

however, be a minority which prefers to maintain a high margin of profit and a lower volume of sales rather than move to a lower margin of profit and a higher volume of sales.

There has been spasmodic publicity with regard to "buyers' strikes": The difficulty with these is that they are in most cases short-lived and usually arise from a lack of knowledge of the true facts of the situation. Housewives in a locality may stop buying a given commodity for a short period of time but quite frequently this merely gives a slight check to rising prices and when, after a short time, a resumption in buying takes place, the upward spiral again commences.

The best method of dealing with the price situation is the provision of as much factual information as possible on individual items so that, when necessary, any deliberate action on the part of the consumer against high prices may be well-founded and well-timed.

In this connection, your Committee believes that it has performed a useful public task. It has sought to ascertain not only the underlying factors in our changing price structure but also to bring to light cases where one or more of the supplementary factors described in this section have definitely contributed to increased prices or increased profits. It has received specific evidence that in some cases the intentions of sellers, whether wholesalers or retailers, regarding higher prices, have been changed as a result of the Committee's operations. In one particular case, a merchant reported to the Committee that, in connection with its hearings, he proposed to lower prices on a given article. In other cases, business interests have informed the Committee that, had it not been for its operations, they would have proceeded with price increases; regrettably, in a very few instances, the Committee was informed that these price increases were merely being delayed until its hearings were over.

RECENT PRICE INCREASES RELATED TO INCREASED COSTS

Its second term of reference required the Committee to examine the question of "prices which had been raised above levels justified by increased costs". In actual examination, the Committee found that there were some isolated incidents in which it was possible to single out prices which clearly had been raised higher than could be justified by their relation to increased costs.

In attempting to define the proper relationship of prices to costs, some witnesses contended that actual cost plus a fair profit would equal a reasonable price. This is an attractive but sometimes a misleading concept. To approach the price problem only in this way would lead into a morass of questions, largely unanswerable, as to whose costs should be considered, and for what period, and under what conditions of materials, of supply, or of market demand, and at what level of production, and with consideration of what levels of costs?

Inventory Appreciation

This is evident especially in relation to commodities which are subject to seasonal variation in production. For these commodities storage is the normal practice to provide supplies during the lean production period. The surplus from the flush season moves out of storage in the winter and spring. Meanwhile, storage, insurance, and handling costs have been added to the laid-in cost at the warehouse or cold storage. These factors have to be related to the selling price when the goods are moved out of storage 4 to 6 months later. In the interim, the market might have changed appreciably and the out-of-storage costs be quite unrelated to the selling price.