

terms of price behavior have led many observers to believe that prices are becoming increasingly likely to rise during recessions. However, an examination of table 16 shows that at least for the prices of the product which originates *within* manufacturing industries, i.e. our "value added" prices, such does not appear to be the case. In this table published Bureau of Labor Statistics indexes for manufactured goods and for raw materials are compared with the indexes of value added (gross product originating) prices constructed for this study. The three sets of indexes are not so constructed that they are completely consistent with each other. Nevertheless, changes in the prices of manufactured goods, as shown by the BLS indexes, will be approximately determined by the combined influence of changes in raw materials prices and changes in prices of value added.

TABLE 16.—*Changes in various prices in postwar recessions*
[Percent change]

	1948-49	1953-54	1957-58
Total manufacturing: ¹			
Product prices.....	-3.4	.8	1.1
Raw materials prices.....	-10.2	-1.8	2.7
Price of value added.....	3.9	1.4	1.8
Durable manufacturing:			
Product prices.....	2.9	1.2	1.4
Raw materials prices.....	-19.6	-8.8	-11.4
Price of value added.....	7.3	3.0	3.0
Nondurable manufacturing: ¹			
Product prices.....	-8.2	.3	.7
Raw materials prices.....	-9.6	-1.4	3.6
Price of value added.....	-1.2	-1.3	-.4
Consumer price index.....	-1.0	.3	.7
Food.....	-3.9	-.2	4.2
Other commodities.....	-1.4	-1.3	1.0
Services.....	4.7	2.7	3.8
Wholesale price index.....	-5.0	.2	1.4
Farm.....	-13.5	-1.4	4.4
Food.....	-9.8	.7	5.0
Industrial.....	-2.0	.4	.3

¹ Excludes petroleum and coal products industry.

NOTE.—The indexes of product prices, value added prices, and raw materials prices, from which the changes shown in the table were derived, are not completely consistent with each other in terms of weighting and coverage. As a consequence, the change in product prices, in some instances, may not be fully explained by the change in the indexes of value added prices and raw materials prices.

It is clear from the table that the major changes in the behavior of product market prices in the various recessions are traceable not to changes in the behavior of the prices of product originating within manufacturing (that is, the prices of value added), but rather to changes in the behavior of raw materials prices. It is true that the price of value added within manufacturing increased in all three recessions. However, the percent increase in this price of value added was greatest in 1948-49, and was substantially smaller in the two succeeding recessions. We may conclude then that the changed behavior of the market prices of manufactured products did not occur because manufacturers added a larger overall markup to raw materials costs in succeeding recessions. Rather the explanation lies in the fact that raw materials prices declined sharply in 1948-49, declined moderately in 1953-54, and increased moderately in 1957-58. Thus the *change* in the pattern of behavior of the market prices of manufactured goods is largely attributable to the change in the pattern of raw materials prices.

In assessing the importance of the change in the pattern of behavior of raw materials prices, it should be kept in mind that the behavior of