1968

Business in Nebraska #287 - August 1968

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INFLATION: ITS MEASUREMENT AND SOME DEVELOPMENTS

"Inflation is a term which has been, and continues to be, subject to a variety of interpretations."1 Regardless of the interpretation and despite the likelihood of being lulled into apathy by constant references to it, mere mention of inflation still evokes marked reactions. Given, for example, a rise in the level of prices and a reluctance to alter consumption patterns, individual and group activities occur at the private and public levels, reflecting attempts to increase the real income and hence restore real consumption patterns.

General agreement exists that "inflation is the result of demand and/or cost pressures which force the general level of prices to rise." In this sense inflation is defined as price inflation. There is, however, disagreement as to the extent to which the general level of prices must rise before it can be said that inflation exists. Thus, it is more appropriate to ask the question: how much can the general price level rise before it is considered that anti-inflationary action is warranted? Although there is no consensus on the answer, it may be useful to presume the following: a rise of less than 2 percent per year in the "inflation indicator" warrants some attention; a rise of 2 to 3 percent warrants investigation and anticipatory or preventive action; and a rise of 3 percent or more certainly warrants corrective action. Somewhat less definitive but also worthy of action would be a month-to-month increase in the indicator at a rate approaching one that would aggregate to a 3 percent or higher per-year increase.

Briefly, two explanations for inflation are offered. One acknowledges the likelihood of "cost-push" inflation as a consequence of diminished productivity gains combined with increasingly aggressive wage demands followed by price increases. Some argue that certain wage increases are negating the attempts at administrative economic policy making that in turn reflect the application of "official" guidelines. The recent reaction of the President to the wage-price increases in the steel industry exemplifies this situation.

Another explanation acknowledges that "demand-pull" inflation results when aggregate money demand exceeds the aggregate real supply of the economy, or when an increase in the former is at a rate markediy in excess of that of the latter. Thus, considerable emphasis has been placed upon the impact of increases in demand for goods and services that are emanating from national security, space exploration, and poverty programs—especially during a period of inadequately increasing, near-to-full-use capacity. The recent paring of the federal budget and the instigation of the personal income surtax is an overt acknowledgement at the Federal level of such "demand-pull."

The price level changes of the 1966-1968 period have now proven to be of an inflationary nature—according to any standard. The economy had been in an expansionary phase for some five years prior to 1966. Resource utilization has been at relatively high levels since 1961. The general rise in prices cannot be explained, therefore, as a short-run phenomenon. Moreover, there has been an acceleration of the upward movements of the inflation indicators. The nature of the situation has become, therefore, one that warrants widespread discussion and development of economic policy. Whether private or public, the success of the economic policy depends "upon the quality, comprehensiveness, and timeliness of the data used in its formulation." Measurement of the price changes is, therefore, an important aspect of both the explanation of cause and effect relationships involved and the policy actions motivated by them.

Two indexes often used to measure price trends, and thus to serve as indicators of inflation, are the Consumer Price Index (CPI) and the Wholesale Price Index (WPI). In that which follows brief descriptions will be given of each of these indexes; then an analysis will be made of some recent price trends using these indexes.

THE CONSUMER PRICE INDEX

The CPI, or the Consumer Price Index for Urban Wage Earners and Clerical Workers, is a statistical measure of the changes in prices of goods and services that are typical of those purchased by urban wage earners and clerical workers—including families and single persons living alone—living in urban areas with a 1960 population of 2,500 or more. The pattern of spending of middle-income wage and salary workers on retail purchases is represented by a "market basket," or set of typical goods and services, that includes nearly 400 items. The set of prices includes:

... prices of everything people buy for living—food, clothing, automobiles, homes, house furnishings, household supplies, fuel, drugs, and recreational goods; fees for doctors, lawyers, beauty shops; rent, repair costs, transportation fares, public utility rates, etc. It deals with prices actually charged to consumers, including sales and excise taxes. It also includes real estate taxes on owned homes, but it does not include income or personal property taxes.2

The "market basket" represents, however, an "average" pattern of purchases; currently it reflects this consumer group's expenditures patterns as of the early 1960's.

Like all indexes, the CPI measures price changes for the selected group of items from a designated base or reference period. Since 1962, the CPI's reference (Continued on page 4)

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Now that the sales tax has been in effect for a year, its impact upon the sales patterns can be seen from the data below. The percentages are for total sales with the percentages for hard goods in parentheses.

E. L. BURGESS

### M E A S U R I N G  N E B R A S K A  B U S I N E S S

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**Business Summary**

The Nebraska May, 1968, dollar volume of business was 6.3% above May, 1967. For the same period Nebraska's physical volume increased 4.2%. Comparable changes for the U.S. were 10.1% and 5.2%. The May dollar volume and physical volume for both the U.S. and Nebraska were above April, 1968 levels. In Nebraska, retail sales was the only business indicator declining from year-ago levels, which was due to the unusually high level of retail sales in May, 1967. In the U.S., construction activity was the only indicator declining from May, 1967.

All figures on this page are adjusted for seasonal changes, which means that the month-to-month ratios are relative to the normal material, furniture, hardware, equipment.

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### I. N E B R A S K A  a n d  t h e  U N I T E D  S T A T E S

<table>
<thead>
<tr>
<th>May</th>
<th>Percent of 1948 Average</th>
<th>Percent of Same Month a Year Ago</th>
<th>Percent of Preceding Month</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Nebraska</td>
<td>U.S.</td>
<td>Nebraska</td>
</tr>
<tr>
<td>Dollar Volume of Business</td>
<td>307.2</td>
<td>359.4</td>
<td>106.3</td>
</tr>
<tr>
<td>Physical Volume of Business</td>
<td>204.0</td>
<td>227.4</td>
<td>104.2</td>
</tr>
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</table>

### II. PHYSICAL VOLUME OF BUSINESS

<table>
<thead>
<tr>
<th>Month</th>
<th>Nebraska</th>
<th>U.S.</th>
</tr>
</thead>
<tbody>
<tr>
<td>May</td>
<td>195.7</td>
<td>216.2</td>
</tr>
<tr>
<td>June</td>
<td>198.7</td>
<td>219.5</td>
</tr>
<tr>
<td>July</td>
<td>199.9</td>
<td>217.6</td>
</tr>
<tr>
<td>August</td>
<td>203.2</td>
<td>219.5</td>
</tr>
<tr>
<td>September</td>
<td>202.8</td>
<td>216.5</td>
</tr>
<tr>
<td>October</td>
<td>203.0</td>
<td>216.8</td>
</tr>
<tr>
<td>November</td>
<td>198.8</td>
<td>219.1</td>
</tr>
<tr>
<td>December</td>
<td>199.3</td>
<td>218.6</td>
</tr>
</tbody>
</table>

### III. RETAIL SALES for Selected Cities

<table>
<thead>
<tr>
<th>City</th>
<th>Number of Reports</th>
<th>Total</th>
<th>Percentage of Same Month a Year Ago</th>
<th>Percentage of Preceding Month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Omaha</td>
<td>84</td>
<td>111.8</td>
<td>120.9</td>
<td>108.0</td>
</tr>
<tr>
<td>Lincoln</td>
<td>73</td>
<td>113.0</td>
<td>119.9</td>
<td>108.1</td>
</tr>
<tr>
<td>Grand Island</td>
<td>33</td>
<td>129.7</td>
<td>121.3</td>
<td>96.5</td>
</tr>
<tr>
<td>Hastings</td>
<td>30</td>
<td>125.8</td>
<td>105.2</td>
<td>91.3</td>
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<tr>
<td>North Platte</td>
<td>21</td>
<td>119.6</td>
<td>137.3</td>
<td>107.2</td>
</tr>
</tbody>
</table>

### IV. RETAIL SALES, Other Cities and Rural Counties

<table>
<thead>
<tr>
<th>Locality</th>
<th>Number of Reports</th>
<th>Total</th>
<th>Percentage of Same Month a Year Ago</th>
<th>Percentage of Preceding Month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kearney</td>
<td>18</td>
<td>121.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alliance</td>
<td>31</td>
<td>112.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nebraska City</td>
<td>21</td>
<td>123.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Broken Bow</td>
<td>14</td>
<td>110.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Falls City</td>
<td>15</td>
<td>115.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Holdrege</td>
<td>17</td>
<td>113.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chadron</td>
<td>25</td>
<td>105.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beatrice</td>
<td>18</td>
<td>120.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sidney</td>
<td>24</td>
<td>105.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>So. Sioux City</td>
<td>11</td>
<td>78.2</td>
<td></td>
<td></td>
</tr>
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</table>

### V. RETAIL SALES, by Subgroups, for the State and Major Divisions

<table>
<thead>
<tr>
<th>Type of Store</th>
<th>Nebraska</th>
<th>Omaha and Lincoln</th>
<th>Other Cities</th>
<th>Rural Counties</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Stores***</td>
<td>111.8</td>
<td>111.4</td>
<td>109.0</td>
<td>115.0</td>
</tr>
<tr>
<td>Selected Services</td>
<td>100.6</td>
<td>96.0</td>
<td>105.4</td>
<td>97.5</td>
</tr>
<tr>
<td>Food Stores</td>
<td>109.2</td>
<td>111.2</td>
<td>104.0</td>
<td>112.9</td>
</tr>
<tr>
<td>Groceries and meats</td>
<td>112.8</td>
<td>117.1</td>
<td>108.2</td>
<td>113.2</td>
</tr>
<tr>
<td>Eating and drinking</td>
<td>103.9</td>
<td>101.4</td>
<td>97.1</td>
<td>113.1</td>
</tr>
<tr>
<td>Dairies and other foods</td>
<td>102.9</td>
<td>105.6</td>
<td>95.8</td>
<td>104.2</td>
</tr>
<tr>
<td>Equipment</td>
<td>122.2</td>
<td>112.6</td>
<td>125.4</td>
<td>127.9</td>
</tr>
<tr>
<td>Building material</td>
<td>128.1</td>
<td>117.7</td>
<td>118.7</td>
<td>148.9</td>
</tr>
<tr>
<td>Hardware dealers</td>
<td>121.9</td>
<td>142.9</td>
<td>118.8</td>
<td>104.0</td>
</tr>
<tr>
<td>Farm equipment</td>
<td>122.1</td>
<td>99.9</td>
<td>143.2</td>
<td>123.2</td>
</tr>
<tr>
<td>Home equipment</td>
<td>118.1</td>
<td>105.7</td>
<td>129.6</td>
<td>119.0</td>
</tr>
<tr>
<td>Automotive stores</td>
<td>119.5</td>
<td>130.3</td>
<td>114.4</td>
<td>110.3</td>
</tr>
<tr>
<td>Automotive dealers</td>
<td>119.3</td>
<td>133.2</td>
<td>113.7</td>
<td>111.0</td>
</tr>
<tr>
<td>Service stations</td>
<td>115.4</td>
<td>118.7</td>
<td>117.2</td>
<td>110.4</td>
</tr>
<tr>
<td>Miscellaneous stores</td>
<td>105.3</td>
<td>105.9</td>
<td>109.4</td>
<td>109.4</td>
</tr>
<tr>
<td>General merchandise</td>
<td>105.8</td>
<td>99.4</td>
<td>110.1</td>
<td>109.6</td>
</tr>
<tr>
<td>Variety stores</td>
<td>97.0</td>
<td>88.1</td>
<td>99.7</td>
<td>103.2</td>
</tr>
<tr>
<td>Apparel stores</td>
<td>108.1</td>
<td>106.0</td>
<td>107.3</td>
<td>111.0</td>
</tr>
<tr>
<td>Luxury goods stores</td>
<td>106.5</td>
<td>109.8</td>
<td>105.2</td>
<td>112.4</td>
</tr>
<tr>
<td>Drug stores</td>
<td>100.4</td>
<td>98.6</td>
<td>99.4</td>
<td>102.9</td>
</tr>
<tr>
<td>Other stores</td>
<td>108.8</td>
<td>99.7</td>
<td>105.9</td>
<td>120.8</td>
</tr>
</tbody>
</table>
continued from first page) period—which is equated to a
nematical base of 100—has been the period 1957-1959. Also,
iques items or item groups, being more important than others
ipients of larger proportions of the total expenditure, re-
e greater weights in the process of “averaging” the prices and
anges.
ne especially important point: the CPI does not serve to meas-
the month-to-month or year-to-year changes in the cost of
ng. Variations in the CPI result from changes in the prices of
arious goods and services represented in the index. Var-
s in the cost of living result from variations in amounts and
ities of various items as well as in their prices. Or to para-
se, cost of living varies because of changes in consumption
itudes. The CPI measures only the relative levels of money
nditures required to buy a certain and fixed combination, i.e.,
tket basket," of goods and services. The market basket is
stant for a period of years and, thus, represents the phys-
-tern of goods and services consumed during the certain
ol by an “average” family.
periodically, however, results of consumer expenditure studies
ed to update the representativeness of the components of the
. At such times, minor revisions are made in the list of
es and services included and major revisions are made in the
ths used to combine the components. Since such revisions
frequent, the index does not reflect continuously shifting
ns of consumer expenditures. No month-to-month or year-
ar allowance is made from the time of one revision to another
tered spending patterns of consumers who modify such pat-
s in attempting to maximize the real purchasing power of their
es as prices change. Thus despite the fact that the CPI
ures changes in the money costs of many of the key items
 the enter the index moves
a revision date, the less the price changes, as measured by
PI, reflect changes in cost of living. The CPI is NOT a cost-
living index per se.
importantly, the CPI has been the reference for collective bar-
ingar negotiations. Automatic wage adjustments, based on speci-
ence changes in the CPI, have been incorporated into
 labor-management contracts. Other long-term contracts,
 as commercial property leases, utilize the rent component of
PI as an "escalator" for adjustment purposes. Changes in
general purchasing power of the dollar, as measured by the
, are used to adjust levels of pensions, welfare payments,
ties, etc. Also, in evaluating real income, money wages
verted into "real" wages by deflating the money wages for
ges in the general price level as measured by the index. Most
antly, the CPI probably is used by the public more than the
or any other index as the measure of inflation, or deflation, the
economy.

THE WHOLESALE PRICE INDEX

The Wholesale Price Index, or WPI, is an index that measures
age price changes for commodities sold in primary markets
at is at the point of the first commercial transaction for the
commodity. The prices are those received by manufacturers
ducers and/or those in effect on organized commodity excha-
es and, therefore, are not those received by jobbers, wholesale
or distributors.

According to the Bureau of Labor Statistics, of the U.S. Depa-
ment of Labor, the prices used in the construction of the W
are those which apply as nearly as possible to the first
significant commercial transaction in the United States. Lat-
transactions for the same item at earlier stages in the distri-
bution cycle are not included. However, as raw materials as
transformed into seminished and finished goods, the resulting
products are represented according to their importance in
primary markets.

The index includes prices for approximately 2,200 separat-
specified items in a certain fixed list of commodities. Exclud-
are price movements of retail transactions or transactions
services (except gas and electricity), construction, real est-
transportation, or securities. Also the prices at which produ-
enter into international trade are omitted. The prices are
justed not only for trade and quantity discounts but also for
seasonal discounts. Like the CPI, the base period of the
is designated as 1957-1959 = 100.0

The WPI is one of the basic business barometers used to mea-
ure the economic health of the nation. Most useful is its abi-
to indicate price level change in the earlier stages of the pro-
duction and exchange sequence. As such, it may be taken as an in-
cator of future price trends both in the early and the late stages
production. Price increases can be traced through success-
stages of production—from raw material to finished product.
can serve, therefore, as the means for analyzing and assess-
the movements of the components of the overall index.

The WPI enables individual businesses to compare the price
paid for their purchase(s) with the "average" price(s) of the co-
parable component(s) of the WPI. Contractual payments, e.g.,
long-term industrial sales contracts, may be adjusted by refer-
en to the WPI for changes in prices of related materials or oil
costs. Rentals on long-term leases are also often adjusted, be
escalated upward as the WPI rises.

Most importantly, the movements of the WPI—and its compo-
ents—may be compared with those of the CPI—and its compone-
in evaluating the nature of the "inflationary" developments
the price trends. If, say, the WPI is stable when the CPI is
the rise, the incidence of inflation is said to be resting direc-
t upon consumers of retail goods and services. Or, if the WPI
suddenly accelerated upward during a period of relative stabil-
in the CPI, there is the likelihood of a subsequent magnified r
in the CPI. Price changes in individual components of the W
may also be evaluated in terms of impact upon directly rela-
t components in the CPI.

In the matter of formulating public and private economic pol-
to cope with inflation, the key role of the price indexes as in-
cators of both past and expectable changes should be noted.
should also be evident that policy actions or prescriptions wo-
differ if one attached greater significance to a dramatic ad-
level in wholesale prices, i.e., the WPI, after a period
no change than to an acceleration in the rate of retail price s-
ance(s), i.e., the CPI. Unquestionably, the indexes should
valuated not only independently but also comparatively.

SOME DEVELOPMENTS

The WPI and CPI have traced dissimilar courses over the p
J.S. Department of Labor, Bureau of Labor Statistics, Wholes-
Prices and Price Indexes, 1961, Bulletin No. 1513 (Washing-

<table>
<thead>
<tr>
<th>Items</th>
<th>1952</th>
<th>1963</th>
<th>1952</th>
<th>1963</th>
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<td>1</td>
<td>29.6</td>
<td>22.4</td>
<td>5.1</td>
<td>5.7</td>
</tr>
<tr>
<td>living</td>
<td>32.5</td>
<td>33.3</td>
<td>2.0</td>
<td>2.8</td>
</tr>
<tr>
<td>travel</td>
<td>9.2</td>
<td>10.6</td>
<td>5.3</td>
<td>5.9</td>
</tr>
<tr>
<td>transportation</td>
<td>11.3</td>
<td>13.9</td>
<td>5.0</td>
<td>5.4</td>
</tr>
</tbody>
</table>

952 and 1963, after revision the relative importance of major
ups in the CPI were as follows:
In general, the behavior of the WPI does not provide any strong corroboration for the thesis that the 1958-1968 period has been one of inflation. The CPI substantiates a different opinion, however. It has been marked by persistent--albeit until recently moderate--rises throughout the ten-year period. Both have, however, moved markedly upward since 1964. Few analysts would now dispute the contention that the past three and one-half years have been a period of inflation.

Before 1965--with recorded declines in 1961 and 1963. For the same period, the CPI showed an aggregate increase of over 7 percent--with an annual increase averaging 1.2 percent. Although the annual rate of increase in the CPI was less than the 2 percent per year presumed (on page 1) as warranting investigation and preventive action, it was worthy of and did receive constant attention.

For the period 1964 to 1967--except for a pause in late 1966 and early 1967--both indexes moved rapidly upward at an accelerating rate. Still, the CPI outpaced the WPI notably. The gain in the CPI over the three-year period was 7.6 percent, or 2.5 percent per year; that of the WPI 5.6 percent, or 1.8 percent per year. Especially noteworthy was a post-1966 acceleration in the rate of increase in the CPI. This indicator moved up at a yearly rate of 1.7 percent from 1964 to 1965; of 2.9 percent from 1965 to 1966; of 2.8 percent from 1965 to 1967. More recently, it took a marked jump of 4.2 percent from June, 1967 to June, 1968.

Each index tells its own story. Using the WPI, the absence of inflation in the primary or early stages of the production sequence is indicated to a moderate degree. However, at the retail stage the CPI rose at an accelerating rate. Still, the CPI outpaced the WPI notably. The gain in the CPI for the period was 5.5 percent, or 1.8 percent per year. Although the current long-term economic expansion began early in 1961, prices remained relatively stable until early in 1966 when they turned upward. By the spring of 1966, the nation faced with the first threat of inflation in a decade. The pause in economic activity in late 1966 and early 1967 lessened price pressures only moderately. When economic activity accelerated again after mid-1967, upward pressures on prices began to intensify.

The problem of how to maintain full utilization of resources while restoring price stability which confronted policy makers in early 1966 became even more acute at the end of 1967.Major potentials for inflation remained--high levels of civilian military spending and rising costs which, increasingly, we reflected in high prices.

In 1967, the Wholesale Price Index averaged 5.5 percent higher than in 1964, and the Consumer Price Index, 7.5 percent higher. In particular, from 1960 through 1964 there was "sustained economic expansion . . . accompanied by a healthy balance of wages, prices, and productivity . . . The period was essentially inflation-free." In 1965, however, price increases were so high that "shortages of three basic commodities pushed the price indexes up--farmers had cut back hog and pork production drastically because of depressed 1963-64 hog and pork prices and the drought that had devastated Argentine herds resulted in a severe limitation of the world supply of cattle hides and leather." Also, "the step-up of our military effort in Viet Nam . . . not only created some special imbalances but also caused a spurt in demand. The new layer of demand, posed on an already prospering economy, pushed prices up further. The late 1965 upturn in prices for farm products, foods, and materials continued into early 1966, and was joined by substantial advances in charges for consumer services as well as higher prices for many industrial products. For the first time in a decade, the threat of inflation appeared in this country."

Actions were taken by the monetary authorities at year-end and fiscal measures instigated at the Federal level in 1966. Tying the money supply, rescinding the excise tax reduction, raising the withholding of personal income taxes, intensifying the efforts to apply wage-price guidelines to key wages and prices, and suspending the accelerated depreciation allowances--all these actions were taken to dampen the price pressures. There followed a decline and a subsequently slower increase in consumer expenditures, a decreased rate of growth in plant and equipment expenditures, and a decline of housing starts to a post-W. W. II low.

(Continued on p. 5)

8Williams, Price Perspective, 1965-67, pp. 2-3

#Average Annual Rate.

The slackening pace of the economy in 1966 did not, however, prevent substantial increases in both the CPI and WPI. Although some prices were falling as a result of the previously noted actions and an easing of supply shortages in farm products and crude industrial materials, charges for consumer services began to advance--accelerating at the highest rate since the Korean conflict period. Also, the WPI rose as finished products' prices continued upward during 1966, and this was reflected in turn in higher retail prices of commodities.

The result of these varied developments was a general level of prices substantially higher in 1967 than in 1964. Consumer services had advanced 11 percent. Despite decreases in late 1966 and early 1967, agriculturally-based prices were still significantly above their 1964 levels--with retail and wholesale food up 7 and 9 percent respectively and farm products up 6 percent. In the industrial sector, wholesale prices averaged 5 percent higher in 1967 than in 1964, and retail prices of manufactured goods were higher by 4.5 percent.

In general, the price advances in 1967 were moderated by actions taken early in the year to "depressurize" the economy. Nevertheless, "demand-pull" and "cost-push" continued to supply a combination of pressures on prices. Continuing high levels of civilian and military demand, easing of credit restrictions, and a bullish psychological climate contributed to demand-pull. Rising production and marketing costs, attempts at maintaining profit margins, and minimal reaction to wage demands by private and public authorities contributed to cost-push. In the 1967 period, it was the developments in agricultural prices--which moved independently of general business activity--that played the major role in holding down the overall price climb.

In the following tabulation are some percentage changes in the WPI and the CPI and their major components. Thus, for example, in the first quarter of 1967, i.e., from December, 1966 to March, 1967, a decline of 0.2 percent is shown for the CPI. This "All Items" decline represents the offsetting of lesser-weighted declines of 2.2 and 2.0 percent in the "farm products" and "processed food and feeds" components by the greater-weighted 0.5 percent increase in the "industrial commodities" component. In general, the marked declines in the wholesale prices of farm and food items tended to move the WPI downward.

<table>
<thead>
<tr>
<th>Index</th>
<th>1966</th>
<th>1967</th>
<th>1968</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wholesale Price%</td>
<td>Percent of Change</td>
<td></td>
<td></td>
</tr>
<tr>
<td>All Items</td>
<td>-0.8</td>
<td>-0.2</td>
<td>+0.6</td>
</tr>
<tr>
<td>Farm products</td>
<td>-6.3</td>
<td>-2.2</td>
<td>+2.8</td>
</tr>
<tr>
<td>Processed foods and feeds</td>
<td>-2.3</td>
<td>-2.0</td>
<td>+1.8</td>
</tr>
<tr>
<td>Industrial commodities</td>
<td>+0.3</td>
<td>+0.5</td>
<td>+0.8</td>
</tr>
<tr>
<td>Consumer Price%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All Items</td>
<td>+0.5</td>
<td>+0.3</td>
<td>+0.9</td>
</tr>
<tr>
<td>Food</td>
<td>-0.7</td>
<td>-0.5</td>
<td>+0.8</td>
</tr>
<tr>
<td>Food at home</td>
<td>-1.2</td>
<td>-1.0</td>
<td>+0.7</td>
</tr>
<tr>
<td>Nonfood commodities</td>
<td>+0.7</td>
<td>+0.1</td>
<td>+1.0</td>
</tr>
<tr>
<td>Services</td>
<td>+1.4</td>
<td>+0.9</td>
<td>+0.9</td>
</tr>
</tbody>
</table>

Note, however, that the drop in "farm products" prices was not necessarily followed by a drop at wholesale in "processed foods and feeds" or at retail in "food."

Wholesale prices of "farm products" averaged about 5.5 percent lower in 1967 than in 1966, but food prices were down only about 1 percent at wholesale and 0.3 percent at retail. Thus the well-known phenomenon: prices of processed foods resist reduction more than increase and also are less responsive to supply and demand imbalances than crude foodstuffs.

Of particular note was the influence upon the CPI of price developments in consumer services. The services component, which constitutes about one-third of total CPI but is not in the WPI, continued to rise throughout 1966 and 1967 when the WPI was moving downward. The lack of comparable movements between the CPI and the WPI is quite often due to the dissimilarity between the movement of "services" component and the other WPI components.

Each major type of services--rent, household services, transportation, and medical care--had increased more in 1966 than in any of the preceding 5 years. In particular, mortgage interest rates, hospital charges, and physician's fees climbed steeply. The advance in charges for services became more moderate in 1967, however. Mortgage rates declined during the first half of the year; yet medical care costs--especially hospital costs--continued to increase enough to push the total services index up. The services index was, however, on the upsizing again at year-end 1967.

There has, moreover, been a pickup in the rise in prices of food items--especially in 1968. Recent reports have also tentatively raised the likelihood of the continuation of the 1967 rises in home ownership, transportation, and food prices at the retail level. Complementing such developments has been an upturn in the WPI reflecting an edging up of "producer finished goods" prices.

The events of the 1967-1968 period may be said to have evoked the expansive forces of recent upward wage-price adjustments and the national effort. The outcome of this interplay will necessarily have to be considered at a later date in a later article.