Form F. R. 131

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date February 9, 1938.

To Mr. Thurston

Subject: Data on Sears Catalog Prices

From Lauchlin Currie

LBC.

Attached are some comments by Mr. Bassie on the data on Sears Catalog Prices.

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From V. L. Bassie
VLB

The large table lists about fifty items of merchandise and the prices quoted for those items in Sears General Catalogues during the period 1923 to 1938. Without exception the prices of these items are considerably below the pre-depression level. Many have risen somewhat from the depression lows, although not enough to offset the previous declines, and a few have continued at or slightly lower than the depression lows.

The small charts present graphically about one-half of the price series listed in the table and in each case also present, for comparison with the price of the finished product, the price of the principal raw material entering into its composition. The movements of the two price series are on the whole similar, although there appears to be a lag of about six months in the movement of the price of the finished product behind the corresponding movement in the price of the raw material.

Accompanying each chart is an analysis of the decline in price as between some recent year or period and a year or period previous to the depression decline. This analysis breaks down the total decline into the portions attributable to (1) the cost of raw materials, (2) the margin for processing, and (3) the margin for distribution. These factors have contributed about equally, on the average, to the total decline in price. Declines in processing margins have resulted primarily from increases in efficiency that reduced per unit labor costs despite higher wages. Declines in distributing margins have resulted primarily from the development of new outlets and merchandising methods that intensified competition and, to a lesser extent, from increased efficiency in handling and packaging commodities.

Inasmuch as the results shown by these charts depend to a considerable extent upon the particular commodities and periods selected, they should be interpreted with caution. Thus, none of the commodities selected show higher prices or higher margins for distribution in the more recent period. Moreover, comparison is made most frequently between the periods 1923-28 and 1933-37, and these periods do not always give full weight to recent changes; for example, the iron and steel products charts comparing these periods show a decline in raw material costs, whereas iron and steel prices are now at their highest level since 1923. The various analyses appear to be carefully worked out, however, and subject to the above qualifications, the report as a whole throws light upon some very interesting aspects of the relationships between prices and costs.