

October 21, 1947

MEMORANDUM

To: The President

From: E. G. Nourse

Subject: Prices and Wages since 1946

Wholesale Prices

Between June 1946 and September 1947, the average of wholesale prices rose 39.3 percent. June 1946 was the last month of complete price control. How rapid this rise has been may be seen from the following comparisons:

<u>Period</u>	<u>No. of Months from Preceding Date</u>	<u>Movements in the B.L.S. Monthly Wholesale Price Index</u>
August 1939.....	--	100.0
May 1942 ¹ / ₁	33	131.7
June 1946.....	49	150.5
September 1947.....	15	209.7

¹/₁ General maximum price regulation issued.

Since June 1946, wholesale prices have gone through four distinct phases: from June 1946 to December 1946 a rise of 24.8 percent; from December 1946 to March 1947 a rise of 6.1 percent; from March to June 1947, a decline of 1.3 percent; and from June to September a rise of 6.6 percent. Since that time there has been a further advance, but statistics are not available.

By commodity groups, the rise from June 1947 to September 1947 was as follows:

<u>Item</u>	<u>Percentage Increase</u>
All commodities.....	6.6
Farm products.....	4.8
Foods.....	10.4
All commodities other than farm products and food.....	5.0

Consumers' Price Index

The Consumers' Price Index, which measures the changes in the prices of goods and services bought by moderate-income families in large cities, has reflected the changes in wholesale prices. The detailed movement of the Consumers Price Index since June 1946, just before most price controls went off is as follows:

June 1946.....	100.0
December 1946.....	115.0
March 1947.....	117.3
June 1947.....	117.9
August 1947.....	120.0 <u>1/</u>

1/ This is 162.3 percent of the August 1939 Index.

The Wage Earner and the Rise in Retail Prices

Between June 1946 and August 1947, the Consumers' Price Index rose 20 percent. Between June 1946 and September 1947, average hourly earnings in manufacturing rose from \$1,084 to \$1,251, a rise of 15.4 percent, whereas average weekly earnings rose from \$43.31 to \$50.42, a rise of 16.4 percent. Thus, the rise in the Consumers' Price Index has outstripped the rise in the earnings of wage earners. Moreover, since the latest Consumers' Price Index is for August, it has not reflected the increases in the retail prices of foods and other articles purchased by consumers which took place before August and September. Hence, the present gap between incomes and prices is greater than the figures given above. In addition, if retail prices continue to rise, particularly the price of food, which accounts for 43 percent of all purchases by consumers, the gap will continue to widen. The rise in the Consumers' Price Index between June 1947 and August 1947 was 1.8 percent. If this rise persists, prices will be rising at an annual rate of over 10 percent.

The Present Trend of Prices

Although the general price index lags so that we cannot show figures right down to date, it is evident that prices have continued upward during September and October. It is our judgment also that the inflationary pressure has not been relaxed. Hence we must expect further increases in the months ahead.