

AGRICULTURAL REQUISITES AND EXPORT PRICES.
Comparison of Index Number of Wholesale Prices of Producer's Goods and all Exports.
(Base 1914 = 100.)

Year.			Agricultural Producer's Goods.	Export Prices.	Ratio Export Prices Agri- cultural Pro- ducer's Goods.	Year.			Agricultural Producer's Goods.	Export Prices.	Ratio Export Prices Agri- cultural Pro- ducer's Goods.
1914	..	..	100	100	100	1921	..	..	166	152	92
1915	..	..	118	119	101	1922	..	..	155	114	89
1916	..	..	130	138	115	1923	..	..	132	140	106
1917	..	..	136	157	115	1924	..	..	150	159	106
1918	..	..	159	162	102	1925	..	..	140	170	121
1919	..	..	165	167	101	1926	..	..	133	138	104
1920	..	..	204	164	80	1927	..	..	117	137	117

In the third column, the index number of agricultural producer's goods is compared with the index number of export prices by dividing the former into the latter. When the resultant figure rises above 100 the movement relative to prices in 1914 is favourable to the farmer; when it falls below 100 the movement is prejudicial to the farmer. Although the figure must not be taken as an exact index of the disparity, it reveals clearly enough that, as compared with pre-war years, far from having suffered from the disparity, the farmer has in the main *benefited*—except in the years 1920-23. It is quite possible that the movement in the price of such goods bought at *retail* has shown a lag behind the movement of export prices; but if this is the case, the blame must be laid at the door of high retail distributive charges rather than high manufacturing costs due to the influence of the Arbitration Court.

In an accompanying memorandum the subject is pursued further, and the special problem of agriculture is considered in greater detail.

7. *The Cost of Living.*

It is further asserted that the Arbitration Court is responsible for the high cost of living. What is meant by this statement? In general, it would appear to mean that the high cost of production in "sheltered" industries by virtue of the Court raises retail prices of goods and services entering into the household budget relative to the income of those not engaged in the "sheltered" industries; for the statement is usually accompanied by an assertion that workers in such industries are protected by virtue of the fact that wages are fixed in accordance with the cost of living, and therefore rise with it, while employers pass on increased charges in the shape of higher prices and so protect their profits. Thus there is created a vicious spiral of rising wages which are translated through rising costs into rising prices. This again comes back in the main to the problem of the price disparity referred to above, for conditions in the large farming market for retail goods are influenced by the export price of primary products, and it is argued that these have fallen more than retail prices.

In the accompanying table, retail prices are compared with consumer's wholesale and with export prices:

WHOLESALE AND RETAIL PRICES.
Comparison of Index Numbers of (1) All Retail Prices, (2) Retail Prices excluding Fuel and Rent, (3) Consumer's Wholesale Prices, and (4) Export Prices.
(Base 1914 = 100.)

Year.						All Retail.	Retail other than Rent, Fuel, and Lights.	Consumer's Wholesale.	Export Prices.
1914	..	..	..	..	..	100	100	100	100
1915	..	..	..	..	..	107	110	116	119
1916	..	..	..	..	..	116	122	119	138
1917	..	..	..	..	..	129	137	131	157
1918	..	..	..	..	..	143	151	154	162
1919	..	..	..	..	..	157	174	165	167
1920	..	..	..	..	..	178	149	186	164
1921	..	..	..	..	..	171	193	176	152
1922	..	..	..	..	..	160	166	154	114
1923	..	..	..	..	..	158	160	152	140
1924	..	..	..	..	..	160	159	153	159
1925	..	..	..	..	..	162	159	152	170
1926	..	..	..	..	..	163	156	143	138
1927	..	..	..	..	..	162	152	141	137

Certain conclusions appear to follow from an examination of the Table: (1) There is no doubt that a marked disparity exists between the level of all retail prices and wholesale export prices in 1927 as compared with 1914. It would appear that retail prices would have to be reduced by, say, 15 per cent. last year to bring them to the 1914 parity with export prices. (2) If rent, fuel, and light are excluded from the retail index, the disparity still persists; but is reduced. This figure would have to be reduced by some 10 per cent. to bring it to the same parity with export prices as in 1914. It appears, therefore, that special factors affecting rents, fuel, and light are important elements increasing the disparity. These should be investigated. (3) The disparity between the *wholesale* price of consumer's goods and export prices is very small, and would disappear if the former were reduced by 3 per cent. The reduction required in 1926 would be of similar magnitude, while in 1925 there was a greater disparity in the opposite direction.