

ON MEASURES OF PRODUCTWISE CONCENTRATION*

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PART I

1. THE ONLY MEASURE of productwise concentration used in the recently published report of the Monopolies Inquiry Commission is the 'degree of concentration' defined by the extent of the percentage share of top three producers (enterprises) in the production of a commodity.¹ This index is insensitive to the size-pattern of the top three or of the remaining enterprises, and so seriously limits the utility of the study. It is shown below that the use of some other measures, particularly that of the Herfindhal Summary Index, in conjunction with the above greatly enhances the value of the study.²

2. Although economists have long been concerned with the causes and consequences of industrial concentration, its precise measurement in any scientific and comprehensive way is of a fairly recent origin. The first study published in 1939 related to the U.S. Economy of 1935.³ In 1945 the first study pertaining to the British Industry appeared for the year 1935.⁴ For the Canadian Manufacturing Industry the first tables were published only in 1957 for the year 1946.⁵ In all these studies the basic source of data was the Censuses,

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¹ Report of the Monopolies Inquiry Commission, 1965, pp. 11, 225.

² Neither the more fundamental questions like: What is industrial concentration? Can we measure it? nor the alternative indicators of concentration: value of output/sales, licensed/installed capacity are discussed here.

The Commission has also ignored some institutional factors like the wide-spread state regulation, competition by the public sector as well as by the unorganized sectors and sometimes by foreign markets which severely limit the effectiveness of concentration. See author's paper in *Artha Vijnana*, June 1966.

³ National Resource Committee, *The Structure of American Economy*, Part I, (Washington, 1939), pp. 239-263.

⁴ LEAK, H. and A. MAIZELS, *The Structure of British Industry*, (J.B.S.S., Vol. 108, 1945), pp. 142-199.

⁵ ROSENBLUTH, G., *Concentration in Canadian Manufacturing Industries*—NBER General Series No. 61 (Princeton, 1957).