

WHOLESALE PRICE INDEX-NUMBERS: BASIC MATERIALS AND
FOODSTUFFS, 1928-29 TO 1946-47—continued.

Period.	Metals and Coal.	Oils, Fats and Waxes.	Textiles.	Chemicals.	Rubber and Hides.	Building Materials.	Food-stuffs and Tobacco.	Goods principally Imported.	Goods principally Home Produced.	All Groups.
1944-45—										
July ..	1,308	1,696	1,512	1,430	1,398	1,747	1,312	1,819	1,239	1,410
August ..	1,308	1,696	1,542	1,429	1,398	1,747	1,306	1,817	1,237	1,408
September ..	1,308	1,696	1,525	1,430	1,398	1,747	1,291	1,814	1,225	1,399
October ..	1,308	1,696	1,523	1,430	1,398	1,747	1,288	1,821	1,221	1,397
November ..	1,310	1,696	1,515	1,430	1,398	1,747	1,289	1,831	1,217	1,398
December ..	1,306	1,696	1,515	1,430	1,398	1,747	1,290	1,834	1,216	1,398
January ..	1,306	1,678	1,516	1,430	1,398	1,746	1,291	1,822	1,217	1,396
February ..	1,306	1,678	1,516	1,430	1,398	1,748	1,304	1,830	1,225	1,404
March ..	1,306	1,678	1,511	1,430	1,398	1,748	1,314	1,824	1,235	1,408
April ..	1,306	1,678	1,511	1,430	1,398	1,748	1,333	1,835	1,245	1,419
May ..	1,306	1,609	1,525	1,429	1,398	1,748	1,331	1,795	1,249	1,410
June ..	1,306	1,609	1,510	1,406	1,398	1,748	1,346	1,790	1,261	1,417
1945-46—										
July ..	1,305	1,609	1,502	1,410	1,398	1,758	1,347	1,793	1,250	1,417
August ..	1,303	1,609	1,508	1,410	1,398	1,758	1,349	1,797	1,259	1,418
September ..	1,303	1,566	1,508	1,410	1,398	1,758	1,353	1,791	1,257	1,415
October ..	1,303	1,566	1,489	1,417	1,398	1,758	1,348	1,802	1,249	1,411
November ..	1,303	1,566	1,496	1,417	1,398	1,758	1,332	1,778	1,246	1,404
December ..	1,303	1,566	1,507	1,417	1,398	1,758	1,328	1,778	1,244	1,402
January ..	1,302	1,566	1,511	1,417	1,398	1,762	1,331	1,783	1,244	1,403
February ..	1,302	1,566	1,515	1,417	1,398	1,760	1,328	1,768	1,249	1,403
March ..	1,300	1,566	1,515	1,418	1,398	1,760	1,348	1,786	1,257	1,413
April ..	1,300	1,519	1,540	1,418	1,398	1,783	1,370	1,773	1,274	1,420
May ..	1,300	1,519	1,579	1,418	1,398	1,783	1,370	1,774	1,275	1,421
June ..	1,300	1,519	1,544	1,418	1,398	1,783	1,367	1,766	1,275	1,419
1946-47—										
July ..	1,300	1,519	1,523	1,418	1,398	1,783	1,356	1,766	1,265	1,413
August ..	1,300	1,462	1,530	1,418	1,398	1,783	1,343	1,745	1,252	1,398
September ..	1,300	1,462	1,803	1,418	1,398	1,783	1,340	1,743	1,262	1,404
October ..	1,300	1,459	1,874	1,417	1,398	1,783	1,348	1,757	1,264	1,409
November ..	1,300	1,459	1,954	1,390	1,296	1,787	1,379	1,787	1,275	1,426
December ..	1,300	1,418	1,945	1,390	1,284	1,788	1,376	1,755	1,278	1,418
January ..	1,301	1,442	1,973	1,391	1,284	1,795	1,371	1,750	1,282	1,420
February ..	1,340	1,444	2,022	1,391	1,284	1,796	1,375	1,749	1,296	1,430
March ..	1,340	1,440	2,026	1,391	1,300	1,803	1,393	1,745	1,314	1,440
April ..	1,340	1,440	2,065	1,391	1,312	1,841	1,418	1,797	1,317	1,459
May ..	1,350	1,447	2,101	1,391	1,229	1,841	1,424	1,804	1,321	1,463
June ..	1,350	1,448	2,145	1,412	1,172	1,843	1,436	1,818	1,327	1,470

NOTE.—The figures given in this table are comparable in the vertical columns but are not directly comparable horizontally.

C. CONTROL OF PRICES DURING AND SINCE THE 1939-45 WAR.

1. General.—Immediately after the outbreak of war the Commonwealth Government undertook control of prices and issued proclamations fixing as maximum prices of certain specified goods those prevailing on 31st August, 1939. These initial proclamations were issued from day to day by the Minister for Trade and Customs to peg prices of commodities which had risen or seemed likely to rise. These were emergency measures to hold prices in check pending establishment of machinery for price control.

At a Premier's Conference held in Canberra on 9th September, 1939, agreement was reached as to the basis for co-operation between the Commonwealth and State Governments in administering price control, and on 28th September the National Security

(Prices) Regulations were proclaimed by the Commonwealth Government under the authority of the National Security Act. The Regulations established the basic principles of price control and provided for the appointment of a Commonwealth Prices Commissioner, conferring upon him extensive powers to control the prices of goods declared for that purpose by the Minister for Trade and Customs.

The National Security Act expired on 31st December, 1946, but control over prices was continued under the Defence (Transitional Provisions) Act 1946 which provided for the continuation of the Prices Regulations for a further twelve months from 1st January, 1947. In order to permit of continuation of the Prices Regulations in 1948, a further Transitional Provisions Act was passed in December, 1947. The Commonwealth Government decided to hold a referendum seeking authority for permanent powers over rents and prices (including charges) on behalf of the Commonwealth Parliament. The vote which was taken on 29th May, 1948 resulted in the rejection of the Government's proposals and in consequence arrangements were made with the State Governments to take over from the Commonwealth control of prices and land sales on 20th September, 1948 and rents on 16th August, 1948.

2. State and Commonwealth Administration.—At the present time (July, 1948) price control is administered jointly by the Commonwealth and the States. The central office is located in Canberra and is a Commonwealth administration, being a branch of the Department of Trade and Customs. In September, 1939, a Deputy Prices Commissioner was appointed in each State by the Commonwealth on the nomination of the State Government. Deputy Commissioners administer the Regulations under the supervision of the Commonwealth Prices Commissioner who makes prices orders under the Regulations. Close co-operation is maintained with State instrumentalities which dealt with prices before the war, and with State Government Departments, such as Agriculture and Forestry, in relation to primary products.

3. Initial Phase of Control : Automatic Adjustment of Prices to Increases in Costs.—In order to avoid delays in the distribution of goods, general principles were adopted late in September, 1939, providing for the automatic adjustment of prices to increases in costs.

These principles were set out in Prices Regulation Order No. 2, which was amended from time to time, and finally consolidated in Prices Regulation Order No. 100. Selling prices were to be calculated by traders themselves on principles laid down in the Order, subject to official check. The basis of such prices was the cost of the goods being sold, plus a gross profit margin. This cost was defined in the Order as the actual into-store cost of goods being sold or, in certain circumstances, as the average cost of all goods held in stock at a given date. Replacement costs were never allowed as a basis for prices. Traders were in general allowed to add the percentage margin of profit which they had added to costs on 31st August, 1939. The Prices Commissioner could increase margins where they were shown to be inadequate, or reduce them where they were deemed to be too high.

Many commodities were excluded from the operation of the general Orders, and for these specific prices were fixed. Generally, such prices were calculated on the same principles as set out in Orders No. 2 and 100, but in special cases formulae were prescribed for the absorption into prices of increases in specified costs.

4. Change in Methods of Price Control : Pegging Profit Margins.—An important change in the methods of price control was introduced in April, 1942, by the issue of Prices Regulation Order No. 666 which limited the trader's profit margin to the actual money margin obtaining on 15th April, 1942. From that date onwards the trader was allowed to increase his prices only by the actual amount of increased cost. Increases in money margins of profit were permitted only with special approval. This new principle was adopted because of the inflationary effects of increasing costs, increasing turnover and percentage profit margins on pre-war basis.

At this time also Australia was entering on a period of total war demanding all-round sacrifices, and the new measure of price control was introduced shortly after the pegging of interest, rent and wages. Following the entry of Japan into the war in December,

1941, costs of many goods imported into Australia rose substantially as did costs of certain locally produced goods because of the transfer of a very large proportion of efficient labour from productive industry to war services. The retail price index-number rose by 9.5 per cent. in the first twelve months of the Pacific war (i.e. during 1942) compared with 5.4 per cent. in the previous year and 4.6 per cent. in the first twelve months of war.

5. **Comments on Early Phases of Price Control.**—The method of adjusting prices automatically to cover increasing costs gave flexibility and speed to the administration of price control when these qualities were highly important under the rapidly changing conditions of an economy transferring to a war footing under great strain. But it had weaknesses.

Firstly, rising costs and prices were disturbing to a community settling down to a total war effort. The continued rise of prices and uncertainty as to their future course created a feeling that profiteering was occurring and fear that inflation would occur. This was damaging to morale. Moreover, since costs could usually be covered by rises in price, there was no direct incentive for business men to increase efficiency to offset increasing costs. The level of wages had to be continually adjusted to the changing level of prices and public finances were continually disturbed by the changing levels of costs and prices.

6. **Price Stabilization.**—The next phase of price control was designed to secure price stability and was based partly on the Canadian Plan for an over-all ceiling on prices of goods and services. On 12th April, 1943, Prices Regulation Order No. 1,015 fixed, as ceiling prices, the prices actually being charged by individual traders on that date. There were certain exceptions, mainly in respect of perishable primary products. Special ceiling prices, to cover seasonal fluctuations, had already been arranged for most of these commodities.

The ceiling applied not only to retail prices but to all prices, at every stage of production, manufacture and distribution. Every trader's selling prices were fixed as at those prevailing on the ceiling date, and consequently the prices he had to pay for his materials. Rents and interest rates were fixed and, in general, wage rates were pegged (except for "cost of living" adjustments) in February, 1942.

7. **Rising Costs.**—The price ceiling could not, however, eliminate all rising costs. A substantial proportion of materials is imported and prices paid overseas for imports cannot be controlled. Materials produced in Australia may have to be produced from less accessible or more restricted sources so that their real cost of production rises. Again, in some cases, war-time stresses made it imperative to correct anomalies in the income structure with the result that various sections of primary producers and wage-earners received increased incomes which represented increased costs. These cost increases had to be met in some way which would not involve piercing the price ceiling.

8. **Price Changes within the Price Stabilization Policy.**—The price ceiling was not, as the expression implies, an indication of the Government's determination to peg rigidly every individual price at its level on a certain date. It was rather evidence of the Government's intention not to allow the general price level, which is one of the most important indications of the community's welfare, to be subject to extreme variations of costs during war-time. Over the major part of the economic field the cost structure itself had been stabilized but where it had not been so stabilized special measures were taken. Generally the price level was divorced from the cost structure. Government policy provided that, in future, necessary relief from increased costs could be met either by price adjustment or payment of price stabilization subsidy.

In some cases increases in prices were permitted. Sales to Government Departments were normally at a price high enough to cover costs of production. Where a manufacturer or trader, later in the chain of production and distribution, could absorb higher costs, the prices charged by the suppliers of his materials were increased in some cases. Where one trader, producing in competition with others, had a ceiling price lower than that of his competitors, he was permitted, provided circumstances

justified such a course, to raise his price towards the general level, and thus cover some of the increased costs. Such adjustments were arranged as a rule in such a way as to avoid a breach of the price stabilization policy, and to leave the general price level, as it affected consumers, practically unchanged.

Moreover, within the price ceiling, each trader was required to reduce his prices in accordance with Prices Regulations Orders 666 and 667 whenever a downward movement in his costs occurred.

9. Treatment of Costs and Subsidies.—Although the Price Stabilization Plan provided for certain increases in prices, price rises up to the end of 1946 were the exception rather than the rule. When increased costs could not be absorbed within the process of production or distribution, they were met generally at the source by payment of subsidies and thus were prevented from disturbing the whole price structure.

Any trader who was in need of relief by reason of increased costs would submit his case to the Prices Branch. If, on investigation, production was regarded as essential, and relief necessary to avoid piercing the ceiling, the case would be referred to the Price Stabilization Committee. This Committee was composed of the Prices Commissioner, the Secretary, Department of the Treasury, and the Director-General, Department of War Organization of Industry (later Department of Post-war Reconstruction). The Committee's primary concern was to determine whether all or part of the increased costs could be offset by increased economies in production or absorbed by the trader. When the Committee was satisfied that relief was required and that a price increase would be inconsistent with the Government's policy of price stabilization, it recommended to the Minister for Trade and Customs that a subsidy should be paid. This recommendation, if approved by the Minister, was subject to final confirmation by the Treasurer.

The payment of subsidies in respect of imports was an important feature of the plan. Importers received full protection against increasing oversea prices over which the Prices Commissioner had no control. Importers could ascertain before placing orders abroad whether their proposed imports would be regarded as essential. Subsidies were paid in full immediately on production of documents showing that the goods had arrived and that the landed costs were higher than the costs which were the basis of existing ceilings.

The Commonwealth Prices Commissioner had ample powers to correct any abuses that might arise under the subsidy scheme, and this was an indispensable part of the price ceiling plan.

10. Maximum Prices.—So long as the ceiling consisted of prices determined for each trader by the price charged on 12th April, 1943, ample room existed for uncertainty among purchasers as to what was the legal ceiling price, and even for evasion.

To meet this difficulty the Prices Branch extended its policy of fixing specific maximum prices which no trader could exceed, whatever may have been his price on 12th April, 1943. Under these Orders the consumer knew the highest price he could be charged and the Administration was in a stronger position to police its Prices Regulations Orders. Some important Orders in this category were made. Specific maximum prices were fixed for hundreds of grocery lines, for many fruits and vegetables throughout Australia, for woollen piece-goods, for cotton yarns, for woollen goods, for standard cloths and for meat.

A further development in this direction was the widening of the group of commodities in respect of which traders were required either to display a list of maximum prices or to mark the goods themselves with actual selling prices. Groceries, some fruit and vegetables, liquor and furniture were included in this group.

11. Governmental Action to Adjust Increases in the Cost of Living.—At the time the price ceiling was introduced the most recent measurement of retail prices was for March quarter, 1943 and represented prices about the middle of February or in the

case of food and groceries the average of the months January to March inclusive. Between these dates and 12th April, 1943, when the ceiling was imposed there was a lapse of time, and, as was expected, the retail price index for June quarter was appreciably higher than that for March quarter. This was due to various causes. Seasonal rises had taken place in the prices of potatoes, meat and eggs. The new supply of winter clothing came on to the retail market in June quarter and many important lines had shown substantial increases in price. There were also some adjustments that had to be made to retail prices to absorb increases in wholesale costs that were still outstanding when the ceiling was introduced. Through the operation of the automatic "cost of living" adjustment clauses of the industrial awards, this rise in the retail price index for June quarter necessitated an increase in the basic wage involving increased costs for all employing labour.

The Government was aware at the time it introduced the price stabilization policy that this situation would probably arise, and as soon as it was advised of the nature and extent of the rise it took the necessary steps to absorb the rise in costs, firstly by undertaking to refund to employers amounts paid as basic wage increases and secondly by reducing prices in such a way as to offset the price increases that had occurred.

These measures were announced on 21st July, 1943. The price of tea was reduced by 1s. 2d. per lb. to its pre-war level and the standard retail maximum price for potatoes was fixed at 5 lb. for 6d. (capital city basis). In the former case importers, and in the latter case growers, received a subsidy. At the same time, also, sales tax on clothing and textiles was reduced from 12½ to 7½ per cent. to take effect as existing stocks were cleared.

The range of commodities chosen for price reduction was small but all were universally consumed so that it was certain that the benefit of the reduction would be spread throughout the community. Prices of tea had risen by 50 per cent. and of clothing by an average of 75 per cent. since the outbreak of the war and seasonal fluctuations in potato prices had seriously disturbed the retail price level.

By December quarter 1943, the retail price index-number was again close to the pre-ceiling level of March quarter 1943.

12. Recent Developments.—Experience has shown that the further the ceiling date (12th April, 1943) receded the more difficult became the task of ascertaining prices on that particular date. The change-over from war-time controls to a peace-time economy raised many complex problems in respect of pricing and these new problems demanded a new approach. The rigidity of price ceilings had to give way to a more elastic control to permit of the expeditious pricing of the thousands of new or restored lines, and in certain instances the Commissioner extended to manufacturers the privilege of automatically fixing their own prices having regard to a previously determined basis.

The lifting of many economic war-time controls such as the Manpower Regulations, and those regulations governing the production of commodities and the modification of others, such as Wage-pegging Regulations, were major shocks to the economic structure.

Late in 1946, important steps were taken by the Commonwealth Government to modify the operation of the Price Stabilization Plan. The Government desired to keep expenditure on price stabilization subsidies within reasonable limits and adopted the policy of critically examining proposed new payments and tapering off existing commitments. Where necessary, relief from increased costs would be extended by price increase more frequently rather than by payment of subsidy.

General increases in the "real" basic wage resulting from the "Interim Basic Wage" judgment of the Commonwealth Arbitration Court of 13th December, 1946 (operating from the first pay-day in December, 1946) were partly offset by reductions or elimination of Sales Tax, and traders were required to absorb, in part, or wholly, the increased costs. In other cases, price increases were granted.

In February, 1947, the wages subsidies payable in respect of the Clothing Trades' Award and the National Security (Female Minimum Rates) Regulations were removed. In addition, payment of subsidy to cover basic wage adjustments was cancelled and steps were taken either to adjust prices or to require traders to absorb the increased costs.

On 30th May, 1947, a drastic change took place in connexion with import subsidies. The fundamental concept of *essentiality* gave way to that of *eligibility* for subsidy. The Government adopted an exclusive list of some 20 items which would be eligible for payment of import subsidies. The list of eligible items was practically restricted to textiles and clothing and several smaller items. Subsequently the list was gradually reduced until import subsidy on the last remaining item (viz. imported textiles and yarns) was discontinued as from 31st July, 1948.

The following additional adjustments have been made recently in regard to certain important commodities:—

Potatoes.—Retail prices were increased from 5 lb. to 4 lb. for 6d. from July, 1947.

Tea.—Wholesale prices were increased by 6d. per lb. from 1st March, 1947, but the saving in subsidy on this account was more than offset by the increased price of tea in India and Ceylon consequent upon the termination of the British Government contract and the resumption of auction sales. The increase in retail price, however, was also limited to 6d. per lb.

Clothing and Household Drapery.—Sales tax on clothing and household drapery was completely removed from 14th November, 1946.

The Prices Commissioner has constantly watched the supply position of commodities and services in relation to the demand. When the danger of "black marketing" in any commodity or service was eliminated by supply overtaking demand and the interests of the consuming public were adequately safe-guarded, steps were taken to remove these items from price control. In accordance with this policy, control was removed from such commodities as hay, chaff, straw and oats and growers' prices of fruit and vegetables.

13. Expenditure on Price Stabilization Subsidies.—The following is a comparison of the expenditure on Price Stabilization Subsidies for the years 1943-44 to 1946-47 inclusive. In addition to this expenditure, the Government paid subsidies to the dairy industry and on superphosphates and these payments also had a stabilizing influence on prices.

PRICES STABILIZATION SUBSIDIES—EXPENDITURE : AUSTRALIA.

Item.	1943-44.	1944-45.	1945-46.	1946-47.
	£	£	£	£
Potatoes	1,725,446	2,433,492	2,829,648	3,012,170
Tea	2,460,612	2,188,292	2,356,176	4,413,702
Milk	318,976	1,785,946	2,517,247	2,252,649
Recoupment of Basic Wage	1,101,603	801,891	555,372	2,307,435
Imports (other than Tea)	967,041	2,436,683	3,006,464	3,690,859
Coal	101,268	182,767	456,657	958,949
Firewood	199,679	305,221	201,204	314,852
Rubber .. .. .	..	98,783	141,200	333,575
Raw Wool .. .. .	..	..	..	3,416,876
Tobacco .. .. .	..	..	250,000	617,704
Other Expenditure ..	131,035	576,349	669,766	1,322,137
Total	7,005,660	10,809,424	12,983,734	22,640,908

14. Expenditure on Commonwealth Prices Branch.—The table following shows the expenditure on the Commonwealth Prices Branch during each of the years 1939-40 to 1947-48 inclusive. The expenditure over the whole period in respect of each State Office and Head Office was as follows :—New South Wales, £973,689; Victoria, £609,345; Queensland, £439,995; South Australia, £260,362; Western Australia, £316,466; Tasmania, £137,579; and Head Office, £736,531.

COMMONWEALTH PRICES BRANCH : EXPENDITURE, AUSTRALIA.

Year.					Salaries.	General Expenses.	Total.
					£	£	£
1939-40	..	..	..	..	19,086	7,622	26,708
1940-41	..	..	..	..	35,833	9,543	45,376
1941-42	..	..	..	..	70,047	14,354	84,401
1942-43	..	..	..	..	150,112	23,570	173,682
1943-44	..	..	..	..	285,265	49,653	334,918
1944-45	..	..	..	..	420,295	70,499	490,794
1945-46	..	..	..	..	486,256	73,489	559,745
1946-47	..	..	..	..	648,118	113,963	762,081
1947-48	..	..	..	..	844,798	151,464	996,262
Total	..	..	..	..	2,959,810	514,157	3,473,967

15. Retail Price Indexes.—The movement in the retail price index-numbers since the September quarter 1939, is shown below :—

RETAIL PRICE INDEX-NUMBERS, 1939-1947.

WEIGHTED AVERAGE OF SIX CAPITAL CITIES.

(Base of each Group : September Quarter, 1939 = 1,000.)

Period.	Food.	Rent.	Clothing.	Mis-cellaneous.	All Items "C" Series.
September quarter 1939 ..	1000	1000	1000	1000	1000
.. .. 1940 ..	1019	1006	1146	1049	1046
.. .. 1941 ..	1017	1009	1349	1117	1102
.. .. 1942 ..	1147	1009	1605	1155	1207
March .. 1943 ..	1130	1008	1685	1196	1226
June	1150	1008	1754	1205	1248
September	1126	1008	1734	1212	1237
December	1103	1008	1718	1215	1226
September .. 1944 ..	1126	1008	1714	1211	1233
September .. 1945 ..	1130	1008	1693	1208	1229
September .. 1946 ..	1118	1009	1819	1214	1251
September .. 1947 ..	1200	1010	1873	1262	1301