

This PDF is a selection from an out-of-print volume from the National Bureau of Economic Research

Volume Title: Price Research in the Steel and Petroleum Industries

Volume Author/Editor: Committee on Price Research

Volume Publisher: NBER

Volume ISBN: 0-87014-189-9

Volume URL: <http://www.nber.org/books/unkn39-3>

Publication Date: 1939

Chapter Title: Origin and Aim of the Committee's Study

Chapter Author: Committee on Price Research

Chapter URL: <http://www.nber.org/chapters/c5802>

Chapter pages in book: (p. 79 - 82)

PART TWO

Report of the
Committee on Price Research
in the Petroleum Industry

Committee on Price Research in the
PETROLEUM INDUSTRY

M. W. WATKINS, *New York University*; CHAIRMAN
G. W. STOCKING, *University of Texas*; VICE-CHAIRMAN

S. A. SWENSRUD, *Standard Oil Company of Ohio*
J. D. GILL, *Atlantic Refining Company*

I

ORIGIN AND AIM OF THE COMMITTEE'S STUDY

THE Committee on Price Research in the Petroleum Industry was organized in October 1936 in response to invitations extended by the Executive Committee of the Conference on Price Research. Its composition reflects equally the interests of the industry and of professional economic research. Throughout our deliberations, however, we have had the benefit of the experienced counsel of several heads of government statistical bureaus. Perhaps of most continuous and helpful assistance has been the cooperation of the Chief of the Wholesale Price Section of the Bureau of Labor Statistics.

As the Committee understands its terms of reference it was formed (a) to survey the currently available information upon all prices, their component elements, and the mode of their formation, with a view to (b) determining the significant deficiencies in our knowledge of price movements, cost-price relationships and pricing methods and the recommendation of means of overcoming these deficiencies, to the end (c) of indicating adequate bases for a projected program of research in the functioning of the price system in this sphere. The several parts of the report ensuing reflect this interpretation of the general range of our assigned task.

We believe that a wide latitude of choice was deliberately left to the Committee in formulating its objectives and methods of procedure. More specifically, such questions as those relating to the scope of the industry, the purposes price records are designed to serve, and the nature of the price problems for the resolution of which improved data might be sought and research undertaken were left to our decision. In these circumstances we have felt it suitable to

state at the outset some of the limits of our inquiry as we have conceived it. The industrial field covered is indicated in Chapter II. It might be summarily described as the whole sequence of processes from exploration for oil to the delivery of refined petroleum products to consumers.

Within this field we have conceived it to be our responsibility not only to canvass the available statistical data upon current prices and costs (Chapter III), but also to examine critically the meaning, adequacy and reliability of these data and to suggest ways in which they might well be supplemented (Chapter IV). As we understand it, we were not called upon to make detailed investigations or tests of existing price information to verify our judgment of its character. Much less was it within our conception of the assignment to attempt the assembly of any concrete data not now available. Nor were we charged with making new applications of such data as we now have. In Chapter V we confine ourselves simply to outlining certain projects of inquiry which in our judgment should prove fruitful, and the more fruitful so far as the statistics of the industry's operations are made more adequate and reliable by supplementing existing compilations along the lines suggested in Chapter IV.

II

GENERAL CHARACTERISTICS OF THE PETROLEUM INDUSTRY AND ITS PRICE PROBLEMS

A FORMULATION of the economic and industrial problems centering in oil prices, toward the solution of which a research program might properly be directed, involves a preliminary consideration of the technical and economic characteristics of the productive processes by means of which crude oil in the ground is transformed into oil products in the hands of consumers. Such a consideration should be designed to reveal, or focus attention upon, those characteristics of the productive processes which reflect themselves in oil price problems or which give to oil price problems a distinctive quality tending to differentiate them from