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RHODE ISLAND LEGISLATURE APPROVES ODOMETER RESOLUTION

Mr. PROXMIRE. Mr. President, I am happy to announce that the Rhode Island Legislature on April 6, 1968, memorialized Congress to pass legislation identical to a proposal I introduced last April 26, almost 1 year ago, to require automobile manufacturers to include tamper-proof odometers on new cars. As the resolution makes clear, such a proposal would prevent unscrupulous used-car dealers from turning back the mileage indicator on cars to get a higher price.

This is but one more indication of the pressure that is building up across the Nation for a national odometer law. I hope that we can look forward to early Senate passage of my bill, S. 1621, in view of its strong national support.

I ask unanimous consent that the resolution be printed in the RECORD.

There being no objection, the resolution was ordered to be printed in the RECORD, as follows:

HOUSE BILL 1488

A resolution memorializing Congress to require automobile manufacturers to make tamper proof odometers

Whereas, there are on occasion automobile dealers and private owners who would tamper with odometers so as to deceive purchasers of second hand cars so that they may get a higher price and that such action could be prevented by requiring automobile manufacturers to make tamper proof odometers; now, therefore, be it

Resolved, that the general assembly of Rhode Island and Providence Plantations through its general assembly, now requests the Congress of the United States to enact such legislation as will require automobile manufacturers to make tamper proof odometers; and be it further

Resolved, that the senators and representatives from Rhode Island in said Congress be and they are hereby earnestly requested to use concerted effort to enact such legislation; and the secretary of state is hereby authorized and directed to transmit duly certified copies of this resolution to the senators and representatives from Rhode Island in said Congress.

Law without Approval, April 6, 1968.

ANTITRUST

Mr. MONDALE. Mr. President, the senior Senator from Michigan [Mr. HART] has demonstrated at least twice in his time in this Congress the ability to detect great problems facing this Nation before most of us are aware of them. His leadership in the areas of consumer protection and civil rights has been acclaimed by many.

Therefore, I think special attention should be given to remarks he has made recently on the role antitrust should be playing in this country.

Drawing on the expertise he has developed as chairman of the Senate Subcommittee on Antitrust and Monoply, Senator HART warned us earlier that neglect of antitrust enforcement is taking this Nation away from the free enterprise system toward governmental regulation. Naturally, regulation is not a pleasant alternative in his opinion—or mine.

Several days ago Senator HART added a new chapter to his report on the state of antitrust today and the harmful effects that are being felt by consumers because of its malaise.

He points out that if we are concerned with rising prices, with the balance-of-payment problems, with the convulsions now shaking our urban areas, we must put more emphasis on competition and antitrust. Also, he points out that whereas there seems to be some awakening to the problems of past neglect by enforcement agencies, other branches of Government—especially the State Department and Congress—are taking steps to further erode competition.

Mr. President, the significance of this speech was pointed out by the Washington Post in an editorial on April 8, 1968. I ask unanimous consent that both Senator HART's speech and that editorial be inserted at this point in the RECORD.

There being no objection, the editorial and speech were ordered to be printed in the RECORD, as follows:

ANTITRUST TODAY IS SICK

Sen. Philip A. Hart, chairman of the Antitrust and Monopoly subcommittee, is a mild-mannered and thoughtful man, one not given to the hyperbole in which some of his colleagues indulge. Nonetheless, he expressed his concern for the future of competition with great force in remarks before the American Bar Association, "Antitrust today is sick and nobody seems greatly concerned," he said, adding that: "What our corporate executives desire is not competition but security; not the discipline of the marketplace, but the anarchy of unrestrained pricing. In Professor Galbraith they have their apologist; in the Federal Government, I fear they have found an accomplice."

One may quarrel with Mr. HART's assertion that our principal economic problems flow from the decline of price competition which in turn is attributed to the concentration of production in the hands of fewer and larger business enterprises. Yet it is difficult to view the data on mergers without alarm or to read the recent testimony before Mr. Hart's subcommittee without concluding that much harm flows from monopolistic pricing policies.

The Federal Trade Commission reports that the number of mergers in manufacturing and mining industries rose by 50 per cent in 1967, the "sharpest increase in modern industrial history." Most of the larger mergers were of the "conglomerate" type, acquisitions which put single enterprises into a large number of unrelated industries. Many conglomerates were growing at breathtaking rates a few years ago, and their shares commanded prices that bore little relationship to prospective earnings. But now the high flyers are coming down toward earth. *Fortune* in its April issue analyzes the deep problems confronting Litton Industries, once the most dazzling of fast-merging conglomerates.

The Litton story raises the relevant question of whether general managers, no matter how talented or technically competent, "can effectively oversee diverse businesses in which they have no specific experience." Notwithstanding the advances in business reporting and communications, corporate giantism creates intractable problems of coordination and control. And with many of the new technological developments favoring the establishment of small or medium-sized firms, it is fair to ask whether the putative benefits of conglomerate corporations extend beyond underwriting and other windfall profits to those who assemble them.

The domination of an industry by a few large firms frequently results in price policies that are undesirable, not only for society, but for the price-makers as well. Prof. Egon Sohmen, an eminent German economist who appeared before the Hart subcommittee, contrasted steel pricing policies in the United States and Western Europe in the period 1955–66. U.S. steel prices tended to be rigid and consequently adjustments to changes in demand took the form of wide swings in production. But in Europe, where prices were permitted to vary widely, production was quite steady. Mr. Sohmen believes that the uncompetitive behavior of the U.S. steel industry did much harm:

Had the industry worked at capacity during the early sixties, and had it exported the additional steel at world market prices, the additional export revenue (taking into account the fact that steel prices on the world market would have been somewhat lower as a consequence) would have eliminated the U.S. balance-of-payments deficits during these years.

Antitrust was high on the agenda of the Eisenhower Administration, but it has subsequently been permitted to fall into a state of innocuous desuetude. Its revival at this juncture would be highly salutary.

REMARKS OF SENATOR PHILIP A. HART TO ANTITRUST SECTION, AMERICAN BAR ASSOCIATION, WASHINGTON, D.C.

Antitrust today is sick and nobody seems greatly concerned. Yet its illness can infect our total society, including rising prices—which we confuse with inflation—balance of payments problems and the growing alienation of a significant segment of our citizens.

What our corporate executives desire is not competition but security; not the discipline of the marketplace, but the anarchy of unrestrained pricing. In Professor Galbraith, they have found their apologist; in the Federal Government, I fear they have found an accomplice.

A wry, penetrating European authority put it very well when he told our subcommittee:

"It is extremely difficult for most people to differentiate between limited private and general social advantage. Everybody realizes perfectly well that restraints of competition by himself and his immediate competitors, everything else remaining unchanged, work to his own and to their advantage. Unless corrupted by deeper economic insight, most people will therefore do their level best to ensure that they are free to pursue this more narrow goal of group interest even though they will all be worse off in the end if everybody else engages in this game as well."

Concentrated industries remain concentrated; conglomerate mergers proliferate at record speed; enforcement remains low key and overall concentration continues to grow. Yet we know that concentrated industries can ignore supply and demand factors as they raise prices in unison; conglomerates tend to accumulate power rather than efficiency; and the flow of economic power into a few hands threatens political democracy.

This dismal picture is compounded by the fact that new technology should be taking us in another direction—toward deconcentration, greater efficiency in smaller units. But its natural thrust has been distorted—new technology has been used to rationalize the very theory it has proved to be a lie—that bigness is inevitable in a technology-oriented economy.

We forget, I think, what antitrust is all about: power—political power, social power, economic power. The interconnection is obvious. In this society of ours, we depend on diffusion of power as the best means of achieving political democracy. And this is the basic task of antitrust legislation. If we fail the danger is clear to anyone who has studied history—particularly that of the Axis Powers prior to World War II.

The antitrust laws were intended to reach each of these aspects of power. True, section 1 of the Sherman Act is aimed at "restraints of trade." But section 2 is aimed at monopoly and attempts at monopoly even though there may be no restraint of trade. Section 7 of the Clayton Act poses two tests. One, again, is economic—"substantially to lessen competition." But the other "tend to create a monopoly" need not be.

Recognizing this mutiple thrust of the antitrust laws, Senator Kefauver uttered these prophetic words in 1950:

"Local economic independence cannot be preserved in the face of consolidations such as we have had during the past few years. The control of American business is steadily being transferred, I am sorry to have to say, from local communities to a few large cities in which central managers decide the policies and the fate of the farflung enterprises they control. Millions of people depend helplessly on their judgment. Through monopolistic mergers the people are losing power to direct their own economic welfare. When they lose the power to direct their economic welfare they also lose the means to direct their political future."

There is in the antitrust law a place both for the political scientist and the sociologist in addition to the economist. Certainly antitrust enforcement needs to rest on something more than economic gamemanship.

When Congress wrote the antitrust laws it was concerned with fundamental human values. Somewhere along the way we seem to have lost sight of this fact. In this day of increasing concern over the fate of the individual—his alienation from society, his "depersonalization" and the threat posed by "power structures" and "establishments", we have forgotten that antitrust laws now on the books are tools which could be used to ease this aspect of today's critical problems. It is a doctrine that can help close the gap between the promise and reality of equal opportunity. Antitrust is a doctrine on which the old right and the new left could both agree.

We are concerned with rising prices—something must be done, the cry goes, to curb inflation. Monetary and fiscal policies are proposed to cool the economy.

But demand is not outstripping supply in most of our basic industries. Quite the contrary. Yet our programs "aimed at inflation" are based on one premise—that ours is a supply and demand economy. The history of the past decade is lost on decision makers. In one basic industry after another prices have climbed upward regardless of supply and demand considerations. So long as we have concentrated industries immunized from competitive factors, there can be no direct relationship between supply and demand and prices. But who cries out that to fight inflation we must pursue a vigorous antitrust policy? Certainly not the businessman or the Council of Economic Advisors.

The Joint Economic Committee in its 1967 report spoke clearly enough:

"Antitrust must be assigned a central role in national economic policy of no less significance than monetary and fiscal policy." But who has listened?

The President of General Electric in supporting a tax increase put it quite realistically. After speaking in favor of the proposed surtax, he said, "However, a slackening in the economy as the result of a tax increase would not remove the pressure to raise prices."

One way—although overlooked—to remove the pressure is vigorous competition among enough competitors to make lockstep pricing difficult.

We are told also we must cool off our economy because we have a balance of payments problem. I have never really understood the reasoning applied here. It seems to go this way—reducing demand will bring prices down; this will increase exports and decrease imports. But if reduced demand does *not* bring down prices and selective buyers turn to cheaper foreign imports, aren't we left exactly where we started—with the additional worry of a recession?

But what of the foreign mergers consummated by American companies? These not only may have cut exports but have resulted in American companies importing products from the acquired firm. How does this movement affect our balance of payments?

If antitrust authorities had been alert to the direct impact such acquisitions might have on our commerce, would the balance of payments situation be the same today? Some authorities also have suggested that the rigid price structure of our concentrated industries may have priced us out of foreign markets, further damaging our balance of payments position.

It is easy to criticize our enforcement agencies, but I doubt if this serves a useful purpose. Indeed, they show signs of recognizing the problems caused by antitrust neglect.

What antitrust needs most is a constituency and this is precisely what it lacks. Mergers have been promoted as the solution to every industry problem. But as the *Wall Street Journal* has pointed out:

"In this general infatuation with concentration, though, no one should forget that not all corporate marriages are made in heaven. While consolidations often promote competition, they can at times tend to stifle it: the operations of some of Europe's cartels in the past are proof of that."

Yet the American people are being sold a bill of goods on the economic advantages of bigness for its own sake. When the antitrust agencies move against banks, Congress reacts by passing special legislation which wipes out pending cases. When the newspapers are threatened by an antitrust decision, even these bastions of free enterprise editorials come and ask for special dispensation. Everyone is for antitrust until it threatens their security. As long as we live by the code: "competition is fine for the other guy but not me" effective enforcement is most difficult.

The sad spectacle now occurring in the United States Congress in regard to quota legislation is further proof of the lack of a constituency for competition and the political power of large economic interests. The same companies who deplore big brotherism by government have no hesitancy in asking government intervention when faced with effective competition.

We are called a consumer Congress. Yet the basic consumer concern—price and quality—can be protected only by vigorous antitrust. And Congress has shown no stomach for demanding action in this field.

Somehow or other the American public has not become aware of the potential for economic, political and social betterment inherent in our antitrust statutes.

Government procurement, tax policy, some Securities and Exchange procedures, regulated industry activity, particularly by the Federal Communications Commission, Civil Aeronautics Board, Interstate Commerce Commission and the Maritime Commission, indicate a preoccupation with protecting the "ins" at the expense of the "outs."

And the State Department has shown a distinct distaste for competitive factors. It now has two employees working full time in this area although in hearings going back at least three years before our subcommittee, it has promised to review the meager resources allotted to anticompetitive problems. Our quinine and quinidine hearings documented its sometimes preoccupation with protecting and promoting cartel-like arrangements rather than competition.

More and more I am coming to the conclusion that the best hope for vigorous antitrust activity rests with the private bar. In antitrust tradition, possibly we can chain economic self-interest to the public interest.

In the Congress I have introduced legislation to strengthen private enforcement efforts. But as yet there has been no ground swell for its passage. I shall keep trying.

However, in the long run, it may well be you who will determine the quality of competition in this country.

TAX INCREASE IMPERATIVE NOW

Mr. SMATHERS. Mr. President, many Senators have been concerned, over a period of many months, about the growing evidence of dangerous economic expansion, coupled with other disturbing developments in fiscal and monetary affairs.

That concern was manifested when the Senate voted to approve a package which was offered by the Senator from Delaware [Mr. WILLIAMS] and me for the purpose of combining the enactment of the 10-percent surtax with a Federal spending reduction of $6 billion.

It has now been some 3 weeks since the Senate expressed its concern on April 2. In the intervening days, many more indices have supported the thesis that time is running out for Congress to restore balance to our economic growth and restore fiscal and monetary stability at home and abroad.

It is my hope, the Senate having already acted, that the House will see fit to initiate actions permitting the early passage of the Senate-passed bill to impose the surtax and reduce Federal spending.

There is now an urgency for action in the areas of taxation and reduction of spending which cannot be denied. In support of that thesis, I invite the attention of the Senate to two recent events, the first being an article written by Lee M. Cohn, and published in the Washington Evening Star of April 17; the second, the text of a speech by Arthur M. Okun, Chairman of the Council of Economic Advisers, before the National Press Club, on April 18.

Because I believe there is much meat in both statements, I ask unanimous consent that they be printed in the RECORD.

There being no objection, the items were ordered to be printed in the RECORD, as follows:

RECORD OUTPUT INCREASE ADDS TO INFLATION SPIRAL—QUARTERLY PRODUCTION UP $20 BILLION—PATTERN CONFIRMS WHITE HOUSE FEARS

(By Lee M. Cohn)

The economy's inflationary boom is accelerating, with a record $20 billion rise in total production during the first three months of this year.

Gross national product—total output of goods and services—increased to a seasonally adjusted annual rate of $827.3 billion in the first quarter from $807.3 billion in the last quarter of 1967, the Commerce Department estimated yesterday.

The biggest element in the surge of GNP was a record $16 billion increase in spending by consumers, who previously had helped restrain the boom by practicing an unusual degree of thrift.

Two-fifths of the GNP gain was fluff.

"Real" output in terms of physical volume of goods and services increased by only 1.5 percent in the first quarter, the department