

of wholesale prices within the country should be appreciably higher than the general level of imported prices or of exported prices with the reservation that is made in the following paragraph. In fact, however, the figures suggest that no appreciable general disparity between these three series exists. There is the presumption that unusual disparities in reference to any individual commodities are due to special influences. As I see it, the problem may be stated in other words somewhat as follows :—

(1) Column 3 represents the general level of wholesale prices within the country. (2) This index includes three sets of items : imported goods, some goods which are also items in the export index, and domestic products other than these latter. (3) If there is a factor within the country which is an important element in raising cost, the average wholesale-price index within the country should be higher than the index number of imports and exports ; for (a) this factor would not apply to imports except in small degree in reference to handling charges ; (b) since most exportable items sold within the country require some treatment in addition to that which is necessary for export alone, this common element in cost would cause such items to reveal a higher price than items actually exported.

As I see it, there is one possible source of error in this conclusion. The weighting of exportable items included in the general domestic index may be different from the weighting in the export index. If the items not exported include a high proportion of commodities whose price has fallen more than the average of exports, this will be a factor in reducing the general index, and compensating for the added element in cost within the country, but affects the general index. I have not been able to obtain a "line" on this factor. I do not expect it to have any marked influence on the general index ; but my conclusion that the actual disparity between domestic, imported, and exported items is small, is subject to the above reservation. The point is worth investigating by the Government Statistician.

I wish to state emphatically, however, that even if it be proved that a disparity exists, *there is still no proof forthcoming that it is due to the Arbitration Court.*

Further, it is relevant to point out that manufacturing industries are not the only ones which are "sheltered." Agricultural produce and milled agricultural products are also sheltered.

If we compare the index number of the wholesale prices of all commodities in New Zealand, including materials for building-construction, with those in the United Kingdom and the United States, for which figures are available, the following is the result :—

WHOLESALE PRICES IN NEW ZEALAND, UNITED KINGDOM, AND UNITED STATES.  
(Base 1914 = 100.)

Year.	New Zealand.	United Kingdom ( <i>Economist</i> ).	United States (Bureau of Labour).
1914 .. .. .	100	100	100
1918 .. .. .	153	(Dec.) 237	198
1919 .. .. .	169	..	210
1920 .. .. .	189	(Dec.) 231	231
1921 .. .. .	184	..	150
1922 .. .. .	156	(Sept.) 163	152
1923 .. .. .	151	(Dec.) 179	157
1924 .. .. .	158	..	153
1925 .. .. .	154	(Dec.) 166	162
1926 .. .. .	148	155	(Jan.-Mar.) 157
1927 .. .. .	141	(June-Nov.) 156	..

Allowing for the imperfections of index numbers as a basis for international comparison, it is abundantly clear that prices in New Zealand are not unduly high relative to prices in 1914 when compared with those in the United Kingdom and the United States. If the Arbitration Court is a factor delaying the fall in prices in New Zealand, there are other factors at least equal in importance in the two countries mentioned ; or factors at work in New Zealand which compensate the action of the Court. In short, the pernicious influence of the Arbitration Court on prices in New Zealand is not proven. I believe a careful examination of prices in other countries would reveal comparable price movements, except where special influences operated.

One conclusion, then, is : (1) That the general level of wholesale prices in New Zealand is not unduly higher when compared with conditions abroad in countries which have no Arbitration Court. (2) A disparity between prices of farm products and prices of other commodities is general, and not confined to this country. (3) In actual fact, with the reservation made above, the existing disparity between agricultural and non-agricultural prices in this country appears extremely small, probably less than the disparity in most other countries. (4) For these reasons the case against the Court on the grounds of its effects in keeping up prices and promoting a price disparity is extremely weak.

#### 6. *The Alleged Influence of the Court on Farming-costs.*

It is, of course, conceivable that a special disparity may occur between export prices and the prices of commodities which the farmer uses in production. It has been asserted that such a disparity does occur. If this is so, and if it is due to the cost-raising influence of the Arbitration Court, it should reveal itself in a marked disparity between the index number of wholesale prices of producer's material for the farming industry, and the index number of export prices.

In the following table, in which official figures are again recalculated to the base : 1914 = 100, the index number of all exports is compared with the wholesale index number of agricultural requisites :—