

In absolute figures the nation's capital supply is probably adequate to meet these needs. But it is not readily available. Because of our tax system, a large part of it is retained in the existing large companies and used for their purposes only. By far the bigger part consists of savings of the middle classes, however. There is a good deal of evidence that the middle-class investor wants to put at least part of his savings into equities: witness, for instance, the tremendous growth of the "open-end" investment trusts and the even more spectacular development of the "mutual trusts" run by some of the banks, both of which offer equity investments to the small saver. But by and large, our capital market is not geared to cater to the middle class. We have mass production and mass distribution, but our capital market is still geared to the "carriage trade." In fact, we have not even yet developed the type of security that answers the investment needs of the small saver.

In addition, the small and the young business faces special difficulties all its own in getting capital. Our security markets—in sharp contrast to those of Britain—cannot handle the issues of small companies; to make a public stock flotation a company has to have a capital of a good many millions. And the middle-class investor, from whom the main supply of capital must come, cannot afford to buy anything but listed securities; in fact, it is doubtful whether he ever should buy anything but the shares of big and well established companies. To the extent to which we



". . . there must be such tax relief."

The Old Strife at Plant's

Joyce Cary

This tale, in which an old woman relates the story of how she made her life, partly by instinct, partly by guile; and an artist composes, in his mind, various versions of a picture out of given intuitions, was originally a chapter from a book of mine called The Horse's Mouth. *It was one of the earliest written, and it was designed, like chapters thirteen and twenty-six of the same book, as an experiment to discover if and how certain movements and relations of the theme could be expressed.*

Two of the characters, Gulley Jimson and Plant, are still in the book. The first is the artist down on his luck, but still working; the other is a friend of his, a cobbler, and something of an evangelical anarchist, who holds occasional uplift meetings in his basement. The scene is this basement at such a meeting; and it is seen through Gulley Jimson's eyes.

The chapter stayed in the book until the first complete draft was assembled. Then it was cut out for three chief reasons: because it brought in a new character, the old woman, when the book had already all the characters it needed; because it had not enough about one leading character, Sara Monday, who was needed; and because the old woman's story was a closed story.

What I mean by a closed story is an anecdote complete in itself. Such an anecdote in any novel is like a knot in a deck-plank, a snag in a brook; it spoils the run of the grain, the current's flow.

So the old woman was put out and Sara brought in. But my wife, when she was typing the new draft, came to me and asked indignantly what had happened to "her" chapter, saying that it was the best in the book. And she took care that it was kept, making me promise to use it, perhaps in a short story with a different artist.

But when at last, about a year ago, having finished a book, I was reminded of my promise (as twice before, when other books were finished), I found it impossible to take Gulley out of the text. He and the old woman were too closely entangled to be dissected apart without killing the tale. So I left them together in their complex battle with the elements, recalcitrant enough, of their several creative fields.—The Author

It was going to be a good meeting, I could see that already. More and more people kept floating in. Like fish in an aquarium full of dirty gray water. There were three dimensions of fish faces on top of each other. Bobbing slowly to and fro, up and down. Old octopus in the corner with a green dome and a blue beak, working all his arms to take off his coat without losing his chair. Old female in black creeping among the lumpy dusk on the sea floor and shooting out her umbrella like a crawfish. Young skate stuck up against the wall with bulgy eyelids and a little white mouth. Never moving. You'd have thought he was a country cousin up for the nauticultural show, flabbergasted by all the flittering dabs, bald-headed herrings with sleek summer suitings, and unctuous eels in skin-tight silks that kept winding themselves past his pearly waistcoat and diving into their nooks and

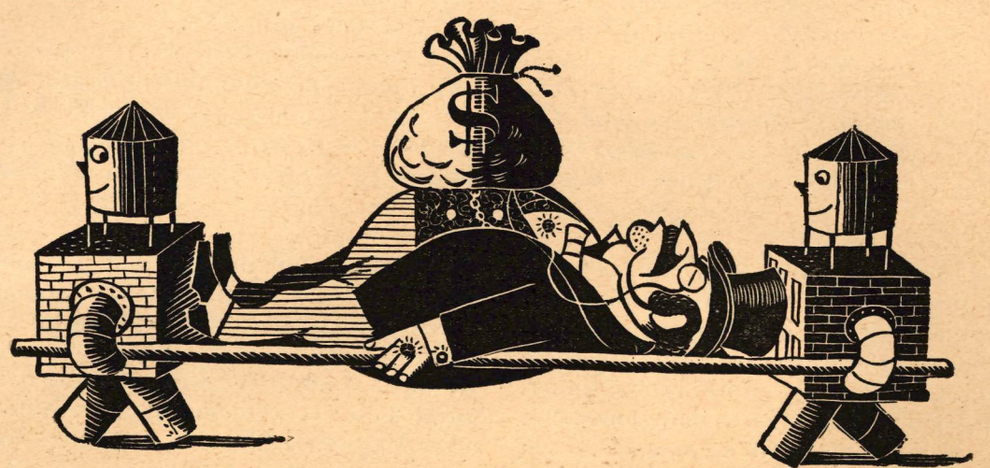
make little sense either to the workers or to the company when applied to a small outfit.

The small fellow is also up against it when he deals with the union. The large unions, especially the industrial unions of the CIO, are organized to deal with the very large companies. The majority of their members may be employed by small companies—this is true for all major unions except the Auto Workers, the Railroad Brotherhoods, and the Telephone Workers—but their power, prestige, and success depend on their dealings with the nation-wide companies. The small fellow is expected to sign the same contract as the large giant with its millions of assets—the recent pension contracts are a good example. He is considered "expendable" and will be sacrificed if this will help the union in its dealings with the large companies. Nobody argues that the small fellow should be allowed to pay sub-standard wages; but union rules for the big shop—on seniority, on transfers within the plant, on promotions etc.—would have to be changed quite a bit to make sense in the small business; otherwise they create real obstacles to its success and to the job-security of its employees.

And there is also a problem of the relationship between the small business and the large businesses from whom it buys and to whom it sells. In fact, the much-publicized problem of the small man's difficulty in *competing* with the big fellow is not something the small businesses themselves are any too aware of, or any too worried about. But they feel keenly the difficulties of being *in partnership with* the giants. Sears Roebuck has developed a policy for its relationship with its small suppliers; General Motors has a dealer-relations policy which is partially run by the dealers themselves; a Midwestern grocery chain has made its bulk-purchasing and merchandising services available to independent grocers on a fee basis. But on the whole, big business still has to work out a code of fair relations with its small partners and neighbors.

A CONSTRUCTIVE policy, a policy of encouraging the small and the young business, cannot be improvised overnight. Today we only know what needs to be done and do not, as a rule, know how to do it.

But at least we are ready to go beyond the purely negative scapegoat-hunting in which our industrial policy has exhausted itself for so long. The pursuit of the balanced society is traditional in this country and fundamental to it. It is deceptively easy to confuse the ideal of a balanced society with a campaign against bigness as such. Such a campaign can be very satisfying emotionally to a lot of people. But satisfactory long-term results will come only from developing a positive policy for the maintenance of balance, however unexciting the job may seem.



". . . replace the negative and punitive anti-bigness drives of the past with a positive and constructive pro-smallness policy."

Present theory of competition is almost exclusively concerned over whether the existing firms have collusion. But comp. means much more than that there be no collusion, no consciousness of sloping demand curves. ~~It means~~

A most common way of restricting competition is to ~~restrict~~ cut out some producers by law; prevent sales below certain figures by law, e.g., thus cut out suburban retailers & ~~who~~ others whose force is low price, not good location

Even French wine is
Fair Traded in Cal. Liquor
Stores. State Board of
Equalization enforces --
$500 fine for any infraction.
Can sell for any amt
over, not 1¢ under.
Says clerk in Ledgers
Liquors, Univ. Ave.

So it must be retailers, not
mfrs. who want 'fair trading'.

Simply by exempting new firms from whatever form of tax is used -- land, prop, income, or any -- for a few years, overcome some of inevitable barriers to entry.

Canada now exempts "any new company seeking to develop the country's natural resources" from corp inc. tax for 1st 3 years. 'of operation'. Merrill Lynch, Canadian Investments, 1952 p. 13

No EPT in Canada --- cf. U.S., which penalizes new co.s.

'Saturation laws', e.g. Mexico, spring from idea of fixed 'need' for so many factories, etc.

U.S. now tending that way. v. Cons Rep. June '52 p. 304 on OPS Distrib Order #1, Feb 9 '51 froze & licensed whole meat industry -- no new entries allowed, too hard to regulate.

An important element in advertising is giving free samples, to create interest. Part of the value of something, e.g., is its appearance. Pictures of things are ∴ free samples in part.
Esp. pictures of things whose main value is appearance: scenery.

Competitors probly object to giving free samples, just as they do to cutting price. If possible to do these things, probly wd be less advtsg by pictures

Laissez-faire vs. Socism.

What is laissez-faire? At least 2 distinct concepts.

1. Chartered co.s; di Giorgio; where ~~co~~ private groups take over fns of large opr size, natch. mnps.

2. Govt. provides channels within which free ent. can work. Venetian, &c. common carrier principles; Irrig. Dist.s. Public xport, & mkts.; coop mktng (maybe)

Carefully distinguish the 2. Apologists of 1 usually try to identify selves with 2 --- tho, sure, many outright believe in 1, & say so.

Left wingers help obscure distinction oft-times, seeing in e.g. protection, an in for soc-ism --- showing true colors, as what they actually want is not equality etc, but power of state over individual.

Hydrostatics illustrates equimarg. But dynamics -- water breaks thru weak point, other water follows.

Like labor, -- many rush after pioneer. If he could block back, they must be pioneers again?

No. What stimulates invention is high price. If some things artificially hi, invention thus directed -- instead of toward things that are naturally hi. But if no artificial restraints, is still incentive to invent.

Schumpeter tells us that by preventing competition we encourage innovation. But mnpy often takes form of discouraging innovation -- e.g. fair trade laws prevent growth of suburbs.

So Sch. is saying by preventing innovation we encourage it.

Similar to his saying if all are free to enter fields, none will.

Ancient Trial by Battle.
Modern Law similar,
but Means.

Ideal God as just, neutral
arbiter. Idea of central
govt -- the alternatives.

P Plat

subsidies from the Federal Treasury in lieu of prices to producers.

We favor a farm program aimed at full parity prices for all farm products in the market place. Our program includes commodity loans on nonperishable products, "on-the-farm" storage, sufficient farm credit and voluntary self-suporting crop insurance. Where Government action on perishable commodities is desirable, we recommend locally controlled marketing agreements and other voluntary methods.

Our program should include commodity loans, on all non-perishable products supported at the level necessary to maintain a balanced production. We do not believe in restrictions on the American farmers' ability to produce.

We favor a bi-partisan Federal agricultural commission with power to review the policies and administration of our farm programs and to make recommendations.

COMPARATIVE TEMPERATURES
For Monday, June 23, 1952

	High	Low		High	Low
San Francisco	62	54	New York	64	60
Oakland	65	58	Chicago	85	61
Sacramento	73	59	Kansas City	97	80
Los Angeles	70	61	New Orleans	95	75
Portland	71	47	Miami	86	77
Seattle	..	40	Washington	68	65

Forecast for Today: PARTLY CLOUDY
(For Details See Page 18)

FOUNDED 1865—VOL. CLXXV, NO. 161

AFL Butchers Union Opens Convention

Meat Cutters Face Fight On Dues Increase Proposal; Ewing Talks on Health Plan

By PETER TRIMBLE

Union policy-makers for the Nation's 235,000 AFL butchers opened their 18th general convention in the Civic Auditorium yesterday and immediately headed into a bitter fight over a proposed raise in per capita tax payments.

Their organization—the Amalga-

Plans for the expected floor fight overshadowed opening day ceremonies consisting mostly of welcoming speeches from civic and labor officials.

The convention — which is expected to take a position on a national health insurance plan later in the week—was plunged into the issue through an address by Oscar R. Ewing, Federal Security Administrator.

Ewing attacked the American Medical Association, which opposes such plans, as an organization "controlled by a small clique of reactionary doctors, motivated by their own greed rather than by the sick people's need."

The AMA, Ewing said, has "carried on a grandiose smear campaign" to defeat measures providing for national health insurance.

"My friends, we will not have socialized medicine in this country." the Government official promised. "President Truman is against it. I am against it. Labor is against it. The Democratic party is against it.

"But we will have national health insurance — an American system whereby the middle and working classes can pay for their medical care through insurance," he said.

Whisky 'Whitewash'

U. S. Attorney Says Justice Dept. Favored the Liquor Industry

WASHINGTON, June 23 (AP)—A Government attorney testified today the Justice Department turned in a "whitewash" when it reported on a 1949 anti-trust investigation of the liquor industry.

Ernest L. Branham told a House Judiciary subcommittee that he refused to approve the memorandum, and that subsequently efforts were made to intimidate him. Branham was working at the time in the anti-trust division of the Justice Department.

The report stated there was a high degree of concentration in the liquor industry, but that there was no evidence of a price-fixing conspiracy. It was based on an investigation made three years ago. There was no prosecution.

Before Branham testified today, Herbert A. Bergson, a former Assistant Attorney General to whom the report was submitted, denied that political contributions smothered the whisky investigation in 1948. He said the subcommittee would be unable to finde a shred of evidence that political donations had anything to do with dropping of the investigation.

Branham's testimony brought an immediate protest from Edward P. Hodges, second in command of the anti-trust division. Hodges interrupted the hearing to charge that much of Branham's testimony was false.

Branham had named Hodges as the man who asked him to sign the whisky report, and who quarreled with him when he refused.

Hodges appealed for a chance to answer Branham. When informed that he was scheduled to testify next Friday, he complained that before he could give his side of the story Branham's testimony would be "all over the country."

Branham also disclosed that he clashed with Bergson over the way he handled complaints against Washington retail liquor dealers in April, 1949. Brannan was trying to get them to abandon co-operative advertising.

In a statement submitted to the subcommittee earlier, Bergson said Branham had not denied charges of threatening liquor representatives with imprisonment. Branham said this was "an unmitigated falsehood."

Bergson called him to his office, the witness related, and told him he would not tolerate his making threats.

In the fall of 1949, Branham went on, he heard stories about the major liquor companies making campaign contributions to both the Democratic and Republican parties.

He said he also heard that "a high official in the Justice Department had told a figure in the liquor industry that he had nothing to fear from an anti-trust investigation."

Bergson was in charge of the anti-trust division of the Justice Department from June, 1948, until September, 1950.

"I can state categorically," Bergson said, "that no one associated with the Democratic National Committee ever talked to me about this matter—nor, indeed, did anyone for the Republican National Committee."

Monopsony reviewed. Precision buying

(It is commonly said that monopsonist will hire less factors, to keep down prices. But, in fact, will he not hire more, to keep them from going to work for competitors? This of course depends on how much of his effort he is devoting to improving his monops. position, & how much he is exploiting it. Generally, one loses such privileges by exploiting them.

e.g. CP r.r. hired Am. land boomers to keep them from booming other lands) Hedges

Yankwich Address

Judge Says Business Caught Between Theories on Monopolies

American business is caught between two opposed pressures, Chief U. S. District Judge Leon R. Yankwich of Los Angeles told an American Bar Association luncheon meeting here yesterday.



JUDGE YANKWICH
"Tell it to Congress"

One, he said, is "our social policy" which favors competition as embodied in the antitrust laws.

The other is the dominant economic thinking of businessmen and their economists who "believe in a controlled market, or in a competition that is so restricted by private arrangements that no one is really hurt much."

SHERMAN ACT DEFENDED

Judge Yankwich told a joint luncheon meeting of the Bar Association's sections on corporation law and antitrust law at the Mark Hopkins Hotel that the two opposed policies are "one of the dichotomies in our American life."

The social policy in favor of antitrust laws means "real competition," he said, while the other force means "soft competition."

The Los Angeles Federal jurist defended the Sherman Anti-Trust Act as a charter for free competition in business. For that reason, he said the courts have prohibited practices which he called "the badges of monopoly."

These "badges of monopoly" he enumerated as: integration of business concerns, price control by business, extension of patent monopoly, and tie-in agreements between suppliers and their outlets.

THE SIZE FACTOR

"Despite assertions to the contrary, the courts have not condemned mere size," he said, "although they have seen in size opportunity for abuse.

"The integrations they have condemned were those which they were convinced resulted in an unreasonable monoply which interfered with freedom of commerce."

Such exemptions to the Sherman Act as have been voted by Congress have resulted in a "soft competition — in which no one is really hurt much," he declared. He added:

"To those who believe that monopolistic business is beneficial to our economy, my advice would be—'Tell it not to the Judges, for they are not concerned with the winds of economic doctrine, but to the Congress, which alone can depart from the philosophy embodied in the antitrust laws, either by repealing them or by enacting into law some mild form of competition that hurts no one.'"

State's Traffic

(Hoey told the Associated Press today at Wilmington, N. C., that he had represented the lumber dealer strictly as a private attorney and while not holding public or Democratic party office. He added, "in my judgment prosecution in this case was not justified.")

Two years after the lumber case Clark became Attorney General and called in Caudle to take his old job as chief of the criminal division, directing all Federal prosecutions except in civil and tax cases.

Late in 1947 Caudle was transferred to the tax division and in November, 1951, he was fired by President Truman personally for taking a mink coat and $5000 in various personal deals.

THE PURGE TRY

President Truman entered today's testimony on the 1946 Kansas City primary election, in which he and the Pendergast machine backed Enos Axtell against Representative Roger Slaughter (Dem-Mo.).

Mr. Truman's man won out, Caudle said, "complaints of ballot box-stuffing just flooded into the department. Tom Clark was very concerned, being that President Truman was so interested in that election."

Caudle related that the Kansas City Star hired 50 investigators who interviewed 8000 voters and obtained 1345 affidavits of vote frauds. So he ordered an FBI investigation.

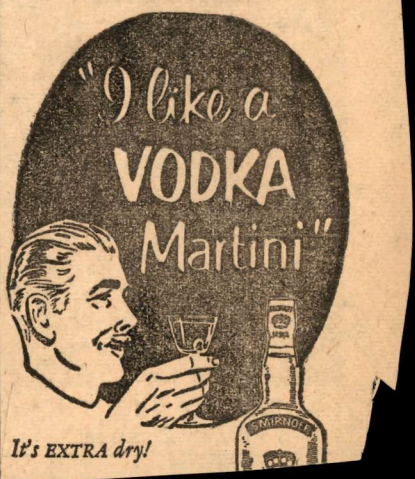
With Clark's approval, Caudle added, he carefully limited the investigation—listing six men in all, reporters and election officials whom the FBI could interview.

The FBI interviewed the six listed men and asked for further instructions, Caudle continued, but he ordered the case closed—again with Clark's approval.

"Sure wish now I had ordered a full-scale bang-up investigation," Caudle said. Under questioning he repeatedly denied closing the case on orders or suggestions from Clark or the White House.

However, a Kansas City Grand Jury acting under State law indicted 71 persons on 81 counts of vote frauds and the U. S. Senate

SWIFT
join hands to
"hat you" perfectly
$10 to $20
CHARGE ACCOUNTS INVITED



It's EXTRA dry!

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With l/vt, no monop based on land could exist. For by raising price, monop taxes on land it holds idle, lose any advantage.

E.g. Newcastle coal monop.

'Over-production' of one thing probly occurs mostly when someone tries to monpze it, holds much off mkt, the high price stimulates competition, & then as mgnl comp. comes in, monpst dumps on mkt. Excess subdivision, classic e.g.

A federal law, enforced in courts:

Any law, practice, contract is illegal if it encourages larger enterprises non-economically, or reduces production; or monopolizes.

No city to raise revenue by any tax but LVT. Not to restrict entry in any way. Etc.

Vertical integration helps monop. by Δing cap. req.; lowering flexibility & possible no. of combinations --- certain raw definitely will go to certain plants now.

The 'high capital requirement' for entering certain industries is the cap. reqd. to get govt to allow it, by campaign contrib., bribes, etc.

Cf. Levy, p. 39. Pin makers required cap. to get monop from James I Stuarts. 1605

BIG GOVERNMENT VERSUS BIG BUSINESS

Antitrust Suit Seeks to End du Pont 'Domination'

CHICAGO, Nov. 18 (U.P.)—The Government opened the biggest antitrust suit in court annals today with a charge that the du Pont industrial empire has exercised the greatest "sweep of monopoly" in history.

Never before, the Government's chief prosecutor declared, have "so few had such dominant control over so many."

The civil suit, first filed in 1949, brought to court a staggering array of attorneys, evidence and witness lists for a trial that promised to last eight months or more.

Chief Prosecutor Willis Hotchkiss opened the Government's case before Federal Judge Walter J. Labuy with a promise to reveal "the inner operations of one of the most powerful private corporations, not only in this country but in the world."

Labuy is hearing the case without jury.

The Government charges that the du Pont family and its E. I. du Pont de Nemours and Co. has fostered a gigantic monopolistic conspiracy through stock control of giant General Motors Corp. and U. S. Rubber Co.

Principal defendants are two of the three fabulous du Pont brothers, who Hotchkiss said "over the last half century have constituted a partnership unparalleled in the history of business and finance."

The three are Pierre, Irenee and the late Lammot du Pont, who died before the case came to trial. Both Pierre and Irenee, as well as other prominent members of the family, were in court today.

"The sweep of monopoly exercised by this combination is marked as the greatest in the history of jurisprudence," Hotchkiss said, "and involves the greatest aggregation of industrial power ever subject to a common control."

He asked that the du Ponts be required not only to dispose of their stock in General Motors and U. S. Rubber but that they be enjoined from re-acquiring it in the future.

Hotchkiss took note of the fact that du Pont built the Hanford, Wash., atomic plant for the Government for a fee of $1 and is building the Savannah River hydrogen bomb installation for the same fee.

But he warned the defense that if it tries to make legal capital of such evidence he will inquire "to determine whether any new monopolies are being created in this country under the $1 fee system."

He said participation in defense work does not exempt a company from prosecution under the laws of the country, and that he would inquire "who produced the material that went into the plants and who made the profits."

Hotchkiss said that in 1950 the total assets of the three defendant companies were more than $5,000,000,000, with net sales of twice that amount and net profits after taxes of more than $1,000,000,000.

He said du Pont owns outright 23 per cent of General Motors stock, which he said was enough to give it "complete control" because the remainder is scattered in "relatively small amounts."

Hotchkiss said du Pont owns 18 per cent of U. S. Rubber stock, enough to give it "absolute control."

He said the senior members of the du Pont family used private holding companies—also named as defendants—to perpetuate control from one generation to another.

Hotchkiss denied, however, that the Government seeks to "break up" the du Pont company itself.

The aim, he said, is to force the du Ponts to dispose of the stock in the other companies which is now held in the holding companies .

Hotchkiss said they can sell it or give it away so long as "the pattern of passing through their hands cannot be used to re-assert control."

While the aging du Pont brothers fiddled with their hearing aids, Hotchkiss waded through a lengthy history of the formation of the du Pont company and touched on the philosophy of economic concepts.

He said it was important for the country to follow an "economic philosophy that does not condone cartels and monopolies."

Only America had the "genius" to create the Sherman Antitrust Act, he said, adding that the statute is the American substitute for political revolutions in the old world."

He said the "inevitable by-product" of monopoly was the creation of a caste system, a circumstance which he said European countries discovered too late.

Hotchkiss said that conceivably du Pont could have used the same alleged conspiracy means to gain control of U. S. Steel Corporation, thus giving it complete domination of the U. S. industrial potential.

"This is monopoly run amok; arrogant and ruthless, subtle and persuasive," the prosecutor said.

Low inv. opp., cap. goes into existing ind., which reinforces mnp. process, for that is just what mnpst does.

(Brand mnpies not a public, but pvt problem -- victims are self- duped) (& if brands really more desirable, socialism won't produce any)



IT'
T

By D

O'LOHA: Two visiting I
in the Stewart Hotel High
when pianist Scotty McDe
music, and they asked Man
name of the song. "It's 'Lo
"Hm-m," said the first lawy
any Hoolihans in Hawaii wo

CONFIDENTIALLY: T
line ticket offices and pas
one central downtown loca
compli. Most likely selectio
Olympic Hotel on Eddy str
life story is currently run
fessed here last week that
married if she could find "t

Shoe Firms Charged on Price Policy

WASHINGTON, Sept. 21 (AP)—Price discriminations based on volume of purchases by their customers were charged to four big manufacturers of rubber heels, soles and other shoe repair products today by the Federal Trade Commission.

The concerns and the dates set for hearings on the separate complaints:

American Biltrite Rubber Co., Inc., Chelsea, Mass., December 1 in Boston.

The B. F. Goodrich Co., Inc., of New York, November 18 in Akron, Ohio.

Goodyear Tire and Rubber Company, Inc., Akron, November 20 in Akron.

O'Sullivan Rubber Corp., Winchester, Va., November 25 in Winchester.

The complaint says the discounts are cumulative, based on the total amount of goods purchased by a customer within a year. It adds the effect is substantially lower prices than are charged less favored customers, tending to promote monopoly.

Equalization Board Gets Tough

State Cracks Down On Liquor Rebates

From The Chronicle Sacramento Bureau

SACRAMENTO, Feb. 19—Chairman William G. Bonelli of the State Board of Equalization announced today that the board will suspend the licenses of several score wholesalers and retailers for granting secret rebates to get around minimum price restrictions.

Bonelli said that all wholesalers found guilty of violations will have their licenses suspended for 30 days. Retailers face 15-day suspensions.

The announcement came after Bonelli, Los Angeles member on the board, learned that mild punishment had been recommended for more than 50 Southern California wholesalers and retailers for price-cutting.

He turned down State Liquor Administrator Edward J. Clark's recommendation for penalties ranging from 15-day suspensions to mere reprimands and said the board would exact heavier penalties. It will conduct hearings on all the cases in Oakland on March 12.

The liquor industry in the State is "destroying itself," Bonelli charged, "by cheating, chiseling and fighting each other."

Then he turned to the liquor, beer and wine industry representatives attending today's meeting of the Board of Equalization and declared, "I'm tired of you."

"You double-cross us when we try to get something to work with from the Legislature," Bonelli continued.

"You insist that our personnel be paid less than it should be. You don't help get our enforcement officers a badge or police officer's status with which to function.

"Then you tell us when we have a list of violators before us: 'Give them a good slap on the wrist and scare hell out of them and they'll all reform': Well, I'm not going to do that anymore."

Bonelli's accusations came after Paul R. Leake of Woodland, newest member of the board, began putting his announced "get tough" policy toward offending liquor licensees into effect.

At Leake's request the board overrode Liquor Administrator Clark's recommendation for "indefinte suspension" and instead permanently revoked the license of Ralph A. and Philip Spinelli, owners of the 615 Club at 615 First street in Benicia.

AFTER HOURS

The bar was charged with 25 violations of liquor laws, including after hour sales.

John Bohn, attorney for the Spinelli brothers, admitted the offenses but asked the board to order only a suspension so the owners could sell their bar and license. He said they could "recover" $40,000 through such a deal but could get nothing if the license were revoked.

"That would be making a sucker out of the board," Leake charged. "If I could throw a library instead of a book at the place I would do it. I've studied the case thoroughly and I recommend no leniency."

PREVIOUS INSTANCES

So the board voted to revoke the license, whereas in the past indefinite suspensions generally have been voted to permit bar owners to dispose of their property—in many cases selling liquor licenses for many times the original cost.

This "trafficking" in liquor licenses is something Leake began an attack on when he first took office two months ago.

Liquor Board To Give Up On Safeway

Special to The Chronicle

SACRAMENTO, Feb. 19 — The State Board of Equalization appeared ready today to drop its years-old attempt to revoke the wholesale beer and wine licenses held by Safeway Stores, Inc. and five other grocery retail outfits.

The board's legal advisers have contended that Safeway and the other chains should not be permitted to hold wholesale licenses because they sell only to themselves and not to competitors.

In 1950, the board ordered the licenses revoked but subsequently granted reconsideration. The matter has meanwhile been studied by the Legislature and a bill is now pending that would authorize continuance of such licenses.

Attorneys for the stores argued at a hearing today that great "economic hardship" would result if the chains lost their wholesale licenses and had to abandon their huge beer and wine warehouses.

Attorney Willard Johnston, of San Francisco, speaking for Safeway, described the move to revoke the licenses as "an effort on the part of the beer distributors of the State, who now control 80 per cent of the distribution of beer to gain an absolute controlled cartel—a monopoly on that distribution."

Board Member George Reilly of San Francisco said he felt the long-standing complaint against the stores – first heard when he became a board member 14 years ago—should be dismissed and the chains should be permitted to expand their beer and wine operations if they desire to do so.

Senate to Study 4 Coast Gas Case

WASHINGTON, Feb. 19 (AP)—The Senate Small Business Committee today decided to look into complaints it has received from independent gasoline station operators on the West Coast.

The West Coast independents have advised the committee they have been forced to sell or lease their stations in several cases because of monopolistic practices of major oil companies.

The companies have denied that they are engaging in such practices; they contend the situation is caused by a shortage of petroleum products in the area.

U. S. Trying To Force Cut In Beef Price

"A community pricing" program designed to lower retail beef prices 8 to 20 cents a pound, is being formulated here, John H. Tolan Jr., regional director of the Office of Price Stabilization, disclosed yesterday.

Explaining that live cattle prices have dropped from 25 to 33 per cent since April, 1951, Tolan said the proposed program is an effort to pass these savings on to consumers.

He said most retailers have kept retail beef at or near OPS maximums despite opportunities to make sizable price cuts without losing their "fair profit."

Tolan pointed out that wholesale carcass prices—the cost to retailers—had followed the downward trend of live cattle prices, dropping from $58 to $60 per 100 pounds in April, 1951, to $46 to $52 per 100 pounds today

He estimated the Army recently gained an average saving of 16 cents a pound by adjusting purchases to reduced carcass prices.

Tolan said conferences now are being held with retail meat dealers to discuss the proposed extension of the "community pricing" system to beef. The program—which permits local OPS offices to adjust ceilings on a cost plus fair profit basis—already covers some 300 to 400 dry grocery items.

Industry ass. comes after labor threat

p. 88 of 1st ed. '55 Farmers is financed by big corps (packers, probly) with St HQ, & purpose to fight unions. Interest's thing to me is how org. of industry is stimulated to prevent org of labor. & then it can restrict.

5115

Schumpeter, "Capitalism, Socialism, & Democracy" 2d ed, NY, Harper, 1942

Part II Can Capitalism Survive

Will show it will not break down of own accord.

From Day-Persons index of total production (from Persons, Forecasting Bsuiness Cycles), ave. annual rate of growth ~~3.7~~ 3.7% (in mfr, 4.3%) Index very faulty -- hard to adjust for changes in quality, style, new products. (& reduced land availability). But best we have.

He deducts 1.7% from rate of growth, because that much not available for cons., being saved, cap. formation. Thinks this an excess allowance. (& I object to deduction -- what people do with assets is their own business. We do not want just consumer goods with our incomes) Gets 2% growth of cons. goods.

Not only has real income increased, but so has liesure. (this may just indicate people enjoy their work less? dubious)

Modern mass production increases material welfare of poorer more; for it is mass products for them, not handmade luxury goods, whose production most increased.

3 ind. revolutions, culminating in 1800; 1857; 1911. Coming to peak climax, i.e. (dubious dates. I'll take 1873 & 1928)

Thinks unempl. inevitable; but not poverty. Temporary unemployment in lulls from waves of innovations -- then can support unemployed. (not so hot)

Utilitarian ethics -- cap. works best.

Cap. selects people on performance -- other systems poor this way

Stresses process of change-"gale of creative destruction" -- most analyses: classical; neo-classic -- Marshall-Wicksell; monop. comp.;-- are studies of opt. allocation of existing resources, with existing techniques. & don't evaluate other aspects of system, esp. how it encourages techn. change. (or selects personnel)

S. tolerant of monop. Is transitory. Like patent, necessary to secure the investment, which is to last for years. Taxes Ch. etc. with overestimating importance of transient monop. Mentions that if monopolist behaves like a monopolist, he stirs up competition. Everyone has potential competition. Fears technological change.
(one might say that, such is adaptability of economy over time to price data, that every producer almost is faced with elastic demand. Low prices discourage competitors, stir up complementary innovations, & v.v.) In short run, almost everyone produces for a special market, has his own customers. But the ownership of the mkt is precarious.

Chides Ch. etc for having firms get smaller -- obviously unreal.

Competition has never been better in past. Past achievements of capitalism made in era as bad as present. Fastest progress made by biggest firms, seemingly most monopolistic.

Capism must be analyzed as dynamic, evolutionary process.

(like water rights: by not utilizing water best possible at any given pt. of time, stimulate ways of bringing new water)

Businessmann feels in competitive situation, even if he isn't, because of fear of potential competition.

Monopoly profits may be best way of financing expansion. (because of imperfect cap. mkts., as I noted before)

Some industries would never exist if they weren't monopolies. (i.e. made possible b collecting intramarginal rents)

In 20s, ½ corps in U.S. made less profit than would have called them forth if foreseen. (how does he know?) The large gains made by a few call forth tremendous efforts from others, who donate much to society. (prospectors; movie actresses).

Monop. profits in prosperity maybe nec. to avoid failure in depression (like banks?) Monop. in depression may prevent failure, disorganization, thus be justified. (bs -- it causes failures of others)

Rayon: at every pt. of time, restrictive policy; but over time, great increase in production.

Cars: the big 3 have to act competitively, to avoid calling in competition.

Mason, RES, 1938, showed price rigidity hasn't increased over last 40 years.

& is much spurious rigidity. Quality changes, service, extra features, etc., ; masked dP. All products are improved as they age -- but this doesn't show in stat usually -- pigs is pigs.
Price rigidity is primary cyclical, not long run. Many prices change in response to technological advance, but not to external influences. If prices are rigid cyclically, it is in those cases where demand inelastic, short run -- so -dP wouldn't increase production much anyway.
So he doesn't think P rigidity explains depressions. Helps more than hinders, by preventing "devastation". bs

Every big firm has research dept., supposed to introduce innovations. Puts lots of m into it. So is it conspiring to prevent change? Sometimes they will ice a patent, to avoid lowering their existing assets. But says this may be economical -- to justify the old investments, or something. If progress made things obsolete before they paid off, might be no progress? -- a silly argument, putting it that way, but that's about it. The faster progress gets, the slower it becomes.

Monopolist is not "sin le seller", for every good Humor man is that in small area. But rather one whose mkt not open to intrusion. And that is only those with legislative protection.

100
Note contradiction of those who say falling b.r. a problem, & old age also problem. For old age means work force larger; or it means unproductive consumers larger, which is what b.r. supposed to give us that they think good.

Sch. freely assumes that big business is more efficient and is monopolistic. He identifies the 3 things, almost.

In one spot he uses argument that capitalist production is no more rigid now than before. But in others stresses that big enterprises with rigid bureaucracies are now dominant, that capitalism IS very different from the Golden Age.

Monopoly, far from "stabilizing" & making things sure, as Sch. says, makes them unsure -- for who will invest in things complementary to an exploiting monopoly, which may do him in at any time. Like most monopoly apologists, he ignores the insecurity imposed on others by the monopoly.

English distaste for monop. dates from 17th, when Tudors granted "non-functional" monops. Great wave of revolt. (which is what Levy discusses) Since then, "monop." freely applied to things different from functionless royal grants. But some of S's examples of things different seem to me to have important elements in common. E.g. corn laws were called "monopoly"; and A. Smith called rent of land a monopoly return. As I've shown, urban rent implies urban monop. As to corn laws, essence of monop. is not, as S implies, single seller; but ability to reduce quantity. Which corn law did, increasing producer surplus at expense of consumer surplus.

There are undoubtedly many advantages to large scale. S identifies these with monop. -- a familiar defense mechanism, "identification". He is a storehouse of conservative stereotypes. "Better brains" should have more sweep; "intellectuals" get too much education, hence are revolutionary. etc.

Basic points from which he takes off are very briefly proved. Monopolization increases sphere of influence of "better brains"; monop. borrows cheaper. (latter not an ec. advantage at all, to society, but he assumes this is lower cost in social sense) These about only reasons he gives for assumption basic to all reasoning, that monop. org. of ind. allows use of techniques of production not available to horde of competitors.
He does say cartels no good; none of advantages of either scale or competition.

Most monop.s simply monopolize something which they create, & which they would not create if they couldn't monopolize it. he says. Good point.

But he overdoes it. ALCOA didn't create bauxite.

1890-'29, Aluminum price fell to 8%, real terms, Output rose from 30 metric tons to 100,000. Atributes to monop: cost reducing research which competitors couldn't have financed; teaching public new uses of product (competitors would have done that); "avoiding wasteful breakdowns" -- i.e. he shares NRA theory of how to minimize depressions.

Research may be a strong point. Not justifying monop., but reconciling us to the irreducible minimum that will persist under best conditions. Everyone constantly trying to improve product, constantly invading markets of others therefore, & having his invaded -- that is competition as it exists, ~~not~~ in world of differentiated products. Temporary monop. ains thus increase competition.

Where industries cannot finance own research depts., can still have research -- corps specializing in it, e.g.

Textile industry, I imagine, were so many existing looms & spindles on basis of old technology, which had been pretty well developed in past, that was little scope for new research. The very existence of the existing capital whose value research is supposed to endanger discourages the research -- for the capital will not go idle, but be used for lower returns.

Or where it would be hard to get financial returns for some types of research, govt. can do it, as in agric.

Monopolist has opportunity for long range planning, nec. (bs. & what does he do to planning of others? & what does long range planning do to flexibility?)

Cites Kahn on ideal output, that competitive allocation not so hot. (but he didn't really show that, but just that all produced more than they were paid. My recent monetary analysis shows they also get paid even less than mp; & taxes are beyond that. So choice between M producing & other activities very distorted)

Cites cobweb theorem idea that competitors don't adjust to price changes, approves. b.s.

"Perfectly free entry into a new field may make it impossible to enter it at all." b.s. This sentence indicates his logical reductio ad absurdum, expressed by himself. Did it stop r.r.s? It caused too many.

"..Am. Ag., Eng. coal mining, the Eng. textile industry are costing consumers much more and are affecting total output much more injuriously than they would if controlled, each of them, by a dozen good brains." bs bs Germanism.

Vanishing inv. opp. -- this part Fellner interested in probly.

Past achievements of capitalism not due to any of 5 alleged favorable factors: govt. intervention; gold; d Pop; d land; technology. All duplicable -- he's weak on the new land.

Examines alleged causes of -dInv. opp.: saturation of wants; ended pop growth; of new land; of techn. possibilities; that present inv. opp. are public.

But doesn't examine any from viewpoint of oversaving.

(Assumes that employment is increased by lower wages 114 good.)

Scoffs off (rightly) underconsumptionist ideas on falling b.r. But stresses it from other viewpoint: breakdown of cap. family, & inheritance motivation, & capital maintenance. bs

p. 140-2

He stresses that corporate ownership means no one has complete owner-operatorship. Stockholders are absentee owners. (True. Thus existence of land values helps tear down capitalism. For were corps just capital owners, would be much less absentee ownership, as costs of being an absentee owner -- not quite same as costs of cap. mkts -- would discourage it more than any advantage encouraged it. This argument is on same line with my argument that federal lvt. nec. to prevent absentee ownership in cities, make local govt. work. A corporation is sort of a local govt., & if all property in it is absentee owned, those on the spot lose interest in best management.

This is also an argument, tho S doesn't realize it, that large units are not nec. more efficient.

Work on this idea that absentee landownership thru corp is main thing making them too big; to have lvt would thus improve competition.

Says separation takes life out of prop, destroys pol. support of cap-sm.

Taxes with lack of imagination those who think techn. advance has run out.

Refutes idea inventions are becoming more capital saving. (why should they, when cap. is more abundant, cheaper?)

Bookkeeping, esp. double entry, represents ec. mind, reducing things to numbers representing ec. values, figuring in terms of M, profit & loss.

Rational bookkeeping not used by govt.s until 18th, then in imperfect form of Kameralism.

Math. developed in bookkeeping first, tool of science. The science developed outside "scholastic" -- system of medieval schoolmen, Aristotelians -- thought, under its contempt. Its thinkers came from commercial class, were supported by it. "Humanism". Rugged individualism of Galileo. Men like da Vinci, Cellini, Alberti, at once artist, engineer & entrepreneur (& scientist?) "Rational individualism" spirit generated by rising capitalism, spurred science.

Had been opportunity for advancement in church & war earlier. Medieval castes not static. He gives c. 1250 as date when it became harder to crash them. (if is true, and not just a lifemanship ploy on his part, may help explain why talent turned to other fields?)

So best talent found capitalism easiest way, went to it.

Capitalism reshapes desires, too. Makes individualism; rationality; pragmatism; laicism; finally, "feminism", to which I judge he attributes much of coming fall of cap-ism, breakup of family; pacifism.

Capitalists are losing their function. Progress is being reduced to routine; and is accepted, requires no strong man to push it thru. Leader just an office worker, easy to replace. bs bs
Administrators are just running an inherited domain. (he may have something here. But the particular domain may be lost; but not the system in general, unless new techn. stops; & inheritance doesn't stagnate us)

Capitalism needs a protector. Capitalists unable to protect selves, are timid individuals, not like military leaders. Feudal society in Eng., France, Gy., sponsored & directed capitalism to increase power of state. Feudal elements allied with central, & entered bureaucracy etc. Directed growth of capitalism in own interest. Protected it from mobs. It can't protect self --- U.S. an exception. bs

In Eng. aristocracy remained rulers right thru end of pd. of vigorous capism. France, Gy., were bourgeois attempts to rule, failures. (when? bs)

City mgmt was bourgois -- just matter of cost accounting. City republics had to hand over authority to feudal lord in every crisis. (But that is just saying that in war, they had to become warlike. Doesn't bear on his point, which is that feudal people have a mystic awesomeness that bourgeois lack, & will never scare ignorant masses into doin as they should. bs bs)

So by breaking down pre-capitalist structure, capitalism caused its own collapse. Peasant manors should have been kept in Eng. -- bs, lack of them is precisely its strength vs. communism.

Rationalization, always increasing efficiency by making thin s bigger, cutting out small intermediaries especially, is not bad because of monop. But because it destroys political support of capitalism. Hirelings & stockholders of big corps don't support freedom like independent businessmen. Is something to this. But I object to assertion that efficiency always with bigger unit, which rests so much on its ability to command lower i.r. to buy land. -- & it is in this primarily that advantage of lower i.r. lies.

Imperial Gm. govt fought rationalization, to keep small entrep. political support. U.S. now doing it some. (I doubt that Gm. efforts much stronger than feeble land reform measures)

Freedom of contract limited because large size means stereotyped contracts with individuals. bs mostly.

Capitalism is thus politically defenseless. & havenots not impressed by long run arguments - they see booty right now. He also attributes employment to their attack on capitalism, bs.

R. G. LeTOURNEAU talks about

Annual Report

EDITOR'S NOTE: *The following column is reprinted from this year's annual report to the stockholders of the LeTourneau Company.*

First, let me say that contrary to the thinking of some of our former stockholders, and others perhaps, *we are still very much in business.*

The entire business, including the four factories in the United States, was offered to the Westinghouse Air Brake people, but they chose to buy only two of the four plants, and left R. G. LeTourneau, Inc. with two plants and the right to build machinery whose principal use is not for earthmoving, with R. G. LeTourneau, Inc. specifically reserving the right to their patents for other than earthmoving equipment, and to build stationary and traveling cranes, land clearing machines and equipment, trackless Diesel Electric trains, logging equipment, and components, etc.

The Company is continuing and expanding its operations at its Vicksburg, Mississippi and Longview, Texas plants; further developing, manufacturing, and distributing electrically powered and controlled equipment, land clearing and logging equipment, stationary and traveling cranes, and other products not primarily used in the earthmoving field; manufacturing special products for the United States Government; and also plans to continue development work on the Diesel Electric trackless train designed for travel over rough terrain, and to develop new lines of products.

This deal has nearly doubled the book value of your stock. The recession boys are still howling, but the world is still clamoring for machinery, and if I can make as much improvement in several other lines as I have done in earthmoving, we will keep the wolf from the door nicely.

As I travel the less fortunate parts of this world, I see an awful lot to be done yet. I expect to have a lot of fun doing as much of it as I can, and when this life is over, as the Negro spiritual goes, "I'm going to walk all over God's Heaven," and I hope you can walk with me.

2 he told the House, "As a personal protest against the rise in coffee prices, I have quit my usual six to eight cups of coffee daily during the month of Feburary."

Well, did he? He did!

On last New Year's eve, didn't you make some resolutions? Among them was there not the resolve to give more time to Bible study, meditation, prayer, praise and definite service for the Lord with the help of the Holy Spirit?

Why not check up right now to see how you are faring? Remember the text: "I can do all things through Christ which strengtheneth me." (Philippians 4:13)

Easter Lilies

The lovely Easter lilies
Now rising from earth's sod
Bring mem'ries of earth's Saviour—
The lovely Lamb of God!
'Twas Easter when our Saviour
Came back to life again
From out the grave that held Him—
After the Cross of pain!
His mighty resurrection
Is proof of endless life—
And that we, too, may triumph
O'er sin and death and strife!
Yes, lovely Easter lilies
Rising from out earth's sod
Bring mem'ries of earth's Saviour—
The mighty Son of God!

—Cora Baker Hall

---

isastrous T-Bomb

their power to reduce the damage from this T-Bomb and to make it relatively harmless all over the Nation as soon as possible!

As long as human nature remains what it is, the danger will not be completely eliminated; hence any one of us might be a victim of the T-Bomb this year. If you were to be a victim, are you fully prepared for eternity?

Only one thing will prepare you to meet God acceptably—and that is faith in the work accomplished for you by His Son on the Cross.

"Not what I feel or do
Can give me peace with God;
Not all my prayers, or sighs or tears
Can ease my awful load.
Thy work alone, my Saviour,
Can ease this weight of sin;
Thy blood alone, O Lamb of God,
Can give me peace within."

56V. CONGRESS AND THE MONOPOLY PROBLEM, FIFTY-SIX YEARS OF ANTITRUST DEVELOPMENT, 1900–1956. This document includes major pertinent legislative data on the antitrust laws from 1900 through 1956. This study was planned for the purpose of enabling the House Small Business Committee and those having responsibility in the area of small business and antimonopoly problems to (1) properly to evaluate what further legislation is needed in the general field of antitrust to protect small business and (2) properly to judge the effectiveness of the administration of present antitrust laws by the executive agencies and departments. 1957. 662 p.

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14V. DOING BUSINESS WITH SWEDEN. Presents marketing, economic, and statistical data bearing on the problem of doing business with Sweden. 1957. 115 p. il.
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15V. BUSINESS STATISTICS, 1957, SUPPLEMENT TO THE SURVEY OF CURRENT BUSINESS. Designed to provide the businessman and others with a wide-ranging array of facts about the economic situation since 1929, it represents the most useful arrange-

Prices subject to change without notice • All suppl

With commercialization, "intellectuals" no longer required ~~xx~~ individual patrons, but used collective one. Were thus free. & their main means of self assertion was ~~xxxxxxx~~ criticizing social order, allying with opponents. Labor unions e.g. They didn't invite intellectuals in, don't feel at home with them, but they have much voice in labor movement. Overeducated, with few employment opportunities, they have to revolt.

Govt.s take short run view, capitalists long run, contrary to frequent statement that govt. can afford to look ahead.

Peter Edson

U.S. Antitrust-Law Changes Being Given Careful Study

WASHINGTON (NEA)— Two important changes in U.S. antitrust law are among the recommendations which Department of Justice is expected to make to the coming session of Congress.



Edson

The first of these recommendations will concern procedure in antitrust cases. The purpose will be to give the government some means to make more adequate discovery of facts prior to filing suit.

At the present time the government uses FBI investigations where the defendants cooperate. Grand jury investigations may also be used. They are considered suitable in criminal cases, but not in civil actions.

Pre-trial proceedings have been frequently suggested to remedy these shortcomings. While limiting such proceedings to relevant matter, the purpose of the recommended changes will be to give the government subpoena power, the right to punish for contempt and the power to charge perjury for giving false information.

Another antitrust procedural matter likely to be brought before Congress concerns giving the Department of Justice authority to make advance rulings. These rulings would be similar to the present railroad releases, which give applicants exemption from third-party treble damage suits and criminal actions.

ANTITRUST LAWS

The second major antitrust law revision to be presented to Congress will concern foreign commerce cases, in which American firms doing business abroad and foreign firms doing business in the United States are involved.

Questions on this extraterritoriality phase of antitrust law have arisen in cases like the oil cartel suit against five U.S. and two foreign petroleum producers and the British Imperial Chemicals-DuPont suit.

In the former case, it has been stated that if American courts have jurisdiction over every foreign action that affects the United States, then every other nation may have jurisdiction over actions by American companies affecting them.

In the Imperial Chemical-DuPont case, a third party, British Nylon Spinner, Ltd., was affected. The English courts therefore enjoined performance of the U.S. court order.

All this creates international complications affecting U. S. foreign trade relations. Clarification will be one of the most serious matters to come before the new Congress.

Recommendations for both these major changes in U.S. antitrust law are expected to come from Attorney General Herbert Brownell's National Committee to Study the Antitrust Laws. This group of 60 lawyers and economists has been working quietly under the joint chairmanship of Assistant Attorney General Stanley N. Barnes, in charge of the Antitrust division of Department of Justice, and Prof. S. Chesterfield Oppenheim of University of Michigan Law School.

COMMITTEE MEETING

No full meetings of the 60-member committee have been held, as Judge Barnes has said that he didn't want to start a debating society. The six subcommittees have been meeting in various places outside Washington. The subjects assigned to the task forces, and their membership, have not been announced.

It will take mast of 1954 for the committee to complete revaluating U. S. antitrust law and writing a new antitrust policy. The two questions of procedure and foreign commerce cases are considered so important that work on them is being pushed ahead for early consideration by Congress.

Among other matters which Attorney General Brownell is expected to present to Congress, the federal wire-tap and federal witnesses' immunity laws have highest priority. Mr. Brownell mentioned both of these matters in connection with his Harry Dexter White spy charges.

What is wanted in the immunity law is authority for the Attorney General to grant witnesses before grand juries immunity from further prosecution if they will give evidence for the government. The Department of Justice is at present opposed to granting congressional committees the power to grant immunity to its witnesses.

So They Say—

Who's kidding whom? Let's have a good close-up look at the damage of a big bomb (atomic and hydrogen). Frankness with the American people requires that we do it.—Gordon Dean, ex-chairman, Atomic Energy Commission.

* * *

Yugoslavs are not traders. The faithful sons of Yugoslavia are ready to lay down even their lives for the defense of the interest and rights of their country.

—Marshal Tito.

* * *

We will struggle relentlessly against anyone who curtails freedom of the press in any country. —Miguel Lanz Duret, president of the Inter-American Press Association.

districts from the other 47 states, and larger districts have "scouts" who travel across the nation each year to recruit teachers.

EMERGENCY TEACHERS

The short supply has meant that some teachers have been hired at sub-standard levels. In

Vandals Busy Over Holiday

A series of acts of vandalism plagued Springfield police over the New Year's holiday.

At 12:30 a.m. Jan. 1 Dorothy C. Hopper, 241 N. 7th St., reported to police that someone had thrown a beer bottle through the windshield of her auto.

She said she heard glass breaking about 11 p.m. Dec. 31, but did not realize her car was affected, reports related.

At 10:25 p.m. Jan. 1 Dennis Hannon, 1145 Main St., told police someone had thrown a rock through his front window with enough force to penetrate the window shade.

The front window has been broken in similar fashion three times in 15 days, Hannon told police. Each time the rock has been thrown between 9:30 and 10:30 p.m.

Hannon said he has only lived in the house about two months, and has no idea who is doing the damage.

Earlier, at 8:10 a.m. Dec. 31, Mrs. Ray Jarvis reported to police that someone had left a stop sign in her carport at 1673 G St.

State Police Add Sergeant

Eugene's state police patrol office Saturday received an additional command officer.

He is Sgt. Robert Baker of Salem, who has been with the state police since 1938.

His orders state he is to be second in command to Sgt. Vern Hill. Hill said Saturday that Baker will be put in charge of patrols.

This gives the Eugene office three sergeants. Sgt. Harry Nelson will continue as night command officer.

The local office, covering all of Lane County, now is the largest in the state, with a total of 29 officers, including five game men, working from it.

Baker has been a sergeant for four years, working in Salem patrol headquarters He was stationed at Arlington before being assigned to Salem.

CORRECTION

Funeral services for the late Leo Albert Morin of Oakridge will be held Tuesday at 10:30 in St. Alice Catholic Church, Springfield, instead of Monday morning as incorrectly reported in the Register-Guard Saturday.

sity in 1952.

NEW PROBLEM

The state legislature and the Board of Higher Education concurred in recommendations, meaning that freshmen and sophomores in 1953 in colleges could expect the new program to be available to them when they reached their junior year standing.

The program means that the three colleges of education which offered elementary teacher training will add secondary teacher training and an optional four-year program leading to bachelor of science in general studies.

Also, the University of Oregon and Oregon State College, which offered secondary, are adding elementary teacher training. Portland State Extension Center, which had a two-year lower-division curriculum, can now offer both elementary and secondary teacher education and general studies programs.

Inauguration date is scheduled for 1954-55 for the junior year of these programs and 1955-56 for the senior year with the first graduates to receive their degrees in June, 1956.

But, of course, that will be too late to meet immediate needs.

Mrs. Gubser has estimated these will be the needs for additional teachers in Oregon for the following years: 1954-55, 1,568; 55-56, 1,554; 56-57, 1,612; 57-58, 1,689; 58-59, 1,797; 59-60, 1,832; 60-61, 1,885.

LEARN ABOUT TEACHING

An important program for increasing the number of teachers is the Future Teachers Clubs. Such a project is underway at Eugene High School. Students are given the chance to learn about teaching by visiting classrooms and helping teachers, and by other methods.

Teachers insist that if younger members are to join their profession, salaries must be more attractive.

They believe Oregonians can afford to pay these higher salaries. They point to figures prepared by the OEA which show that the people of Oregon spent almost as much for beer during 1952, and probably in 1953, as they paid for all salaries of professional personnel in the state's public schools.

Total sales of liquor, beer, and cigarettes in 1952 to Oregonians exceeded in value by over one-third the total cost of instruction, operation, and capital outlay for all Oregon schools. Liquor and drinks, $137,483,725. Education in public schools, $104,604,875.

Was It Green?

PHILADELPHIA (AP)—Rookie patrolman Joseph Kelly thought there was something familiar about the jacket worn by a passing marcher in Friday's Mummers parade.

A second glance convinced him it was the same jacket stolen from Kelly while he was playing basketball several nights earlier.

The gent with the jacket, who identified himself as James Richards, also produced on demand Kelly's trousers and shirt.

Get quotes.

Arnold, Thurman, "Democracy & Free Enterprise"
Okla. U, 1942, Norman

Restrictive ideology prevailed when we started war. Fear of production great, & it prevented quicker mobilization. Old firms afraid of new producers, for they would compete postwar. And this is, in fact, just what happened, bringing great postwar boom.

GE joined with Krupp, cartel on Tungsten Carbide, next hardest thing to diamonds, heart of Gm. machine tool industry. GE used to keep price high, while Gm price was low, because of their war orientation. (Thus Gy. could produce much because war psychology enabled them to overcome restrictions)

Smaller business ass.s, "trade ass.". Newer, quicker methods of distribution were prevented -- e.g. plumbing in large cities couldn't be bought direct, because unions, factories, contractors, had vested interests in est. system of distr. Milk couldn't be sold cheaper in xxxx stores.

(Pinks gang up with monopolists for things like high price maintenance laws; then turn around & say it is proved free enterprise cannot work)

Eng., too, failed to produce before fall of France. "Economist" described: "It is a set of ideas that is admirable for obtaining security, "orderly development" and remunerative profits for those already established in the industry -- at the cost of an irreducible body of general unemployment. It is emphatically not a set of ideas that can be expected to yield the maximum of production, or to give the country wealth in pe ce and strength in war."

Corp. controlling zn process patents would only license newcomers on condition they go out of business postwar. Big e. shipbuilder would only give tech. aid to St. Louis competitor if it promised to give it 5% ot its profits postwar.

Subcontractors pick up know-how, can use it postwar.

Corps demand control of plants built by govt funds, so they can control postwar supply.

Internat. cartel agreements were suspended for duration -- postwar they wanted to take them up again. (but perhaps didn't)

Restrictive unions had to open up & admit new members.

Stresses "don't worry that overproduction will make things drug on mkt postwar, for two drugs on mkt can be exchanged, neither a drug".

Napoleonic War swept aside entrenched monops of aristo. privilege in Eur., ushered in greatest industrial expansion world has known.

Stresses it is a matter of all catching vision of production all round, so 1000s of restrictive devices will not be approved.

1920, 3 cu. co.s controlled 25%; '30, 40%; '42, 81% -- it took that much control (of U.S. production) plus agreement with Chile, to control price.

p. 31 Cartelization & concentration grew particularly in raw materials in this era, like cu.

With war, we woke up to shortages in all controlled fields: power, transportation, raw materials, metals, chemicals. Priorities were then used -- in preference to expanding production of these things at first -- to allocate these short materials.
It was not that we had consumed too much in peace. Rather, was failure to build up productive plant to produce peacetime needs.

1931, world Aluminum surpluses threatened to invade U.S. Alcoa formed Canadian subsidiary, Aluminum, Ltd., to negotiate, evade our anti-trust laws. World production curtailed. Gy. entered agreement, agreed not to export aluminum, but could produce as much at home as wanted. Hitler delighted to have others agree to curtail aluminum production. Gy. went ahead & produced freely for home use. With war coming, Gy. was producing 50% more than U.S.

N. East has prevented competitive development of w. & s., I suppose because much of their property located there. Pittsburgh plus has this object -- western mills must charge imaginary freight from P. (W. capital funnelled thru NYC, also helps them).
Major oil ~~xxxx~~ co.s owning pipelines refused their use on equal terms to independents -- perhaps thru rebates.

Price leadership maintained by fear of retaliation.

Due to unemployment, unions adopted make-work policies, he says. (If this is truly the cause, then end of industrial monop. means end of unions. But is too simple & easy an explanation)

Labor gets restrictive measures thru often with connivance of powerful industrial groups. Plumbing distrib., e.g., they connived with plumbing mfr.s, who feared Sears Roebuck direct distrib. In milk distrib., they allied with distrib. co/.s, who didn't like store distrib. either.

1938, after "planning" reform wave had died down, Roosevelt speech opened drive vs. monopoly.

Planners like cartel idea, because it, too, protects the weak from competition. Nice cozy high price for all producers.
1938, indictment vs. Chicago milk distrib. monop., & store selling of milk was allowed, price fell from 16 to 8¢ (!?) (Socialists rant about milk delivery. But this system is not free competition, but is ~~xx~~ forced on us by stifling of competition)

In order to get one good new idea across, 50 fools must be allowed to experiment and fail, that one may succeed -- outside the authority of extablished wise men of the time.

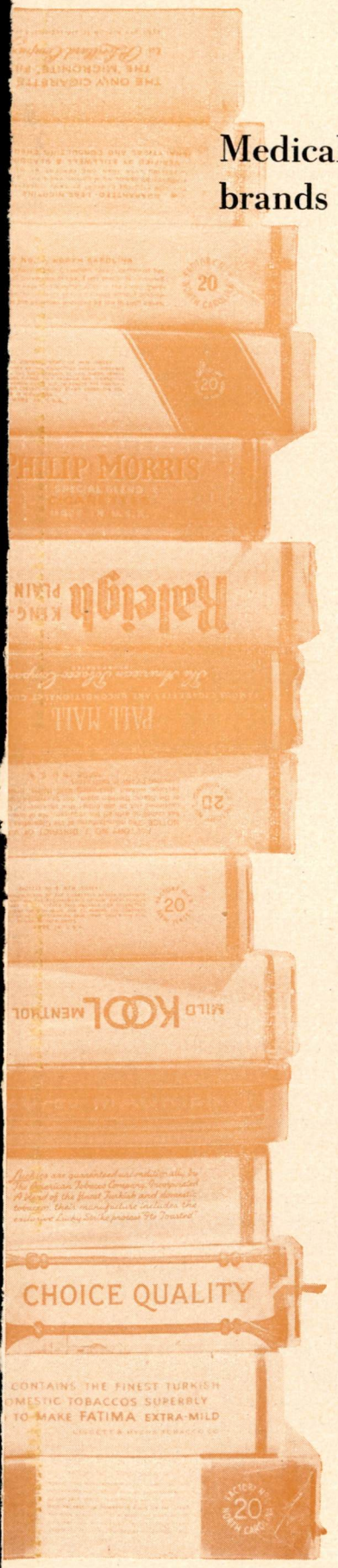
Weimar Republic encouraged cartels. Always the "cartel courts" which created them used language about not restraining competition, etc., & often did leave a few small competitors loose, but general idea was control by very few, not vigorous competition. So agric. products couldn't be exchanged for industrial products, 7m unemployed, etc. Weimarites tried NRA methods, accomplished little with their price fixing.

Cartels, with centralized management, were supposed to make industry more efficient by centralized control -- this was stressed, worshiped. (Rationalization?) The more intelligent were supposed to control the less (altho higher profits are usually from ownership of better resources I imagine), give benefits of spreading their wisdom around widely. (Schumpeter). Didn't reckon that mgr.s would be primarily interested in monop. exploitation.

Public relations people took over from technicians, as logrolling of conflicting special interest groups became dominant theme. Then Hitler, state took over, Gm. industry became efficient again, at least ceased being restrictive.

Automobile production has never been restrictive. When cash market ran out, they developed instalment mkt. All govt. ever did was prosecute great auto financing cols for not letting banks & independents share financing. In depression, auto led way out, and financing them was a credit base that did not fold up.

(It is too bad that economic adventurers could not be created, peop.e, say those who inherit great wealth, who get fun like a Lone Ranger from entering monopolized markets & using their capital to break monopolies -- they would probly make M at it, too.)



The Industry

Medical reports have upset the cigarette business; regular brands decline as 19 new versions enter the retail arena

The tobacco industry today is undergoing one of the greatest periods of change and upheaval since Americans first started smoking cigarettes before the Civil War." This was the sweeping judgment, as the year 1954 ended, of Lewis Gruber, vice-president in charge of sales for P. Lorillard, one of the "Big Six" tobacco companies which together manufacture more than 98% of the cigarettes sold in America. "Upheaval" is a startling word in the tobacco industry; two years ago it would have been almost unthinkable.

The tobacco industry had its revolution 40 years ago, the revolution which turned it into the *cigarette* industry. The revolution consisted of two fundamental changes in American habits, which began around the time of the first World War: first, a great increase in smoking, especially among women, as the social pressures against it were relaxed; and second, a switch to cigarettes from the older forms of tobacco—pipes, cigars, snuff, and chewing tobacco. This expanding consumer demand, shaped and standardized by a few companies, hoisted cigarettes to a retail position which was simple, secure and gigantic.

Even by the massive standards of the American economy, cigarettes are big business. In 1952—to date, the year of greatest total sales—some 395 billion cigarettes were bought in the United States, an average of 187 packs a year for every American over the age of 15. (Almost 43 billion more cigarettes were sold tax-free, largely to the armed forces.) In this one year, American consumers spent $4,300,000,000 for cigarettes alone.

THE BIG SIX AND THE BIG THREE

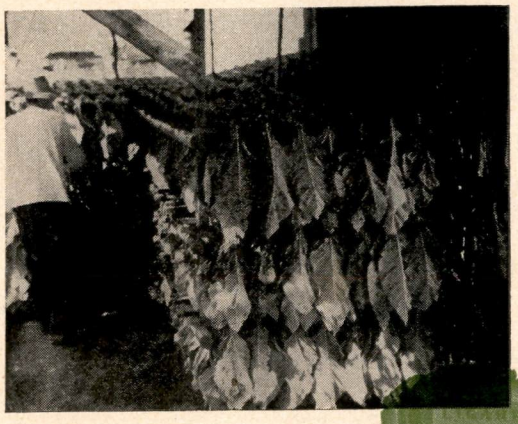
Since the 1920s, the cigarette market has been increasingly dominated by a few big companies. In the order of their total sales, the "Big Five" have been: the American Tobacco Company (makers of *Lucky Strike, Pall Mall, Herbert Tareyton*), R. J. Reynolds (*Camel, Cavalier, Winston*), Liggett & Myers (*Chesterfield, L&M, Fatima*), Philip Morris (which, besides its namesake, also makes *Dunhill* and *Parliament*), and P. Lorillard (*Old Gold, Kent, Embassy*). In 1954, Brown & Williamson (*Viceroy, Kool, Raleigh, Wings*) rose to fourth position to make the Big Five the Big Six. The first three—American, Reynolds, and Liggett & Myers—are much the biggest; they account for a whopping 75% of all cigarettes sold in 1954, and are usually grouped in a super-king-size class as the "Big Three."

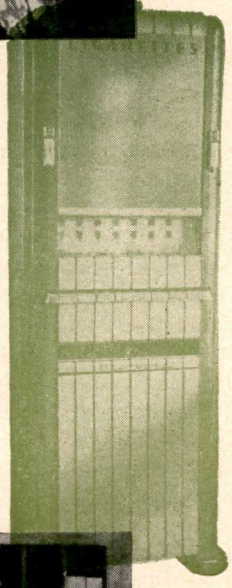
Each of the big companies won its commanding share of the market with one leader—*Camels, Lucky Strikes, Chesterfields, Philip Morris,* or *Old Golds.* Each of these brands was picked as a "leader" by its manufacturer and the leader got top priority, especially in the company's advertising budget. Each company made a relentless effort to imprint one brand name on the consumer's mind, to make "*Luckies*" or "*Camels*" his sole, automatic response to the idea of "cigarettes." These insistent, "Johnny One-Note" advertising campaigns have been going on for 40 years, and on a very large scale. The cigarette industry spends upwards of 65 million dollars a year on advertising. Among the 20 largest American advertisers have been four tobacco companies, along with such giants as Procter & Gamble, General Motors, General Foods, and Ford. And their advertising paid off; by 1947, the five leading cigarettes held more than 92% of the market. In this "win-or-lose-with one" race, the Big Three entries—*Luckies, Camel,* and *Chesterfields*—came in first, with a combined total of 80% of the market.

In effect, each of the five big companies was selling the American smoker one

Continued on next page









product—and, basically, their five products were the same. In simplifying the cigarette market, the big companies had also standardized it: whatever its name, the "American cigarette" was a plain cylinder of thin paper, 70 millimeters long, filled with a mixture of burley and flue-cured tobacco. Among the five brands there were, of course, differences in the proportion of burley to flue-cured, in the small amounts of Turkish tobacco mixed with this basic filler, in added flavorings, and in "processing." The resulting differences in taste and quality of smoke were supposed to be the basis for the consumer's brand loyalty. It is true that many smokers believe in these "differences," and can describe them, usually in vague terms, though they may frequently contradict each other as to which brand is "mild," which is "strong," which "hurts my throat," etc. Blindfold tests indicate, however, that most smokers cannot tell, by taste alone, whether they are smoking their favorite big-name brand, or another. Nevertheless, the "differences" have been stressed vociferously in big-brand advertising. So simple and standardized a product did not permit any other kind of competition—except, perhaps, in price.

NO PRICE COMPETITION

Despite their almost frantic appeals for public acceptance, however, the big brands have never tried to compete in price. When one of the Big Three has moved its price up or down, the other companies have promptly done the same. In the depths of the depression, smaller tobacco companies launched cut-rate brands (such as *Wings*, *Avalons* and *Marvels*) which sold at 10¢ a pack—3¢ under the regular brands—and for a brief time in 1932 captured 22% of the market. The big companies, which had raised their prices in 1931, answered this challenge by a uniform price drop. (According to testimony in a successful federal antitrust suit against them, they also bought up the kind of tobacco used in the cut-rate cigarettes and hoarded it.) This solidarity in pricing among the dominant Big Three was condemned by the courts in 1946 as collusion. But prices remained identical. Competition in price was left to the retailers. By reducing their own margin of profit, the small retailers can reduce the price of cigarettes a cent or two per pack. Thus, they can compete—but only against each other. When supermarkets or drugstores cut the prevailing local price, it is almost always by the same amount on all regular brands.

What reason was there, after all, for the big companies to lower their price? There was certainly no resistance by the consumer. The market for cigarettes kept on expanding, despite a series of price hikes, which, in the last 20 years, have raised the price per pack of the big selling brands from 13¢ to 25¢. In fact, it was during this same period of inflation and higher federal cigarette taxes that the industry scored its most spectacular gains. Between 1932 and 1952, the number of cigarettes sold almost quadrupled, and industry spokesmen were confidently predicting sales rises of 4% to 6% a year.

At the beginning of 1953, then, the industry seemed to be safe against any upset: 1952 had been the peak year for sales; cigarettes were an "essential" to a vast, and apparently growing, sector of American life; the market was dominated by a few prosperous companies, selling their product at a standard price, and with half-a-dozen brands which bore a comforting resemblance to one another.

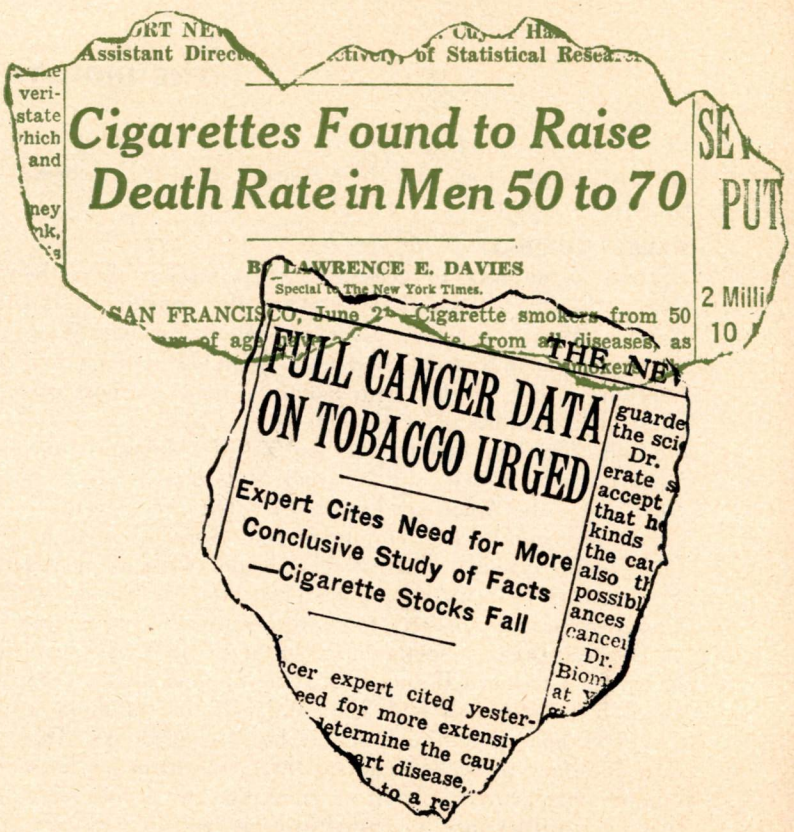
What has happened, in only two years, to cause so much concern in the industry? Briefly, three developments of major importance to the consumer:

1 A series of reports which, according to the scientists and statisticians who prepared them, imply that there is a significant association between the rising incidence of lung cancer and the smoking of cigarettes.

2 For two years running, a significant drop in the number of cigarettes sold—the first since 1932; in 1953, cigarette consumption fell by 2.9%, and another drop of about 4.6% is expected to be shown for 1954.

3 A big change-over by smokers from "regular" brands to king-size cigarettes (85 millimeters long), and a marked shift to those with some kind of filter tip.

Since these three developments all took place during roughly the same period of time, the big question is: are they related? The recent "health" attacks on cigarette smoking are evaluated in a special report on pages 67 to 73. The point here is: what effect have they had on the industry —and the consumer?


Assistant Direc… …tively of Statistical Rese…

Cigarettes Found to Raise Death Rate in Men 50 to 70

BY LAWRENCE E. DAVIES
Special to The New York Times.

SAN FRANCISCO, June 2… Cigarette smokers from 50 … of age … from a… diseases, as …

FULL CANCER DATA ON TOBACCO URGED

Expert Cites Need for More Conclusive Study of Facts —Cigarette Stocks Fall

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THE CANCER SCARE

The industry's first reaction came after the publication in December 1953 of the report by Dr. Ernest L. Wynder and Dr. Evarts A. Graham, "Experimental Production of Carcinoma [cancer] with Cigarette Tars." This medical report was quickly "translated" for the public by an outburst of stories in newspapers and such mass-circulation magazines as *Life* and *Time*. On January 4, 1954, a full-page advertisement in 448 newspapers announced the formation of the Tobacco Industry Research Committee to investigate the relation of tobacco to health. The Committee's members were 14 tobacco companies and associations—growers, warehousers, and manufacturers—and included all the Big Six, with the exception of Liggett & Myers. The Committee followed up the ad by naming a scientific advisory council headed by Dr. Clarence Cook Little, founder and director of the Roscoe B. Jackson Memorial Laboratory at Bar Harbor, Maine.

Since then, the TIRC has not been publicly active. Dr. Little's occasional statements have followed the "wait-and-see" line taken in the first ad, namely, that no single cause of lung cancer has been established, and that there is no proof of a cause-and-effect relationship between smoking and lung cancer. In November of last year, the TIRC made its first six grants (totaling $82,000) for research projects involving the composition of tobacco, the physiology of smokers, and other pertinent subjects.

Industry spokesmen have followed the "not proven" line. They imply that the current medical controversy is only the latest in a long series of "health scares" which have blown over in the past. But business and trade journals generally agree that during the last year and a half the cigarette business has received the most damaging publicity in its history. And last November, this was virtually confirmed by one of the Big Three, when E. A. Darr, president of Reynolds, accused the American Cancer Society of attempting "to destroy the tobacco industry."

INDUSTRY HEALTH CLAIMS

The industry does not admit in public that "health" publicity may have caused the unprecedented drop in cigarette sales. But critics close to the industry—for example, in the advertising trade journals—have said flatly that it is fear which is causing Americans to turn away from cigarettes. They also say that the companies themselves are largely to blame. Long before the current medical attacks, the companies were building up suspicion in the consumer by the discredited "health claims" in their ads. For a generation, the companies have been insisting, in big red letters, that their particular brand had "less nicotine," was "less irritating," "guarded against throat scratch," was "safe in your T-zone," and so on, to the outer limits of the copywriter's imagination and the Federal Trade Commission's patience. Such medicine-show claims may have given the smoker temporary confidence in one brand, but they also implied that cigarettes in general were distasteful, probably harmful, and certainly a "problem." When the

Continued on next page

scientists came along with their charges against cigarettes, the smoker was ready to accept them.

SALES TUMBLE

There is no way to determine what lasting effect the recent "health" attacks have had on the consumer. But there is pretty convincing evidence that the Graham-Wynder report made a strong first impression. In January and February, 1954, the first two months after the report was published, cigarette sales went down 9% and 17% below the figures for the same months in 1953. In May and June, however, sales moved up 2% and 8% respectively over 1953. After the American Cancer Society's life-expectancy survey reported by Drs. Hammond and Horn in late June, sales again turned down. All in all, sales were off nearly 4% for the first nine months. That there is uneasiness among American smokers is confirmed by the heavy sale of Herbert Brean's book, "How to Stop Smoking," published by Vanguard Press in 1951. By the end of last year, about 500,000 copies had been sold, 425,000 of them in the paper-backed edition put out by Pocket Books. This sale does not prove, of course, that Americans in large numbers are actually giving up smoking, but it does show that a lot of them are interested in doing so.

THE NEW LOOK IN CIGARETTES

The industry may appear sluggish, or just cautious, in its reaction to the medical attacks, but it has a lot of merchandising fight left, as shown by its quick response to the new consumer demand for king sizes and filter tips. Last year, at least 19 new brands, or new versions of old brands, came on the market. All of these new cigarettes were either king size or filter tip, and 11 of them were both. This is "fast service" indeed for the restless or discontented smoker. It is also good business for the tobacco companies, since the "new look" cigarettes are the growing sector of an otherwise shrinking market.

For the last seven years, the tobacco industry has watched the demand for the Big Three brands—*Camels*, *Luckies*, and *Chesterfields*—steadily contract. In 1947, over 80% of all the cigarettes sold bore these familiar names. By 1953, the Big Three regulars' share of the market had gone down to 58%. This 22% decline meant a loss in retail sales of about a billion dollars.

The decline also made more striking the rise of *Pall Mall*, a king-size cigarette which American Tobacco brought out in 1939 at a "popular" price, and promoted heavily. By 1947, *Pall Malls* had attracted a modest 3.4% of the market. By 1953, the *Pall Mall* share had quadrupled to 12.4%, and this king-size entry had passed both *Old Golds* and *Philip Morris* to become the nation's fourth largest seller. In 1954, *Pall Mall* passed regular-size *Chesterfields* to become the third largest seller.

Although American Tobacco was losing business with its old leader, *Lucky Strike*, it was more than regaining it on *Pall Mall* and another king size, the cork-tipped *Herbert Tareyton*. This new way to balance sales did not escape the notice of rival companies, all of whom put out longer smokes of their own—*Cavalier* (Reynolds), *Fatima* (Liggett & Myers), *Dunhill* (Philip Morris), and *Embassy* (Lorillard).

MORE KINGS APPEAR

Three years ago, Liggett & Myers made another concession to the king-size demand. It offered *Chesterfield* smokers a choice between king size and regular size, under the same brand name. The king-size *Chesterfields* were marketed as merely a longer version of the old cigarette, in the familiar white and gold package. In 1953, three other old favorites also appeared in the "new look"— *Philip Morris*, *Old Gold* and *Raleigh*. *Raleigh* smokers were given no choice about going king size; the regular-length *Raleigh* was taken off the market.

Clearly, the number of smokers who want king size is growing—whether it is because they feel they are getting more health protection, a more "distinguished" look, or just a longer smoke for their money. In 1953, the year when total cigarette sales first fell, extra-length brands had grown to almost 26% of the market, as against 18.5% in 1952. Last year, the figure jumped again, to an estimated 30%.

The king-size conversion has been gathering momentum for some time, but with the impact of cancer fears, the change to filter tips was abrupt, a real "rush." In 1952, only 1.4% of the cigarettes sold were filter-tipped; in 1953, the number more than doubled, to 3.4%; when the returns for 1954 are in, experts estimate that the filter brands will have 10%, and possibly 12%, of the total market. Lorillard's Lewis Gruber flatly predicts that within two more years, 40 of every 100 smokers will be smoking filtered cigarettes, most of them king size.

WHAT IS A FILTER TIP?

What is this "revolutionary" product? It is simply a cigarette in which about one-half inch of the butt has been filled with a filtering substance instead of tobacco. Most of the filters are made of finely creped (crinkled) paper, absorbent cotton, and cellulose-acetate fibers, either alone or in combination. Some have added "purifying agents," such as *Herbert Tareyton's* activated charcoal, and *Kent's* patented Micronite, an asbestos-like substance.

Filter cigarettes are not new; they have been on the American market for some time in *Parliament* and *Du Maurier*, which sold at a premium price (32¢ or more

Continued on next page

CHANGES IN THE CIGARETTE MARKET

The tables on the facing page show how the cigarette market has changed in two years. The halftone areas backing the tables show the trend, not exact percentages: the figures for 1954 include estimates for the last months of the year and do not distinguish between regular- and king-size filter-tip brands

SALES OF CIGARETTES

1952

REGULAR SIZE: 81.56% OF THE MARKET

	BILLIONS OF CIGARETTES	% OF MARKET
CAMEL (R. J. Reynolds)	113.7	26.0
LUCKY STRIKE (American Tobacco)	82.2	18.8
CHESTERFIELD (Liggett & Myers)	65.8	15.1
PHILIP MORRIS (Philip Morris)	40.4	9.2
OLD GOLD (P. Lorillard)	23.6	5.4
KOOL (Brown & Williamson)	11.5	2.6
RALEIGH (Brown & Williamson)	8.3	1.9
DOMINO, YORKSHIRE (Larus & Bro.)	2.6	0.6
MARLBORO (Philip Morris)	0.5	0.1
PIEDMONT, SPUR (Liggett & Myers)	0.2	0.05
VIRGINIA ROUNDS (Benson & Hedges)	0.06	0.01
EXPORT BRANDS (Brown & Williamson)	5.3	1.2
ALL OTHERS	0.9	0.2

KING SIZE: 17% OF THE MARKET

PALL MALL (American Tobacco)	45.5	10.4
HERBERT TAREYTON (American Tobacco)	12.8	2.9
CHESTERFIELD (Liggett & Myers)	8.5	1.9
FATIMA (Liggett & Myers)	3.0	0.7
CAVALIER (R. J. Reynolds)	1.3	0.3
DUNHILL (Philip Morris)	1.0	0.2
EMBASSY (P. Lorillard)	0.8	0.2
WINGS (Brown & Williamson)	0.7	0.2
REGENT (Riggio Tobacco)	0.55	0.1
HOLIDAY, LORDS (Larus & Bro.)	0.5	0.1

FILTER TIP: 1.3% OF THE MARKET

VICEROY (Brown & Williamson)	2.7	0.6
PARLIAMENT (Benson & Hedges)	1.66	0.4
ENCORE (United States Tobacco)	0.7	0.2
KENT (P. Lorillard)	0.5	0.1

1954

REGULAR SIZE: 63.22% OF THE MARKET

	BILLIONS OF CIGARETTES	% OF MARKET
CAMEL (R. J. Reynolds)	89.8	22.3
LUCKY STRIKE (American Tobacco)	65.2	16.2
CHESTERFIELD (Liggett & Myers)	42.0	10.4
PHILIP MORRIS (Philip Morris)	24.8	6.1
OLD GOLD (P. Lorillard)	15.6	3.9
KOOL (Brown & Williamson)	12.1	3.0
SANO (United State Tobacco)	0.4	0.1
MARLBORO (Philip Morris)	0.3	0.07
EXPORT BRANDS (Brown & Williamson)	4.5	1.1
ALL OTHERS	0.2	0.05

KING SIZE: 27.06% OF THE MARKET

PALL MALL (American Tobacco)	54.5	13.5
CHESTERFIELD (Liggett & Myers)	15.5	3.8
HERBERT TAREYTON (American Tobacco)	11.3	2.8
PHILIP MORRIS (Philip Morris)	8.2	2.0
RALEIGH (Brown & Williamson)	6.5	1.6
OLD GOLD (P. Lorillard)	5.0	1.2
CAVALIER (R. J. Reynolds)	4.1	1.0
DOMINO, YORKSHIRE (Larus & Bro.)	2.3	0.6
FATIMA (Liggett & Myers)	1.0	0.25
DUNHILL (Philip Morris)	0.4	0.1
EMBASSY (P. Lorillard)	0.3	0.07
REGENT (Riggio Tobacco)	0.3	0.07
HOLIDAY, LORDS (Larus & Bro.)	0.2	0.05
WINGS (Brown & Williamson)	0.1	0.02

FILTER TIP: 9.64% OF THE MARKET

VICEROY (Brown & Williamson)	14.9	3.7
L&M (Liggett & Myers)	7.7	1.9
WINSTON (R. J. Reynolds)	7.5	1.9
KENT (P. Lorillard)	2.5	0.6
PARLIAMENT (Philip Morris)	2.3	0.6
HERBERT TAREYTON (American Tobacco)	1.5	0.4
MARVEL (Stephano Bros.)	1.5	0.4
OLD GOLD (P. Lorillard)	0.5	0.1
REGENT (Riggio Tobacco)	0.1	0.02
ENCORE (United States Tobacco)	0.1	0.02

Statistics reprinted from Printers' Ink, *December 31, 1954. Copyright 1954 by Printers' Ink Publishing Co., Inc., N. Y.*

a pack in New York City, where regular brands have been selling at 24¢ to 25¢), and which took a distinctly ritzy tone in their ads. As long ago as 1936, Brown & Williamson introduced the regular-size filter-tip *Viceroys*, at only a cent or two above the price of regular brands. *Viceroys* and *Parliaments* divided most of the insignificant filter-tip market until 1952. Then Lorillard offered *Kents*, a premium-priced filter-tip which was promoted and distributed with big-brand energy. The Big Three made its first entry into the filter market in 1953, when Liggett & Myers launched *L&Ms*, also at a premium price.

THE FILTER BAND WAGON

The other big companies, which had stood aloof from this "small-time" market, suddenly joined in the scramble last year. In March, Philip Morris bought out Benson & Hedges—and its successful filter-tip brand, *Parliaments*. A month later, Reynolds started off with an exclusive king-size filter-tip *Winston*, which was described in ads as "made by the makers of *Camels*," an appeal to old brand loyalties. Finally, in August, American Tobacco took the field with a filter version of its king-size *Tareyton*, in the same white package, but distinguished by thin red and blue stripes across the lower left corner. Both these new filter tips sold at 26¢, the "popular" price for filter-tips.

Filters have restored price-competition to the industry, if only temporarily. In March, the price of *L&M* was cut by 4¢, dropping both the regular and new king-size style out of the premium class and into the popular arena. *Kent*, which Lorillard says can never compete on the lower price level because of the high cost of its Micronite filter, went to king size. Some observers thought this was indirect price competition, as well as an invitation to smokers of king-size brands. *Parliaments*, another premium product, showed its sensitivity to the price factor in September by cutting the price on its king size by 2¢.

THE PRICE OF FILTERS

Price competition thus far has not brought filter-tips down to the price level of regulars and some king sizes. "Popular price" for filter-tip brands still means around 26¢, a cent or two more than the "popular price" for plain cigarettes. Leaf tobacco accounts for about half the cost of a cigarette, and it is doubtful that the material in the average filter costs any more than the tobacco it replaces. Putting the two elements—filter and tobacco—together in one cigarette, however, is a more complicated process. (The trade magazine *Sales Management* reports that Lorillard had to import machinery from Europe to produce the first *Kents*.) Also, the industry claims the production machinery for filter cigarettes is slower and more subject to mishaps. One big-company executive says that a regular machine can turn out around 1200 cigarettes a minute, but that he has yet to hear of a filter-tip machine doing better than 750.

Though the cigarette companies have subdued the scarehead health advertising of the regular brands (the ads no longer proclaim that "more doctors smoke *Camels*" but rather that "*Camels* agree with more people than any other cigarette"), in their filter-tip advertising, they seem to be working both sides of the street lest the smoker feel that in protecting his health, he will not enjoy smoking. Thus *Tareyton's* filter "holds back elements that can detract from the pleasure of smoking," and *Old Gold Filter Kings* proffer "a treat you can trust." *Winston* "the filter cigarette with flavor . . . tastes good—like a cigarette should."

The Federal Trade Commission has been trying for years to temper the more blatant assertions of the cigarette advertisers, but if there has been any recent amelioration, it has been the result of the industry "upheaval" rather than of legislative or judicial action. In late 1952 and early 1953, the courts rejected FTC's claim that cigarettes should come under the Federal Trade Commission Act. In September 1954, the FTC tried a different tack and submitted to the cigarette companies a draft code of advertising standards. This code would be entirely voluntary and without the force of law. But though meetings have been held to discuss it, no cigarette manufacturer has yet indicated his willingness to accept even this dilute regulation.

HOW TO SELL CIGARETTES

Such, then, is the "upheaval"; where does it leave the huge cigarette industry at the beginning of 1955?

Cigarettes are still the major product of the industry. Some of the medical reports which condemn cigarettes also tend to exonerate pipes and cigars, but thus far there has been only a minor rise in the sale of these two forms of tobacco. In the near future, the companies must make up their losses on regular brands with increased sales of filter-tipped and king-size brands.

The manufacturers must get their new products in front of as many consumers as possible, as quickly as possible. Distribution of a number of brands can be costly, and difficult. Retailers complain at the extra space for new brands which must be found on their crowded shelves and counters, at the extra bookkeeping, at the extra dollars tied up in their inventories of slow-selling items. Space is also a major problem for the estimated 500,000 cigarette vending machines in the United States. Heretofore, most vending machines had ten columns, and could sell, at most, ten different brands. To offer their customers even a minimum sampling of the present array, the vendors have to install two machines in one location, or else invest in the new 20-column type. Differences in price are also a problem for the machine distributors, since the machines can be paid only in standard coins.

The consumer's taste is changing fast, and no manufacturer can be sure what direction it will take. In 1953, 21 brands were listed as "significant" (that is, as selling over a billion cigarettes a year); by July 1954, the number had gone up to 30. Each company will have to make hard decisions on which of its brands to push, which to modify, and which, perhaps, to discard. The industry seems to feel that already there are too many varieties on the market to survive, and that a "weeding out" is inevitable.

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L SECTION

PAGES 1—8B

Supreme Court Ruling Expected to Lead to Anti-Trust Crackdown

Decision Involving Brown Shoe Co. of St. Louis Utilizes Amended Section 7 of Clayton Act—Action Likely to Be Guideline in Other Suits Against Mergers of Giant Corporations.

By EDWARD F. WOODS
A Washington Correspondent of the Post-Dispatch.

WASHINGTON, June 30.

THE SUPREME COURT, which historically is unmindful of labels, including "anti-business," moved decisively this week to strengthen the arsenal available to the government to keep the American system of enterprise free of illegal concentrations of economic power.

The most significant in a series of decisions handed down Monday and dealing with business ruled that Brown Shoe Co.'s acquisition of the G. R. Kinney Co., a shoe retailing chain, violated the anti-trust laws.

The high court coupled its finding of illegality in the Brown-Kinney merger with what was interpreted here as an invitation to the Department of Justice anti-trust division to make the broadest possible application of statutes intended to inhibit business mergers which might tend to stifle competition. And the court went all the way in affirming a three-year-old order by the late United States District Judge Randolph H. Weber, who heard the original Government suit against the Brown-Kinney merger of St. Louis, that Brown divest itself of holdings and assets in the Kinney chain, reportedly operating in more than 100 cities across the nation.

THE BROWN-KINNEY case was the first major test in the Supreme Court of the new limitations on mergers fixed by amendment of Section 7 of the Clayton anti-trust act in 1950.

Prior to 1950, the Clayton act anti-merger provision dealt only with acquisition through stock purchases and forbade only those mergers which substantially lessened competition between the merging companies. The section was amended to strike at acquisitions, by assets as well as by stock, "where in any line of commerce in any section of the country, the effect of such acquisition may be to substantially lessen competition or to tend to create a

missed Sherman act indictments against four officers of General Motors Corp., one officer of Bausch and Lomb and one of American Optical Co.

In another anti-trust decision the High Court let stand a Federal Trade Commission order directing Crown Zellerbach Corp. to divest itself of St. Helen's Pulp and Paper Co., acquired in 1953 for an estimated $9,500,000.

The Court sustained also an FTC complaint against the Borden company and the Bowman Dairy Co. alleging they provided milk to chain stores more cheaply than to independent retailers in the Chicago area. In still another case, the Court decided Continental Ore Co. could file suit for damages under the Sherman act against Union Carbide Co. and Vanadium Corp. for allegedly conspiring with a Canadian corporation to ban Continental from the Vanadium market in Canada.

MEANWHILE, back at the Justice Department, the anti-trust division, under Assistant Attorney General Lee Loevinger, is engaged in a series of grand jury investigations, civil suits and criminal prosecutions.

A story is going the rounds in business circles that anti-trust investigators spend so much time in offices of big companies that the federal agents and the company auditors are on a first-name basis.

Loevinger frequently hears comments that the anti-trust division (a) is not attacking trust situations with sufficient vigor or (b) is hitting business too hard. To him both views are wrong.

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THE POST-DISPATCH PLATFORM

I KNOW THAT MY RETIREMENT WILL MAKE NO DIFFERENCE IN ITS CARDINAL PRINCIPLES, THAT IT WILL ALWAYS FIGHT FOR PROGRESS AND REFORM, NEVER TOLERATE INJUSTICE OR CORRUPTION, ALWAYS FIGHT DEMAGOGUES OF ALL PARTIES, NEVER BELONG TO ANY PARTY, ALWAYS OPPOSE PRIVILEGED CLASSES AND PUBLIC PLUNDERERS, NEVER LACK SYMPATHY WITH THE POOR, ALWAYS REMAIN DEVOTED TO THE PUBLIC WELFARE, NEVER BE SATISFIED WITH MERELY PRINTING NEWS, ALWAYS BE DRASTICALLY INDEPENDENT, NEVER BE AFRAID TO ATTACK WRONG, WHETHER BY PREDATORY PLUTOCRACY OR PREDATORY POVERTY.

JOSEPH PULITZER

April 10, 1907

Sunday, July 1, 1962

Letters from the People

The Prayer Case

Congratulations on your thoughtful editorial on the public-school situation. You will get no thanks, though, from those who think religion is a matter of a public tip-of-the-hat to the Old Man Upstairs.

The idea behind the Supreme Court's decision is not a new one, despite the allegation that we are being thrown into the pit of socialistic materialism. As the Prophet of Nazareth said: "Beware of practicing your piety before men in order to be seen by them. . . . And when you pray, you must not be like the hypocrites; for they love to stand and pray in the synagogues and at the street corners, that they may be seen by men. Truly I say to you, they have their reward. But when you pray, go into your room and shut the door and pray to your Father who is in secret." (Matthew 6, Revised Standard Version.)

I am afraid that a glib little denatured prayer in public places has come to pass for the sum and substance of religion. Apparently we delight in having our children "stand and pray" in the public classrooms. Perhaps if we had more of the "secularization" that some religionists decry, parents might be forced to take care of their child's religious training at home. Which might even benefit the parents.

Webster L. Kitchell
Minister, Eliot Unitarian Chapel

The Court was grossly in error in this opinion, basing it on the first half of the clause on religion in the

'Clean' Nuclear War

Secretary of Defense McNamara made an unassailable case, in his address at the University of Michigan, for a centrally controlled NATO nuclear force as opposed to separate and independent national forces. He also propounded a second theme which seems to us much more questionable.

This was his view that the overall nuclear strength of the alliance now makes possible "a strategy designed to preserve the fabric of our societies if war should occur." By this he evidently meant a strategy based upon striking only at military targets, not at cities, in the hope that the enemy would observe similar restraint. Thus in effect some rules of fair nuclear warfare would be laid down which might allow the civil societies of both sides to survive.

Such rules might be desirable, but is it not utopian to expect that they could really be achieved? And if the expectation is utopian, would we not make a serious mistake to base nuclear strategy upon it?

Mr. McNamara's theory appears to be tha the West possesses so much nuclear powe that it can offer to strike only at military tar gets and still retain enough reserve to strik at the enemy's cities if the need arose. I that event, however, we could scarcely expec an enemy to accept "ground rules" so obv ously designed to his disadvantage. W would be asking him to use up his nuclea weapons on our military targets, after whic we would still possess enough weapons destroy his civil society—in other word enough to compel his surrender.

Even if nominal agreement on the "grou rules" could be achieved, it is surely qu tionable that they could or would be observ For one thing, modern warfare makes separation of military from civilian targ all but impossible, especially when the fallo from an attack on a missile base would spa no urban populations simply because th were nominally civilian. Secondly, it is n in the nature of nations engaged in total wa to accept voluntary limitations on their wa making power. If the alternative to defea were striking at cities, the cities would be come targets.

Rather than to assume that nuclear war can be limited, it seems to us more realistic to assume that it would be by nature illimitable. And that is why it cannot be allowed to happen. The sole purpose of nuclear weapons must be recognized as deterring the use of nuclear weapons by the enemy. To hope that their use might be confined to military targets, and that a nuclear war might therefore be made more palatable, is to ignore the main facts about these weapons.

Secretary McNamara is a highly capable man, perhaps the most brilliant member of President Kennedy's cabinet. But the idea of a "clean" or limited nuclear war seems to us akin to the idea that fallout shelters would make such a war tolerable. It is better to recognize that organized society is unlikely to survive nuclear war than to devise strategies based on questionable assumptions to the contrary.

fighting mergers for more than 10 years, federal anti-trust lawyers have been relying on this section rather than the old Sherman act, which required a showing of monopoly or monopoly practice resulting from a merger.

In its suit to break up the Brown-Kinney combine, the Government contended it was a classical example of the kind of merger Section 7 of the Clayton act, as amended, was intended to outlaw. The High Court agreed.

Chief Justice Earl Warren, who wrote the court's opinion, said:

"We cannot avoid the mandate of Congress that tendencies toward concentration in industry are to be curbed in their incipiency, particularly when those tendencies are being accelerated through giant steps striding across a hundred cities at a time. In the light of the trends (in the shoe industry), we agree with the Government that this is an appropriate place at which to call a halt."

Warren's 59-page opinion was a thorough ventilation of the Brown-Kinney deal and the relation of the disputed Clayton act section to it. In the view of many experts, the broad construction the Chief Justice put on the language of the statute will have a marked effect in guiding the decisions of judges in lower federal courts where similar suits by the Government are pending against such corporate giants as American Cyanimid Co.; Ford Motor Co.; National Steel Co.; Scott Paper Co.; Aluminum Company of America; Kimberly-Clark Corp.; Union Carbide Corp.; Reynolds Metals Co.; The Pillsbury Co., and others.

There were other Supreme Court decisions Monday which are regarded as significant victories for anti-trusters, not only in the Justice Department but in the Federal Trade Commission as well.

The court appeared to clear up for all time whether a corporation executive may be indicted in a criminal case involving price-fixing under the old Sherman act of 1890 or under the Clayton act of 1914. The High Court held that individuals may be indicted under the Sherman act. This was an important decision of the Government, because fines of $50,000 may be imposed under the Sherman act while the limit in the Clayton act is $5000. Both statutes provide up to a year in jail for convicted corporation officers.

THE PRINCIPAL CASE before the court involved Raymond J. Wise, a vice president and director of National Dairy Products Co., who had been indicted under the Sherman act for alleged conspiracy to eliminate price competition in milk sales in the Kansas City (Mo.) area. Last summer, District Court Judge R. Jasper Smith threw out the indictment on the ground that the Government might try Wise under the Clayton act but not under the Sherman act.

Judge Smith held that Section 1 of the Sherman act could be used against corporate officers violating the law on their own behalf, but could not be turned against them when they were acting solely as representatives of their corporations.

The High Court, in a unanimous opinion, also written by Warren, rejected Smith's position. "We hold that a corporate officer is subject to prosecution under the Sherman act whenever he knowingly participates in effecting the illegal contract, combination or conspiracy—be he the one who authorizes, orders or helps perpetuate the crime—regardless of whether he is acting in a representative capacity.

On the basis of this reasoning in the Wise case, the court reversed also the actions of two other federal courts which had dis-

be used to restructure the economy," Loevinger said in an interview with the Post-Dispatch.

"Nor are the anti-trust laws a vehicle for innovations. The anti-trust laws are as conservative as those relating to due process. They are intended to conserve and maintain basic values in American society.

"The whole thrust of the laws is to maintain the open society concept of pluralistic distribution of power. That's the way we enforce them. No one has ever suggested in this Administration that we hold back or go ahead with any suit because of business or public opinion.

"IN THE BROWN-KINNEY case we did not try to put anybody out of business nor did we say we did not want to see Brown and Kinney both prosper. What we demanded, and the court agreed, was recognition that the Brown-Kinney merger was the wrong way to grow under the law. We asked that they break up the merger and start over again, and do their growing from where they were before the merger."

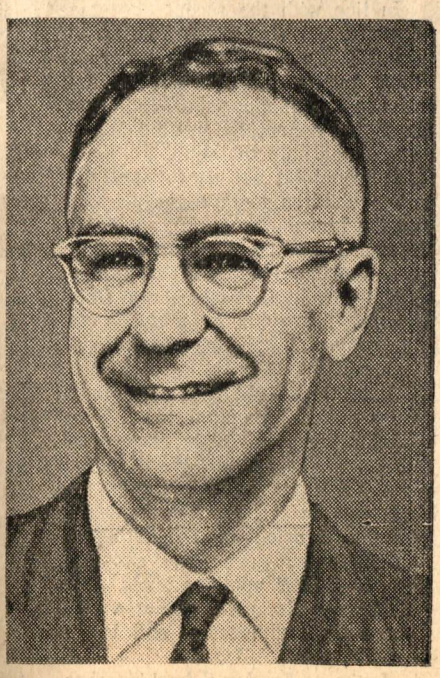
In the first year of the Kennedy Administration, anti-trust charges were filed in 53 cases. The previous high was 90 in 1960, which included the 39 criminal conspiracy cases in the electrical equipment manufacturing industry. Twenty-eight of the cases filed in 1961 under the Kennedy Administration were against alleged price-fixing conspiracies and 19 were against mergers. Eleven anti-merger cases were filed in 1960.

Anti-trust charges have been brought in recent months against Bethlehem Steel Corp., Columbia Broadcasting System, Johns-Manville Co., Texas Instruments Inc., Kimberly-Clark Corp., Carnation Milk Co., Armour and Co., Scott Paper Co. and St. Regis Paper Co.

The range of these and other suits is intended to protect the consumers and other business firms from illegal practices affecting the cost of items ranging from frankfurters to steel castings.

The business community, which long has been jumpy about the attitude of the Kennedy Administration, was shaken even further in recent days with disclosure that the expense accounts of executives of several big steel companies, including U.S. Steel, Republic and Bethlehem, have been subpenaed by the Justice Department in

Continued on Page 8, Col. 5.



LEE LOEVINGER
"The Wrong Way to Grow"

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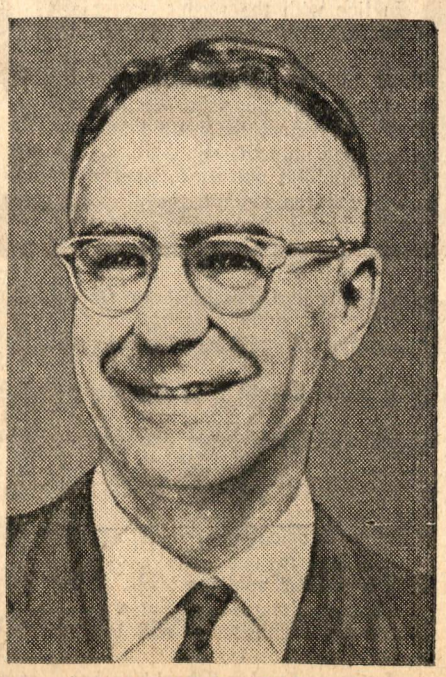
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Continued on Page 8, Col. 5.



LEE LOEVINGER
"The Wrong Way to Grow"

Court Ruling

Continued From Page One.

its grand jury investigation to determine whether the steel executives had met secretly to plan the abortive steel price boost of last April.

The Justice Department has upset the business community also by taking a lead in filing multiple-damages suits against the big electrical equipment companies such as General Electric and Westinghouse for alleged overcharges in the price conspiracy that sent several corporation officers to jail 18 months ago.

Private firms with which these companies did business have filed a total of about 1700 damage suits along the lines of the Government's action. Attorney General Robert F. Kennedy has received in recent days a bulky report from anti-trust investigators indicating that several hundred of the nation's top companies have been submitting identical prices in supposedly competitive bidding on government contracts.

.94	CaterTi		do4¼s96
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.98	CerrodeP5½	02½	Mor&E3½
.98	C&O3½s96D	80⅛	NatBisc4¾
.95	CMSP&P5s2055	51¼	NYNH&H4
.94	C&NW4½s99	45	NapcoCh4
.93	ChockFN4½s81	105	NAFI5¼s
.98	CITFin4¼s71	101¼	NatAirl6s7
4.00	CitServ3s77	85	NatCylG51
4.00	CityProd5s82	99	NatTea3½
3.98	CCC&SL4½s77	69⅛	NYC4½s2
3.95	ColoF&I4⅞s77	78½	do4s98
3.91	ColumGas5⅜s84	125½	NYNH&H4
4.05	CombustEng3⅜s81	94	NYTel4½s
3.80	ComwEd3s77	85	NapcoCh4
4.04	ConElect4½s84	104	NorPac3s2
irty	ConsuPw4⅜s75	124⅞	Northrop5
	CopwStl5s79	98	OxfPap4¾
	CrowColl4½s81	99½	OliM5½s82
	CurtisPub6s86	61½	do5½s83
	Deere4½s83	98⅛	PacG&E3¾
	Del&Hud4s63	100⅝	Pac T&T4⅜
	DL&W4s6s2042	30	PhilE12¾s7
	DougAirc4s77	69½	PCC&SL5s7
			PanAmWA4

EGGS UNCHANGED TO HIGHER

The St. Louis egg market as reported by the United States Department of Agriculture:

Egg prices for the week, both consumer and wholesale grades, ranged unchanged to 1 cent higher. The supply was rather large but the demand was good and a close clearance made. Consumer A large 27@28c; wholesale standards 21½@24c.

ınd Quotations

— The National Association of Securities owing quotations and states they do no ons or firm bids or offers but should indi s otherwise indicated are as quoted by th 29 closing prices.

Desc'pt.	Bid.	Asked	Desc'pt.	Bid.	Asked
	17.04		UNITED FUNDS:		
			Accu	11.85	12.

THE MARKETS

Zinc Breathes Easier—And Hopes

Calm seems to reign after weeks of chaos in prices—but industry is wary of Justice Dept., continuing business sag, and upsetting effect of St. Joe's daring move.

After weeks of chaotic pricing, the zinc industry this week assumed an air of outward calm. In less than seven weeks, the price of zinc had fallen 1½¢ a lb. to 11½¢—an extremely sharp drop.

But there's no telling how long the calm will last. The frantic price maneuvers have aroused the Justice Dept., which is making what it calls a survey of the situation. The sag in business that brought about the price reductions still exists; as yet, the price cuts haven't attracted any significant buying by galvanizers and die casters. And a number of industry price-makers express doubts about the firmness of zinc's price if business conditions don't improve soon.

Even more important, the industry is still upset at a daring, and successful ploy by St. Joseph Lead Co. earlier this month to discipline price-cutters. The move—an unprecedented offer to discount any posted price by ½¢ a lb.—sent the industry into confusion for several days, and still irritates its members.

• **It Depends**—In a way, zinc's little price war—and the antics of the industry and St. Joe—offer a lesson to all businessmen who are faced with tough competition these days.

It depends on your pricing philosophy how you'll interpret that lesson. You might conclude—like some zinc executives—that discounting prices to get business is destructive. Then again, you might conclude that while price fluctuations are painful and costly, they're more desirable than a stable price that is out of line with supply and demand. In either case, zinc's recent troubles are worth unfolding.

• **Pattern**—To get a perspective on what happened, one needs to know (1) the structure of the industry, and (2) the industry's 1960 performance.

Nearly all the nine major U. S. sellers of zinc mine their own ore; all do some smelting; a few are important agents for imported metal. The nine are Anaconda, American Zinc, New Jersey Zinc, St. Joseph Lead, American Smelting & Refining (Asarco), American Metal Climax, National Zinc, U. S. Smelting & Refining, and Bunker Hill. Dealers, who sell imported metal, also play a significant role at times, but it is chiefly the Big Nine that count.

Traditionally, sales of zinc are made at a flat price, East St. Louis, or at the E&MJ Metal & Mineral Markets' average, which is made up of fixed price sales for the previous week. E&MJ is a McGraw-Hill publication. The base price of zinc is for Prime Western material—the standard galvanizing grade. Premiums of ¼¢ to 1½¢ are paid for quality grades. Minor discounts of these premiums are fairly common in weak markets, but the industry has something of a fetish about under-the-table cutting.

Whether a company on balance is a producer or smelter can determine its position on pricing; but, since most do both, the decision is sometimes a subtle one. Simply put, a smelter is more flexible in its pricing, and it will usually lead price movements up and down. This is because a smelter's margin is fixed; it buys concentrates at a price tied to the price at which it sells metal, and it makes its profit on processing fees and its skill in handling inventory. A producer's profit, on the other hand, depends on just how much it can get for its ore or metal; it can only cut its cost by "high-grading"—that is, mining richer ore.

• **Promise and Performance**—At the beginning of 1960, producers' stocks were relatively low, the London price—for metal sold and bought abroad—was strong, and, with the steel strike coming to a halt, a prosperous year was in sight. Certain grades of zinc, in fact, were hiked in price.

But as steel production dropped, the use of zinc for galvanizing tailed off sharply. And while 1960 auto production was relatively high, the amount of zinc used in die-casting was disappointing—the compact cars took less than standard makes. Reflecting the drop in business here, the London market receded. But the U. S. price held firm at 13¢ a lb., chiefly because strikes at Bunker Hill and New Jersey Zinc knocked out about 20% of industry output.

• **Price Erosion**—In the fall, however, discounts on a number of grades were initiated by dealers who import foreign metal. Some big companies joined in, too.

In December, when labor peace loomed at the two struck companies, things came to a head. The London market, anticipating increased production, dropped below 10½¢—an abnormally large spread between U. S. and U. K. prices. A normal spread is about 1½¢ to 1¾¢; beyond that, it pays handsomely for a U. S. consumer to buy imported metal. On Dec. 13, Asarco trimmed zinc ½¢ a lb. The following week, American Metal Climax cut another ½¢.

These "official" cuts in the base price were on top of widespread discounting in the premium grades—in the form of freight allowances, quantity discounts, or flat reductions. Discounting continued after the cuts, not only in the premium grades but in the base grade as well. Metal for sale below posted prices leaked out of warehouses and the Commodity Exchange. Since these were not regular channels, none of these discounts was reported to E&MJ, so the posted price stood. Small consumers, who might not have known of the widespread discounting, were probably hurt. Some big companies were, too.

• **St. Joe's Move**—The spread of discounting prompted St. Joe's decision, Jan. 3, to "sell domestic zinc of all grades and to all of its customers on the basis of the quoted E&MJ East St. Louis price for Prime Western zinc less a discount of 0.50¢ a lb."

It seems clear that St. Joe believed this threat of recurring price cuts to be the best way to meet discounting. Whether it was any more effective than a flat reduction in price is something St. Joe won't comment on, but other zinc men insist a flat cut would have served the same end.

In essence, St. Joe was offering to discount what was then a non-existent price, for no buyer would pay the E&MJ price when St. Joe was willing to discount that. This meant that if another seller met St. Joe's discount, the posted price would also drop—and St. Joe would be ready to discount that. As the influential London Economist saw it, St. Joe was lowering itself by its own bootstraps.

In any case, St. Joe's action raised a storm in the industry, and posted prices for a time were more or less suspended. But St. Joe won its point. Within a week, Asarco cut its price to 11½¢ a lb., and made known a desire "to revert to previous industry policy of selling at announced prices without discounts." Other sellers trailed along.

St. Joe then rescinded its new sales policy and said it would sell at the posted price, but with a threat veiled in its expression of hope that "future sales practices in the industry will not necessitate a reconsideration." END

The markets pattern

Put Back the Fed's Magic

Once upon a time, every central bank moved in mysterious ways, because no one except a handful of insiders knew anything about central banking. Now a lot of people know a good deal about central banking, and that poses a rather serious problem.

The problem is that our central bank, while it may be doing the right things, is now in the position of telegraphing its punches, so it is not getting the right results.

This has become obvious in the last few months. Last year, the Federal Reserve moved quickly and courageously to reverse its tight-money policy. Though faced with a serious and continuous drain on our gold stock, the nation's money managers recognized that the domestic economy was softening, and they did everything they could do to ease credit and provide the funds for future expansion. The Fed's actions conformed to all the rules in orthodox central banking textbooks—but the response unfortunately did not.

• **Sluggish Reaction**—True, short-term money rates reacted. The long-term sector, however, failed to respond in anything like the degree the Fed's easy-money policies should have produced.

There has been some decline, of course, in long-term rates, but it is an open secret that the Fed itself expected a much more marked reaction. Now, some Fed officials say long-term rates are sticky because investors are ultra-sophisticated; they are so familiar with the trend of credit policy and the Fed's use of open market operations that they have refused to move out into the long-term area.

• **Anyone Can Play**—In taking this view of investors in the market, Fed officials seem to be paraphrasing G. K. Chesterton, saying "We are all central bankers now." They are implying that, instead of being the hidden hand or the "art magick" that works in mysterious ways, central banking is a game that anybody can play if he has average intelligence and a fair grasp of the economic facts.

• **Shocking Idea**—To the traditional central bankers, this is heresy. As they see it, central banking must operate in secret and be prepared to change tactics whenever innovation seems advisable.

In a sense, the ideal central banker is like the good professional poker player, who holds his cards close to his chest and keeps his opponents guessing. According to Robert V. Roosa, who was trained in the old tradition at the New York Fed, the monetary authorities should see to it that their actions are carried out to insure "the certainty of uncertainty." In other words, the market should never be sure it knows what the central bank is up to.

• **Foreign Style**—Most foreign central banks operate on a much more flexible—and imaginative—basis than the Fed, which is playing the game with its cards face up on the table. The lesson seems to be that orthodoxy in central banking calls for acting in an unorthodox way. There is no need for complete secrecy; after all, the Bank of England—which used to be known as the Sphinx—is now providing information on its operations. So if the Fed is to restore "the certainty of uncertainty," it had better make some changes in its techniques.

• **More Imagination Needed**—Central banking is an art and not a science. In the last year, at least, the Fed cannot be faulted for its intentions. It took the orthodox remedy for an economy that is in decline. But the doctrinaire and unimaginative way it went about its task has kept it from reaching its objective.

The Fed should now recognize the need to consider new ways of doing its job. That would be equivalent to having a couple of aces up its sleeve; then no one would know for certain whether it had a full house or was merely bluffing.

Wall St. Talks . . .

. . . about sale of Willys to American Motors, Canadian stocks, public offerings of electronics companies, "little league" for small banks.

American Motors Corp. may be on the verge of expanding and diversifying—by buying Kaiser Industries' Willys division, which would give AMC a position in the truck industry as well as markets overseas, particularly in South America. George W. Romney, head of AMC, refuses to confirm or deny reports that he is negotiating for the Willys property, says only that "we have a joint project with Willys in Mexico to make engines." But the talk is that the deal is set, and Kaiser will be getting cash for Willys.

U. S. money is trickling into the Canadian stock market despite Canada's new policy of economic nationalism. Since the Canadian budget message, stock prices in the Dominion have spurted, and some U. S. investors apparently feel that Canadian pension funds—which now have assets of some $3-billion—will switch funds back to Canadian securities.

Talk is that **Electronics Capital Corp.**, one of the biggest of the small business investment companies, will sponsor one or two public offerings of electronics companies in which it has invested. This is behind the stock's recent spurt from below 20 a share to 23½.

Garvin, Bantel & Co., the leading broker in federal funds—the inter-bank market in bank reserves—is talking about setting up **a "little league" funds market for small country banks.** This would put the traditional surplus reserve position of the country banks to work in the money centers. It may not get too far, for even assuming a 3% funds rate (the rate was only ¼% early this week), the return on $100,000 overnight is only $8.33, and that might not cover bookkeeping costs.

Top price-makers among the nonferrous metal companies say privately that they can stick to the new 29¢-a-lb. price for copper—unless business really sinks. Noting production cutbacks by Anaconda and Kennecutt, they point out that a few years ago producers pared prices, then cut operations, and were able to hold the price firm.

THE UNIVERSITY OF CHICAGO PRESS

5750 ELLIS AVENUE · CHICAGO 37 · ILLINOIS

March 21, 1961

Professor Mason Gaffney
College of Agriculture
Department of Agricultural Economics
University of Missouri
Columbia, Missouri

Dear Professor Gaffney:

Thank you for your order of March 14. The query about discounts in your P.S. has been referred to me by the Order Department. I am sorry that we cannot allow you any more than the regular 10% professional discount on this order. We cannot extend our wholesale discount to individuals, but only to authorized bookstores and dealers, and, as you know, the University of Missouri does have a regular bookstore which deals with us.

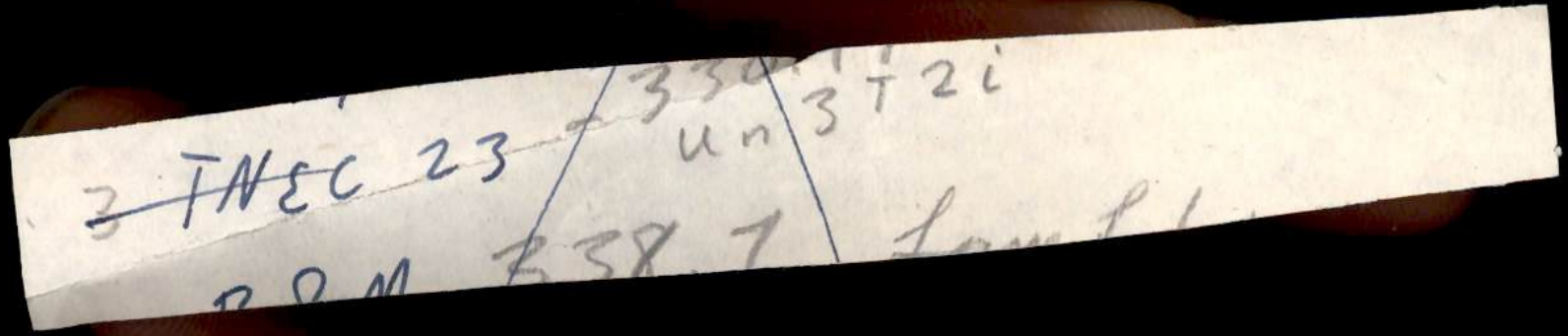
Please let me know if there is any way in which we can serve you further.

Yours sincerely,

Louise S. Rossen

(Mrs.) Louise S. Rossen
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