Prices. An inquiry into prices in New Zealand, 1891-1919 ...

Fraser Malcolm
Title: Prices. An inquiry into prices in New Zealand, 1891-1919 ...

Author: Fraser Malcolm

This is an exact replica of a book. The book reprint was manually improved by a team of professionals, as opposed to automatic/OCR processes used by some companies. However, the book may still have imperfections such as missing pages, poor pictures, errant marks, etc. that were a part of the original text. We appreciate your understanding of the imperfections which can not be improved, and hope you will enjoy reading this book.
PRICES.

An Inquiry into Prices in New Zealand, 1891–1919.

Prepared under the Authority of the Government of New Zealand by
MALCOLM FRASER,
Government Statistician, Wellington, N.Z.

WELLINGTON.
BY AUTHORITY: MARCUS F. MARKS, GOVERNMENT PRINTER.

Price, 3s. 6d.] 1920.
HB235 7
A 83 F8
@ 5,08.21
PREFACE.

In 1915 the Census and Statistics Office published its "Report on the Cost of Living in New Zealand, 1891–1914," giving details of the results of an inquiry into the course of retail prices for that period, together with an exposition of the technique of the method adopted.

Since then retail-price quotations and index numbers have been continued, first in the now defunct *Journal of the Department of Labour*, and more recently, together with wholesale-price quotations and index numbers, in the *Monthly Abstract of Statistics*. The present report brings up to date and revises the results of these inquiries, and also includes index numbers of producers' and export prices.

The index numbers for retail and wholesale prices for periods subsequent to that covered by this report will be found in the *Monthly Abstract of Statistics* issued from this office each month.

I desire to place on record my appreciation of the services of those retailers, wholesale merchants, and others, together with the officers of the Labour Department, through whom the returns have been received.

MALCOLM FRASER,
Government Statistician.

Wellington, 17th September, 1920.
CONTENTS.

PART I.—NATURE AND PURPOSE OF THE INVESTIGATIONS
(Pages 1–11).

<table>
<thead>
<tr>
<th></th>
<th>PAGE</th>
<th></th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Introduction</td>
<td>1</td>
<td>4. Selection of base</td>
<td>9</td>
</tr>
<tr>
<td>2. Index numbers</td>
<td>3</td>
<td>5. Scope of inquiry</td>
<td>9</td>
</tr>
<tr>
<td>3. Method adopted</td>
<td>4</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

PART II. RETAIL PRICES (Pages 11–145).

CHAPTER I.—METHOD OF THE INVESTIGATION (Pages 11–19).

<table>
<thead>
<tr>
<th></th>
<th>PAGE</th>
<th></th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Selection of commodities</td>
<td>11</td>
<td>4. Mass-units or weights</td>
<td>15</td>
</tr>
<tr>
<td>2. List of commodities included</td>
<td>14</td>
<td>5. Collection of data</td>
<td>18</td>
</tr>
<tr>
<td>3. Importance of these commodities</td>
<td>14</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

CHAPTER II.—RULING RETAIL PRICES, 1891–1919 (Pages 19–44).

CHAPTER III.—INDEX NUMBERS, FOUR CHIEF CENTRES, 1891–1919
(Pages 45–101).

<table>
<thead>
<tr>
<th></th>
<th>PAGE</th>
<th></th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Group I—Groceries</td>
<td>45</td>
<td>4. Three food groups</td>
<td>75</td>
</tr>
<tr>
<td>Analysis of group</td>
<td>47</td>
<td>5. Group IV—House-rent</td>
<td>83</td>
</tr>
<tr>
<td>(a.) General groceries</td>
<td>49</td>
<td>6. Group V—Fuel and light</td>
<td>89</td>
</tr>
<tr>
<td>(b.) Five home products</td>
<td>52</td>
<td>7. All groups</td>
<td>93</td>
</tr>
<tr>
<td>(c.) Sugar</td>
<td>60</td>
<td>Relative expenditure on each group</td>
<td>98</td>
</tr>
<tr>
<td>Tariff changes</td>
<td>62</td>
<td>Summary of index numbers</td>
<td>99</td>
</tr>
<tr>
<td>2. Group II—Dairy-produce</td>
<td>66</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Group III—Meat</td>
<td>71</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

CHAPTER IV.—PURCHASING-POWER OF MONEY (Pages 102–105).

<table>
<thead>
<tr>
<th></th>
<th>PAGE</th>
<th></th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The shrinking sovereign</td>
<td>102</td>
<td>2. The prices-level</td>
<td>104</td>
</tr>
</tbody>
</table>

CHAPTER V.—INDEX NUMBERS, TWENTY-FIVE TOWNS, 1914–1919
(Pages 106–115).

<table>
<thead>
<tr>
<th></th>
<th>PAGE</th>
<th></th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Dominion index numbers</td>
<td>106</td>
<td>1. Dominion index numbers—ctd.</td>
<td></td>
</tr>
<tr>
<td>Group I—Groceries</td>
<td>108</td>
<td>Group IV—Rent</td>
<td>112</td>
</tr>
<tr>
<td>Group II—Dairy-produce</td>
<td>109</td>
<td>Food groups and rent</td>
<td>113</td>
</tr>
<tr>
<td>Group III—Meat</td>
<td>110</td>
<td>2. Purchasing power of money</td>
<td>114</td>
</tr>
<tr>
<td>Three food groups</td>
<td>111</td>
<td>3. Retail price-level thermometers</td>
<td>114</td>
</tr>
</tbody>
</table>
CHAPTER VI.—WAR INCREASES (Pages 116–137).

2. Moving six monthly average index numbers .. .. 129 5. Changes in the purchasing-
   power of money .. .. 136
3. Quarterly index numbers .. 132 3. Validity of index numbers as
   between different communities .. 143

CHAPTER VII.—HOUSEHOLD BUDGET INQUIRIES (Pages 137–145).

1. New Zealand and Australian investigations of 1910–11 .. 137 4. Continuity of index numbers
   in point of time .. .. 144
2. New Zealand investigation of 1919 .. .. 139

PART III.—WHOLESALE PRICES (Pages 145–170).

CHAPTER I.—METHOD OF THE INVESTIGATION (Pages 145–149).

1. Commodities selected .. 145 3. Collection of data .. .. 149
2. Mass-units or weights .. 146

CHAPTER II.—RULING WHOLESALE PRICES, 1891–1919 (Pages 149–162).


1. General index numbers, 1891– 1919 .. .. 163 2. Index numbers of groups, 1909–19 .. .. 164

PART IV.—PRODUCERS’ AND EXPORT PRICES (Pages 171–186).

CHAPTER I.—PRODUCERS’ PRICES (Pages 171–172).

1. Nature and method of investigation .. .. 171 2. Index numbers, 1891–1918 .. 172

CHAPTER II.—EXPORT PRICES (Pages 173–186).

1. Nature and method of investigation .. .. 173 3. Index numbers for calendar years .. .. .. 175
2. Selection of base period .. 174 4. Index numbers based on previous years’ prices .. 176
3. Index numbers for calendar years .. .. 175 5. Exports for years ended 30th June .. .. 177
6. Exports at prices of 1890–99 180

PART V.—GENERAL SURVEY OF INDEX NUMBERS (Pages 187–191).
PRICES.

AN INQUIRY INTO PRICES IN NEW ZEALAND, 1891-1919.

PART I.—NATURE AND PURPOSE OF THE INVESTIGATION.

Perhaps the most striking feature of modern economic organization is the immense importance of exchange, accompanied by division of labour in all its forms. The production of commodities for immediate consumption has been entirely superseded by production for exchange, and producer and consumer are separated widely. It is a matter of history that production for exchange was greatly facilitated, if not caused, by the introduction of a money economy and the consequent break-up of the old feudal and communal systems. The industrial revolution of the eighteenth century, with its enormous increase in productive power, and a great development of trade, carried the process a long step further, and the economic history of subsequent times is merely the story of the continuation of the processes then begun. The increased use of machinery in round-about processes of production; the improvements in transport and communication, linking up the whole world in one market; and the ever-increasing specialization of industry, national and local, by trades and processes, have resulted at once in a great increase of vendible commodities and in an unprecedented complexity of organization.

It has been well said that prices are the indicator of the economic machine, and as the machine has grown more complex the importance of prices has become more and more evident. It is the action of prices that guides the regulation of supply and demand. The margin of unprofitable production, the limit of consumption, the ratio of values of various commodities are expressed in terms of price, and indeed, the whole economic structure of society is hinged upon the relation between commodities and currency.

Now, it is possible to investigate prices from various standpoints; and it is obvious that the more specialized industry has become, the more viewpoints there are from which the problem may be approached. We might consider the prices of the raw materials of the primary extractive industries, we might follow those raw materials as they gradually passed through process after process, and investigate their prices at any one stage. We might investigate the prices of the finished product when it leaves the hands of the person or firm performing the last process in its production, or we might wait until it has reached the middleman's hands and is sold from the wholesale warehouse. Finally we might investigate prices as the goods are bought by the consumer.

Although there are so many stages of transformation, from the extraction of the raw material till the finished product finally reaches the hands of the

1—Prices.
consumer, there are only three stages which are sufficiently definite and important in character either to warrant or to be capable of statistical investigation—viz., (1) the stage when the article has undergone the final process in the chain of production so far as the country under investigation is concerned; (2) the stage when the commodity is exchanged in the wholesale market; (3) the stage when the commodity is finally retailed to the consumer.

The best-known inquiries, such as those of Jevons, Sauerbeck, the Economist, and the British Board of Trade, refer to wholesale prices and have as their main purpose the illustration of changes in the general level of prices. It will readily be recognized that the prices at which wholesale transactions are effected are in general more typical than any others, reflecting in large measure as they do producers’ prices, which normally precede them, and retail prices, which follow them. Besides this, in wholesale markets standardization has normally proceeded further than elsewhere, so that such inquiries are not to the same extent as others liable to be vitiated on account of variations in the qualities of the articles comprised in the investigation.

There is, however, nothing to prevent one’s going even beyond this and compiling an index number of producers’ prices as already defined, a particularly important conception in a country such as New Zealand, so dependent on other countries for a market for its produce. In point of fact, results of an annual investigation into the export values of New Zealand produce have now for some years been published in the Trade section of the “New Zealand Official Year-Book,” and are reproduced (together with a specially prepared producers’ index number) in Part IV of this report.

But, especially since 1895-96, when prices began to rise all over the world, the aspect of the question that has come into prominence is the influence of prices on the consumer—the problem commonly known as “the cost of living.” It is said that the “pinching shoe” of rising prices has been at the root of much social discontent, especially since the variations in prices, so far as they affect the cost of living, are of particular individual concern. To the average man no subject is of greater interest than that which directly touches his pocket and modifies his spending-power. The question has been all the more prominent during the last four or five years, when the abnormal conditions of war have sharply accentuated the general tendencies which were noticeable before.

This period from 1895 to the present time has seen almost universal recognition of the necessity for the accurate and scientific measurement of price-variations, especially as they affect the cost of living. The advancement of statistical method which made it possible to extract representative facts from huge masses of data, by scientific averaging and arrangement, has been specially important in this field of economics. In the absence of sufficient, or in the presence of incorrect, data, any discussion of the problem of the cost of living is apt to lead to erroneous assumptions, and no adequate remedy can ever be found without an accurate measurement of the course and extent of price-variations. It is now recognized that a proper understanding and analysis of the problem is a necessary precedent to any attempt at reconstruction, and in almost every country of any importance it has become a regular part of the work of the statistical offices to analyse