

price control in December, 1941, followed a year in which wholesale prices had advanced 11.2 p.c. as compared with 3.1 p.c. in 1940. The effectiveness of control in the first two years may be judged by the increase for 1942 and 1943, respectively, of 3.8 and 5.6 p.c. The December, 1943, wholesale index of 102.5 was slightly above the 1926 average which is representative of the stabilization levels following the War of 1914-18.

### Subsection 2.—War-time Relationships between Wholesale Prices of Farm Products and All Commodities\*

Contrasts are more marked than parallels in farm-product wholesale prices and all-commodity wholesale prices for First and Second World War years. Farm-product prices had shown moderate improvement relative to other commodity prices in the years preceding 1914, and pre-war levels were the highest reached in more than two decades. August, 1939, found grain prices severely depressed, and the alignment between farm-product and other prices was then similar to that which existed in the depression years of 1932 and 1933. The initial reaction of farm-product prices was upward after the outbreak of both wars and in each case there was a severe reaction in the summer following. The large grain crop of 1915 brought the wholesale farm-product index sharply downward during the summer of that year, while in 1940 the collapse of France was accompanied by a severe reaction in farm-product prices. However, recovery was much more rapid in the War of 1914-18 than in the present war. Taking an average of prices in the year ended August, 1914, as equal to 100, the advance in farm-product prices overtook the rise in all commodities in August, 1916 (i.e., in exactly two years), and the farm-price index on this base remained above the all-commodity index until April, 1918. When the year ended August, 1939, was taken as 100, the farm-product wholesale price index continued below the all-commodity index until September, 1942 (i.e., for a little over three years). The gap between these two series remained substantially unchanged until the end of 1941. After that time the rate of increase of wholesale prices was reduced, although wholesale farm-product prices continued to advance.

The sharpest contrast in price behaviour of the First and Second World Wars occurred in the third year in each case. In midsummer, 1916, the uncertain movement of the two preceding years gave way to an abrupt rise which carried all commodities upward 47 p.c. and farm-product wholesale prices 83 p.c. between June, 1916, and May, 1917. From June, 1941, to May, 1942, corresponding increases amounted to 6 p.c. for all commodities and 13 p.c. for farm products. There was a substantial reaction from May, 1917, levels of farm products before the final inflationary sweep which continued until May, 1920, but in 1942 general wholesale price levels continued to edge gradually upward throughout the year.

Relationships between the general wholesale price index and the farm-products price index are substantially changed if wheat is excluded from the latter. On this basis the September, 1939, index level for all commodities was 106.8 (year ended August 1939=100) compared with 104.7 for farm products. By December, 1941, the farm-products index had passed the general commodity series reaching 129.2 compared with 127.4 for the general index. This margin was widened in 1942 with farm products reaching 148.7 in December, 1942, as compared with 132.2 for the general index; comparative figures for December, 1943, (165.0 against 139.6) indicate a further widening. Prices for cattle and potatoes were

\* To give a clear-cut comparison of war-time price movements, index numbers quoted in the text of this section have been converted to pre-war reference periods, i.e., the years ended August, 1914, and August, 1939=100. The percentage changes recorded by these indexes from year to year are the same as those for corresponding index numbers in Tables 1 and 2 following.