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PRICES
IN RECESSION AND RECOVERY
A Survey of Recent Changes

FREDERICK C. MILLS

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NUMBER 31

PRICES IN RECESSION
AND RECOVERY

INTRODUCTION

BY THE COMMITTEE ON RECENT ECONOMIC CHANGES

PRICES and price relationships almost completely dominate the economic life of the nation. Fundamental to human welfare as are the activities of production, distribution and consumption of goods, it is prices as a medium of control which, in their ceaseless changes and readjustments, stimulate or retard the very processes by which our industrial and commercial life is carried on, and govern the direction of human effort.

Yet not until recent years have economists and the business community fully realized the basic importance of the role played by prices, or clearly sensed the necessity of studying their behavior and influence in the cyclical course of our economic progress.

In 1927 Dr. Frederick C. Mills made an important contribution toward an understanding of the nature and function of prices in a volume entitled *The Behavior of Prices*, published by the National Bureau of Economic Research. In 1932 he made a further contribution in a second work entitled *Recent Economic Tendencies*, published in cooperation with the Committee on Recent Economic Changes. In the present volume, also sponsored by this Committee, Dr. Mills has rounded out this study of prices by carrying it through the recent period of recession and revival.

These three works, covering the relationship and movement of prices since the beginning of the century, represent

a monumental undertaking in economic research in which the Committee has been happy to participate. They form an objective exploration into the realm of prices and their nature and influence, by an economist aloof from the pressure and the prejudices of business or politics; and they comprise a record that doubtless will serve as source material for generations.

The present volume is of particular significance because it is an authentic record of price movements made concurrently during the course of a serious depression and the following period of revival. It is a revealing picture of the price mechanism as it has been affected by, and in turn has affected, the pattern of our economic life during a time of great stress.

For the scientific competency of the study and the character of the material presented, together with the interpretation placed upon it and the conclusions drawn, the National Bureau of Economic Research is solely responsible; but it is with genuine satisfaction that the Committee on Recent Economic Changes joins in presenting so carefully prepared and comprehensive a record as this volume represents. Herein will be found the complete 'working papers' on which the author's inferences and deductions have been based, together with an explanation of the statistical method used. These afford the reader an opportunity to check or challenge for himself the soundness of the interpretations, as well as the adequacy and acceptability of the data from which they have been made.

The great value of the work is that it makes available to the producer, the fabricator, the distributor, the consumer, the economist, the leaders of labor, and the agencies of government, a factual basis for a more intelligent attack on the fundamental problem of economic stability.

It is this aim that has motivated the Committee on Recent

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Economic Changes in all the studies it has sponsored or in which it has participated, as represented by the two-volume *Recent Economic Changes* (1929); *Planning and Control of Public Works* (1930); *Economic Tendencies in the United States* (1932); *Strategic Factors in Business Cycles* (1934); *Industrial Profits in the United States* (1934), and the present volume, *Prices in Recession and Recovery*.

In this enterprise of observing and recording recent economic experience the Committee has had the generous support and encouragement of the Rockefeller Foundation, the Carnegie Corporation, the Economic Club of Chicago, and various socially-minded groups and individuals, which support is here gratefully acknowledged.

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October, 1936

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7. A copy of this resolution shall, unless otherwise determined by the Board, be printed in each copy of every Bureau publication.

(Resolution of October 25, 1926, revised February 6, 1933)

FOREWORD

RECESSION, depression and recovery in the United States over the years 1929-1936 were marked by elements as diverse and complicated as any this generation has known. To the economic forces operative in the business cycles of less troubled eras were added various residual influences of the World War, including a notable breakdown of the basis of international financial and commercial dealings and accentuation of economic ills by nationalistic political developments. Finally, the application of a far reaching program of governmental action designed to aid economic recovery introduced still other factors. A cyclical pattern loose and irregular at best was modified in important respects by these novel influences.

In seeking to follow some of the strands that run through this complex web, no attempt is made at definitive appraisal of the forces at work. This report presents a monographic treatment of certain aspects of recession and recovery in the United States during the last seven years. Various measurements constructed by the National Bureau in connection with its continuing work are of some current interest to economists and others who follow economic movements. Discussion of these and related materials falls easily into half a dozen divisions, dealing with the background of the price recession of 1929, its world setting, and the fortunes of pri-

mary producers, fabricators and consumers during the disturbed years from 1929 to 1936. Although no rounded survey of the situation as a whole is made, something of unity in the price history of these various groups is found in tracing the incidence of productivity changes in manufacturing industries and their relation to changing costs and prices. This topic is developed in the final chapter.

Members of the research staff and of the Board of Directors of the National Bureau of Economic Research have aided in the preparation of this report with suggestive comments and helpful advice. I am happy to express my thanks. To my associates Charles A. Bliss and Solomon Fabricant I am particularly indebted for counsel and criticism. And with deep appreciation I acknowledge the continuing assistance given me by Miss Maude Remey and Miss Mildred Uhrbrock in the many tasks connected with the preparation of this monograph.

F. C. M.

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