UNITED STATES DEPARTMENT OF LABOR
L. B. SCHWELLENBACH, *Secretary*
BUREAU OF LABOR STATISTICS
A. F. HINRICHS, *Acting Commissioner*

The General Maximum Price Regulation

Bulletin No. 879

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Letter of Transmittal

United States Department of Labor,
Bureau of Labor Statistics,
Washington, D. C., June 10, 1946.

The Secretary of Labor:

I have the honor to transmit herewith a report on the General Maximum Price Regulation of the Office of Price Administration, which presents an analysis of one of the most far-reaching of the wartime price regulations of the Federal Government. As the principal mechanism for control of prices for many commodities for a considerable period, the regulation was a major influence in stabilizing the cost of living as well as industrial prices during the war.

This report is one of a number of bulletins prepared by the Prices and Cost of Living Branch of the Bureau of Labor Statistics, dealing with problems related to prices and cost of living during the war. As the official price-collection agency of the Federal Government outside the field of agriculture, the Bureau has undertaken this series of reports, comprising the history of wartime prices, as a part of its program to maintain a continuous anaylsis of the impact of prices and price structures on the economy of the United States.

These studies are prepared by individual staff members under the general direction of the Chief of the Branch, and, as a rule, have been extensively circulated for use by the legislative and administrative branches of Government at the time when the issues to which they relate were under consideration. This report, covering the period from the autumn of 1941 through 1943, was prepared in 1944-45 by Doris P. Rothwell of the General Price Research and Indexes Division of the Bureau of Labor Statistics.

A. F. Hinrichs, *Acting Commissioner.*

Hon. L. B. Schwellenbach,
Secretary of Labor.

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Bulletin No. 879 of the
United States Bureau of Labor Statistics

THE GENERAL MAXIMUM PRICE REGULATION

Chapter 1.—Introduction

The General Maximum Price Regulation was issued on April 28, 1942, by the Office of Price Administration as an emergency measure to prevent, insofar as possible, further price increases during the war. Simple in concept, but complicated in practice, it substituted an absolute freeze of price relationships at a given date for the pricing mechanism of an unregulated economy. The regulation entailed many problems of administration and enforcement, as well as continual adjustment of inequities.

Because of its wide coverage, the regulation was one of the most important of all OPA measures. This report analyzes the conditions which necessitated its issuance and the effectiveness of the regulation in meeting the purpose for which it was issued.

The report is presented in two parts. Part I—History—consists of three chapters, the first of which discusses the developments leading to the regulation and in particular contrasts conditions in the fall of 1941 with those in the spring of 1942. The second chapter deals with the actual provisions of the regulation and the third, with the relevant subsequent developments. Part II—Appraisal—contains the writer's evaluation of the regulation, based upon an analysis of its limitations and accomplishments, and the movement of prices before and after issuance of the regulation. It also contrasts the regulation with other means of price control and considers whether or not other measures might have been equally effective or more practicable in the emergency.

Part I.—History

Chapter 2.—Background of the General Maximum Price Regulation

The forces leading to the wartime price advance in the United States were actually set in motion in August 1939 when Germany invaded Poland. Wartime price rises gained momentum with the initiation of the American Defense Program in 1940, but it was not until the Japanese attack on Pearl Harbor compelled our active participation in the war that they reached the alarming proportions which resulted in the issuance of the General Maximum Price Regulation on April 28, 1942.

Situation in the Fall of 1941

Although the outbreak of hostilities in Europe led to an increase of 6 percent in wholesale prices in the United States by the end of 1939, this advance was largely speculative[1] and confined to specific commodities. Prices receded by August 1940 to a level only 3 percent above August 1939. By this time, however, the recession had run its course, and prices turned upward under the influence of huge Government orders for armaments, lumber, and other war goods for the defense program, which was initiated in June 1940.

Until the first quarter of 1941, price increases were confined largely to primary markets and particularly to articles immediately affected by defense orders, such as textiles and scrap metals. In February 1941 consumers' prices were only 2 percent above August 1939, according to the Bureau of Labor Statistics index of consumers' prices. In the same period prices in primary markets, as measured by the Bureau of Labor Statistics wholesale price index of about 900 commodities, had risen 7½ percent. By February 1941, however, the cumulative effects of the American Defense Program were becoming evident. Government expenditures for war had increased from 2 hundred million dollars monthly in July 1940 to 1 billion dollars in May 1941. Business was booming; employment and pay rolls were higher; consumers' purchasing power had increased greatly. Everyone—industrial buyers, distributors, retailers, and even the general public—was building up inventories. The Lend-Lease Act was signed March 11, 1941, and in March 1941 there began a series of wage increases in major industries (cotton manufacturing, coal, steel, and automobiles), which would further raise costs and purchasing power. Consequently, between February 1941 and the attack on Pearl Harbor

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1 Wartime Prices, Part I.—August 1939 to Pearl Harbor, by John M. Blair and Melville J. Ulmer, under the direction of Saul Nelson (U. S. Bureau of Labor Statistics, Bulletin No. 749, Washington, 1944).

in December 1941, price increases became more widespread and more marked. Wholesale prices in November 1941 were 23 percent above August 1939 and consumers' prices 12 percent.

Nature of Existing Price Control

The inherent dangers to price stability were recognized at an early date. In June 1940 an Advisory Commission was appointed to the newly reorganized Council of National Defense which had functioned during World War I. Those appointed were: William S. Knudsen, in charge of industrial production; Edward R. Stettinius, Jr., industrial materials; Sidney Hillman, labor; Chester Davis, agriculture; Ralph Budd, transportation; Harriet Elliott, consumer protection; and Leon Henderson, price stabilization.

Since most industries were operating far below capacity at the inception of the defense program, the early activities of the Price Stabilization Division were concerned largely with the expansion of supply to meet increasing Government and civilian needs for goods. As factory operations increased toward capacity and the pressure of supply became apparent, however, definite action was necessary to curb price advances. Informal agreements were arranged, after consultations with the industries, to prevent speculative price advances, as early as the fall of 1940. Among products which were informally controlled in this way were copper, lead, zinc, aluminum, tungsten, steel, pig iron, nickel scrap, coke, lumber, wood pulp, farm implements, machine tools, cotton cloth, wool, glue, and carnauba wax.[2]

In addition to informal arrangements, the Price Stabilization Division issued maximum price schedules, "to be enforced by publicity and the voluntary cooperation of industry."[3] The first of these schedules, issued February 17, 1941, covering secondhand machine tools, was followed in the next 8 weeks by similar schedules for aluminum scrap and secondary aluminum ingot, zinc scrap and secondary slab zinc, iron and steel scrap, and bituminous coal. On April 11, 1941, as a result of the acceleration of the price advance beginning in February, the President established the Office of Price Administration and Civilian Supply, with Leon Henderson as Administrator, "to take all lawful steps necessary or appropriate in order to prevent price spiralling, rising cost of living, profiteering, and inflation."[3]

In spite of the great increase in the duties of the Price Administrator, this action did not increase his powers. He was compelled to rely upon publicity and public opinion for enforcement of price regulations.[4] This could not insure complete compliance. Efforts to prevent price rises for automobiles, for example, were abandoned temporarily because of the defiance of one large manufacturer.[4]

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[2] First Quarterly Report for the Period Ended April 30, 1942 (Office of Price Administration, Washington, 1942), p. 5.

[3] Idem, p. 7.

[4] Progress of Price Regulation to September 1942, by Saul Nelson (in Monthly Labor Review, October 1942, p. 664).

The types of measures initiated by the Office of Price Administration and Civilian Supply to stabilize prices were outlined in the First Quarterly Report under five general classes—suggestions and warnings, fair price requests, "freeze" letters, voluntary agreements, and formal ceiling regulations.[5] By August 1, 1941, 12½ percent of the total wholesale value of manufactures, minerals, and imports had been brought under informal control and an additional 10 percent under formal control.[5]

Since the Office of Price Administration and Civilian Supply was established without specific statutory authority it was handicapped greatly by the lack of power to impose penalties for violations of maximum price schedules. It became clear by the summer of 1941, that the pressures upon prices required more forceful price control. Largely as a result of heavy Government expenditures for war, income payments to individuals had mounted rapidly. Consumer expenditures had reached an annual rate of 78 billion dollars in August 1941, compared to 65 billion dollars before the start of the defense program. The fact that price advances were not more serious was due to a great expansion of output. The Federal Reserve Board's index of industrial production, adjusted for seasonal variation, increased from 123 percent of its 1935-39 level in June 1940 to 167 percent by August 1941.

Controversy Regarding the Proper Method of Control

The President of the United States, on July 30, 1941, recognizing the threat of price inflation, requested legislative action to strengthen the price control mechanism. Although a bill, later termed the Emergency Price Control Act, was immediately introduced in both houses of the Congress, final action was delayed until January 30, 1942.

One basic issue which was discussed time and again throughout the 4 months of hearings before the Banking and Currency Committee of the House of Representatives was selective price control versus a general ceiling. The central figures in the controversy were Bernard Baruch, Chairman of the War Industries Board in World War I, advocate of a general ceiling, and Leon Henderson, Administrator of the Office of Price Administration and Civilian Supply, advocate of selective price control as proposed in the act. Although a general freezing of prices and wages had been considered as early as the fall of 1940, most economists appeared to be opposed to such drastic action at that time. Because of the uneven progress of the defense program in the early stages, selected price and wage increases were considered desirable to stimulate output and make optimum use of available resources.[6] In the spring of 1941 opinion still generally favored selective price control.[7]

[5] First Quarterly Report for the Period Ended April 30, 1942 (Office of Price Administration), p. 9.

[6] Some Aspects of Price Control and Rationing, by W. W. Rostow (in American Economic Review, September 1942, Princeton, N. J.). (Condensation of remarks and discussion at the annual meeting of the Conference on Price Research at the National Bureau of Economic Research, May 8, 1942.)

[7] Price Control in Outline, by Don D. Humphrey (in American Economic Review, December 1942).

Mr. Baruch, speaking in the fall of 1941 from his experience during World War I, was strongly opposed to "piece-meal" price fixing. He argued for a comprehensive general ceiling "for every price in the whole national pattern," including "rents, wages, interest rates, commissions, fees—in short for every item and service in commerce"[8] as of "some date on which normal operation of the law of supply and demand can be said to have controlled prices."[9] He maintained that, "since every price is a resultant of the combination of all other prices it is both unjust and impractical to regulate one segment of the industrial fabric while exempting or providing special concessions for other segments."[10] In his opinion, the goal of price control should be the maintenance of a stable, balanced relationship between all prices, one which could best be achieved by freezing relationships determined under normal supply and demand conditions. He felt that fixing prices in a piece-meal fashion courted trouble and invited evasions. An impossible situation would develop when manufacturers' prices are fixed while costs remain uncontrolled. Either ceilings are violated or manufacturers cease operations because of declining profits. During the First World War it was found necessary continually to extend controls to new items and new levels of distribution. (Up to the date of the armistice, fully 70 percent of the aggregate value of commodities included in the Bureau of Labor Statistics wholesale price index had been brought under formal or informal control.) In addition Mr. Baruch believed that a general ceiling would prove less of an administrative problem than piece-meal price fixing. Under a general ceiling, he argued, there would be less need for adjustment of ceilings to correct inequalities than under selective price control. Paradoxically, proponents of the selective plan used the same argument to support the opposite viewpoint.

Mr. Henderson conceded that a general ceiling was best from a strictly technical standpoint. Nevertheless, he feared the enormity of the administrative problem involved, especially in view of his relatively small staff, saying that freezing all prices "looks to me an almost impossible administrative task to be begun at once." His theory was that if prices of basic commodities, major semifabricated products, and major manufactured articles were effectively controlled, the pressure for price advances of other items, especially at later stages of production, would be substantially reduced. He felt that price inflation could be prevented by ceilings, adequately enforced, on as few as 75 to 100 items. Among so-called "price-determining" articles[11] for which ceilings

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8 Taking the Profits Out of War, by Bernard M. Baruch (New York, 1936), p. 997.

9 Hearings before the Committee on Banking and Currency, House of Representatives (77th Cong.) on H.R. 5479, superseded by H.R. 5990, a Bill to Further the National Defense and Security by Checking Speculative and Excessive Price Rises, Price Dislocations, and Inflationary Tendencies, and for Other Purposes, Washington, 1941-1942.

10 Hearings before the Committee on Banking and Currency, House of Representatives (77th Cong.) on H.R. 5479, superseded by H.R. 5990 (pp. 996-997).

11 Progress of Price Regulation to September 1942, by Saul Nelson (Monthly Labor Review, October 1942, pp. 664-665).

would be established were such key commodities as steel, copper, flour, lumber, and cotton grey goods, for which standard specifications could be written. Most of these commodities were produced by a relatively small number of manufacturers, so that there would be little need for the policing of thousands of smaller firms which would have been required under Mr. Baruch's plan.

In particular, Mr. Henderson opposed inclusion of wage ceilings in the price control law because of the diverse problems entailed and because he foresaw public resentment against regimentation of wages. Mr. Henderson was supported in his opposition by Isador Lubin, Commissioner of Labor Statistics, who testified[12] that—

Price increases that occurred up to August 1941 cannot be attributed to the cost of meeting wage rates. Selling prices rose in advance of wage rates. The prices which have advanced most are for commodities that are least affected by labor costs. In general, selling prices have risen more than was necessary to cover the cost of wage advances, and, in fact, by enough to cover the cost of all probable wage increases in the immediate future.

Dr. Lubin maintained further that price ceilings would limit wages indirectly, that wage increases might result in increased efficiency and therefore reduce unit labor costs, that a wage incentive would be desirable to divert workers into defense jobs, that ceilings on wages would be complicated, and that voluntary agreements between workers and employers were preferable to rigid government control. His view was shared by many.[13] In fact, one of the strongest objections to Mr. Baruch's recommendation was the belief that the public, in this period before the attack on Pearl Harbor, would not support such drastic measures. Mr. Henderson even then recognized that future events might force a reversal of this viewpoint. In his testimony he said:

I could conceive of a situation where, if we got as deeply immersed as England, that the bill we have here would be highly inadequate, even for commodity price control.[14]

Example of Canada

In further support of his position that complete control of all prices should not be attempted, Mr. Henderson cited the experience of other countries, all of which began price control with only partial price fixing. Although Canada's Wartime Prices and Trade Board was given the power to control prices of necessaries in September 1939, it was not until August 1941 that the power was expanded to cover prices of all goods and services, including final authority over prices fixed by controllers of the Department of Munitions and Supply and the Wartime Industries Control

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12 Hearings before the Committee on Banking and Currency, House of Representatives (77th Cong.) on H.R. 5479, superseded by H.R. 5990 (p. 1841).

13 Progress of Price Regulation to September 1942, by Saul Nelson (Monthly Labor Review, October 1942, p. 665).

14 Hearings before the Committee on Banking and Currency, House of Representatives (77th Cong.) on H.R. 5479, superseded by H.R. 5990 (p. 875).

Board.[15] During the first 2 years of the war, Canada relied upon control of supply, and price regulations were issued sparingly and only as such action became unavoidable.[16]

Canada's general ceiling order was not announced until October 18, 1941,[17] and did not become effective until December 1. It applied to all goods and services, except exports and military purchases, as well as to wages and rentals. It established each seller's maximum price as his highest selling price between September 15 and October 11, 1941, for items of the same kind and quality. Provisions for a wage bonus of 25 cents a week for each increase in the cost of living of 1 percent above August 1939, already in effect for war industries, were extended to all industries.[18]

This order invoked considerable discussion in the United States, where hearings on the price control bill were still in progress. In the month of October 1941 the index of wholesale prices of the Dominion Bureau of Statistics was 29 percent above its August 1939 level, but this advance was only 6 percent greater than the advance over the same period in the United States.[19] It is curious, therefore, that at the particular time when Canada abandoned its selective price control policy in favor of a general ceiling, which was later to become the model for the General Maximum Price Regulation, the United States, after prolonged consideration, adopted the selective type of price control.

Canada was by that time "economically prepared" and "psychologically ready"—in Mr. Henderson's words.[20] The country was actually at war; taxes were far higher than in the United States; profits were diminishing; wages in war industries were already tied to the cost of living. Forty-four percent of Canadian production was devoted to war purposes compared to 15 percent at that time in the United States. It was felt that administrative problems in Canada could not be as great as in a country of the size of the United States and, moreover, that Canada's Wartime Prices and Trade Board was better staffed and equipped to cope with a suddenly expanded program than its United States counterpart, the Office of Price Administration and Civilian Supply. Furthermore, Canada had relied upon selective price control in the early stages of her war program, when presumably some price increases were desirable to encourage increased production. It was thought, therefore, that the Canadian action by no means contradicted the desirability of continuing selective price control in the United States.

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15 Orders in Council, P.C. 2516, P.C. 3998, and P.C. 6834; The Wartime Prices and Trade Board Regulations, September 3, 1939, December 5, 1939, and August 28, 1941 (Ottawa, Canada).

16 Wartime Controls in Canada, Department of Munitions and Supply, March 9, 1942 (Ottawa, Canada) p. 5; and War-Time Control of Prices, by Kennedy W. Taylor (in Canadian War Economics, Toronto, Canada, 1941).

17 Broadcast by Right Hon. W. L. Mackenzie King, M.P., Prime Minister of Canada, October 18, 1941.

18 Orders in Council, P.C. 8253; Wartime Wages and Cost of Living Bonus Order, October 24, 1941; and P.C. 8527, The Maximum Prices Regulations, November 1, 1941.

19 New York Times (New York), November 9, 1941.

20 OPA Release, PM 1421 (Washington), October 22, 1941.

Influence of Pearl Harbor

The attack on Pearl Harbor altered the whole American economy. In the President's budget message to Congress on January 7, 1942, Government expenditures for war were estimated at 53 billion dollars for the fiscal year ended June 30, 1943, as against 24 billion dollars for the fiscal year 1942. The message indicated the eventual concentration of at least one-half of national production on the war effort, compared with about one-fifth at the time of the message. According to the First Quarterly Report of the Office of Price Administration, this fact alone spelled the end of selective price control, for it was obvious that productive capacity would be fully utilized, scarcities would spread from consumer durable goods to "virtually every type of product," and expanded incomes would invite increased demand for a declining volume of civilian goods.

Emergency Price Control Act

The Emergency Price Control Act of 1942, signed by the President January 30, 1942, gave to the Office of Price Administration statutory power to stabilize prices and rents and authority to punish violators. The Price Administrator was authorized after proper investigation and consultation to establish "fair and equitable" maximum prices, but was directed to give consideration to prices prevailing between October 1 and October 15, 1941. Price schedules already issued were expressly continued in force. Special limitations were placed upon his powers with respect to agricultural commodities. Ceilings could not be fixed below the highest of the following levels as determined by the Secretary of Agriculture:

(1) 110 percentum of the parity price . . . ;
(2) the market price . . . on October 1, 1941;
(3) the market price . . . on December 15, 1941; or
(4) the average price . . . during the period of July 1, 1919, to June 30, 1929.[21]

In addition, ceilings could not be established for articles manufactured wholly or substantially from agricultural commodities below a price which would reflect to producers the highest of these four levels.[22] Moreover, ceilings were subject to the approval of the Secretary of Agriculture.[23]

Policy on wages was expressed in these words:

It shall be the policy of those departments and agencies of the Government dealing with wages (including the Department of Labor and its various bureaus; the War Department; the Navy Department; the War Production Board, the National Labor Relations Board, and the National Mediation Board, the National War Labor Board, and others heretofore or hereafter created) within their limits of authority and jurisdiction to

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21 Emergency Price Control Act of 1942, sec. 3(a). (Public, No. 421, 77th Cong., 2d sess.), Washington, 1942.
22 Idem, sec. 3(c).
23 Idem, sec. 3(e).

work toward a stabilization of prices, fair and equitable wages, and cost of production.

Four principal methods of enforcement of price regulations were provided in the act: Criminal proceedings, injunctions and compliance orders, licensing, and suits for treble damages.[23]

Pressures on Price Level in February-March 1942

In the first quarter, 1942, it was evident that drastic price rises threatened and that piece-meal price fixing would no longer suffice. As a result of expanding war production, employment in manufacturing industries had increased one-third since August 1939, hourly earnings had increased one-quarter, and income payments to individuals one-half. Corporate profits before taxes were up 171 percent, and corporate profits after taxes 91 percent. Government expenditures for war had increased from less than 200 million dollars in July 1940 to 2 billion dollars in January 1942 and 3 billion dollars in March 1942. Monthly expenditures of 6 billion dollars by the end of 1942 were in prospect.[24] The first wave of wage increases beginning in May 1941—together with overtime pay, upgrading of workers, and other factors—had raised average hourly earnings in factories 11 percent between May 1941 and March 1942. Since wage contracts were traditionally renewed in the spring, it was felt that a second wave of wage increases to meet the increase in the cost of living since the spring of 1941 was immiment.[25]

Coupled with these inflationary demand factors were prospects for greatly reduced supplies of consumer goods. Output of civilian goods, which had risen about 25 percent from August 1939 to August 1941, began to contract about that time. Curtailment orders were issued for many durable goods, such as automobiles, refrigerators, vacuum cleaners, and others. By March 1942 civilian consumption had been reduced by 8 percent from its level in August 1941 and further shrinkage in civilian supplies was anticipated with the conversion of 50 percent of national production to war goods.[26]

The impact of increasing demand and decreasing supplies gives rise to what has been termed the "inflationary gap," the difference between civilian purchasing power and the supply of goods and services available for civilians. In early 1942 the amount of this gap for the calendar year 1942 was estimated at 17 billion dollars.[27]

Trend of Prices

These conditions in the American economy of early 1942 resulted in an accelerated rate of price increases in sharp contrast

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23 Emergency Price Control Act of 1942, sec. 3(e). (Public, No. 421, 77th Cong., 2d sess.), Washington, 1942.

24 First Quarterly Report for the Period ended April 30, 1942 (Office of Price Administration), pp. 28-29.

25 Idem, p. 29. 26 Idem, p. 27. 27 Idem, p. 218.

to the steady but slower advance up to the time of the attack on Pearl Harbor. By March 1942, the Bureau of Labor Statistics index of the prices of 28 basic commodities was 66 percent above its August 1939 level, the comprehensive wholesale price index 30 percent, and the consumers' price index 16 percent. (See Appendix tables 5 and 6.) These price advances closely paralleled in scope and timing those which occurred during World War I.[28] Furthermore, the rate of increase had been much greater since December 1941, despite the extension of selective controls. Between August 1939 and November 1941 the average monthly rate of increase was 0.9 percent for wholesale prices and 0.4 percent for consumers' prices compared with 1.4 and 0.9 percent, respectively, between November 1941 and March 1942. Not only were the price advances greater but they extended over a wider field. At the wholesale level they no longer were confined to individual commodities or even to industrial goods needed for direct war use. The greatest increases in wholesale prices after August 1939 were for farm products, foods, and textiles (all consumer goods), having risen, respectively, 69 percent, 43 percent, and 43 percent, by March 1942. The spread of price increases to the retail field was particularly alarming; in the 3 months from December 15, 1941, to March 15, 1942, consumers' prices as a whole rose 3½ percent, foods 5 percent, and clothing 8 percent. From February to March retail price increases were widespread, particularly for clothing and housefurnishings.

The behavior of commodities under price control contrasted sharply with that of commodities not controlled. According to an OPA analysis,[29] the Bureau of Labor Statistics wholesale price index rose 17 percent as a whole from April 1941 to March 1942; uncontrolled commodities in the index, 20 percent; commodities subject to formal control, only 1.5 percent; and commodities subject to informal control, 16 percent. Furthermore, two items, petroleum and automobiles, accounted for most of the advance for commodities informally controlled. Omitting these two commodities, this portion of the index was highly stable. The effectiveness of selective price control, the purpose of which might be deemed the control of relative prices rather than of the general price level, was expressed in these words:

> Selective price control has been strikingly successful in stabilizing those prices upon which controls were imposed, once the action was taken.[30]

Inadequacy of Existing Price Control

Price increases for uncontrolled commodities were responsible for a continued rise in the general price level. In December 1941 only 13.3 percent of the value of commodities in the Bureau

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[28] Progress of Price Regulation to September 1942, by Saul Nelson (Monthly Labor Review, October 1942, pp. 660-663).

[29] The Effectiveness of Selective Price Control (Division of Research, Price Analysis and Review Branch, Office of Price Administration, Washington, May 1, 1942).

[30] The Effectiveness of Selective Price Control (Division of Research, Price Analysis and Review Branch, Office of Price Administration, Washington, May 1, 1942), p. 1.

of Labor Statistics wholesale price index was under formal control and 14.7 percent under informal control. Although immediate steps to extend selective price control were taken after the United States entered the war, by March 1942 only one-third of the Bureau of Labor Statistics index was under formal and one-eighth under informal control.[31]

The need for more decisive action on a broad scale was evident. During the period up to the declaration of war, the establishment of ceilings for the relatively few items which actually had experienced rapid price increases had seemed the most practicable method of price control. As expressed by OPA,[32] "when the commodities requiring price control were limited in number, price control could be limited in scope"; and again, "the defense program produced an uneven pressure on prices and called for selective price control."

By early 1942, however, the pace of advances was too rapid to admit of further extension of selective controls. Commodities already controlled at wholesale represented largely basic major products which required a minimum of separate simple schedules; those still uncontrolled included numerous items of lesser individual importance (though of equal aggregate value), and many highly fabricated articles requiring complex ceiling orders. Control at retail presented even more perplexing problems—millions of sellers, a great variety of products, and complicated local differences. It also should be remembered that the OPA staff was still inexperienced, having been expanded from 529 on July 1, 1941, to 1,500 on January 31, 1942, and to 3,711 on April 30, 1942.[33] Furthermore, according to OPA, "the legal formalities surrounding the transition to a statutory basis, including republication of the prestatutory price schedules and setting up of legal procedures for complaint and appeal, slowed down the pace of formal action."

Because of the accumulating pressures on the price level and because of the "extremely difficult mechanical and administrative problems" involved in extending price control to the remainder of the economy on a piece-meal basis, "selective price control had to yield to a general ceiling."[34] Possibly this decision was also influenced by the doubtful outlook for effective monetary and fiscal policy in the spring of 1942.[35] Accordingly, on April 28, 1942, following the example of Canada, the Office of Price Administration issued the General Maximum Price Regulation (hereinafter referred to as "GMPR"), after discussions and consultations with industry representatives which had been begun early in April.

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31 First Quarterly Report for the Period ended April 30, 1942 (Office of Price Administration), p. 24.

32 Facing the Price Problem (Division of Research, Office of Price Administration, Washington, April 23, 1942), pp. 34 and 36.

33 Second Report of the Office of Price Administration Covering the Operations of the Office between May 1 and July 31, 1942, House Document No. 891 (77th Cong., 2d sess.), Washington, 1942 (p. 88).

34 First Quarterly Report for the Period ended April 30, 1942 (Office of Price Administration), pp. 24 and 30.

35 The Tactics of Retail Price Control, by John Perry Miller (in Quarterly Journal of Economics, Boston, August 1943, p. 498).

Chapter 3.—Provisions of the General Maximum Price Regulation

This regulation, together with a companion order on rents, gave force to one of the points in President Roosevelt's seven-point campaign to keep down the cost of living, which was outlined in his message to Congress on April 27, 1942, and his "fireside chat" to the American people the next day. Briefly, the regulation set the ceiling for each seller as the highest price charged in March 1942 to the same class of consumer. It became effective on May 11, 1942, for manufacturers and wholesalers, on May 18, 1942, for retailers, and on July 1, 1942, for services. Its terms were not applicable to any items covered by other price regulations.

Limitations of Emergency Price Control Act

Planned as "an absolute ceiling over virtually everything that Americans eat, wear, and use,"[1] certain exceptions, which were seriously to limit its effectiveness, were enforced by the terms of the Emergency Price Control Act and others were made for administrative or practical reasons. Among the exceptions were commodities such as advertising, newspapers, books, magazines, motion pictures, wages, common-carrier and public-utility rates, insurance, and real estate, all of which were excluded because of the definition of "commodity" in the act.[2] Of such especial significance that they were later to require amendment of the Emergency Price Control Act and extensive use of subsidies to hold down the cost of living were unprocessed farm products and certain foods, exempted because the act did not permit control of agricultural commodities until their prices had attained a level substantially above "parity."[3]

Possibly of equal importance was the exemption of wages. Exclusion of wages from GMPR was necessitated by the terms of the act.[4] Moreover, Mr. Henderson's opposition to control of

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1 First Quarterly Report for the Period ended April 30, 1942 (Office of Price Administration), p. 36.

2 Sec. 302(c), Emergency Price Control Act of 1942 (Public, No. 421, 77th Cong., 2d sess.):

"The term 'commodity' means commodities, articles, products, and materials (except materials furnished for publication by any press association or feature service, books, magazines, motion pictures, periodicals and newspapers, other than as waste or scrap), . . . Provided, That nothing in this act shall be construed to authorize the regulation of (1) compensation paid by an employer to any of his employees, or (2) rates charged by any common carrier or other public utility, or (3) rates charged by any person engaged in the business of selling or underwriting insurance, or (4) rates charged by any person engaged in the business of operating or publishing a newspaper, periodical, or magazine, or operating a radio-broadcasting station, a motion-picture or other theatre enterprise, or outdoor advertising facilities, or (5) rates charged for any professional services."

3 Sec. 3, Emergency Price Control Act (Public, No. 421, 77th Cong., 2d sess.):

"(c) No maximum price shall be established or maintained for any commodity processed or manufactured in whole or substantial part from any agricultural commodity below a price which will reflect to producers of such agricultural commodity a price for such agricultural commodity equal to the highest price therefor specified in subsection (a)."

4 Sec. 302(c), Emergency Price Control Act of 1942 (Public, No. 421, 77th Cong., 2d sess.).

wages by the Price Administrator was expressed repeatedly in the hearings on the price control bill. That wages were not effectively controlled until a much later date entailed serious problems for price control. Rising wages exerted continual pressure on the price level and compelled numerous upward adjustments of ceilings.

Commodities exempted for practical or administrative reasons included highly seasonal articles, such as fresh fish, and objects of art, for which it would be difficult to determine fair prices; primary raw materials, such as timber, prices of which are controlled indirectly by ceilings at later stages of production; and commodities covered by other OPA regulations. Sales under certain conditions were also exempted for practical reasons: Food prepared and sold for consumption on the premises, used personal effects when sold at auction or by the owner, used business supplies not acquired for the purpose of sale, sales for philanthropic purposes, processed farm commodities or pelts and furs of wild animals when sold by farmer or trapper, provided the total sales did not exceed $75 in any one month. Provision was also made for later exemptions, including sales to the Government, under supplementary regulations.

Determination of Ceiling

MARCH FREEZE

The reasons for the selection of the month of March 1942 were not necessarily restrictive. Some other base period might have proven equally effective. As expressed in the Statement of Considerations which accompanied the General Maximum Price Regulation, "the selection of one base period rather than another is a matter for reasonable administrative determination." It was felt that a period as near as possible to the date of issuance of the regulation would cause the least disruption of business activities and the fewest administrative difficulties. Considerable time was needed, however, for thoughtful consideration of the problems entailed and for consultation and meeting with trade groups. Furthermore, there were indications that some price increases had been made deliberately during March and April in anticipation of broader price control. The plan for a general retail freeze was openly discussed in the press in early April.[5] The net result of these considerations was the selection of March 1942, despite the provision in the Price Control Act that maximum prices reflect, insofar as practicable, the level of prices between October 1 and October 15, 1941. It was not expected that absolute equities could be realized in this first step; in fact it was stated that—

> Supplementary regulations which cannot practicably be analyzed separately at this time, may establish prices closer to October 1 prices as adjusted.[6]

[5] See, for example, Wall Street Journal (New York), April 2, 1942, and Journal of Commerce (New York), April 6, 1942.

[6] Statement of Considerations Involved in the Issuance of the General Maximum Price Regulation (Office of Price Administration, Washington, 1942).

A calendar month was selected because records of so many business concerns are maintained on that basis.

Although the price structure in early 1942 was admittedly imperfect, it did represent relationships during a period of virtually full employment. It was alleged, moreover, that "more nearly than at any time during the last decade, today's price structure approaches the balance that is required for the economy to function efficiently."[7] The justice of this contention is supported by an analysis[8] of the March 1942 price structure by Don D. Humphrey, Chief of the Price Analysis and Review Branch, Research Division, Office of Price Administration, along the lines suggested some years ago by Gardiner Means' study of "administration dominated" and "market dominated" prices.[9] Mr. Humphrey's conclusion was that the depression-created spread between sensitive and insensitive wholesale prices had virtually disappeared by March 1942 and that prices had reached both the level and horizontal balance of predepression days.

Although simple in concept, the definition of the "highest price charged in March 1942" required lengthy explanation in Bulletin No. 1—The General Maximum Price Regulation, and in Bulletin No. 2—What Every Retailer Should Know About the General Maximum Price Regulation. An attempt was made to anticipate all contingencies and to regulate against all possible evasions of the intent of the order. Nevertheless, as will be seen later, noncompliance with OPA regulations may have been caused as much by confusion as by willful violation.

In contrast, Canada's entire "Maximum Prices Regulations,"[10] which was the model for the United States order, was only three pages long and the definition of maximum prices only one page. This brevity was attained in part by greater reliance upon the obvious intent of the regulation. Thus, in connection with the determination of maximum prices for goods not sold in the base period on the basis of prices for similar goods, it is stated—

> In any case in which the question arises as to the lawful price for any such goods or services the onus of proving the existence and extent of any relevant and substantial similarity or dissimilarity alleged by the seller or supplier shall be upon him.

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7 Facing the Price Problem (Division of Research, Office of Price Administration, April 23, 1942), p. 38.

8 Price Control in Outline, by Don D. Humphrey (in American Economic Review, December, 1942).

9 See Structure of the American Economy (National Resources Committee, Washington, June 1939, p. 389). This study showed a high degree of correlation between the frequency and magnitude of price change. Commodities included in the BLS wholesale price index were classified into 5 groups, A, B, C, D, and E, with those showing the fewest changes in group A (administration-dominated) and those showing the most frequent changes in group E (market-dominated). Price indexes on a 1926-29 base for the year 1932 and for March 1942 are compared below for these groups:

	Number of monthly changes in price, Jan. 1926 - Dec. 1933	Wholesale price indexes (1926-29 = 100) 1932	March 1942
Group A	0-7	89.5	100
Group B	8-16	79.3	100
Group C	17-34	70.1	100
Group D	35-77	62.0	108
Group E	78-95	46.3	96

10 Order in Council, P.C. 8527, November 1, 1941.

The United States regulation, in contrast, attempts a rigid definition of "similar" commodities and services, as follows:

> One commodity shall be deemed "similar" to another commodity, if the first has the same use as the second, affords the purchaser fairly equivalent serviceability, and belongs to a type which would ordinarily be sold in the same price line. In determining the similarity of such commodities, differences merely in style or design which do not substantially affect use, or serviceability, or the price line in which such commodities would ordinarily have been sold, shall not be taken into account. One service shall be deemed "similar" to another service if the first has the same use and purpose as the second and belongs to a type which would ordinarily be sold for the same or substantially the same price.

PROGRESSIVE PRICING FORMULA

The determination of the ceiling price rests upon what has been called the "progressive pricing formula," a series of alternative methods each of which in turn theoretically precludes the use of those which follow. Thus, if possible, the highest price charged in March means the top price for which the same article was delivered during March 1942; if no delivery was made, the highest offering price in March 1942. Many articles, however, were not sold in March 1942. If the same article was not delivered or offered for sale in March, the maximum price is successively the highest price for the most similar article delivered in March, or offered for sale in March. Frequently no similar article was sold in March. In such cases the maximum price is the highest price charged by the most closely competitive seller of the same class. For new articles which cannot be priced under any of the above methods, manufacturers (under the original provisions) must apply to OPA for maximum prices; wholesalers and retailers may calculate their own maximum prices by adding the margin on the fastest-moving comparable commodity of the same general classification to the replacement cost of the new item. Customary allowances, discounts, and other price differentials must be continued in all cases.

Record-Keeping and Posting

The regulation included certain record-keeping and price-posting requirements. All sellers were asked to keep base period records and to prepare lists of all items sold in March 1942 showing the highest prices charged as well as customary allowances and discounts. Retailers were required to display ceiling prices on items designated in the regulation as cost-of-living commodities so as to be "clearly visible" to the customers. Although this requirement was expected to aid enforcement, its purpose was largely psychological, to show the consumer "(1) that his cost of living is not rising and (2) that the retailer is performing an important role in the battle against inflation on the home front."[11] It was a part of OPA's program to "sell" price control to the American public. There was no assurance that posted prices were the legal

[11] Bulletin No. 2: What Every Retailer Should Know About the General Maximum Price Regulation (Office of Price Administration, Washington, May 1942).

ceilings and there is little evidence that posting of GMPR ceiling prices contributed materially to the enforcement of the regulation. As will be seen later, some retailers raised their posted prices, as convenient. Moreover, the burden of record-keeping and posting caused considerable irritation and a certain lack of cooperation.

Licensing

All wholesalers and retailers were required to register their establishments with OPA and were automatically licensed by the OPA to sell commodities or services covered by the regulations.

Penalties

Penalties for infraction of the regulation were those provided in the Emergency Price Control Act and consisted of criminal proceedings, civil suits, revocation or suspension of licenses, and suits for treble damages. One feature of the regulation was that both buyer and seller were adjudged guilty of violation in cases of sales above ceiling. This later made it difficult for OPA to obtain reports (from buyers) of violations of regulations.

Provisions for Adjustments

Since the GMPR was deemed an emergency measure, numerous adjustments were anticipated. In particular it was recognized that the normal tendency for retail prices to lag behind wholesale prices, wholesale behind manufacturers', and prices of finished goods behind those of raw materials, would cause maladjustments. Provision for the alleviation of the resultant squeeze between costs and selling prices was specifically included in the regulation under section 4, as follows:

> If the maximum prices established for any commodity under the provisions of this regulation fail equitably to distribute returns from the sale at retail of such commodity among producers, manufacturers, wholesalers, and retailers, the Price Administrator will by supplementary regulation establish such maximum prices for different classes of sellers, or fix such base periods for the determination of their maximum prices, as will insure that each such class of sellers shall receive a fair share of such return.

It was the intention of OPA that, as in Canada, such adjustments would be made backward rather than forward, i.e., "by rolling back the squeeze." The Statement of Considerations accompanying the regulation contains this statement: "One thing should be clearly understood. Retail prices will not be increased. . . . Adjustments may be made. . . . But the ceiling will not be punctured." It was proposed to accomplish this in several ways: by compelling manufacturers, wholesalers, and retailers to absorb appropriate parts of the squeeze, by effecting economies in manufacturing and distribution, and finally, if necessary, by the use of Government subsidies.[12]

In addition to section 4, which deals specifically with the retail squeeze, section 18 of the regulation, known as the "hardship" clause, outlines a procedure for adjustment of inequities at the retail level, both for an individual merchant whose maximum prices were abnormally low in relation to his competitors', and for groups of retailers whose maximum prices were low in relation to prices at other levels of distribution. Section 19 provides for petitions for other adjustments.

Chapter 4.—Amendments and Subsequent Regulations

Very soon it became evident that issuance of the General Maximum Price Regulation had halted only temporarily the upward movement of prices. Reference was made in OPA's second report of operations to the continued rise of wholesale prices and the cost of living and to "the basic weaknesses in the program to control prices," by which was meant the agricultural limitations of the Emergency Price Control Act, failure to stabilize wages and incomes, and failure to institute adequate taxation, savings, and other fiscal programs to reduce consumers' purchasing power, none of which, it will be noted, were inherent in the General Maximum Price Regulation.[13]

In the third quarterly report it was stated:

> In spite of the General Maximum Price Regulation, the outlook for inflation control at the close of the summer was very bleak. Although the prices brought under control by the GMPR were held firmly, the prices, which, by reason of the limitations of section 3 of the Emergency Price Control Act, could not be controlled continued to rise, indeed at an accelerating rate.... Only immediate stabilization could prevent a resumption of the wage-cost spiral, which had been temporarily halted by the GMPR in May.[14]

Amendment to the Emergency Price Control Act

The urgency of the situation resulted in passage of the amendment to the Emergency Price Control Act by Congress on October 2, 1942, in response to the President's message to Congress on September 7. This action, of major importance in the battle against inflation, made possible both a broad extension of price control and the stabilization of wages. The original provision in the Price Control Act prohibiting ceilings on agricultural commodities below 110 percent of parity was amended to permit the

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[12] First Quarterly Report for the Period ended April 30, 1942 (Office of Price Administration), pp. 44-46.

[13] Second Report of the Office of Price Administration, covering the operations of the Office between May 1 and July 31, 1942 (House Doc. No. 891, 77th Cong., 2d sess.), p. 3.

[14] Third Quarterly Report for the Period ended October 31, 1942 (Office of Price Administration, Washington, 1943), p. 1.

establishment of ceilings either at parity or the highest market price between January 1 and September 15, 1942, whichever was higher. In regard to wages, the President was authorized to stabilize wages and salaries insofar as practicable at the level of September 15, 1942.

The President's Executive Order of October 3, 1942,[3] creating the Office of Economic Stabilization, with former Supreme Court Justice James F. Byrnes as Director, was an even more far-reaching move. It specifically directed (1) the Secretary of Agriculture and the Price Administrator jointly to stabilize agricultural prices and (2) the National War Labor Board, wages, insofar as practicable at the level of September 15, 1942. Significantly, the 100 percent of parity regulation was interpreted to mean parity less benefit payments. The order directed the Price Administrator to determine price ceilings so that "profits are prevented which in his judgment are unreasonable or exorbitant." It also authorized the use of subsidies either to insure maximum production or to maintain ceiling prices. Actually, although it was not so used, it set up the machinery for the control of all financial transactions as well as the sale of all goods and services. The Director of Economic Stabilization was ordered to formulate "comprehensive national economic policy relating to the control of civilian purchasing power, prices, rents, wages, salaries, profits, rationing, subsidies, and all related matters—all for the purpose of preventing avoidable increases in the cost of living." Immediately following the President's order, the OPA, on October 5, 1942, placed poultry, butter, cheese, evaporated milk, eggs, wheat flour, corn meal, onions, navy beans, and oranges under control at wholesale and retail by a new price regulation, raising the proportion of foods controlled at retail from 60 to 90 percent.[4]

Amendment of the General Maximum Price Regulation

During the first months of operation under the regulation, three major limitations of the general freeze technique became "clearly manifest". These were well expressed by OPA as follows:

> 1. Since all prices in March 1942 did not bear a normal relationship to one another, the GMPR had the effect of freezing dislocations in the price structure.
> 2. Some major items of cost—primarily labor and agricultural commodities—were not controlled or were inadequately controlled, and increases in these costs pressed against the ceiling prices, squeezing the trade badly in many cases. In addition, OPA authorized increases in raw material prices which had similar effects. The squeeze necessitated many adjustments that absorbed much of the time of the Office.
> 3. Almost insurmountable difficulties of administration were encountered in those cases where market practices are complex and the commodity is subject to a large measure of variability. In addition, pricing

[3] Executive Order No. 9250 (Washington), October 3, 1942.
[4] Third Quarterly Report for the Period ended October 31, 1942 (Office of Price Administration), p. 2.

methods and extent of coverage under the GMPR sometimes were not clearly understood by the seller, and caused unintentional violations.[5]

Revision of the regulation in regard to specific commodities or conditions of sale was required frequently. At the end of 1943, there had been issued 59 amendments, 15 supplementary regulations, 476 amendments to supplementary regulations, 625 orders under section 1499.3(b) of GMPR authorizing maximum prices, 248 orders under section 1499.18(b) and 190 under section 1499.18(c) of GMPR adjusting maximum prices, and 185 orders under supplementary regulations.

Some of these actions were of major importance. Revised Supplementary Regulation No. 1 contains all the exemptions of commodities from the General Maximum Price Regulation. With its 39 amendments up to the end of 1943, it filled about 20 pages in "OPA Service," voluminous loose-leaf compilation of all OPA regulations. Similarly, Revised Supplementary Regulation No. 11 lists all the services exempt from GMPR, which totaled 138 by the end of 1943. Among the commodities and services exempted by these supplementary regulations were: imported silk waste, cotton mill wastes, sales of all waste materials up to the level of the industrial consumer; zinc, lead, and tin industrial residues; antimony ore and concentrates; jewel bearings; certain machines manufactured under subcontract; greenstuffs used for Christmas decorations; sales by nonprofit agencies of articles manufactured by blind persons; dead or fallen animals; services covered under Maximum Price Regulation No. 165; etc.

Of particular significance was Supplementary Regulation No. 4, originally issued on May 13, 1942, which deals with the exemption of military commodities. Despite the example of Canada, which had exempted military commodities from its "Maximum Prices Regulations" (see Order in Council, P.C. 8527), and the opposition of military procurement agencies, OPA had hoped that, at the time GMPR was issued, it could exercise effective price control over military procurement. It soon recognized, however, that "the General Maximum Price Regulation was not well suited to the pricing of most military equipment."[6] Military equipment must be produced to rigid but changing specifications and its production must not be impeded by inadequate pricing. The Army, Navy, Maritime Commission, and other Government procurement agencies maintained that higher prices to marginal producers must be permitted, if necessary. Because of these considerations, section 9 of the regulation had provided for the exclusion of "sales to the United States or any agency thereof of such commodities or in such transactions as may be specified by supplementary regulations issued under this section." Under Supplementary Regulation No. 4, "developmental" and "secret" contracts with the Government, "emergency purchases," and sales to the Government of a comprehensive list of finished goods, including combat

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[5] Fourth Quarterly Report for the Period ended January 31, 1943 (Office of Price Administration, Washington, 1943), p. 33.

[6] Second Report of the Office of Price Administration, p. 39.

items, foods, and clothing, were exempted from GMPR. OPA retained control over raw materials and semifabricated articles, but by use of subsidies, as in the case of metals, or by other means, military articles have been exempted from price control by OPA, wherever necessary. In September 1942, OPA agreed to delegate responsibility to the military services for price control over purely military items purchased by them but reserved the right to resume such responsibility if prices of military goods were not effectively controlled. This extensive exemption of military items, as will be seen later, exerted an inflationary pressure on prices in other segments of the economy through the medium of demands for higher wages.

In sharp contrast to the numerous exemptions from GMPR were the few items subsequently brought under the regulation. In conformity with OPA's general policy of superseding GMPR as rapidly as possible, new items were usually brought under price control immediately by specific regulations.

Modifications of maximum prices under GMPR are made under Supplementary Regulation 14. The revised regulation incorporating all the provisions of the original supplementary regulation and its numerous amendments, and including 70 additional amendments, takes up over 175 pages in OPA Service. Modifications of maximum prices were made frequently in terms of specific dollars-and-cents ceilings. For convenience, maximum prices for milk and milk products and bread and bakery products are contained in separate Supplementary Regulations 14A and 14B, respectively. Supplementary Regulation 14A alone requires 100 additional pages in OPA Service.

Many of the amendments to GMPR were simply clarifications of definitions or terms of the original regulation. Others exempted sales of certain commodities or services from control, and as such have been incorporated in Supplementary Regulations 1 and 11. Three amendments, however, are of more general importance. Amendment No. 10 extended to manufacturers and wholesalers the same opportunity originally accorded retailers of obtaining relief from GMPR ceilings in case of hardship and also facilitated the procedure for obtaining such relief. Amendment No. 33, effective November 4, 1942, represented a change in OPA policy regarding adjustments. Formerly OPA had devoted considerable time to the adjustment of maximum prices for individual sellers and, up to the date of this amendment, had already processed "thousands" of applications under Paragraph 1499.18 of the regulation.[7] By this amendment OPA gave warning that major emphasis in the future would be on regulations or adjustments of general application only, and that after November 30, 1942, adjustment of maximum prices for an individual seller would be made in exceptional cases only. In the same vein was Amendment No. 54, which granted manufacturers the same privilege already accorded wholesalers and retailers of determin-

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[7] Statement of Considerations, Amendment No. 33, General Maximum Price Regulation (Washington), November 4, 1942.

ing maximum prices for a new product not sold by them or by their competitors in March 1942 on the basis of cost plus the mark-up on a comparable commodity. Originally manufacturers had been required to apply to OPA for approval of specific prices.

Removal of Commodities From GMPR

Within 6 or 7 months after May 1942, individual regulations replaced GMPR to a great extent.[8] Most of the commodities covered by the 123 specific regulations issued between August 1, 1942, and January 31, 1943, for example, had originally been controlled by GMPR.[9] OPA's Directory of Commodities and Services, corrected through March 15, 1943, shows clearly the degree to which GMPR had at that time already been superseded by specific regulations. The tabulation which follows, arranged according to organizational division in the Office of Price Administration, shows that, out of more than 5,000 commodities listed, only 1,400 were governed entirely by GMPR as of March 15, 1943, 1,650 by specific regulations, and 2,000 partly by GMPR and partly by specific regulations. In only a few sectors, notably chemicals and drugs and nonferrous metals, were appreciable proportions still under sole control of GMPR. In some fields, such as machinery, petroleum, rubber, building materials, services, and consumer durable goods, only negligible proportions remained solely under GMPR.

Number of commodity items listed, by OPA organizational branch[1]

OPA organizational branch	All items	Exempt	GMPR	Specific regulation	GMPR and specific regulation
All branches: Total	5,194	136	1,400	1,652	2,006
Grocery products	240	20	79	106	35
Sugar, tobacco, and dairy products	60	3	18	[2] 29	10
Meats, fish, fats and oils	86	9	17	16	44
Cereals, feeds, and agricultural chemicals	240	38	90	43	69
Petroleum	41	16	...	25	...
Solid fuels	14	...	3	11	...
Chemicals and drugs	715	1	573	34	107
Machinery	645	4	14	620	7
Paper and paper products	225	3	69	93	60
Rubber	199	6	9	10	174
Building materials	302	...	9	13	280
Nonferrous metals	335	26	194	115	...
Iron and steel	132	2	31	94	5
Lumber	236	6	93	63	74
Textiles, leather, and apparel:					
Primary products	423	2	107	220	94
Manufactured articles	208	...	85	25	98
Service trades	72	...	...	72	...
Consumer durable goods	1,018	...	6	63	949
Transportation	3	...	3	...	...

1 Source: Directory of Commodities and Services, Office of Price Administration (Washington), 1943.

2 Including one item controlled by informal agreement.

8 Price Control in Outline, by Don D. Humphrey (in American Economic Review, December 1942).

9 Fourth Quarterly Report for the Period ended January 31, 1943 (Office of Price Administration), pp. 4 and 33.

Subsequent Regulations

Specific regulations issued subsequently to GMPR can be classified for convenience into four general types, often used in combination in a single regulation: (1) Those retaining the March 1942 freeze date, but designed to fit particular industry problems, (2) those having base dates other than March 1942, (3) formula or cost-plus regulations, and (4) specific dollars-and-cents ceilings, including Nation-wide as well as "community" ceilings. A detailed discussion of these regulations is not possible within the scope of this report, but a few illustrative examples may suffice to emphasize the principles involved.[10]

DESIGNED TO MEET SPECIFIC INDUSTRY PROBLEMS

Certain peculiar characteristics of the service trades required their removal from GMPR on June 23, 1942, just prior to the effective date of control, and their inclusion under Maximum Price Regulation 165, effective July 1, 1942. Many services are not standardized, many are seasonal, and many are of the "custombuilt" variety, for which there are no established prices. The most important element of cost for most services, i.e., wages, was not controlled. Accordingly, retaining the March 1942 base date, sellers were permitted to determine their ceiling prices using the same component charges as in the base period, adjusted for regular seasonal variations. A special provision was made for application for ceiling adjustments because of cost increases up to April 27, 1942. In view of administrative difficulties, the requirement of posting ceiling prices for cost-of-living services was omitted.

OTHER FREEZE DATES

The most important examples of regulations subsequent to GMPR, providing for base dates other than March 1942, can be found in foods, particularly those commodities brought under control by authority of the October 2, 1942, amendment to the Price Control Act. Thus, prices of these items were "frozen" for 60 days under Temporary Maximum Price Regulation 22 at the level of September 28 to October 2, 1942, and continued at this level under Maximum Price Regulation No. 280 pending further study. A few regulations, such as Maximum Price Regulation No. 177—Men's and Boys' Tailored Clothing, issued July 6, 1942, and Maximum Price Regulation No. 153—Women's, Girls' and Children's Outerwear Garments, issued May 23, 1942, provided for base periods earlier than March 1942. Both of these, however, could also be classified under the next or formula type of regulation.

FORMULA REGULATIONS

This formula type is of many varieties. Basically, ceilings are determined by adding certain margins to cost. The margin may

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10 For a complete discussion of the regulations issued from April 30 to July 31, 1942, see Second Report of the Office of Price Administration (77th Cong., 2d sess., House Doc. No. 891), Appendix A, pp. 91-192.

be the individual seller's normal margin or, more commonly, as the program developed, a fixed margin specified in the regulation. Cost price might be current replacement cost or cost during a specified base period. In some cases, sellers are permitted to add specified increases in raw material or labor costs to base period costs. In the case of Maximum Price Regulation No. 177, for example, specified percentages could be added to base period prices to cover increased material and labor costs. In the case of Maximum Price Regulation No. 153, as amended on June 9, 1942, manufacturers were permitted to add their customary margin in the base period to current replacement costs. Most extensive use of margin or cost-plus regulations was in foods, principally because of the problem of rising costs, which makes effective control by the freeze technique impossible.

DOLLARS-AND-CENTS CEILINGS

Probably the most desirable method of price control, wherever practicable, and certainly the most readily enforceable, as will later be seen, is the establishment of specific dollars-and-cents ceilings, alike for all sellers. Obviously, however, such ceilings presuppose detailed and painstaking investigation, inconceivable at the time of issuance of GMPR. Dollars-and-cents ceilings represented the ultimate goal of OPA policy. The second quarterly report officially expressed "the desire of the Office to substitute specific dollars-and-cents ceilings wherever possible for the freeze technique of the GMPR."[11] In November 1942, Henderson stated: "The end we seek is a simple manageable system of controls, where possible, in dollars-and-cents terms and which both buyers and sellers can readily understand."[12]

The development and extension of "specified dollars-and-cents prices, as distinguished from base-period and cost-plus or formula prices," was emphasized in OPA's quarterly reports beginning with the report for the period ended January 31, 1943.[13] Although this program was initiated shortly after the the issuance of GMPR and extended broadly during the fourth and fifth quarter operations of OPA, it received major impetus under the President's "hold-the-line" order of April 8, 1943,[14] which was accompanied by a statement of the Director of Economic Stabilization that dollars-and-cents ceilings would shortly be issued for many items.[15] During May and June 1943 alone, 67 regulations were issued setting specific dollars-and-cents ceilings for the Nation as

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11 Second Report of the Office of Price Administration covering the operations of the Office between May 1 and July 31, 1942 (77th Cong., 2d sess., House Doc. No. 891). p. 95.

12 Address by Leon Henderson, Administrator, Office of Price Administration, before the St. Louis Chamber of Commerce, Jefferson Hotel, St. Louis, Mo., November 12, 1942. (OPA Release No. 1118, Washington, 1942.)

13 Fourth Quarterly Report for the Period ended January 31, 1943 (Office of Price Administration), pp. 34-36.

Fifth Quarterly Report for the Period ended April 30, 1943 (Office of Price Administration, House Doc. No. 302, 78th Cong., 1st sess., Washington, 1943), pp. 1-4.

Sixth Quarterly Report for the Period ended June 30, 1943 (Office of Price Administration, Washington, 1943), pp. 1-7.

14 Executive Order No. 9328 (Washington), April 8, 1943.

15 Fifth Quarterly Report for the Period ended April 30, 1943 (Office of Price Administration, House Doc. No. 302, 78th Cong., 1st sess., Washington), p. 1.

a whole or for broad geographic areas. In addition to these regulations, a "community ceiling" program was inaugurated early in May. Under this program, dollars-and-cents maximum prices had been established at retail, by the end of June, on about 1,000 grocery items in about 200 major cities.[16] These ceilings were calculated and set, for four types of retail outlets, by district OPA offices on the basis of cost data furnished by local suppliers, using the allowable wholesale and retail mark-ups set in existing food regulations.

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[16] Sixth Quarterly Report for the Period ended June 30, 1943 (Office of Price Administration), pp. 2-4.

Part II. — Appraisal

Chapter 5. — Direct and Indirect Violations

Open Violations

Enforcement of OPA regulations has been difficult because "facilities for enforcement have never been equal to the task,"[1] and in the case of GMPR there also were inherent difficulties which prevented adequate enforcement.

Legitimate ceilings under GMPR were indefinite and individual, and base period records not readily accessible. Posting of ceiling prices does not guarantee their legality. Proof of violation consequently was difficult. Comprehensive statistics are not available to show the degree of compliance, but unpublished records of the Enforcement Division of the Office of Price Administration show that nearly 3,000 complaints of violations of GMPR were received per month between November 1942 and March 1943. Moreover, an OPA report, discussing the increase in the cost of living between May 1942 and May 1943, acknowledged the existence of "many flagrant violations."[2]

One former OPA official, writing in the Quarterly Journal of Economics, described "a general lack of compliance with the letter and even the spirit of the law" and a tendency of a large number of retailers to follow the principle of "mark-ups as usual" rather than ceilings of GMPR or other regulations.[3] Many small shopkeepers made no pretense of determining March 1942 ceilings, but simply calculated a profitable selling price and stamped "ceiling price" on the price ticket. Some proof of this tendency may be gleaned from the results of an extensive survey of food prices which showed advances in posted ceiling prices, during the latter part of 1942, although no increases had been granted by OPA. Average ceiling prices on October 13, 1942, and December 15, 1942, were compared for 27 foods covered by GMPR on both dates. These averages were not strictly comparable because the number of stores was not identical on the two dates. It is significant, however, that the number of items for which average ceilings increased was much greater for small independent stores than for chains and supermarkets, and the size of increase appeared to be smaller for chains and supermarkets, as shown in the following figures.

1 Fifth Quarterly Report for the Period Ended April 30, 1943 (Office of Price Administration), p. 52.

2 One Year of Retail Price Control (May 1942-May 1943), Price Control Report No. 15 (Office of Price Administration, Washington, 1943).

3 The Tactics of Retail Price Control, by John Perry Miller (in Quarterly Journal of Economics, August 1943, p. 507).

	Number of Increases	Number of Decreases	Number of increases of 1 percent or more
All stores	9	18	6
Small independent stores	22	5	13
Medium size independent stores	17	10	8
Large independent stores	17	10	10
Chain stores	10	17	7
Supermarkets	9	18	5

Trade papers, which have reported over-ceiling transactions in many commodities, have been both reticent and oblique in making accusations of violations of GMPR. This makes all the more significant those reports which have appeared and also makes not untenable the assumption that outright violations of GMPR were relatively more widespread than were reported for other more specific regulations.

The Retail Merchants Association of Detroit found by query in 1942 that only 42 percent of its 27,000 members were complying completely with GMPR rules. Many of them had no records of March 1942 prices and others could not understand the rules. Twenty-one percent of the Detroit stores said they were not complying in any part.[4] OPA discovered in the fall of 1942 that 50 percent of 10,000 grocery stores investigated were not complying with price regulations.[5] Of these, 40 percent represented minor violations, largely failure to post prices, and 10 percent, violations serious enough to require legal action.

Between April 27 and May 1, 1943, OPA, at the request of President Roosevelt, made a survey of food prices in 230 mining communities in Pennsylvania, West Virginia, Kentucky, Illinois, Indiana, and Alabama, ranging from a population of 300 to 12,000, the purpose of which was to determine the degree of compliance with OPA food regulations.[6] Prices were checked in 475 stores, of which 100 were company stores and 65 were chain stores, and which represented 70-75 percent of food sales in these communities. The foods checked were confined to those covered by three regulations (Nos. 238, 268, and 336), namely, coffee, fats and oils, processed foods, fresh fruits and vegetables, poultry, dairy products, and pork products. Maximum Price Regulations 238 and 268 were margin regulations under which ceiling prices were determined by adding a specified margin to the actual cost to the retailer, and Maximum Price Regulation No. 336 on pork products contained specific dollars-and-cents ceilings. The survey did not attempt to check the degree of compliance with GMPR, but the evidence indicates that nonconformity with GMPR might have been even greater than with the three regulations checked. Violations of mark-up regulations occurred in Pennsylvania and West Virginia for about 40 percent of the items checked. Compliance with specific dollars-and-cents ceilings was markedly better. It was estimated that actual prices on the commodities checked

4 Wall Street Journal (New York), December 24, 1942.
5 Business Week (New York), November 14, 1942.
6 OPA Release No. 2472 (Washington), May 10, 1943.

averaged 5 percent above ceiling prices. The survey also disclosed substantial noncompliance with the provisions for posting prices. The following table shows the results:

OPA survey of food-price violations, April-May 1943, specified States

State	Regulation No.	Number of items checked	Number of violations	Percent of violation
Illinois and Indiana	238 & 268	3,356	331	9.1
Illinois and Indiana	336	1,080	111	10.0
Kentucky	238	740	11	1.5
Kentucky	268	394	10	2.5
Kentucky	336	498	4	0.8
Pennsylvania	238	1,226	479	39.1
Pennsylvania	268	515	210	40.8
Pennsylvania	336	436	0	0
West Virginia	238	420	186	44.3
West Virginia	268	321	122	38.0
West Virginia	336	550	93	16.9

Chief among recommendations made as a result of the survey was that specific dollars-and-cents ceilings be substituted on all foods for existing formula regulations as rapidly as possible.

There was also evidence that violations of price ceilings for clothing were even more numerous than for food.[7] An OPA investigation of 300 chain stores selling clothing disclosed violations in 40 percent of the stores. Violations in small independent stores would probably have been even higher.

Black Markets

In addition to outright violations of ceilings in over-the-counter trade there was the continuing problem of black markets, which multiplied with scarcities. Those for gasoline and meat, for example, were common knowledge. Other examples were cotton wash fabrics,[8] zippers,[9] nylon hose,[10] liquor,[11] second-hand furniture,[12] and hardware and tools.[13] Countless other illustrations could be cited.[14] In February 1944, Chester Bowles estimated that "between 3 and 4 percent of the average cost of all food is due to black market operations".[15]

[7] Sixth Quarterly Report for the Period ended June 30, 1943 (Office of Price Administration).

[8] Daily News Record (New York), May 27, 1943.

[9] Idem, March 26, 1943.

[10] Journal of Commerce, February 4, 1943; Daily News Record, September 23, 1942.

[11] Wall Street Journal (New York), May 13, 1943.

[12] New York Times (New York), November 6, 1942.

[13] Hardware Age (New York), April 15, 1943.

[14] Linings (Daily News Record, October 28, 1943); mattresses, blankets, and comfortable covers (Journal of Commerce, May 21, 1943); rayon yarn (Journal of Commerce, March 26, 1943, November 1, 1943); potatoes (Journal of Commerce, May 5, 1943, New York Times, May 19, 1943); butter (New York Times, January 27, 1943); watches (New York Times, March 20, 1943); coal (Washington Post, Washington, D. C., January 27, 1943); beds and bedsprings (New York Times, April 15, 1943); hops (Journal of Commerce, November 9, 1943); used photographic equipment (Business Week, October 31, 1942); second-hand farm machines (Journal of Commerce, January 28, 1943; OPA Release No. 1409, Washington, D. C., January 5, 1943); spruce and hardwoods (Commercial Bulletin, Boston, Mass., November 28, 1942).

[15] Address by Chester Bowles, Administrator, Office of Price Administration, at the New York Times Hall, February 29, 1944 (New York Times, March 1, 1944).

An interesting analysis of black-market tricks was made by the magazine Business Week, which pointed out that "there have been observable black markets in every rationed commodity, plus a lot of unrationed ones." According to this analysis, black-market operations in food follow a ten-point pattern (two points are omitted from the following listing because they refer to evasion of rationing rules rather than price ceilings):

(1) Plain bootlegging or hijacking—that is, routing of foods through non-normal channels so as to evade price and rationing rules.
(2) Use of tips and prizes.
(3) Combination purchases or combination sales.
(4) Classifying a commodity erroneously—that is, describing an ordinary hen as a prize chicken or potatoes intended for the table as seed potatoes.
(5) Classifying a purchaser erroneously—that is, labeling a locker holder as a cooperative farmer or a grocer as an institutional user.
(6) Short-weighting the purchaser, a very common practice.
(8) Upgrading—that is, labeling a grade B product as Grade A.
(9) Use of two sets of books to cover illegal sales.[16]

Hidden Violations

The above listing includes a number of indirect violations, sometimes called "hidden price increases," as opposed to open violations. Commonly, although the prices are ostensibly constant, they cover a smaller quantity of goods or goods of poorer quality or less serviceability, resulting in higher costs "per unit of satisfaction." In some fields, e.g., textiles and clothing,[17] such increases were so widespread as to minimize the benefits of price control. The Bureau of Labor Statistics and the Office of Price Administration devoted considerable attention to the problem of reflecting hidden increases in price indexes, but the nature of the violations does not permit adequate quantitative measurement.[18] For purposes of the Bureau of Labor Statistics consumers' price index, experienced agents price goods according to rigid specifications and where changes in quality occur, they attempt to price a product whose quality is equivalent to that of the original article priced. Nevertheless, a special committee of the American Statistical Association, on the basis of an exhaustive analysis undertaken at the request of the Bureau of Labor Statistics, concluded:

We believe that consumers' goods and services, in the aggregate, have since 1939 suffered some loss of quality that is not reflected in re-

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[16] Business Week, June 26, 1943.

[17] See Effects of Rising Cost on Quality of Wearing Apparel, by Laura Mae Brown (in Monthly Labor Review, February 1941), and Recent Changes in the Character of Civilian Textiles and Apparel, by the same author (in Monthly Labor Review, September 1943).

[18] The following footnote is carried regularly on monthly consumers' prices releases:

"The index only partially shows the wartime effects of changes in quality, availability of consumer goods, etc. The President's Committee on the Cost of Living has estimated that such factors, together with certain others not fully measured by the index, would add a maximum of 3 to 4 points to the index for large cities between January 1941 and September 1944. If small cities were included in the national average, another ½ point would be added. If account is also taken of continued deterioration of quality and disappearance of low-priced merchandise between September 1944 and September 1945, the over-all adjustment for the period January 1941 to September 1945 would total approximately 5 points. As merchandise of prewar quality and specifications comes back into the markets and the Bureau is able regularly to price it again, this adjustment factor will gradually decrease and finally disappear."

ported prices. No dollar value can be put on this loss. In large part it is an intangible and unmeasurable element of the war. Consumers cannot be compensated for it. The cost-of-living index takes incomplete account of it.[19]

Later a technical advisory committee, under the chairmanship of Wesley C. Mitchell, which was requested by the President's Committee on the Cost of Living to render an independent opinion on the index, concluded:[20]

> Extensive quality deterioration has occurred in the items covered by the index. Most of it is the direct result of the shortage of materials and labor, which, in turn, resulted from the war . . . We know no satisfactory way of measuring changes in "real prices"—that is, the prices of a given quantity of utility, usefulness, or service . . . Although the direction of quality change is usually obvious, its magnitude in price terms is not, even to individual consumers.

Some lowering of quality has been caused by wartime scarcities or higher costs of labor and materials. Thus, restrictions on use of fats and oils in soap manufacture forced greater use of linseed oil, resulting in poorer quality soap.[21] The War Production Board's limitation on the use of wool compelled the elimination of all-wool blankets and clothing. In certain cases of this kind OPA has concurred in the inevitable price increase. Among such was the order which permitted a reduction in the number of sheets in tablets made of newsprint, to compensate for an increase during 1943 of $8 per ton in the ceiling price of newsprint.[22] Another example was a ruling to the effect that where the butterfat content of ice cream was reduced 2½ percent or less, no change in the March 1942 ceiling had to be made.[23] For the most part, however, OPA ruled that corresponding reductions in price must be made for reductions in quality, serviceability, or services.

For convenience of discussion, these indirect violations were classified by one writer into four main groups: (1) extras, discounts and concessions, (2) quality deterioration, (3) discontinuance of cheaper lines and services, and (4) transportation costs and changes in channels of distribution.[24]

EXTRAS, DISCOUNTS, AND CONCESSIONS

The classification "extras, discounts, and concessions" includes a great variety of indirect price increases, as indicated in the following listing, which is not necessarily complete: Discontinuance or lowering of customary discounts, discontinuance or lowering of commissions, elimination of customary differentials to different classes of purchasers, extra charges in the form of "bets," bribes, tips, gifts, kick-backs, cash payments on the side, or fictitious quantity estimates, charges for delivery or other services not formerly performed or formerly performed free, charges for ficti-

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[19] An Appraisal of the U. S. Bureau of Labor Statistics Cost of Living Index, by a Special Committee of the American Statistical Association (in Journal of the American Statistical Association, Boston, Mass., Vol. 38, December 1943, pp. 387-405).

[20] Report of the Technical Committee appointed by the Chairman of the President's Committee on the Cost of Living, June 15, 1944.

[21] Journal of Commerce, May 28, 1943.

[22] OPA Release No. 3599 (Washington), December 7, 1943.

[23] OPA Release No. 1780 (Washington), February 23, 1943.

[24] Indirect Price Increases, by Melville J. Ulmer (in Monthly Labor Review, November 1942).

tious legal or brokerage services, charges for goods not actually delivered, pyramiding of mark-ups through dummy jobbing concerns, etc.

Many persons were alleged to have violated GMPR by exacting an extra charge for paper cups in which soft drinks and refreshments are served, when no such charge had been made in March 1942.[25] In liquor, for which substantial discounts from list price were customary prior to GMPR, the list price tended to become the suppliers' ceiling.[26] In October 1942, it was reported that stores "gladly" purchased, at 10 percent off list price, textile housefurnishings on which they formerly obtained 26 to 37 percent discount.[27]

The following table,[28] expressing quantitatively the effect of some indirect prices of this type, is of interest, even though the items shown were covered by regulations other than GMPR:

Effect of indirect price increases on actual prices paid by consumers of specified steel products[1]

Item and date	Percent of change in—		
	Published base price	Actual base price paid	Actual net price paid
A. Withdrawal of "concession" — reinforcing steel bars (1½" round), Washington, D. C. August 1939 to December 1941	+13	+43	+36
B. Withdrawal of discount — standard steel pipe, Philadelphia. August 1939 to December 1941	0	0	+7
C. New extra charges for size, processing, and heading—steel wire, Philadelphia. August 1939 to February 1942	0	0	+14
D. Withdrawal of "concession" and increase of extra charge—cold-rolled steel strip, New York City. August 1939 to June 1942	0	+10	+33
E. Withdrawal of "concession" and discount and imposition of new extra charge—cold-rolled steel strip, Toledo. September 1939 to April 1942	-8	+2	+48

1 Computed from data collected in a special field study by the Bureau of Labor Statistics.

The device of "bets" or other cash payments on the side was used in lumber,[29] textiles,[30] furniture,[31] lamps,[32] and foods.[33] In addition, it was noted for other items not covered by GMPR.[34] A

25 Drug Topics (New York), December 28, 1942.
26 New York Times, March 21, 1943.
27 Daily News Record (New York), October 7, 1942.
28 Indirect Price Increases, by Melville J. Ulmer (in Monthly Labor Review, November 1942).
29 American Lumberman (Chicago), March 20, 1943.
30 Daily News Record, April 7, 1943; Journal of Commerce, June 7, 1943; Daily News Record, June 24, 1943.
31 Journal of Commerce, December 11, 1942.
32 Trade Clip Sheet 694 (Washington), July 30, 1943.
33 Journal of Commerce, December 18, 1942.
34 Kraft paper (Commercial Bulletin, February 6, 1943); waste paper (Commercial Bulletin, June 26, 1943); toys (New York Times, March 29, 1943); meats (New York Times, January 2, 1943, January 6, 1943); crude petroleum (Wall Street Journal, June 15, 1943).

similar device is the fictitious quantity estimate. A farmer, faced with dire need for corn, purposely overestimates the quantity of corn in a neighbor's bin which he intends to purchase.[35]

QUALITY DETERIORATION

Hidden price increases as a result of quality deterioration are a less insidious form of violation, because they are not cumulative in nature. They were most marked for nonstandard, style merchandise, where they are difficult to detect. Quality deterioration takes a variety of forms: upgrading, shortweighting, less workmanship, defective workmanship, reduction in weight, changes in style or design, use of substitute or inferior grades and materials, blending with less expensive grades or materials, reduction in the amount of materials used, decrease in the length of the guarantee period, combination sales at higher prices, forced purchase of an unwanted commodity as a condition for sale of a scarce commodity, etc.

One noticeable failure of GMPR was inability to control prices of new products. Many retailers exceeded their March prices on the pretext that the merchandise was not comparable to that previously sold. Under Amendment No. 54 "new" products could be priced by adding the mark-up on a comparable commodity to the cost of the new article. Abuse of this privilege was particularly prevalent for liquor,[36] but it was also reported for other goods, for example lumber [37] and lamps.[38] In the case of luggage, unwarranted increases occurred under GMPR because of this loophole and a specific regulation was issued to curb them.[39]

Upgrading and shortweighting were common, particularly following serious shortage conditions.[40] The practice in butcher stores of weighing in large amounts of fat and bone with meats became very prevalent.[41] In many cases, in changing from one type of container to another, manufacturers and distributors reduced the size of container without lowering the price, as for chemicals and drugs.[42] Whiskies, packed in bottles holding a fifth of a gallon, were sold at prices as high as or higher than those formerly charged for a quart size; 85 proof whisky was sold at prices well above those formerly charged for 100 proof.[43]

Poorer workmanship, and poorer or skimpy materials, etc., have been most noticeable in textiles. This has been due in large part to the fact that quality rather than price competition is customary in this indusry. Clothing and textile products sell at certain generally accepted levels or "price lines." Women's dresses, for example, ordinarily sell for $5.95, $6.95, $7.95, $10.95, $14.95, and

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35 Chicago Journal of Commerce (Chicago), June 8, 1943.

36 OPA Release No. 1164 (Washington), November 23, 1942; New York Times, May 12, 1943.

37 Commercial Bulletin, July 31, 1943; American Lumberman, March 6, 1943.

38 Trade Clip Sheet 694 (Washington), July 30, 1943.

39 OPA Release No. 3290 (Washington), October 11, 1943.

40 Southern pine (OPA Release No. 3760, Washington, December 31, 1943); corrugated waste paper (Commercial Bulletin, February 6, 1943, May 22, 1943); eggs (Journal of Commerce, July 20, 1943); potatoes (Wall Street Journal, May 20, 1943); and butter (Journal of Commerce, July 8, 1943).

41 CIO News (Washington), April 19, 1943; PM (New York), November 10, 1942.

42 Journal of Commerce, January 11, 1943.

43 New York Times, May 12, 1943.

$16.95; men's street shoes for $2.98, $4.00, and $5.00. Normally, quality changes are made within relatively narrow limits to maintain these price lines. During the war period, however, drastic quality changes (by altering fiber content or weave and other means) were frequently necessary.[44] To mention two specific examples: Manufacturers of men's woven underwear shorts lowered the thread count of the material without lowering the price;[45] tests by Consumers Union showed an average deterioration of 20 percent (or a 25 percent price rise) in men's white broadcloth shirts between 1941 and 1944, owing to poor construction and inspection, and to a 10 percent reduction in thread count and tensile strength, in addition to a 20 percent rise in actual prices.[46]

Quality deterioration was by no means confined to style merchandise. In April 1943, John W. McClure, secretary of the National Hardwood Lumber Association, warned against the "growing disregard of grading standards" in lumber because of pressure of costs against ceiling.[47] Similar complaints were made of coke,[48] scrap iron,[49] coal,[50] and steel,[51] all of which were covered by specific regulations.

Because of difficulty in buying finished products, some wholesalers and retailers manufactured their own products, frequently in a makeshift fashion, with shoddy or second-hand materials and sold them at handsome profits. This practice was noted for radios, refrigerators, furniture,[52] electric heaters,[53] and mattresses.[54]

Food and Drug Administration inspectors detected much quality deterioration in foods. Coffee has been mixed with roasted cereal. Dried grass has been sold as tea. Imported spices have been mixed with 20-25 percent cornstarch. Canned sardines "packed in pure olive oil" have been found packed in corn oil or cottonseed oil. Saccharine has been substituted for sugar; cornstarch has been used instead of egg in prepared baking mixes. In egg macaroni the standard 5½ percent egg content has been reduced to 2 percent and the yellow coloring supplied by a coal tar dye. Instead of the usual vegetable oils, mayonnaise and salad dressings have been made with mineral oils, which act as laxatives.[55] Containers, formerly filled to the brim, have been partially filled, syrups have been diluted, and jar sizes of jams and jellies have been reduced.[56]

Changes in the size, weight, and quality of candy bars were numerous. One leading candy company was found guilty of reducing the weight of its bars without reducing its prices by the United States Circuit Court of Appeals at Kansas City, Mo., in

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44 Recent Changes in the Character of Civilian Textiles and Apparel, by Laura Brown Webb (in Monthly Labor Review, September 1943).
45 Daily News Record, October 8, 1942.
46 Consumer Reports (New York), February 1944.
47 Southern Lumberman (Nashville, Tenn.), April 15, 1943.
48 Daily Metal Trade (Cleveland), January 27, 1943; American Metal Market (New York), June 3, 1943.
49 Daily Metal Trade, December 16, 1942.
50 Business Week, December 12, 1942.
51 Steel (Cleveland), December 7, 1942.
52 Business Week, April 3, 1943.
53 WPB Release No. 2467 (Washington), February 6, 1943.
54 Furniture World, July 8, 1943.
55 Washington News (Washington), May 20, 1943.
56 OPA Release No. 1695 (Washington), November 8, 1942.

May 1943. Seven other candy companies actually obtained OPA permission to reduce weights 10 to 30 percent or to raise prices, or both.[57] Tests by Consumers Union indicate that 19 out of 20 candy bars tested in 1939 and again in 1943 shrank so in size that a 23 percent hidden price rise resulted. Actually the increase in cost ranged from zero to 78 percent.[58]

Another form of evasion is the "tying-in" sale, one in which the buyer is required to purchase a less-desired and, possibly, slow-selling item to obtain a scarce commodity in great demand. The sale of a commodity which is scarce and under price control is linked with the sale of an exempt item or one on which the profit margin is greater. This practice was reported repeatedly for coffee prior to rationing.[59] It has also been noted in connection with cosmetics,[60] flashlight batteries,[61] popular brands of chewing gum and candy bars,[62] nylon hosiery,[63] and other items.[64] One of the most curious illustrations is that of a sale of a live pig, exempt from price control, in conjunction with a used corn picker, at a combined price greatly in excess of the ceiling price of the picker plus the market value of the pig.[65]

DISCONTINUANCE OF CHEAPER LINES AND SERVICES

A very noticeable phenomenon of the war economy has been the discontinuance of cheaper lines of services. This has been due in part to greatly increased demand for higher priced merchandise by consumers possessing more spending money than ever before. It has, however, been fostered by the desire of businessmen, under the pressure of rising costs and fixed ceiling prices, to reap the larger profits normally obtained from higher priced goods.

This trend has been noticeable in clothing. Indicatively, Buyers Informant, directory of coat and dress manufacturers in the important New York market, listed only 37 manufacturers of coats to retail between \$5.75 and \$7.98 in the fall of 1942, and none in the spring or fall of 1943, compared with 108 in the spring of 1942. For women's cotton dresses to sell at \$1.29, the spring 1942 listing of 20 manufacturers had dwindled to one in July 1943.[66]

Fanned by increasing consumer resentment, the condition became so apparent in late 1943 that positive action was taken by Economic Stabilization Director Vinson to increase the production of "low-end" goods. The War Production Board was directed to initiate plans for increasing production of scarce consumer goods, particularly low-cost items, and OPA to permit minimum

57 Business Week, May 22, 1943.
58 Consumer Reports, April 1943.
59 Journal of Commerce, October 14, 1942; New York Times, October 17, 1942.
60 Journal of Commerce, November 9, 1942.
61 OPA Release No. 2784 (Washington), July 9, 1943.
62 New York Times, April 28, 1943.
63 OPA Release No. 1769 (Washington), February 23, 1943.
64 Sheer rayon hosiery (Daily News Record, October 19, 1942); meats (PM, November 10, 1942; Journal of Commerce, July 1, 1943); butter (New York Times, January 11, 1943); potatoes (New York Times, June 6, 1943); copper and brass scrap (Daily Metal Reporter, New York, N. Y., March 12, 1943); sherbet and ice cream (OPA Release No. 2502, Washington, D. C., May 14, 1943); fresh vegetables (Journal of Commerce, November 12, 1943); automobiles (New York Times, May 17, 1943); millfeeds (Northwestern Miller, Minneapolis, Minn., May 12, 1943).
65 Chicago Journal of Commerce (Chicago), January 27, 1943.
66 Business Week, September 25, 1943.

price increases if necessary for operation of the War Production Board's production programs.[67] The trend to higher priced shoes, accentuated under shoe rationing,[68] resulted in OPA action making shoes retailing at $3 or less per pair ration-free for 3 weeks, January 17 to February 5, 1944.[69] Woolworth stores were selling an increasing number of items above the $1 price.[70] This trading-up tendency also was noted for many yard goods and house-furnishings, e.g., furniture,[71] rayon yard goods,[72] and towels.[73]

Included under this classification, in addition to elimination or reduction of stocks of low profit items, are elimination of cheaper services such as "wet wash," elimination of special services or "frills," such as gift wrapping, and extra shopping hours, increased self-service operations, reduced assortments of styles and sizes, etc.

The discontinuance of retail "frills" was instigated by OPA as the first move in a "Retailers' Economy for Victory Plan," chiefly because of the manpower problem. Among frills which could be discontinued were deliveries of small packages, sales on approval, acceptance of returned goods, gift wrapping, lay-away and will-call privileges, free telephone calls, free concerts, instruction classes, style shows, store decorations, air-conditioning.[74]

Decrease of services and increase of self-service operations have been rather general in both food and department stores. Among stores which have experimented with such operations are R. H. Macy & Co., New York; L. Bamberger & Co., Newark; Goldblatt Bros., Chicago; William Filene's, Boston; the Emporium, San Francisco; and the W. T. Grant chain stores.[75] According to a survey of about 5,000 independent grocers in New York by the New York State Food Merchants Association, only 40 percent of the members were planning to continue operations under the old credit and delivery method.[76]

CHANGES IN CHANNELS OF DISTRIBUTION

In some cases added costs result from changes in channels of distribution or methods of transportation. For products sold on a delivered basis, producers have shown preference for nearby consumers in order to save freight charges, and in certain cases such as waste paper and coal-tar derivatives, OPA has permitted additional freight charges in order to correct a serious supply problem in distant areas.[77] Sometimes a shift in base point will result in greatly increased costs to the buyer.[77]

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67 Wall Street Journal, December 15, 1943.
68 New York Times, March 10, 1943 and June 18, 1943.
69 OPA Release No. 3824 (Washington), January 17, 1944.
70 Wall Street Journal, June 17, 1943.
71 New York Times, April 11, 1943.
72 Daily News Record, February 6, 1943.
73 Daily News Record, February 17, 1943. Other examples are domestic fiber rugs (Journal of Commerce, May 12, 1943); drapery fabrics (Journal of Commerce, October 15, 1942); tufted spreads (Journal of Commerce, August 18, 1943); curtains (Journal of Commerce, June 30, 1943).
74 OPA Release No. 1157 (Washington), November 25, 1942.
75 Wall Street Journal, May 21, 1943.
76 New York Times, September 5, 1943.
77 Indirect Price Increases, by Melville J. Ulmer (in Monthly Labor Review, November 1942).

Reference has already been made to indirect price increases through pyramiding of mark-ups, a practice more prevalent under mark-up regulations than under GMPR. It has been noted for underwear[78] and some foods,[79] as well as other items not covered by GMPR.[80] Other devices, reported for fresh produce,[81] are splitting shipments to obtain premiums allowed for less-than-carload lots, and making truck deliveries in order to qualify for the legal mark-up allowed service jobbers.

Chapter 6.—Difficulties of Administration

There were many practical problems of administration and enforcement under GMPR. Among them were public information and education; the large number of sellers; lack of adequate records; difficulty of proving violations; complexity of the regulations; ambiguity of some of the provisions; latitude for individual interpretations; the need for thousands of individual adjustments; pricing of new commodities, seasonal commodities, and others not sold in the base period; the pricing of style and custom-built merchandise; etc.

Enforcement

It has been seen that OPA's inadequate enforcement staff, as well as the nature of GMPR ceilings, made enforcement of the regulation difficult. No real attempt was made to compel rigid adherence. OPA efforts were concentrated on securing voluntary compliance. The provision in the regulation making both buyer and seller guilty of violation in all cases of sales above ceiling level was not the aid to enforcement which had been anticipated. Buyers were unwilling to complain of overcharges for fear of forfeiting sources of needed supplies.

> Experience has shown only too clearly that, with occasional and insignificant exceptions, the great mass of potential evidence of violations contained in the millions of daily retail purchases by individual consumers throughout the country is not brought to the attention of the enforcement authorities of this office.[82]

OPA found, moreover, that the penalties for violations provided in the Emergency Price Control Act were cumbersome and too drastic for the mass of minor retail infringements, and urged simplified penalties, such as small fines. In addition, they requested the right to make test purchases as evidence of violation. As a result—

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78 Journal of Commerce, July 26, 1943.

79 Journal of Commerce, April 16, 1943.

80 Fresh fish (OPA Release No. 2949, Washington, August 23, 1943); work clothing (Daily News Record, July 9, 1943); casein (OPA Release No. 2699, Washington, June 16, 1943); citrus fruits (Business Week, May 22, 1943).

81 Business Week, January 15, 1944.

82 Fifth Quarterly Report for the Period ended April 30, 1943 (Office of Price Administration), p. 54.

Enforcement of the General Maximum Price Regulation . . . was of necessity limited largely to various key wholesale commodities, where a strategically aimed enforcement campaign could achieve far-reaching results. Also, in the hope of producing an exemplary effect among retail sellers generally, suits were instituted against a small number of the more flagrant retail violators. No systematic enforcement program could be developed, however.[2]

Considerable success in securing voluntary compliance was achieved through the use of "price panel assistants," volunteers assigned to local boards. As of March 1, 1944, there were 39,000 of these volunteers. Their duties, a compromise between educational and policing work, were to furnish information and otherwise to assist the merchants in their particular localities in understanding OPA regulations and periodically to check compliance on selected items. In one city, where formerly 36 percent of all sales had been made above ceiling, 30 days' intensive effort reduced this figure to 3 percent.[3]

Educational Problem

The educational problem posed by GMPR was formidable even for manufacturers and wholesalers, but particularly so for retailers. According to the Census of Retail Trade, there were 1,770,355 retail stores in 1939. Unfortunately there is no national roster of retailers; and it is difficult to maintain such a list because of the frequency with which small retailers open or close their businesses. Listing these numerous small stores located in every community and crossroads of the country would be difficult no matter what the form of control used. In addition, adequate explanation of the provisions of GMPR proved to be a difficult undertaking. This was attempted by a campaign of local group meetings in the summer of 1942 and by issuance of elaborate question-and-answer press releases. A great deal of time and energy was expended in refinement of the regulation. As order followed order, the great number of amendments, supplementary orders, and interpretations led to confusion and to a lesser degree of freedom of the businessman to make normal changes in the conduct of his own affairs.

Complexity

Probably on no other count has the criticism of GMPR been so severe or so bitter as on the ground of the complexity and confusion of its provisions. Trained economists, former OPA officials, and practical businessmen alike have protested the seeming triviality and the impracticability of many of its provisions. Even OPA offically attested to the complexity of GMPR which arose from the desire for absolute equity. As one former OPA official phrased it:

[2] Fifth Quarterly Report for the Period Ended April 30, 1943 (Office of Price Administration), pp. 51-55.

[3] Address by Chester Bowles, Administrator, Office of Price Administration, at the New York Times Hall, February 29, 1944 (New York Times, March 1, 1944).

> Comprehensive price freezing is at best extremely hard to enforce. The impracticability of the particular plan which was adopted, however, together with the inordinately obscure and unnecessarily complex language of the regulations, and the frequency with which they were amended and even basically modified in principle, added greatly to the difficulties of securing compliance.[4]

Another official wrote:

> Only persons thoroughly trained in Marshallian economics could have been responsible for this beautifully logical but painfully impractical set of price rules. They imply the existence in fact of a high degree of substitutability and a definable pattern of normal price regulations. The author is informed that a group of lawyers claim the credit for much of the refinement.[5]

In November 1942, Henderson outlined a "new offensive," the first tenet of which was the replacement of much of GMPR (and other regulations) by simpler, more definite ceilings.[6]

Latitude for Independent Interpretation

Necessarily, under the terms of the Regulation, considerable latitude remained for independent judgment, and compliance rested largely upon the integrity of the seller. Under the pressure of scarcities and narrowed profit margins, reliance upon honesty proved inadequate, particularly for nonstandardized items. Moreover, maximum prices were a matter of individual determination, frequently on the basis of information not readily available. Many small stores had only fragmentary records of the March 1942 base prices.

Many of the pricing rules were indefinite. The concepts of "similar" commodities, "comparable" commodities, and "most closely competitive seller of the same class" were subject to individual interpretation, especially for items differing in style, brand, or design. On page 14 of Bulletin No. 2, What Every Retailer Should Know About the General Maximum Price Regulation, a "similar" article of a "competing" retailer was defined in part as one "which was sold by the competing retailer at the same price or in the same price line as he (the retailer determining his price) would have sold the article being priced had he carried it during March." Stated simply, this meant whatever the retailer thought his own price should be. Simply to find out a competitor's most nearly comparable product was impractical, and to determine the maximum March price of the item was even more impractical.

Moreover, except for identical items actually sold and delivered in March 1942, the seller really had a choice of conflicting pricing methods. Although in theory the progressive pricing formula specified the conditions under which each method was to be used, in practice it allowed the seller considerable independent judgment. If, according to his own interpretation, a wholesaler

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4 Price Freezing under the Office of Price Administration, by Victor Abramson (American Economic Review, December 1942, pp. 760-761).

5 The Tactics of Retail Price Control, by John Perry Miller (in Quarterly Journal of Economics, August 1943).

6 Address by Leon Henderson, Administrator, Office of Price Administration, Statler Hotel, Boston, November 19, 1942 (in Journal of Commerce, November 20, 1942).

or retailer could not price an article under the "same" or "similar" commodities rules, he could determine his maximum price by applying the percentage mark-up on a "comparable" commodity to the replacement cost of the article to be priced. As expressed by one writer, a "seller may obtain almost any mark-up by judicious selection of a similar item under section 2 or of a comparable commodity under section 3(a)."[7]

Other Special Problems

There were also other special problems. With its freeze at March levels, GMPR was obviously inappropriate for pricing seasonal commodities such as agricultural insecticides and fungicides, summer wearing apparel, and fur garments. Special regulations, Maximum Price Regulations Nos. 144, 142, and 178, respectively, were issued for pricing such items under special formulas.

Commodities not sold in March 1942 presented another problem. Because of style changes, many articles of clothing to be priced under GMPR were not identical with those sold in March 1942 and had to be priced under the "similar" commodity ruling. Fall clothing naturally was not sold at all in the base period and a special regulation, Schedule No. 153, was issued, providing a cost-plus pricing formula.

Alternatives in April 1942

In this connection a question arises as to the alternatives in April 1942. Would some other method of price control have been more feasible at that time? No attempt will be made to judge whether or not adequate fiscal policies, promptly applied, would have been effective in arresting the inflation spiral. The question is simply whether or not, under the conditions then existing, another type of price control would have been possible in the spring of 1942, and if possible, whether it would have been more effective.

When we consider other known forms of price control—selective, cost plus a percentage mark-up, cost plus a dollars-and-cents mark-up, freeze at primary levels, specific dollars-and-cents ceilings—we must conclude that the general freeze was most practicable under the circumstances. Selective price control was found by actual experience to be inadequate to cope with rapidly changing war conditions. A system of price control based upon cost plus normal percentage or dollars-and-cents mark-ups, superimposed upon the existing pattern of selective controls, would have exercised very little restraint on prices, because wages and many materials were uncontrolled. Such a system, without selective controls, would have furnished almost no control at all. Establishment of specific dollars-and-cents ceilings, specific mark-ups, or extensive selective controls would have been inconceivable

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7 The Tactics of Retail Price Control, by John Perry Miller (in Quarterly Journal of Economics, August 1943, p. 501).

in the emergency because of the laborious investigation such controls require.

Finally, although a general freeze below the retail level would have had the merit of greater simplicity, control at the retail level was plainly needed. Tremendously expanded purchasing power, in the face of prospectively lower civilian supplies, would have touched off a sharp rise in prices, while huge profits at the retail level would have made enforcement of primary ceilings impossible. A general freeze at primary levels, coupled with margin control at retail, would have been inequitable because it would not have distributed the inevitable squeeze. Moreover, it would have led to concentration on higher priced goods, a result which was delayed under GMPR. We must therefore agree with one writer that "any other alternative would have been administratively impossible" in the spring of 1942.[8]

Chapter 7.—Economic Limitations

Limitations in Coverage

Appraisal of GMPR requires careful consideration of two basic exemptions, i.e., agricultural commodities and wages, both of which were implicit in the terms of the original Emergency Price Control Act. Their importance cannot be denied. They have been at once the root of many of the problems arising from the General Maximum Price Regulation, necessitating gradual replacement by other regulations, and a major factor in the continued advance in the general price level. It is remarkable, in view of their importance, that GMPR proved as effective as it did.

Agricultural commodities are the raw material for a large proportion of the finished articles of commerce. In their raw state they have a weight of 17 percent of the wholesale price index of the Bureau of Labor Statistics, based on 1941 values. Together with foods and textiles, major groups derived from agriculture, they comprise 44 percent of the Bureau of Labor Statistics index. Food and clothing make up 48 percent of the consumers' price index of the Bureau of Labor Statistics on the basis of December 1941 values, and 54 percent on the basis of March 1943 values. Wages are likewise an important element in total values; for many industries they are the most important single element of cost.

Agricultural prices continuously exercised an upward pressure on prices. Neither the October 1942 amendment to the Price Control Act, which reduced the 110 percent of parity rule to 100 percent, nor the President's interpretation of parity as parity less benefit payments, eliminated this pressure, because parity, the ratio of prices received by farmers to prices paid by farmers, is

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[8] The Tactics of Retail Price Control, by John Perry Miller (in Quarterly Journal of Economics, August 1943, p. 498).

itself affected by this rise. Since a large part of prices paid by farmers is for farm products, any increase in prices received by farmers causes automatically a smaller rise in prices paid by farmers and a consequent increase in the parity ratio. Even if all industrial prices were controlled rigidly, the parity ratio would rise with farm prices. Moreover, the 100 percent rule applied to individual products, not to the general ratio. Thus, a rise to parity in the price of one commodity might necessitate an increase in the price of a second related commodity in order to maintain the proper ratio, even though the price of the latter item were already well above parity. Such was the case for feed and meat prices in June 1942, when prices of the former were 25 percent below parity, and, of the latter, 25 percent above parity.[1]

As compared to farm prices, wages have constituted "a less visible but similarly powerful pressure upon price ceilings."[2] The indirect control of wages through price regulations, which was hoped for in the summer of 1941 when the Emergency Price Control Act was being discussed, was not sufficiently effective. This control was inoperative in two important sectors of the economy, i.e., those producing war materials, which were largely exempt from OPA control, and those in which profits were sufficient to absorb wage increases without price adjustments. Wage increases in these sectors inevitably led to a movement of workers to high wage industries and, later on, to demands for wage increases in areas where such increases could not be absorbed out of profits. Moreover, adequate measures to implement the wage stabilization aspect of the President's seven-point program of April 27, 1942, were not realized[3] until October 1942. Voluntary stabilization agreements, such as in the shipbuilding and construction industries, were negotiated and the National War Labor Board evolved a set of principles, including the famous "Little Steel" formula,[4] under which numerous dispute cases were settled. "In spite of these efforts, however, wage increases continued to be granted in all industries and in all parts of the country."[5] These were outside the jurisdiction of the Board, since they involved no dispute and were granted voluntarily.

Larger incomes, resulting from higher wages, longer hours, and overtime pay also exerted an upward pressure from the standpoint of demand. Total wages and salaries, as computed by the Department of Commerce, increased more than 70 percent between August 1939 and May 1942, from 3,712 million dollars in August 1939 to 6,338 million dollars in May 1942. In December 1943 they were more than 9 billion dollars, 143 percent above the

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1 Price Control in Outline, by Don D. Humphrey (in American Economic Review, December 1942, p. 754).

2 Second Report of the Office of Price Administration, p. 17.

3 Idem, pp. 17-21.

4 This formula was announced by the National War Labor Board on July 16, 1942, in connection with a dispute in the steel industry. It was based upon the principle that workers, in order to maintain their peacetime standards of living, were entitled to a 15-percent increase in wages between January 1941 and May 1942. This was the amount of the increase in the consumers' price index of the Bureau of Labor Statistics over the same period. On this basis, wage increases up to 15 percent above January 1941 were considered justifiable. Wage increases to eliminate inequalities or to correct substandard conditions were also deemed justifiable.

5 Second Report of the Office of Price Administration, p. 21.

prewar level. Since wages and salaries comprise about 70 percent of total income payments to individuals, they have been an important element in the rapid rise of consumer purchasing power and in the "inflationary gap." Even if basic wage rates had been stabilized sooner, this influence would have been a factor, since a large part of the increase in wage earners' income was due, not to higher basic rates, but to longer hours of work with payment of overtime rates, and to shifts to higher-wage industries. Between October 1942, when the War Labor Board was authorized to stabilize basic wage rates, and October 1943, Bureau of Labor Statistics data show an increase of 9.6 cents in average hourly earnings of factory workers. Of this total increase, according to a study of the War Labor Board, approximately one cent was due to increases in basic wage rates.[6]

As an element of the total cost of production, wages and salaries were not at first a major threat because higher wages could be absorbed in the higher profits arising from greatly expanded volume of business. In fact, during 1940, rising production and greater productivity more than offset higher wage rates, so that unit labor costs in manufacturing industries actually declined.[7] Since 1940, however, according to available data from the Bureau of Labor Statistics, unit labor costs have increased markedly in many industries. (See Appendix table 2.) The problem of rising wages as an element of cost will be discussed further in connection with the problem of the distributive squeeze.

Inadequacy of Supplementary Measures to Control Inflation

Final judgment on GMPR must not ignore the inadequacy of supplementary measures to control the basic cause of rising prices, namely, rising purchasing power in the face of a declining volume of goods and services. GMPR never was considered a cure-all. At the time it was issued, the President described as "indivisible" his seven-point stabilization program—heavy taxes on excess profits, price and rent ceilings, wage stabilization, stabilization of farm prices, increased purchases of war bonds and reduced spending, rationing of essential commodities, and discouragement of credit and installment buying. The Statement of Considerations accompanying GMPR stated clearly that—

> There can be no effective price control while at the same time there is so large an amount of excess purchasing power. . . . The universal price ceiling serves as the framework for other policies which will diminish the inflationary gap. It makes possible an effective war labor policy, more stringent income and excess-profits taxes, and greatly enhanced savings. . . . Without the economic measures, the ceiling would in the long run become administratively unenforceable and socially harmful.

Unfortunately the companion measures were delayed and inade-

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[6] Of the remainder, higher overtime pay caused an increase of 1.9 cents in average earnings; the shift of workers to higher-paid work, an increase of 1.6 cents; incentive wage rises, merit increases, upgrading, and individual promotions, an increase of 5 cents. (National War Labor Board Release No. B-1225, Washington, January 12, 1944).

[7] Productivity and Unit Labor Cost in Selected Manufacturing Industries, 1919-40 (U. S. Bureau of Labor Statistics, Washington, February 1942).

quate. Throughout the war, fiscal policies were inadequate in face of the magnitude of the "inflationary gap"—the difference between the amount of money available for expenditure and the supply of goods and services available for civilians.

Inequities of Price Relationships

In addition to these economic handicaps to successful control under GMPR and the administrative difficulties already discussed, there were two major economic limitations of the regulation itself. In the first place, it froze abnormal price relationships. Secondly, a serious distributive squeeze developed, partly because of these abnormal relationships, but also because of the rising costs of uncontrolled elements.

EXISTING ABNORMALITIES IN MARCH 1942

The first limitation—that it froze abnormal price relationships—is a general criticism of the freeze technique. Price relationships in a competitive economy are constantly changing. A given price pattern exists only for a particular moment of time under certain conditions of demand and supply. Such conditions vary greatly between geographical locations and even between individual sellers. The slightest change in any of these conditions may cause a shift in the price relationships. Thus, any general freeze may result in abnormal relationships under a new set of demand and supply factors. Actually GMPR produced unequal effects on different sellers. Many were caught with maximum prices out of line with those of competitors in the same community. Frequently a particular chain store, through accident or special promotional sale or some other reason, found its maximum prices lower than those of another store in the same chain.

Moreover, this limitation was aggravated by the manner of issuance of GMPR. Many commodities, controlled before GMPR, were already frozen at the levels of earlier periods, out of line with March 1942 prices for commodities previously uncontrolled. Since prices, particularly at retail, were advancing sharply in the spring of 1942, the GMPR in theory implied a roll-back of prices from the middle of May, when the regulation became effective, to March 1942. In actuality, this period between March and May 1942 was termed a "twilight zone" by one writer, who states:

> It is clear that prices were not rolled back to the March levels. The meager evidence available indicates that while chain stores reduced prices when the General Maximum Price Regulation became effective, small independents merely held the May levels.[8]

In addition GMPR, by freezing prices, also froze profit margins, which normally vary widely, in both absolute and percentage terms, for different commodities of a given seller. A natural outcome of the regulation, therefore, under the conditions of scarcity and heavy demands which developed, was the concentra-

[8] The Effectiveness of Price Control, by Don D. Humphrey, OPA (in Survey of Current Business, Washington, February 1943).

tion on production of those items which yielded the highest net return. Since profit margins are normally greater on higher priced goods, this led to the "discontinuance of cheaper lines and services," which was discussed in chapter 5.

DEVELOPMENT OF THE DISTRIBUTIVE SQUEEZE

In a period of rising prices, such as prevailed in March 1942, retail prices may not be based upon replacement costs but upon the lower costs of an earlier period when the articles were purchased. This causes the so-called "retail lag," which may be expressed either as the length of time which occurs between changes in wholesale costs and corresponding changes in retail prices, or as the percentage by which wholesale prices must be reduced to equal the costs contained in current retail prices. The general ceiling, by freezing this lag, caused a reduction of margins, commonly called a "squeeze." The amount of this squeeze varied widely among commodities. For some slow-moving articles, orders may be placed by retailers several weeks or even months in advance; for others, such as nonmanufactured foods and meats, for which the turn-over is rapid, average replacement and inventory costs are approximately the same.[9]

The amount of the squeeze[10] in March 1942 was minimized by two factors: the relatively more rapid rise of retail prices than of wholesale prices in the months following the attack on Pearl Harbor, and the control of about one-third of the economy prior to GMPR at 1941 levels. Nevertheless, competent retail authorities, among them Q. F. Walker, economist of R. H. Macy & Co., New York, estimated the lag for some retailers as high as 15 percent.[11] In any case, it is clear that the 1-week difference between the effective date of GMPR for wholesalers and manufacturers and for retailers did not provide an adequate solution of this problem. March 1942 maximum prices for wholesalers were not the cost basis for March 1942 retail prices. The lag of retail prices behind wholesale prices was greater than expected.[12] J. K. Galbraith called attention to a general underestimate of the time factor in demand and supply relationships during this phase of price control.[13]

Another factor, rising costs of uncontrolled elements, aggravated the problem of the distributive squeeze. Costs of farm products and other uncontrolled commodities, and wages, continued their steady advance. Prices of farm products included in the Bureau of Labor Statistics wholesale price index rose 9 percent between May and December 1942. During the same period, prices

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[9] The Retail Price Lag (based on Bureau of Labor Statistics Wholesale and Retail Prices for 100 Comparable Items), Office of Price Administration, Washington, April 17, 1942.

[10] For a quantitative measurement of the amount of the potential retail squeeze in March 1942, see Price Control in Outline, by Don D. Humphrey (in American Economic Review, December 1942, p. 751).

[11] Journal of Commerce, May 21, 1942.

[12] Price Freezing under the Office of Price Administration by Victor Abramson (in American Economic Review, December 1942, p. 766).

[13] Price Control: Some Lessons from the First Phase, by J. K. Galbraith (Papers and Proceedings of the Fifty-fifth Annual Meeting of the American Economic Association, January 1943).

of all commodities still uncontrolled as of the date of GMPR rose 8.1 percent. This advance was accelerated in early 1943. Between December 1942 and March 1943, prices of the uncontrolled group of commodities increased an additional 9.1 percent to a level 20.5 percent above March 1942, base date of GMPR. (See Appendix table 3.)

Similarly, hourly wages and weekly earnings rose steadily even after the October 1942 wage-stabilization action. In May 1942, average weekly earnings in manufacturing industries were $35.82, compared with $23.77 in August 1939. By October 1942 they had risen to $38.89, and in December 1943 they were $44.68, 25 percent above May 1942. Average hourly earnings, which were 62.4 cents in August 1939, rose to 83.5 cents in May 1942 and 89.3 cents in October 1942, and by December 1943 were 99.5 cents, 19 percent above May 1942. As a result, wages and salaries increased 15 percent as a proportion of total dollar value of industrial output between 1939 and 1941, and 40 percent between 1939 and 1943.[14] Moreover, unit labor costs increased markedly in many industries after 1940 (see Appendix table 2.)

The original plan of operations under GMPR contemplated the handling of the squeeze problem under section 4 of the regulation without "puncturing" the retail ceilings. A roll-back of prices actually was effected in some cases, such as men's and boys' clothing, work clothing, and soap,[15] but such examples are not many. As rising costs after March 1942 aggravated the squeeze, the policy of maintaining the retail price level became less and less tenable. Retail food prices, collected by the Bureau of Labor Statistics, increased 17.6 percent between May 1942 and May 1943. According to an OPA analysis,[16] 84 percent of this rise was accounted for by higher farm prices. As early as July 29, 1942, rising raw material costs forced a 15 to 25 percent increase in ceiling prices for canned fruits and berries, and an even more general withdrawal from the line was made in September 1942 for foods under markup regulations 236, 237, and 238.

Many requests for higher ceilings were received by OPA. In January 1944, the Price Administrator announced that 6,000 were received weekly, but that only a small number of these were honored.[17]

Despite this announcement, however, it appears that the cumulative effect of higher wages and other production costs was evidenced during 1943 and early 1944 by a little publicized trend toward higher ceilings. General advances in ceiling prices were allowed in many important industries. Among them were coal and coke, lumber, newsprint and woodpulp, and furniture. There were also numerous upward adjustments for specific items. Because the President's "hold-the-line" order of April 8, 1943, for-

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14 Industry Survey, November 1943 (Bureau of Foreign and Domestic Commerce, U. S. Department of Commerce, Washington).

15 Progress of Price Regulation to September 1942, by Saul Nelson (in Monthly Labor Review, October 1942).

16 One Year of Retail Price Control (Price Control Report No. 15, Office of Price Administration, June 1943).

17 Journal of Commerce, January 19, 1944.

bade increases for cost-of-living items, these adjustments were confined chiefly to industrial goods. The problem of the distributive squeeze, as regards cost-of-living commodities, was handled by an increasing use of Government subsidies.

Conflicts With Other Objectives

PRODUCTION VERSUS PRICE CONTROL

This discussion has assumed the desirability of a stable price level, but in passing it seems appropriate to comment briefly on the conflict of this objective with other aspects of our war economy. The most important of these conflicts is that of maximum production and price stabilization. Reconciliation of the two objectives has been difficult, because they have been the responsibility of two different Government agencies—the War Production Board and the Office of Price Administration.

Historically, higher prices have induced greater output. This is true because they offer a profit incentive not only to operating firms but also to submarginal firms, whose costs of production are higher. Price stabilization eliminates this incentive. During the early days of the defense program, when industry was able to expand production by greater utilization of unused capacity, the lack of this incentive was obscured. Increased output brought decreased unit costs of production and higher profits. But as operations increased to capacity, it became desirable to draft less efficient marginal operators. Under price control, higher prices were impossible, and as a result there were many complaints, e.g., as in the petroleum industry, that ceilings were hampering production. During 1943 and 1944, OPA was forced by declining production to raise the ceilings on a number of items important to the war effort. Among them were lumber, wood pulp, and low-priced civilian goods. In some fields the conflict resulted in rather serious changes in merchandising practices. In textiles, for example, there has been a noticeable tendency for manufacturers to sell goods in the finished state rather than in the gray, because profit margins are greater on finished goods.[18] In some cases, notably nonferrous metals and petroleum, the conflict of objectives was resolved by the payment of subsidies to marginal producers.

EQUITABLE VERSUS STABLE PRICES

Another continuing conflict was that of equitable versus stable prices. Primary consideration of OPA was the maintenance of a stable retail price level, even though refusal to grant higher prices might entail hardships for individual sellers or specific commodities. Under this policy the less efficient were forced out of business. In a losing battle to support its original pronouncement, when GMPR was issued, that the retail ceiling would not be punctured, OPA stoutly resisted continuing appeals of industry

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[18] Journal of Commerce, February 10, 1944.

and, sometimes, of other Government agencies for higher prices. Its basic policy under the industry-earnings standard, was not to grant higher ceilings, even when the evidence clearly showed an unabsorbable squeeze on a specific commodity, if the over-all industry profits were adequate. However, strong objections were raised to this policy, and OPA later amended it, particularly when curtailment of production threatened.

Another facet of this conflict arose from the prewar goal of equitable prices for farmers. The parity concept, expressly stated by Congress,[19] sought the restoration of the 1910-14 relationship of farm and industrial prices. Since this relationship had not yet been restored in March 1942, it was impossible to freeze prices of agricultural commodities. As has been seen, higher prices for these proved to be one of the greatest handicaps to OPA in the maintenance of the March 1942 general price level, which was the avowed purpose of the legislation.

There was little attempt to stabilize basic wage rates until October 1942, and no attempt to stabilize total income from wages and salaries. There never was serious disagreement with the premise that prices could not be effectively controlled without control of wages, but, except for Bernard Baruch, few officials in this early period explicitly advocated the comprehensive control that wage regulation implied.

Lack of Quality Control

Price control in theory is not incompatible with quality control. In fact, true price control would require adequate regulation of standards of quality. OPA regulations expressly forbid the reduction of quality or quantity without corresponding price reductions but this provision was virtually unenforceable, particularly for items covered by GMPR. Efforts of OPA to link price control effectively with quality control by grade labeling, as for hosiery and canned foods, met determined opposition of Congress and of business interests. As a result, quality deterioration (see chapter 5) minimized the apparent success of OPA in maintaining price stability.

Chapter 8.—Economic Accomplishments

There can be little doubt that, despite tremendously expanded war production and national income and greatly curtailed civilian production, the dangerous price rise which threatened in the spring of 1942 was prevented. Americans generally may have had to pay more for their food and clothing, and some articles may have been unobtainable, but on the whole their standard of living

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19 Section 2 of the Agricultural Adjustment Act of 1933; section 2 of the Agricultural Marketing Agreement Act of 1937; section 301 of the Agricultural Adjustment Act of 1938.

has not suffered greatly. Those who can remember the sharp price increases of World War I are fully aware of the more stable conditions of World War II. General opinion gives OPA a large share of the credit for preventing inflation. Even the bitterest critics of OPA usually will admit that price increases would have been greater in the absence of price control.

Determination of the effectiveness of GMPR as a specific tool of price control distinct from other measures is not so obvious. Final decision must rest, of course, upon the movement of prices. It should not be unduly swayed by consideration of the limitations of the regulation, or the lack of supplementary measures to control inflation, or the complexity of the control problem. However, despite these difficulties, it seems correct to conclude that GMPR "did hold down prices."[1]

The discussion which follows is based upon the movements of official price indexes. Although these indexes have been carefully constructed they cannot measure all the price increase which occurs as a result of quality deterioration (see pages 31-33). Nevertheless they give fairly conclusive evidence of the effectiveness of GMPR.

Price Movements

RATE OF INCREASE SINCE MAY 1942

The best test of the effectiveness of GMPR can be made at the consumer level, since there was no control at retail prior to the date of GMPR. The sharp rise in consumers' prices during the 5 months following the attack on Pearl Harbor was abruptly halted. From increases ranging from 0.7 to 1.4 percent per month in this period, monthly advances were cut to 0.5 percent or less in the following year, except for a few months during which there were sharply higher prices for fresh fruits and vegetables. During the whole period from May 1942 to December 1943, the Bureau of Labor Statistics consumers' price index rose only 7.2 percent, or 0.4 percent per month, compared with 15.1 percent, or 0.9 percent per month, from January 1941 to May 1942. The following statement compares the percentage changes for these two periods for the index as a whole and for its subgroups:

	Percent of change in consumers' prices[1]	
	May 1942 to December 1943	January 1941 to May 1942
All items	+7.2	+15.1
Food	+12.7	+24.3
Clothing	+6.7	+25.3
Rent	-1.6	+4.7
Fuel, electricity, and ice	+4.4	+4.1
Housefurnishings	+4.7	+22.1
Miscellaneous	+6.5	+8.8

[1] Source: U. S. Bureau of Labor Statistics.

[1] One Year of Retail Price Control (Price Control Report No. 15, Office of Price Administration).

Likewise, price increases at the wholesale level were smaller after GMPR than before. From May 1942 to December 1943, the Bureau of Labor Statistics comprehensive index rose only 4½ percent compared with 22 percent between January 1941 and May 1942. In the 6 months after GMPR, the index rose only 1½ percent in contrast to 5.6 percent between the attack on Pearl Harbor in December 1941 and May 1942. (Price movements for the major groups in the wholesale price index are shown for various periods in Appendix table 5.) For chemicals and allied products, for example, which were controlled largely by GMPR, prices rose only 3 percent in the 19 months between May 1942 and December 1943 compared with 24 percent in the 16 months from January 1941 to May 1942.

CONTROLLED VERSUS UNCONTROLLED PRICES

Comparison of the movements of controlled and uncontrolled prices during the first year after issuance of GMPR gives striking proof of the effectiveness of GMPR in preventing higher prices for commodities subject to its control. Between May 1942 and December 1942, the comprehensive wholesale price index of the Bureau of Labor Statistics rose 2.2 percent. Prices of commodities controlled by GMPR or earlier regulations increased only 0.3 percent, whereas prices of commodities not controlled as of the date of GMPR rose 8.1 percent during this period. A similar comparison of price changes between May 1942 and March 1943 shows an advance of 1.1 percent for those controlled as of May 1942 and 18.0 percent for those uncontrolled. (See Appendix table 3.)

Price movements of controlled and uncontrolled foods show the same contrast. In December 1942, wholesale prices of foods controlled by GMPR were at the same level as in May 1942, and in March 1943 they were only 4 percent above the March 1942 base period. Wholesale prices of uncontrolled foods, on the other hand, increased 11 percent from May to December 1942, and in March 1943 they were 20 percent above the base period. (See Appendix table 4.)

Between May 1942 and May 1943, retail food prices included in the Bureau of Labor Statistics consumers' price index, rose 17.6 percent as a group. However, foods controlled by GMPR increased only 4.1 percent in price, while prices of foods not controlled by GMPR, which had a weight of about 40 percent in the food index, increased nearly 10 times as much, as shown by the following figures.[2]

	1935-39 weight	Percent of increase, May 1942 to May 1943
All foods	100	17.6
Controlled by GMPR	61	4.1
Not controlled by GMPR	39	39.0
Controlled after GMPR	35	34.7
Uncontrolled (May 1943)	4	74.7

[2] One Year of Retail Price Control (Price Control Report No. 15, Office of Price Administration).

COMPARISON WITH WORLD WAR I

Corroborative evidence of the effectiveness of GMPR in conjunction with other price controls can be seen from a comparison with World War I experience, particularly at the retail level, since there was little or no control at this level during the earlier period. As may be seen from the following figures, retail price increases during World War I were several times greater than during a similar period in World War II:

	Percent of increase in consumers prices[1]	
	Aug. 1939 to Dec. 1943	July 1914 to Nov. 1918
All items	26.2	61.8
Food	46.6	79.7
Clothing	34.2	106.6
Rent	3.6	4.9
Fuel, electricity, and ice	12.3	43.3
Housefurnishings	27.1	94.9
Miscellaneous	17.6	57.9

[1] Source: U. S. Bureau of Labor Statistics.

A similar comparison may be made of wholesale price movements during the two war periods, as follows:

	Percent of increase in wholesale prices[1]	
	Aug. 1939 to Dec. 1943	July 1914 to Nov. 1918
All commodities	37.6	102.5
Farm products	99.7	110.5
Foods	57.1	104.5
Hides and leather products	26.2	88.8
Textile products	44.1	157.9
Fuel and lighting materials	13.1	105.2
Metals and metal products	11.4	81.4
Building materials	26.6	92.4
Chemicals and allied products	35.3	128.5
Housefurnishing goods	20.1	75.0
Miscellaneous commodities	27.3	61.5

[1] Source: U. S. Bureau of Labor Statistics.

It will be noted that, except for farm products, which were not controlled until a late date, increases during World War II were much smaller than during World War I.

Chapter 9.—Conclusion

The theory of general price control, as exemplified in the General Maximum Price Regulation, was discussed thoroughly during the hearings on the Emergency Price Control Act in the fall of 1941. There was little disagreement concerning its theoretical desirability but, for practical and political reasons, it was discarded at that time in favor of selective price control, despite the example of Canada.

The attack on Pearl Harbor in December 1941 necessitated profound changes in the American economy and selective price controls became inadequate to cope with the new conditions. By the spring of 1942 strong inflationary pressures, which had been latent in the economy even before our entry into the war, were causing a dangerous price rise. Emergency action on a wide scale was imperative to prevent serious inflation.

It was to meet this emergency that the General Maximum Price Regulation was issued on April 28, 1942. Conceived as a corollary to other direct measures to control inflation, the order was as comprehensive as was possible under the terms of the Emergency Price Control Act. It was admittedly a stop-gap to be superseded in time by more specific regulations. Many commodities actually were transferred subsequently to more appropriate regulations. Moreover, because of the comprehensive character of GMPR, numerous problems arose which required adjustment, amendment, and clarification. Probably, however, it was the most feasible action in the emergency.

Because of the nature of GMPR ceilings, there is little conclusive statistical evidence to show the degree of compliance with the regulation, but admittedly it was not good. There were numerous outright violations, some of which were willful, but many of which arose from ignorance or confusion. In addition, many devices for circumventing the regulation were found and put into practice. Although evasions were possible under other forms of price regulation, they were more difficult to detect under GMPR and consequently more numerous.

Administration of GMPR proved to be difficult and effective enforcement almost impossible. Ceilings were a matter of individual interpretation and there was considerable latitude for individual judgment. Little attempt was made to compel rigid compliance. The educational problem alone was difficult. Moreover, in its efforts to insure equity, OPA attempted to cover all contingencies by regulation. The resultant complexity, as well as the impracticability of the regulation, soon occasioned severe criticism of GMPR.

GMPR also was hampered by two serious limitations imposed by the terms of the Emergency Price Control Act, namely, absence of initial controls over agricultural prices and wages, which were not established until later. Their exemption rendered OPA's avowed policy of maintaining the March 1942 price level virtually impossible, as later events proved. Moreover, expected companion measures, such as forced savings and adequate taxation, were not enacted. Price control could only minimize price increases. It could not remove the basic inflationary threat—rising purchasing power imposed upon a declining volume of goods.

In addition to these handicaps to effective price control under GMPR were certain economic limitations of the regulation itself.

Inequitable price relationships were perpetuated under the freeze. Some were already present in March 1942 and others developed with the increasing pressure of rising costs against fixed ceilings. As the months passed, it became more and more difficult to maintain March 1942 ceilings and OPA was compelled frequently to grant upward adjustment of ceilings. GMPR, moreover, was unable to cope with hidden price increases through quality deterioration or other means.

The regulation proved remarkably effective, despite its shortcomings and the obstacles which it faced. Price increases which can be measured by official indexes were held to a minimum. This is evident from comparison of price movements before and after GMPR, as well as during World War I and World War II. The contrast between price increases of commodities controlled by GMPR and those not controlled also gives unmistakable proof of its effectiveness. In retrospect, therefore, the regulation appears to have been a necessary and successful emergency price-control measure which subsequently was superseded in large part by more appropriate regulations.

It is not possible within the scope of this report to discuss other anti-inflation measures or the merits of price stabilization. Mention is made of some conflicts with other objectives, but evaluation of these conflicts must be reserved for another analysis. Speculation as to the relative efficacy of other anti-inflation measures is also beyond the limits of this study.

Appendix.—Detailed Tables

Table 1.—*Percentage changes in posted average retail ceiling prices of foods covered by the General Maximum Price Regulation, from October 13, 1942, to December 15, 1942*

Commodity	All stores	Small independent	Medium-size independent	Large independent	Chain	Supermarket
Macaroni, 8-oz. pkg.	+3.4	+1.5	+2.8	+0.5	+10.5	-2.7
Bread, white, 16 oz.	+4.9	+15.2	+10.4	+.3	+1.7	-.8
Bread, whole wheat, 16 oz.	+.3	+.2	-.4	-.6	-.7	-.9
Bread, rye, 16 oz.	+.3	-.2	+.8	+.2	+.1	+.6
Vanilla cookies, plain, 1 lb.	-2.9	+.6	-2.6	-1.7	-5.0	-1.8
Soda crackers, 1 lb.	+1.1	+1.3	-.9	+.1	+2.3	+1.0
Steak, sirloin, 1 lb.	-.9	+1.0	+1.0	-.2	-1.6	+1.2
Steak, round, 1 lb.	-.4	-.6	-1.1	+.1	-.2	+1.0
Roast, chuck, center cut, bone in, 1 lb.	+1.0	+2.2	+1.1	+1.5	+.3	+2.0
Roast, rib, bone in, 1 lb.	-2.1	+1.0	-.8	+1.4	-6.7	+.7
Cutlets, veal, steak, best cut, 1 lb.	-.6	+3.2	+.7	-1.4	-2.3	-.3
Chops, pork, center cut, 1 lb.	(1)	+.2	-.6	-1.1	+1.4	-.3
Bacon, sliced, ½ lb. pkg.	-1.7	-1.5	+.8	+1.1	-.3	-4.0
Ham, sliced, smoked, lb.	-.2	+.4	+.3	-.6	-1.0	+1.3
Ham, whole, smoked, lb.	-.7	+.9	-.4	-.7	-.6	-.6
Salt pork, bellies, lb.	-.7	-5.1	+4.1	+3.3	-.6	-.6
Milk, fresh, 1 qt.	-.7	+.5	+.6	+1.1	-1.7	-2.8
Bananas, 1 lb.	-1.8	+6.8	-9.7	+8.2	-3.9	-1.6
Coffee, 1 lb.	-1.5	+1.7	+.4	+2.6	+1.7	-3.6
Tea, black, ¼ lb.	-2.2	+1.5	+3.2	+1.8	-1.1	-.5
Cocoa, ½ lb.	-5.6	-.2	+.7	-.4	-4.4	-3.3
Chocolate, baking, unsweetened, ½ lb.	-2.6	+1.7	-.2	+4.5	-.5	-1.6
Oleomargarine, 1 lb.	+.2	+.8	+1.1	+.3	+.2	(1)
Salad dressing, pint jar	-1.3	+.9	+.1	-.1	-.5	-2.0
Mayonnaise, pint jar	-.2	+2.0	-.6	+.9	-.4	-.3
Corn syrup, 24 oz.	+1.3	+2.1	+2.2	-1.3	+3.6	+.3
Molasses, 13 fl. oz.	+1.5	+.5	+.7	+1.5	+3.3	-.8

1 Less than a tenth of 1 percent increase.

Table 2.—*Unit labor cost in selected manufacturing industries, 1940-45*[1]
[1939=100]

Industry	1940	1941	1942	1943	1944	1945
Agricultural implements	100.2	111.6	.....	.....	.....	.....
Boots and shoes	98.2	102.6	119.9	130.8	146.9	150.8
Bread and other bakery products	.....	102.9	110.6	114.0	122.9	114.4
Cane-sugar refining	98.2	92.9	141.4	139.6	137.4	146.7
Canning and preserving group	96.0	104.9	118.9	141.6	150.1	152.7
Canned and preserved fruits and vegetables	97.6	105.8	115.7	137.9	147.8	150.8
Canned and cured fish	81.0	93.0	134.1	146.1	154.6	156.6
Cement	99.4	98.4	104.8	130.3	152.0	146.9
Clay construction products	90.8	91.3	111.7	147.8	151.0	149.9
Coke group	95.4	95.0	100.2	111.6	112.2	.....
Condensed and evaporated milk	90.9	89.9	110.4	130.7	134.2	131.8
Confectionery	96.1	101.1	117.2	127.4	127.8	135.4
Cotton goods	103.3	116.2	135.8	150.5	161.1	174.4
Fertilizers	95.7	105.4	132.1	150.8	159.5	160.8
Flour and other grain-mill products	101.4	106.4	126.8	156.9	166.2	160.3
Glass products	103.7	106.1	114.3	115.9	123.3	112.1
Hosiery	95.7	96.7	102.7	109.0	112.4	112.5
Ice cream	96.3	84.7	79.5	91.6	92.0	95.1
Leather	101.3	101.8	110.2	123.9	127.8	132.0
Lumber and timber products: Sawmills	94.9	110.3	137.6	162.7	175.1	.....
Malt liquors	104.4	103.6	110.2	124.3	130.6	136.5
Newspaper and periodical printing and publishing	98.6	98.5	103.6	112.3	135.9	140.4
Nonferrous metals: Primary smelters and refiners	95.3	111.5	127.4	143.3	151.4	155.9
Paints and varnishes	103.2	97.3	111.5	117.5	117.2	115.5
Paper and pulp group	99.4	106.2	124.8	143.4	152.1	152.9
Petroleum refining	97.8	99.7	116.1	134.2	138.3	143.7
Rayon and allied products	92.2	89.2	90.1	100.5	99.7	97.2
Slaughtering and meat packing	98.1	107.8	123.3	131.9	132.7	126.4
Tobacco products group	103.6	105.9	117.8	130.8	136.5	135.5
Cigars	103.4	108.4	118.2	135.9	139.3	133.0
Cigarettes	105.2	103.5	111.7	113.1	117.8	119.3
Chewing and smoking tobacco and snuff	100.6	102.0	121.4	137.6	151.7	160.0
Woolen and worsted goods	.....	.....	141.7	146.5	140.5	144.3

[1] Source: Productivity and Unit Labor Cost in Selected Manufacturing Industries, 1939-1945 (U. S. Bureau of Labor Statistics).

Table 3.—*Indexes of wholesale prices,*[1] *controlled and uncontrolled*[2]
[March 14, 1942=100]

Week ending—	All commodities[3]	Controlled as of May 11, 1942	Uncontrolled as of May 11, 1942[3]
Mar. 14, 1942	100.0	100.0	100.0
Apr. 18, 1942	101.3	100.9	102.5
May 16, 1942	101.4	101.1	102.1
June 13, 1942	101.4	101.3	101.4
July 18, 1942	101.2	101.0	101.8
Aug. 15, 1942	101.9	101.4	103.6
Sept. 12, 1942	102.3	101.3	105.3
Oct. 17, 1942	102.7	101.3	106.8
Nov. 14, 1942	103.2	101.4	109.0
Dec. 12, 1942	103.6	101.4	110.4
Jan. 16, 1943	104.9	101.7	114.8
Feb. 13, 1943	105.4	101.9	116.5
Mar. 13, 1943	106.5	102.2	120.5

[1] Source: U S. Bureau of Labor Statistics.
[2] Fixed-base, constant-composition index numbers.
[3] Excluding gas and electricity, which are regulated by state or municipal agencies.

Table 4.—*Indexes of wholesale prices of foods,[1] controlled and uncontrolled[2]*
[*March 14, 1942=100*]

Week ending—	All foods	Controlled as of May 11, 1942	Uncontrolled as of May 11, 1942
Mar. 14, 1942	100.0	100.0	100.0
Apr. 18, 1942	103.2	103.6	101.6
May 16, 1942	102.9	102.7	103.4
June 13, 1942	102.8	103.6	100.1
July 18, 1942	101.5	102.0	99.6
Aug. 15, 1942	104.2	103.9	105.0
Sept. 12, 1942	105.0	104.0	108.3
Oct. 17, 1942	106.7	104.6	113.1
Nov. 14, 1942	105.2	102.6	113.2
Dec. 12, 1942	105.6	102.7	114.9
Jan. 16, 1943	107.1	103.5	118.5
Feb. 13, 1943	107.6	103.7	119.6
Mar. 13, 1943	107.8	104.0	119.8

1 Source: U. S. Bureau of Labor Statistics.
2 Fixed-base, constant-composition index numbers.

Table 5.—*Percentage changes in wholesale prices for selected periods[1]*

Commodity group	Percent of change from—					
	Aug.1939 to Mar.1942	Dec.1941 to Mar.1942	Dec.1941 to May1942	May 1942 to Dec.1942	Jan.1941 to May1942	May1942 to Dec.1943
All commodities	+30.1	+4.3	+5.6	+2.2	+22.3	+4.5
Farm products	+68.5	+8.6	+10.2	+9.0	+45.8	+16.7
Foods	+43.0	+6.2	+9.3	+5.5	+34.2	+6.8
Hides and leather products	+25.9	+1.7	+3.5	-.8	+16.0	-1.5
Textile products	+42.5	+5.2	+6.8	-.8	+30.3	-.3
Fuel and lighting materials	+7.0	-.9	-.5	+1.5	+8.2	+5.3
Metals and metal products	+11.4	+.5	+.6	-.1	+6.3	-.1
Building materials	+23.3	+2.5	+2.1	-.1	+10.5	+3.0
Chemicals and allied products	+30.9	+6.4	+6.6	+2.3	+23.8	+3.2
Housefurnishing goods	+19.9	+1.5	+1.8	-.4	+15.6	-.1
Miscellaneous commodities	+22.4	+2.4	+3.3	0	+17.4	+3.1
All commodities other than farm products	+23.5	+3.1	+4.4	+.7	+17.8	+1.6
All commodities other than farm products and foods	+18.9	+1.6	+2.7	+.2	+13.5	+2.0

1 Source: U. S. Bureau of Labor Statistics.

Table 6.—*Percentage changes in consumers' prices for selected periods[1]*

Commodity group	Percent of change from—					
	Aug.1939 to Mar.1942	Dec.1941 to Mar.1942	Dec.1941 to May1942	May1942 to Dec.1942	Jan.1941 to May1942	May1942 to Dec.1943
All items	+15.9	+3.4	+5.0	+3.8	+17.1	+7.2
Food	+26.8	+4.9	+7.5	+9.1	+24.3	+12.7
Clothing	+23.2	+7.7	+9.9	-.2	+25.3	+6.7
Rent	+4.4	+.6	+1.6	-1.7	+4.7	-1.6
Fuel, electricity, and ice	+7.2	+.4	+.8	+1.3	+4.1	+4.3
Housefurnishings	+20.5	+3.8	+4.6	+1.2	+22.1	+4.7
Miscellaneous	+9.7	+2.2	+3.0	+1.7	+8.8	+6.5

1 Source: U. S. Bureau of Labor Statistics.

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