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DIVERSIFICATION BY MERGER IN INTERNATIONAL PERSPECTIVE

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Antitrust cases are essentially exercises in economic analysis. This is not to say that the judges formulating the decisions are necessarily guided by precepts derived from economic theory. It only implies that the issues raised and the norms by which they are assessed are primarily of an economic nature. Economic theory has had some influence on the reasoning of the courts in a number of cases, but very often the judges have developed their own standards as far as they were permitted by the generous or fuzzy margins of the statutes.

The enforcement of the Sherman Act[1] led to a slow evolution of some norms about industry structure and business conduct. More recently, performance data were brought in to some extent, largely in order to furnish evidence about the success or failure of certain types of conduct. The wording of the Sherman Act would have made it possible to prevent mergers of non-leading firms, but the courts did not see it this way. However, when in the late 1940's Congress urged them to apply stricter standards in such situations, the courts did not hesitate to do so in subsequent decisions. In fact, they seem to be as much, or more, guided by the new Act's[2] legislative history as by its wording.

The authors of the new legislation were definitely concerned over the clustering of economic power.[3] Probably because they did not have a clear idea as to the proper approach to the problem, they provided vague textual clues for the application of the Act to mergers where the issue was not increased power in one market but the leverage afforded to gross economic power.

It does indeed take some heroic abstractions to show that the degree of competitiveness in a given market is not merely a function of market-share percentages but that it is also affected by business power wielded across industry lines. Economic theory sheds little light on this problem. The few terms which describe competitive relations among different markets were, for the most part, derived from the study of economic institutions, not of pure theory. Therefore, in merger cases involving such relations the judges were compelled to develop their own standards. Emphasis was placed on

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1 15 U.S.C. § 1 (1964).

2 15 U.S.C. § 18 (1964).

3 J. NARVER, CONGLOMERATE MERGERS AND MARKET COMPETITION ch. 3 (1967); Blair, *Conglomerate Mergers—Theory and Congressional Intent*, in PUBLIC POLICY TOWARD MERGERS 179-96 (J. Weston & S. Peltzman eds. 1969); Keyes, *Proposals for the Control of Conglomerate Mergers*, 34 S. ECON. J. 70-71 (1967).

maintaining two particular aspects of competition, opportunity for entry and freedom from coercion. Competitiveness and long-run social and economic performance were generally not considered to be incongruous standards.[4] The existence of a serious conflict between the two standards and thus the need to weigh "trade-offs" has not been recognized.

To a number of students of antitrust, both lawyers and economists, this approach seemed too simplistic. In particular, these critics hold that in some of the merger cases decided by the courts, a higher degree of competitiveness might foreclose opportunities for a more efficient use of resources, that anticipated "economies" should therefore be taken into account, if not by the courts, then at least by the enforcement agencies which select cases for litigation, and that undue prohibition of mergers would lead to social losses.[5]

Some Foreign Parallels

Elements of the idea that a society's performance might improve following the curtailment of competition can be found in Plato's Republic, the policies of mercantilistic statesmen, and, more recently, studies about economic development and market integration. Modern analysis of the problem is usually couched in terms of economies-of-scale requirements: the tendency towards cost reductions through economies reaped from large scale production, marketing, research and development, and advanced managerial methods (such as systems analysis), would militate against the demand for competitive industry structure since the markets of most nations would not accommodate more than one or at best a few firms of efficient size. The argument has been used in support of central economic planning, export subsidization, and, especially in western Europe and Japan, in the defense of the creation or restoration of giant industrial and financial combinations.[6] In the latter areas the claim for future efficiencies was not restricted to concentration achieved by merger or stock ownership. Antitrust laws there condone cartel arrangements which have the objective to improve, in one way or another, the efficiency of participants.[7] If one bothers to listen,

4 A conflict of this type is implied by the statement of the Supreme Court in Brown Shoe Co. v. United States, 370 U.S. 294, 345 (1962), that "retail outlets of integrated companies, by eliminating wholesalers and by increasing the volume of purchases from the manufacturing division of the enterprise, can market their own brands at prices below those of competing independent retailers." Apart from the fact that the statement is based on an unverified hunch, implying inefficiency on the part of the wholesalers, it remains to be seen to which extent this line of reasoning will emerge in future merger cases.

5 *See, e.g.*, Areeda, *Structure-Performance Assumptions in Recent Merger Cases*, in Public Policy Towards Mergers 27-44 (J. Weston & S. Peltzman eds. 1969); Bork, *The Goals of Antitrust Policy*, 57 Am. Econ. Rev. 242-53 (1967); Williamson, *Allocative Efficiency and the Limits of Antitrust*, 59 Am. Econ. Rev. 105-18 (1969); Williamson, *Economics as an Antitrust Defense*, 58 Am. Econ. Rev. 30-36 (1968).

6 J. Molsberger, Zwang zur Grosse? Part III (1967); C. Yanaga, Big Business in Japanese Politics 159, 167 (1968).

7 D. McLachlan & D. Swann, Competition Policy in the European Community chs.

plausible arguments can also be heard from proponents of "stabilization" cartels which are usually of more impressive scope than efficiency or "rationalization" cartels.

At any rate, belief in the superior efficiency of large combinations has rarely been subjected to critical examination in the areas mentioned. More recently, however, it was strengthened by the impact which the swift and large-scale overseas operations of American giants had on foreign business communities.[8] A feeling of inferiority arose there, particularly with respect to the research and development capabilities and the immense financial reserves at the disposal of the American rivals. In Japan many of the links which had been severed during the occupation were reestablished following the revision of certain clauses in the Anti-Monopoly Law. On the European continent an impulse for the structural reorganization of industries had already been provided by the integration of national markets beginning in the early 1950's, when the European Coal and Steel Community was established. For example, the consolidation of French steel producers into larger units in anticipation of stepped-up competition from the German industry took place even before this supranational arrangement came into being. Indeed, the French government, which often played the part of a promoter in combination schemes, did not even seem to consider the problem of trade-offs. Convinced that French firms were too small to compete effectively with rivals from within and without the Common Market, and playing down any fears about potential ill-effects of concentration, it held out the lure of subsidies to nudge reluctant businessmen into action. The need for patriotic forces to brace themselves, by way of merger, against alien invaders was more recently impressed upon business executives in other Common Market countries as well.

Domestic markets were not only being swamped by merchandise produced in other nations, but foreign firms, mostly American, were establishing an awesome presence on the home ground by building or expanding subsidiaries or by absorbing local firms. In response to this invasion, European businesses initiated a wave of "defensive" mergers, generally with the approval of national and supranational authorities.

7, 8 (1967); C. YANAGA, BIG BUSINESS IN JAPANESE POLITICS ch. 6 (1968); Zimmermann, *Das Kartellrecht der Montanunion*, 8 ZEITSCHRIFT FUR RECHTSVERGLEICHUNG 205-20 (1968).

[8] The literature on the subject is voluminous and the background for the summary of problems in the remaining part under this subtitle was provided by many sources. Considering the general purpose of this discussion, and to avoid over-footnoting, it was held unnecessary to provide a reference for each of the points listed. The following sources were drawn on for information more than others, in addition to those cited in notes 4 and 5 *supra*: J. DUNNING, THE ROLE OF AMERICAN INVESTMENT IN THE BRITISH ECONOMY (1969); R. HELLMANN, AMERIKA AUF DEM EUROPAMARKT (1966); E. MCCREARY, THE AMERICANIZATION OF EUROPE (1964); T. SCITOVSKY, ECONOMIC THEORY AND WESTERN EUROPEAN INTEGRATION (1958); D. SWANN & D. MCLACHLAN, CONCENTRATION OR COMPETITION: A EUROPEAN DILEMMA? (1967); Maule, *Antitrust and the Takeover Activity of American Firms in Canada*, 11 J. LAW & ECON. 423-32 (1968); Miles, *The International Corporation*, 45 INT'L AFF. 259-68 (1969).

One may speculate about the extent to which concentration abroad, especially in Europe, was caused indirectly by peculiarities in the enforcement of antitrust laws in the United States. In the first place, it may be claimed that the per se prohibition of overt collusion and of various types of common action accelerated the trend toward the formation of huge tight-knit combinations in this country which competed against smaller Japanese and European corporations in the world market. Secondly, the dramatic tightening, after 1950, of the enforcement standards with regard to horizontal mergers may have been in part responsible for the deflection of market extension projects by dominant American firms from the United States to Canada, western Europe, and other areas. It goes without saying that other factors also played a role in this development, such as different rates of economic growth and labor compensation and, in the case of the European Economic Community (EEC), the removal of internal barriers to trade, together with the creation of a common tariff wall around the area's periphery.

By itself, the percentage of the manufacturing sector in Western Europe which is controlled by American interests should not give rise to fears of outside domination. It amounts to about 8 percent of total manufacturing assets, although for individual member nations of the EEC (*e.g.*, the Benelux countries) and for Great Britain the rates are significantly higher. What caused alarm and often a hostile public reaction, however, was the swiftness, vigor, and selectivity which characterized the invasion. Incidentally, some of the criticisms (but also eulogies) which have been voiced about this phenomenon have a certain affinity with those evoked by the conglomerate merger wave in the United States. Thus, it is usually not the individual case which causes concern but the avalanche effect of the process, *i.e.*, its speed and aggregate or cumulative proportions. Uneasiness has been expressed in particular about the possibility of an adverse impact on local competition and social conditions, and the non-availability of appropriate legal remedies. The regions affected by the foreign operations of international firms are often national markets. Since there is usually little mobility of factors and firms between such "regions," a sudden structural change would give rise to more severe disturbances than would ensue from a similar event in an open region, such as a geographical submarket in the United States. On the other hand, in a closed national market a take-over by foreign interests of large firms in key sectors of the economy can be prevented by government intervention. Such action may however, be counterproductive in the Common Market. The hostile attitude evinced by the French government toward multi-national mergers merely caused American companies to look for acquisitions "on the other side of the river," that is, in Germany or the Benelux countries. In this fashion, the output of these companies would have access to the French market, whereas a large portion of the value, which might be added by post-merger expansion, would accrue to nationals in other member nations. As is true of many other problems encountered by the EEC, effective action can frequently come about only through the adoption of uniform policy measures. But member nations of the EEC, like the states in this country, find it hard to agree on any common course of action, which may also adversely affect their respective rates of economic growth. A uniform EEC policy toward the attempts of foreign groups to establish a dominant presence in domestic markets is not yet in sight.

It has also been claimed that foreign subsidiaries of American firms are under excessively tight control by the parent company in the United States. The decisions made at company headquarters are said to disregard the policy objectives pursued by the governments of the subsidiaries' host countries. Moreover, while American firms operating abroad usually take great pains to observe the written laws of the land to the letter, they are sometimes insensitive to the mores and codes of ethical conduct observed in foreign nations. Finally, there are fears that the American government might take measures which, although aimed at its balance-of-payments or national security problems, may in some way or other affect the selection of policies available to American business operations abroad. Such measures might, for example, affect the capital outflow required for the funding of overseas expansion projects, exports by the subsidiaries to the Communist bloc, and the use of advanced technology in joint ventures with foreign firms.

Among the arguments heard abroad in support of American entry in foreign markets the most plausible is that in some industries, where existing managements have become accustomed to the "quiet life," the advent of a dynamic newcomer might be equivalent to a fresh breeze entering musty accommodations. Moreover, the entry might lead to economies resulting from the introduction of new methods of mass production, common or complementary characteristics found in the production and marketing of different product lines, the consolidation of research and development efforts, and transfers of managerial and financial expertise. It is by no means certain, however, that the division of labor across product lines or geographical markets will improve the long-run performance of the diversifying firm and its emulators. If excessive specialization has certain drawbacks, so does excessive diversification. The central management of a large, diversified concern may be too cautious and heavy-footed to make apt decisions when swift action is required. Or, preoccupied with financial problems, expansion schemes, personnel conflicts, and the direction of major divisions, it may pay scant attention to the needs of the smaller, outlying branches.[9]

[9] For example, Sperry Rand's take-over of a typewriter firm in Germany proved a complete failure. J. MOLSBERGER, *supra* note 6, at 138-39, cites the following commentary on this case by Heinz Brestel, *A Gold Mine Gambled Away, the End of the Torpedo Works*, Frankfurter Allgemeine Zeitung, November 30, 1966.

> The Americans defend their policy with the argument that the Sperry-Rand Concern, which was welded together in 1955, needed a decade to become fully consolidated. During this period of transformation the individual parts of the firm, especially those in Europe, could not be given sufficient attention. This

DIVERSIFICATION BY MERGER, SOME TECHNICAL ASPECTS

In Western Europe the argument is often heard that the requirements for optimum firm size conflict with efforts to maintain competitive markets. Reference is then made to the large size of American firms and plants without any mention of the fact that wages in manufacturing are about three times higher in the United States, and the possibility that economies of scale may not be entirely independent of factor cost ratios. Furthermore, it is not always clear exactly how the consolidation of firms into a few large groups is expected to lead to greater efficiency. Indeed, many proponents of concentration by merger (or other consolidation methods) tend to base their arguments on concealed assumptions regarding existing imperfections in the competitive process. Concentration is excused because it helps firms to overcome obstacles to beneficent transfer of resources. If small, efficient producers run into difficulties because they have problems with funding (imperfect capital markets), marketing (the minimum efficient sales volume exceeds by far the production optimum), or with intractable managers (imperfections in the market for managerial talent), let them be absorbed by the giants. The latter have ample financial resources, propriatory distribution channels and often a good rapport with the most effective mass-advertising media, and a large pool of highly adaptable managers. They are thus in a position to become clearing agencies, or intermediaries, in situations where the market system for one reason or another has ceased to function properly.[10] Little imagination is needed to foresee the consequences of a rapid increase in the incidence of giant corporations assuming such self-imposed roles. The imperfect markets would be further stunted and the firms which depended upon them for new capital, the distribution of their output, or experienced managers, would have to look for merger partners of their own or be forced into a quasi-captive position vis-à-vis large customers or suppliers. In this sense, the process becomes contagious; the point of "incipiency" is soon left behind and a trend is established toward oligopoly or cross-market clustering of firms.

Other arguments in favor of the merger route for expansion stress the possibility of inefficient internal growth due to discontinuities, increasing

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illuminates strikingly the manner in which large mergers are carried out in the United States. Torpedo fell victim to the ponderous way of acting by the decision-making apparatus in the United States.

Molsberger mentions in this context also the lack of mobility and adaptability of the large German coal and steel concerns during crises.

Similarly, the German conglomerates Krupp and Rheinstahl were pushed to the brink of financial collapse by their knack for diversifying into sick industries. In the United States, Amexco paid insufficient attention to the operations of its American Express Warehousing subsidiary and became involved in the salad oil scandal. There is little reason to believe that large multimarket enterprises are always as efficient as they are made out to be by some systems analysis enthusiasts.

10 Some economists attribute to international corporations the role of intermediaries in the world money markets. *See* Despres, Kindleberger & Salant, *The Dollar and World Liquidity—A Minority View*, 218 THE ECON. 526 (1966).

costs of internal expansion, an adverse effect on prices resulting from expansion by building ("percentage effect"), and time and risk factors in achieving access to new markets.[11] It is difficult to assess, short of undertaking exhaustive research of the technical literature, to which extent these points were derived from introspection, or "hunches," or from empirical work and, furthermore, whether the aggregate contributions of such mergers to the long-run efficiency of a national economy are significant. Only a few remarks will be made here concerning their relevance to this investigation.

In most cases attracting the interest of the enforcement agencies of antitrust laws, the acquiring company is of considerable absolute size. Tax rules invite almost every corporation to expand through heavy reliance on internal finance. If horizontal expansion by building is discouraged by a slack market and acquisitions in the same direction would provoke inquiries by the antitrust agencies, the accumulated cash could best be disposed by entry into other product or geographical (including foreign) markets. Most of the specialized companies competing in those other markets are using equipment which is to some extent obsolescent. Ignoring for the moment any external economies and such items as goodwill, trade marks, and learning or start-up costs, it is hard to see what kind of advantage the executives of a large corporation might expect to gain from the purchase of a partially outdated plant. The acquisition would seem especially unwise in areas with high labor costs since the lower initial outlay, compared to the cost of constructing a plant "on a green field," is likely to be more than offset by higher operating costs incurred with the older plant. It is doubtful, therefore, that pure cost considerations or financial constraints will motivate a large firm to opt for the used article.

The "percentage-effect" argument only seems plausible with regard to markets which are either stagnating or very small in relation to the size required for an efficient plant. Assuming that 5 percent of total industry capacity becomes obsolete every year, a certain amount of construction will be required even in the absence of any increase in sales. Replacement usually means modernization, but this piecemeal adaptation to technological progress is often not feasible. On the other hand, if one established firm should build a new installation to replace an obsolete plant, others may be dissuaded from duplicating the act in the interest of maintaining a balance between industry capacity and market demand. Similarly, the entry by an outsider with a plant incorporating the latest technology may have a dampening affect on any plans the established firms might have harbored for undertaking large-scale investment projects designed to replace obsolete capacity. In this case the entering firm may not have to resort to price cutting at all in order to conquer a share of the stagnant market. Its new

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[11] Heflebower, *Corporate Mergers: Policy and Economic Analysis*, 77 Q.J. Econ. 538-58 (1963); Turner, *Conglomerate Mergers and Section 7 of the Clayton Act*, 78 Harv. L. Rev. 1313-95 (1965).

plant would occupy that share of total industry capacity which the older firms conceded by not replacing worn-out plants.[12]

A glance at some recent mergers provides little evidence on the question of whether, owing to inherent advantages, the merger route to diversification is desirable or inevitable. The acquiring companies were mostly of large absolute size and probably did not lack the resources for entry by building. Almost as a rule they absorbed the largest company operating in the market into which they entered. Moreover, in a number of instances the acquiring companies soon expanded the capacity of the new subsidiaries on an impressive scale.[13] Evidently they were either unaware of the percentage effect, unconcerned about it, or confident that they could appropriate a share of the market by methods other than price cutting as, for example, by means of an intensive advertising campaign.

The last of the points previously mentioned deals with two interrelated advantages of entry by merger: savings in time and reduction of risk. A new operation requires a gestation period of several years, spanning the time from the planning, construction, staffing, and "debugging" of a plant to the acceptance of the product in the market. Against such a distant time horizon, perhaps four or five years, any extrapolation of past and present market trends is a venture into the outer boundaries of reliability. Acquiring a going firm avoids this delay and the risks connected with it. To companies which are merely on the lookout for a reasonably sound investment but otherwise wish to play it safe, these advantages might be well worth the inefficiencies arising from "integrating what was once an independent enterprise into the role of a segment of a larger corporation."[14]

But apart from the risk factor, might economies not result also from the swiftness with which know-how and resources can be transferred across industries by the acquisition method? Some corporations seem indeed to be very adept in the use of this method for the infusion of human, material, and financial resources into companies which for some reason suffer from deficiencies in these factors. The possibility of a connection between these transfer efficiencies and imperfections in factor markets has already been noted. But, before accepting concentration as a remedy to relieve the problem, one should investigate the reasons as to why the market mechanism failed to impel the various resources toward the opportunities existing in those other industries. Perhaps the inadequate mobility of these factors of production in the direction of smaller firms is itself attributable, in part at least, to the excessive concentration of industry. In other words, the large firms have foreclosed a good part of the available managerial talent, capital,

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[12] A similar situation is discussed by T. SCITOVSKY, *supra* note 8, at 123-30.

[13] Especially General Foods-S.O.S., Scott Paper-Hollingsworth, Union Carbide-Visking, and Reynolds Metals-Arrow Brands. Arrow did, however, engage in price cutting subsequent to the merger. The FTC dockets are summarized in J. NARVER, *supra* note 3, at 84-89.

[14] Heflebower, *supra* note 11, at 554.

and distribution and advertising facilities to their smaller competitors in these markets. The process provides its own momentum, as each merger deprives some companies of a supplier or a customer and, in all likelihood, induces additional mergers. Under these conditions, the advocacy of further absorption of the small by the large is tantamount to the inference that the residual factor markets are no longer workable and their original function might as well be assumed, in its entirety, by the large firms.

There are several other effects of diversification by merger. The benefits they entail, however, are probably more of a strictly private nature, *i.e.*, they are limited to the participants of the act and will not be diffused to other businesses or the general public. A large, stable company may experience an increase in its earnings stock-prize ratio following the absorption of a small, specialized firm; conversely, the owners of the latter may welcome the chance to convert uncertain future earnings into capital gains. Both parties will probably extract some tax advantages from the deal. Certain other consequences of the merger, which are probably beneficial from the viewpoint of the expanding company but not that of the public, are related to the firm's opportunities to extend to the newly entered market the power it already holds in other markets. These opportunities can be expected to be proportional to the absolute wealth over which the acquiring company has command.[15]

DIFFERENCES IN THE SOCIAL AND POLITICAL MATRIX

Opinions about the effects of concentration on business performance are divided. To those observers of industrial organization who consider a firm's progressiveness to be a function of its size, a wave of conglomerate mergers might seem a wholesome cleansing operation that would leave the national economy with fewer, more streamlined, and perhaps more vigorously competing enterprises. Other students of the process are troubled by the prospect of a situation where the same large corporations will be encountered in nearly every market, while small firms will be assigned the role of semi-captive suppliers or distributors. In the former view, the influence of the giants in a given market is expected to be no larger than that which is derived from their share of that market. In the latter, they are seen as juggernauts which, for fear that aggressive action in one market will be met by reprisals in others, will evolve the rationale of firms in a tight oligopoly.

Whatever the outcome of an unrestrained combination avalanche, questions arising about its effects on performance cannot be answered entirely by means of abstract theoretical models. The social organization, the

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[15] *See, e.g.*, Blair, *The Conglomerate Merger in Economics and Law*, 46 GEO. L.J. 672-700 (1958); *Merger Policy Statement by the Assistant Attorney General, Antitrust Division, U.S. Department of Justice, Before the House Ways and Means Committee, House of Representatives on March 12, 1969*, in THE JOURNAL OF REPRINTS FOR ANTITRUST LAW AND ECONOMICS 201-12 (1969).

elan and spirit of a nation, may be important co-determinants of the resulting situation, no matter whether firms will subsequently act independently, in parallel, or through cartels. In the Soviet Union, for example, the degree of competitiveness between the Kombinats is of a somewhat lower order than that among different divisions of a large capitalistic enterprise. The large Japanese and European companies have traditionally tended to train their competitive energies towards foreign markets, although in the European Common Market it has become increasingly difficult to maintain discipline within the ranks of national industries. In some countries, industrial empires are managed by government technocrats; in others by a private bureaucratic elite; in still others they are partially controlled by the financial wizards of leading banks. For the United States the "best" system may be one which is marked by cross-sectional variety and continuous change, similarly as described by Nelson, Peck, and Kalacheck in connection with the output of inventions:

> The optimum is a size distribution composed of small, medium, and large firms varying from industry to industry and from time to time. The optimum must further include a rate of turnover among firms sufficient to accommodate enough new firms to prevent excessive traditionalism.[16]

An international comparison of performance presents many problems and cannot be attempted here. From a perusal of the technical press only a superficial impression can be gained of the achievements made by the economies mentioned. The concentrated Soviet industry has proved itself the technological leader in several fields, notably metallurgy and heavy electrical equipment. Likewise, Japan, the EEC, and the United States each can claim superiority in certain types of technical or managerial know-how. Different systems of industrial organization apparently can lead to similar levels of performance.

Conclusion

The major points developed in the preceding discussion are that (1) predictions about the economic effects of conglomerate mergers cannot be made on the basis of uncertain theory floating in a sea of factual detail; (2) such predictions should allow for assessment of the influence which incisive structural changes can be expected to have on business conduct (assuming changes in the institutions and traditions of a given national economy are usually slower in pace); and (3) the degree in which the anticipated behavioral changes will affect the long-run performance of firms must be assessed, again, without losing sight of the limitations to optimum technical achievement set by the social and political environment.

As regards the public policy towards conglomerate mergers in the

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[16] R. Nelson, M. Peck & E. Kalacheck, Technology, Economic Growth and Public Policy 71 (1968).

United States, it is held that the prevention rather than the permission of concentration should constitute the rule. This policy should prevail at least until more theoretical light is shed on the issue or Congress amends the law to include a "performance rule of reason" which would permit the courts to weigh economic benefits against losses in competitiveness.

Meanwhile, some general rules should be developed for the application of section 7 to mergers by leading firms[17] and also to spurts of minor mergers in closely related markets.[18] Moreover, fresh attempts should be made either to reinterpret or amend section 8 of the Clayton Act.

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[17] Such proposals have been advanced by Turner, *supra* note 11, and with a somewhat different emphasis by Campbell & Shepherd, *Leading-Firm Conglomerate Mergers*, 13 ANTITRUST BULL. 1361-82 (1968).

[18] It appears that the antitrust agencies and the Supreme Court are far more concerned about the cumulative effect of a merger wave than their critics. *See, e.g., Brown Shoe* and Mueller, *The Celler-Kefauver Act: 16 Years of Enforcement, Staff Report to the Antitrust Subcommittee of the House Judiciary Committee*, in THE JOURNAL OF REPRINTS FOR ANTITRUST LAW AND ECONOMICS 113-80 (1969).

The effects wrought by the unrestrained growth by merger of already large enterprises and by the short-circuiting of entire industry sectors into a few decision-making clusters have not yet been analyzed sufficiently. A good deal more needs to be known in this area, not only as regards conglomerate mergers but also looser forms of concentration. In a recent study, for example, P. C. Dooley suggests that as a result of multiple personal ties large banks and investment institutions probably exert considerable influence on the merger activities of the 200 largest corporations in this country. Dooley, *The Interlocking Directorate*, 59 AM. ECON. REV. 314, 322 (1969). In Japan and the EEC the web between financial and business interests appears to be stronger yet.