



AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search
<http://ageconsearch.umn.edu>
aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

Government Regulation of
Competition in the Food Industry

by

Bruce W. Marion

WP-21

September 1978

The author is agricultural economist, ESCS, U.S. Department of Agriculture, and Adjunct Professor, University of Wisconsin-Madison. This paper was presented at the Allied Social Science Meetings, Chicago, Illinois, August 29-31, 1978. The views expressed here do not necessarily reflect the position of the U.S. Department of Agriculture.

Given my assigned task, I could journey in many directions. But in the interest of brevity and to avoid travelling beyond the bounds of my expertise, I will concentrate on those government policies designed to deal specifically with competition in the U.S. economy -- the antitrust laws.

In doing so, I will necessarily bypass some important regulations that directly or indirectly affect competition in the food industry. Marketing orders, the Perishable Agricultural Commodities Act, Capper-Volstead, The Food and Drug Administration and the Commodities Futures Trading Commission are some areas that immediately come to mind, although other governmental policies such as taxation, subsidies and public purchases may also have considerable impact. Similarly ignored are the effects of the antitrust laws -- or the exemptions therefrom -- on the organization and performance of those sectors such as finance, transportation, labor and utilities which provide important inputs or services to the food system. Clearly, this panoply of forces can have important effects on the competitive organization and performance of the food industry and should be considered in an all-encompassing analysis.

In examining the antitrust laws and their effects, I will concentrate on three areas.

1. Given the content and interpretation of U.S. antitrust laws, what effects are suggested by the pattern of enforcement?
2. What are the competitive characteristics and trends in the food industry? What insights do these provide on the impact of antitrust laws?
3. What insights into the impacts of U.S. antitrust laws are provided by the experiences in other countries?

Considerable debate has occurred concerning the economic foundations on which antitrust policy is or should be based. These debates frequently find members of the so-called "University of Chicago school" on one side and a variety of industrial organization economists on the other. Since I (Marion and Sporleder) as well as many others (Goldschmid et al, Shepherd and Williamson, to name but a few) have attempted to evaluate the economic bases for antitrust, I will largely bypass this very critical issue, as well as any discussion of the content, objectives and interpretations of the antitrust statutes.

My approach will be pragmatic. Given my assessment of the theoretical and empirical evidence concerning the interrelationships between industry structure, conduct and performance, what impacts on competition are indicated by the interpretation and enforcement of the antitrust laws and by the evolving competitive characteristics of the food industry? In taking this approach, I recognize I am vulnerable to the criticism that I have bypassed the most critical and controversial issues -- as indeed I probably have.

Enforcement Patterns

An analysis of past enforcement provides useful insights into the types of violations pursued and the industries most frequently involved. However, it may provide a distorted indication of the total impact of the laws and the enforcement agencies. Industry guidelines and advisory opinions are provided by both the FTC and Justice Department concerning the legality of various actions; the FTC also has the authority to issue trade regulation rules. These actions do not show up in a summary of litigation initiated, yet may have substantial effects on competitive practices.

The numbers of cases brought also indicates little about their relative importance. With relatively limited resources, both agencies must choose between a few "big cases" and many smaller ones. Given these and other limitations of enforcement data, they are a useful starting point.

Data are available for antitrust cases in the food industry during two time periods, 1950-65 and 1966-77 (NCFM Tech. Studies 8 and 10; Grant Dahl and Geyer; Mueller, 1978). The activity of the Justice Department in the two periods was similar -- slightly less than five cases per year. The number of complaints brought by the Federal Trade Commission dropped sharply from about 13 per year during 1950-65 to 3.7 in the most recent period.^{1/}

The nature of the violations alleged and the industries involved provide some insights into likely enforcement effects. To the extent possible, cases were categorized by Parker's classification of food manufacturing industries (producer goods and low, medium and highly differentiated consumer goods).^{2/} Cases were categorized by the following types of violations: 1) Price fixing and allocation of markets; 2) Tying arrangements, boycotts, refusal to deal, reciprocity and patent abuse; 3) Monopolization or attempts to monopolize; 4) Predatory pricing (primary line price discrimination); 5) Secondary line price and service discrimination; 6) Mergers.

In both periods, 80 percent of the Justice cases alleged price fixing or allocation of markets. Tying arrangements, boycotts, etc. were alleged in 10 percent of the 135 cases over the 28-year period but nearly half also included pricing fixing charges. These two types of violations were distributed by industry category as follows:

	<u>1950 - 1965</u>	<u>1966 - 1977</u>
Producer goods	3	8
Consumer goods-low diff:	45	17
Milk and dairy products	22	11
Meat and broilers	9	2
Fish and seafood products	7	1
Fresh fruits, veg. and nuts	5	2
Other	2	1
Consumer goods-medium diff:	11	15
Bakery products	8	15
Other	3	0
Consumer goods-high diff:	1	4
Snack foods	0	4
Other	1	0
Grocery retailers	5	4
Other wholesale and retail distributors	<u>0</u>	<u>4</u>
Total	65	52

Approximately one-half of the above cases involved either dairy (mostly fluid milk processors) or bakery firms which share the common characteristics of operating in local or regional markets in which there is relatively high concentration on both the buying and selling sides of the market. Both bread and milk are extremely important competitive products for retailers and are the products more frequently processed by retailers. The National Commission on Food Marketing commented: "...the relative power of chain-store buyers is greater in dairy than perhaps any other area of food manufacturing with a possible exception of baking," (Tech. Study Nr. 8, p. 165).

Nearly two-thirds of the above cases involved either producer goods or low differentiated consumer goods, 22 percent moderately differentiated consumer goods, and only 4 percent involved manufacturers of highly differentiated products. Even allowing for some errors in classifying cases, enforcement has been heavily concentrated in local market industries with relatively homogeneous products.

Other food cases brought by the Justice Department were the following:

	<u>1950-65</u>	<u>1966-77</u>
Monopolizing	11	4
Predatory Pricing	7	0
Mergers	7	11

Over half of the monopolizing and predatory pricing cases involved dairy firms. Five of the 15 monopolization cases involved dairy cooperatives. Manufacturers of highly differentiated products were noticeable by their low representation in all Justice cases except those challenging mergers. Seven of the 17 merger cases involved such firms.

The data available on FTC complaints are more difficult to classify. Of the 211 complaints in the food industry during 1950-65, two-thirds alleged Clayton Sec. 2 violations (see footnote 1), one-fourth alleged violation of Sec. 5 of the FTC Act and the remainder challenged mergers. Slightly over half of the complaints during this period involved dairy, fruit and vegetable, fish or bakery firms.

Only forty-five complaints were brought during 1966-77. The violations alleged were as follows:

Price fixing (2) and market allocation (8)	10
Tying arrangements, boycotts, etc.	4
Monopolizing	5
Predatory pricing	3
Price and service discrimination	13
Mergers	<u>12</u>
Total (involves double counting)	47

Manufacturers of highly differentiated products were involved in about one-third of the FTC complaints during 1966-77. Several major cases

were brought during the period including eight soft drink territorial restriction cases, the ReaLemon monopolization case, and the cereal shared monopoly case. Retailers were involved in one-fifth of the cases.

A more comprehensive analysis of merger law enforcement is provided by Mueller (1978). During the 26 years since the Celler-Kefauver Amendment of Sec. 7 of the Clayton Act, the FTC and Justice have challenged 9 percent of all large mergers (assets over 10 million). Challenged mergers represented 20 percent of assets acquired through large mergers. Nearly two-thirds of the challenged mergers were horizontal mergers. Only 20 percent of the mergers challenged were conglomerate (mostly product extension) although over 70 percent of all large mergers during the 26-year period were conglomerate mergers. Mueller concludes that Sec. 7 -- as enforced -- has been relatively effective in dealing with non-competitive horizontal acquisitions but ineffective in dealing with conglomerate acquisitions, which have steadily increased since 1950.

Within the food industry, a strong stance by antitrust agencies against horizontal and market extension mergers by leading dairy processing and food retailing firms virtually stopped these types of acquisitions for about a decade (Mueller, Hamm and Cook; Marion et al). The total number of mergers in these industries did not decline, but were channeled to small and medium-sized firms. Since the mid-70s, the antitrust agencies have relaxed their posture on food industry mergers. A recent surge in mergers by large grocery chains appears to be a direct response.

Action against product extension conglomerate mergers has had less impact. Although the FTC's "Enforcement Policy With Respect to Product Extension Mergers in Grocery Products Manufacturing" was in effect from

1968 to 1976, relatively little effect on the merger activity of large food manufacturers during this period is apparent (Mueller 1978).

Given the foregoing summary of antitrust enforcement patterns, what can we conclude? Except for some rather solid data on merger enforcement, relatively little can be said with confidence. There is rather convincing evidence that the Celler-Kefauver Amendment has and can significantly affect the structure of markets if it is vigorously enforced. Its effects on aggregate concentration and on the growth of conglomerates is more open to question, however. The data indicate a strong emphasis by the Justice Department on Section 1 (Sherman) violations. Given the emphasis on horizontal conspiracies, the predominance of firms producing relatively homogeneous products is not surprising. Firms selling highly differentiated products have considerable control over price and need not seek collusive agreements to regulate supply or price.

Many students of antitrust have noted the paucity of cases that challenge established positions of monopoly power. There is a strong question whether existing legislation enables the antitrust agencies to challenge entrenched monopoly power. Sec. 2 of the Sherman Act is characterized by Shepherd as "nearly a dead letter" and is infrequently applied. Sec. 5 of the FTC Act was used to successfully challenge Borden's monopolization of the reconstituted lemon juice industry. Its applicability to concentrated oligopolies is being tested in the "shared monopoly" cereal case.

Antitrust enforcement to date has also had limited effects on advertising, the primary means of differentiating products, and on conglomerate mergers. As evidence grows that these two factors are the most powerful weapons to restructure industries, this weakness in antitrust policies may prove the most fatal of all (See for example, Mueller and Rogers, Mueller 1975 and Scherer).

Competitive Characteristics and Trends in Food Industries

Although the characteristics of the laws and the level of enforcement provide some insights into the likely areas where antitrust regulations have had effect, in the end, it's the result that count. Thus, we must ask if there is evidence that antitrust policy has led to more desirable economic performance and a more equitable distribution of power in the food system than would have occurred without antitrust. Since this is a counter-factual proposition which there is no way of answering, a second alternative is to assess the competitive characteristics and trends in the food industries -- keeping in mind the emphasis of past antitrust policies.

Although the antitrust laws clearly concentrate on conduct, it is safe to assume that if the laws have been effective in influencing conduct, industry structure and performance have also been affected. Since data are not available on conduct, the competitive characteristics of the food industries must be judged by structure and performance indicators. I will consider only food manufacturing and food retailing since until recently antitrust agencies have shown little interest in producer-first handler markets. Inadequate data also makes these markets difficult to evaluate.

Structure and Performance of Food Manufacturing Industries

The National Commission on Food Marketing identified six major changes that carried important implications for competition in food manufacturing industries. They noted: (1) a decline in company numbers, (2) an increase in concentration, (3) a substantial increase in the conglomerate nature of leading food manufacturing firms, (4) an increase in the number of large acquisitions by the larger companies, (5) substantial

increases in product differentiation expenditures by large food manufacturers, and (6) a growing differential between the profitability of large versus medium and small food manufacturers.

Connor examines each of these changes using 1972 and 1975 data and concludes that in every instance except the last one -- where data are not available on the profitability of small companies -- the trends have continued. Some of the highlights of Connor's finding are as follows:

- The number of food manufacturing companies has shown an accelerating rate of decline since World War II while the number of companies in the rest of manufacturing has been gradually increasing. By 1972, there were 23,326 food manufacturing companies, approximately one-half the number in 1947.
- Average four-firm concentration in food and tobacco manufacturing industries (using local market concentration ratios where appropriate) has gradually increased to 54.7 in 1972.^{3/} This is considerably higher than concentration in the rest of manufacturing (43.3). Approximately 70 percent of the value added in food manufacturing in 1972 came from industries that were moderately to very highly concentrated oligopolies by Bain's classification (CR_4 over 50 or CR_8 over 70 percent).
- The largest 100 food and tobacco manufacturers in 1975 made slightly over half of all U.S. food and tobacco shipments. The largest 200 firms represented nearly two-thirds of all shipments. Aggregate concentration has increased.
- Evidence suggests that the largest food and tobacco manufacturing companies have diversified into other food manufacturing industries, into industries outside food and tobacco manufacturing and internationally. In 1972, the largest 162 companies classified as

primarily food or tobacco manufacturers realized only 60 percent of their sales from U.S. food and tobacco sales.

- Food and tobacco manufacturing companies have increasingly been involved in acquisitions, either as the acquired or acquiring firm. Between 1971 and 1975, food and tobacco manufacturing firms made over one-fourth of all large manufacturing acquisitions.
- Media advertising by food and tobacco manufacturers totalled over \$3 billion in 1977, nearly double the amount in 1967. The 200 largest companies accounted for 84 percent of the total. These companies do a disproportionate share of their advertising by television (80 percent versus 37 percent for the remaining companies). The largest 50 companies alone did 70 percent of all television advertising of food and tobacco products.
- The profitability of food and tobacco manufacturing companies, which was lower than the rest of manufacturing during 1951-65, was 13.2 percent of stockholder's equity during 1971-1975, or 11 percent higher than the rest of manufacturing.

The significance of increased concentration, acquisitions, conglomeration and advertising is not fully understood. There is growing evidence that they are interrelated trends; that is, that acquisitions are a major vehicle for conglomeration, and that entry by large conglomerates into some industries has been associated with intensified advertising and rivalry -- often of a cost-increasing type -- and tends to further concentrate sales in the hands of leading firms.

As economists, we are endowed with a strong dose of economic determinism. If firms are becoming more conglomerate and industries more concentrated, we search for failures in capital markets or economies of scale as logical

explanations. After all businessmen are rational, aren't they? Although once again the evidence is rather limited, it suggests that these are not the predominant reasons for the existing trends. (Scherer, p, 985-995). Mueller and Rogers, in a recent study of structural changes in all U.S. manufacturing industries, found a strong positive relationship between the level of television advertising and increases in concentration. They found that in producer goods industries, concentration is stable or declining while it has increased in consumer good industries, especially those with high product differentiation.

Food manufacturing industries are predominantly consumer goods industries. The available evidence suggests that concentration trends in food manufacturing are similar to those in all manufacturing; i.e., that changes in concentration are strongly associated with the level of product differentiation.

Finally, the fragility of market power carries important implications for antitrust policies, for if forces are continually at work to erode market power and to ensure that it is short-lived in duration, the current trends in food manufacturing are of less concern. Although there are many examples of market power situations that have dissipated over time, present day market power -- which is more heavily based upon product differentiation and conglomerate-derived economic power than in previous periods -- appears much less vulnerable to erosion.

The characteristics of food manufacturing that raise the most serious questions about the effectiveness of future competition are precisely in those areas where antitrust has been relatively mute -- concentrated oligopolies, the growing dominance of conglomerates, conglomerate acquisitions, increasing aggregate concentration, and high levels and concentrations of

advertising. As presently interpreted and enforced, the antitrust laws have had their greatest impact on maintaining fair and effective competition in "commodity oriented" industries which are structurally the most competitive, and where market power positions are the easiest to dismantle.

Competitive Characteristics of Food Wholesaling and Retailing

Based upon our recent study (Marion et al), trends that have particular relevance for competition in these industries are as follows:

- National concentration of food wholesaling and food retailing has experienced a gradual increase during the last 20 years. Grocery chains expanded their share of grocery store sales from 37 percent in 1948 to 57 percent in 1972. The largest 20 chains in 1972 accounted for two-thirds of the chain share. National concentration of sales among the leading grocery wholesalers is roughly comparable and has increased more rapidly. Thus, concentration of procurement has increased at the wholesale-retail level since the National Commission on Food Marketing voiced alarm on this subject in the mid 60s.
- Concentration of grocery store sales in local markets has steadily increased. Although many markets are still relatively competitive in structure, the proportion of SMSAs (Standard Metropolitan Statistical Areas) in which the largest four retailers account for 60 percent or more of sales has increased from 5 percent in 1954 to 25 percent in 1972.
- Large grocery chains operate across an increasing number of markets, providing greater opportunities from cross subsidization and conglomerate mutual forbearance.

- Horizontal and market extension mergers by the largest twenty chains virtually stopped during 1965-1975 due to the strong merger stance of FTC. Acquisitions by conglomerate firms not previously in food retailing increased substantially during this period. Change in SMSA concentration was positively associated with the presence of conglomerate firms (including multi-market food chains) in local markets.

Since grocery chain prices and profits in different SMSAs were found to be positively associated with the relative dominance of a chain and the four-firm concentration level, these trends are of considerable public concern. Past antitrust activity in food wholesaling has been nil; in food retailing, enforcement has largely focused on price and service discrimination by suppliers, mergers (particularly horizontal but also including sizeable market extension mergers from 1959 to 1976), some unfair and deceptive practices, and a few bribery and market manipulation cases. These actions have probably helped police the substantial procurement power of large retailers and may have prevented a more rapid increase in local and national concentration via mergers. Antitrust agencies have had relatively little to say about metropolitan markets with dominant firms or high concentration, restrictive site arrangements, saturation advertising and predatory geographic price discrimination used to ward off new entrants or the growth of existing firms, conglomerate mergers or the level of consumer information on food products and prices. As in food manufacturing, antitrust has had relatively little effect on those issues that are of greatest concern for the future competitive viability of these industries.

Observations From Antitrust Activity in Other Countries

Since comparative studies of the substance and effect of antitrust laws are relatively scarce, only a few observations are possible. Outside of the U.S., laws designed to curb cartels and monopolies were rare before World War II. However, in the twenty years following World War II, laws to curb restrictive practices were developed in all non-Communist Europe except Italy, Greece and Turkey, and in Japan, N. Zealand, Israel, Argentina, Columbia, Brazil and S. Africa. From his analysis of these laws, Corwin Edwards concludes that, in general, the laws in these countries are:

- . more permissive in the treatment of horizontal agreements and combinations (e.g., price fixing, terms of sale, mergers) as long as prices and performance are considered "fair".
- . similar in the treatment of collective activity designed to coerce independents, exclude enterprises from markets or impose discriminatory disadvantages on them.
- . more restrictive in treating refusals to sell, vertical price fixing and prices charged by powerful single firms. In several countries, government has some control over the prices of powerful firms.

While many of the laws had been in effect for only a decade when Edwards did his study, he found their impact had been substantial. The number of restrictive agreements were reduced, coercive and exclusionary pressures on independent enterprises had declined, and there was some evidence that surveillance over prices had kept prices down in some countries.

Some lessons are also available from our neighbor to the north. Canadian antitrust laws, as interpreted and enforced during this century, have placed less emphasis on horizontal combinations and restraints than in the U.S., and more emphasis on industry performance. This has resulted in relatively modest antitrust action in Canadian food industries. At least in

part, this may explain the considerably higher levels of local market concentration of food retailing in Canada vis-a-vis the U.S. Average four-firm concentration in 32 Canadian cities was 68 in 1973 (Mallen) compared to 52 for 263 U.S. metropolitan areas in 1972 (Marion et al).

Conclusions

John Galbraith has labelled our antitrust laws a "charade". He contends:

"It (antitrust activity) conducts a fairly effective war on small firms which seek the same market power that the big firms already, by their nature, possess...The antitrust laws give the impression of protecting the market and competition by attacking those who exercise it most effectively...Behind this impressive facade the big participants who have the most power bask in nearly total immunity."

Although put more forcefully than others, Galbraith's position has a great deal of support (e.g., Kaysen and Turner, Neal Task Force, Shepherd, Mueller (1975)). Other evidence adds fuel to such a sobering view of antitrust.

- The typical antitrust case is long (average of four years for Justice litigated cases and three years for contested FTC cases) (Posner), complex and often very expensive (AT&T is expected to spend \$60 million defending itself). Antitrust agencies are underfunded to take on large cases and are further handicapped by rapid staff turnover. Mueller (1975) has characterized the situation: "Under existing circumstances the antitrust agencies are outnumbered, outgunned and are forced to fight on the defendant's terms. Today an antitrust confrontation (with large firms) more closely resembles Custer's last stand than a shoot-out at the OK Corral".
- Remedies in antitrust cases are relatively impotent. Only 4 percent of the monopolization cases brought by the Justice Department since 1950 led to significant divestiture or dissolution. Cases where divestitures were involved were also particularly lengthy -- approximately seven years. Imprisonment has been part of the penalty

in less than 4 percent of Justice criminal cases, with prison terms less than a year in nearly all instances. Fines imposed in criminal cases won by Justice during 1960-69 averaged \$120,000 per case. Until 1969, only two cases involved fines over \$1 million. In contrast, horizontal conspiracies challenged by Justice during 1960-69 operated, on average, for an estimated six years and involved approximately \$160 million in sales (Posner). Although the last figures may be only crude estimates, they indicate why white collar crime can pay handsomely -- even when caught.

Given such evidence, it is easy to become pessimistic about the future of the antitrust laws and decide in the interest of kindness to "allow them quietly to atrophy", as Galbraith has suggested. However, we must be careful to not judge antitrust efforts totally by their failures. Although antitrust policy to date has been incapable of dealing with some of the major competitive concerns in the food industry, it very likely has helped preserve competition in those industries with relatively low product differentiation. There are few economists or businessmen that I know who would seriously suggest abandoning antitrust.

However, it is high time to face up to the strengths and limits of antitrust. Given the characteristics and trends in the U.S. economy, we can ill afford to continue to delude ourselves that the competitive behavior of powerful firms is adequately policed when in fact it is not.

Given the response to the numerous commissions, task forces, and scholars that have studied U.S. antitrust policy and recommended changes, perhaps it is folly to think that any substantive changes will be made. In my more realistic moments, I suspect this is true. The citadels of economic power have learned well how to translate this power into power in the public sector. However, I feel obliged to close with some positive proposals for more effective antitrust policies.

Like many others, I place a heavy emphasis on the need for much more information about the activities of large business firms, and on the right of the public to this information. Federal chartering with attendant information requirements is one approach. FTC's Line-Of-Business Reporting program is another if it survives court challenges^{4/} and business efforts to sabotage the program by political means and if the data are made public without unnecessary delays.

Secondly, I believe the time is right to take on what Scherer calls "a high megatonnage time bomb" -- advertising. The evidence concerning the effect of advertising on consumer preference, firm profitability, barriers to entry, and the restructuring of markets, and the fact that advertising messages are transmitted over public media provides a strong rationale for considering advertising a quasi public good and subjecting it to greater public control. Although some of the initiatives that have been taken in the last decade to deal with advertising (e.g., affirmative disclosure, substantiation of claims) have been constructive, they do little to control the most powerful aspect of advertising -- imagery.

Scherer has suggested the licensing of trademarks as a way of eroding the market power of strong brands. For products where brands have taken on generic meaning such as Clorox, Jello or ReaLemon (this was the recommended relief in this case) this seems particularly appropriate. It might also be used in connection with divestitures in cases where multiple plants and marketing areas allow breaking a company into several entities. A more drastic measure that some may find offensive is to establish ceilings on the amount large firms can spend on the advertising of various product classes. While I can anticipate some of the counter arguments, I place a higher priority on the rights of a society to choose its future social and economic characteristics than on the rights of business.

In addition, I suggest that our laws concerning discrimination and predation should be applied to non-price forms of competition -- particularly advertising -- similar to the way they are now applied to prices. At present, a firm can legally increase advertising expenses by an amount which if used to lower prices would be considered predatory.

I agree with those who recommend action to deal with dominant firms, tight oligopolies and the growth of conglomerate power. Actions to substantially weaken the advertising weapon of such firms would remove one leg on their four-legged stool. Divestiture is an obvious remedy that has proven largely unpallatable to the courts and legislatures. An alternative that has proven workable in a Canadian food retailing case is to limit the growth of powerful firms by placing a ban on mergers, limiting their growth in capacity, limiting the rate of advertising, forbidding saturation advertising to deter new entrants, and banning geographic price discrimination. U.S. antitrust agencies may need new legislation to take such actions.

Finally, we have been guilty of tunnel vision in dealing with policies toward competition. If the behavior of an industry cannot be adequately policed using traditional antitrust policies, our tendency is to impose a layer of more specific controls, reports, inspections, licensing, etc. The Packers and Stockyards Act is a case in point. Although the effects of this Act appear to have been pro-competitive, modern technology suggests an alternative -- the development of electronic exchanges for livestock. Through the broadening of markets and the anonymity of participants, these exchanges substantially reduce the feasibility of manipulating markets. Most of the antitrust activities of P&SA could be eliminated. Other non-traditional "antitrust" approaches should similarly be considered.

Some may consider these as drastic proposals to restore competition to that part of our "dual economy" that seems to be beyond salvation to a competitive way of life. However, given the symptoms, something is needed beyond a slap on the hand and an admonition to "go and sin no more". If we're ready to stop playing the game of antitrust charades, perhaps it's time to challenge Parker Bros. "Monopoly" with a new entrant, "Competition".

Footnotes

- 1/ The 82 illegal brokerage cases brought as a group against citrus firms and 28 illegal brokerage cases brought as a group against salmon firms during 1950-65 are counted as two cases.
- 2/ One important adjustment in Parker's classification was made; fluid milk was switched from the medium to low differentiated consumer goods category because recent data on advertising and private label-national brand price differences suggest that is the more appropriate category.
- 3/ When national concentration ratios are used for all food industries, the weighted average four-firm concentration is similar to the rest of manufacturing. For 107 product classes that are comparable for 1963, 1967 and 1972, the weighted average four-firm concentration ratios were 37.5, 38.5 and 42.3 respectively. Since local market industries are more important in food manufacturing than in the rest of manufacturing, use of the more relevant local market concentration ratios for fluid milk, ice cream, bread and related products, prepared feeds, and bottled and canned soft drinks results in a much greater increase in average concentration for food and tobacco manufacturing.
- 4/ In March 1976, FTC Commissioner Dixon identified 30 food manufacturers that were opposing the Line-Of-Business program. Only four had sales less than one billion per year.

References

- Connor, John M., "Competition and the Role of the Largest Firms in the U.S. Food and Tobacco Industries", U.S.D.A. forthcoming.
- Edwards, Corwin D., Control of Cartels & Monopolies: An International Comparison, Oceana Publications, 1967.
- Galbraith, J. K. in Hearings Before Select Committee on Small Business, U.S. Senate, "Planning, Regulation and Competition", June 29, 1967.
- Goldschmid, H., H. M. Mann and J. Weston, Ed., Industrial Concentration: The New Learning, Little, Brown & Co., 1974.
- Grant, Winston W., Dale L. Dahl and L. Leon Geyer, "Federal Antitrust Policy and the U.S. Food System", forthcoming NC117 monograph.
- Kaysen, C. and D. Turner, Antitrust Policy, Harvard Univ. Press, 1959.
- Mallen, Bruce, "A Preliminary Paper on the Levels, Causes and Effects of Economic Concentration in the Canadian Retail Food Trade: A Study of Supermarket Power", Ref. Paper No. 6, Concordia University, February 1976.
- Marion, B. W. and T. Sporleder, "An Evaluation of the Economic Basis for Antitrust Policy in the Food Industry", Amer. J. Agr. Econ., 58:5, December 1976.
- Marion, B. W., W. F. Mueller, R. W. Cotterill, F. E. Geithman and J. R. Schmelzer, The Profit and Price Performance of Leading Food Chains, 1970-74, Joint Economic Committee, U.S. Congress, April 1977.
- Mueller, W. F., "Antitrust In A Planned Economy: An Anachronism or an Essential Complement", J. of Econ. Issues, 9:2, June 1975.
- Mueller, W. F., L. Hamm, H. Cook, Public Policy Toward Mergers in the Dairy Processing Industry, NC117 Monograph 3, December 1976.
- Mueller, W. F., "The Celler-Kefauver Act: The First 26 Years", a study prepared for the House Judiciary Committee, 1978.
- Mueller, W. F. and R. T. Rogers, "The Role of Advertising in Changing Concentration of Manufacturing Industries", NC117 Working Paper 17, May 1978.
- National Commission on Food Marketing, Technical Study Nr. 8, "The Structure of Food Manufacturing", and Technical Study Nr. 10, "Special Studies in Food Marketing", June 1966.
- Neal, P. D., et. al., "White House Task Force on Antitrust Policy", BNA Antitrust and Trade Regulation Report, No. 411, May 27, 1968, Part II.

Parker, R. C., Comparable Concentration Ratios for 213 Manufacturing Industries Classified by Producer and Consumer Goods and Degree of Product Differentiation, 1947-63, Fed. Trade Comm., March 1967.

Parker, Russell C., "The Status of Competition in the Food Manufacturing and Food Retailing Industries", in Political Economy of Food and Energy, ed. Louis J. Junker, University of Michigan Press, 1977.

Posner, Richard, "A Statistical Study of Antitrust Enforcement", 13 J. of Law and Economics, 1970.

Scherer, R. M., "The Posnerian Harvest: Separating Wheat From Chaff", The Yale Law Journal, 86:5, April 1977.

Shepherd, Wm. G., The Treatment of Market Power: Antitrust, Regulation and Public Enterprise, Columbia Univ. Press, 1975.

Williamson, Oliver E., Markets and Hierarchies: Analysis and Antitrust Implications, The Free Press, 1975.