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Prices Since 1820

COURSE OF AVERAGE PRICES OF GENERAL COMMODITIES IN ENGLAND.

The New York Journal of Commerce publishes the chart and tabular exhibit relating to the course of average prices of leading commodities in England prepared by Augustus Sauerbeck, and refers to the interesting comparisons and questions involved as follows:

In another column we present a chart showing the course of prices in Great Britain from the year 1820 to 1893, inclusive. The exhibit is compiled by Mr. A. Sauerbeck, an eminent English statistician, and follows the method of comparison by "index numbers." What that method is, the compiler explains in a foot note to his chart. The comparison is made upon a number of selected articles, which represent the leading industries and cover a large proportion (perhaps 80 per cent) of the entire value and bulk of marketed commodities; it being assumed that the prices of the omitted articles follow those of the commodities on which the estimates are based.

Some objections have been raised to the "index number" method of estimate, especially on the charge that it does not sufficiently recognize the relative differences in the bulk of the articles selected for comparison. It is unquestionable, however, that this method meets with very general acceptance among economists and statisticians as the best available, whilst no better seems to have been so far presented; and it is worthy of note that Sauerbeck affirms that he has tested the results shown on his chart by computations on the relative bulk of the articles with the result of confirming his index numbers. To establish what may be called a par standard, a number of consecutive years are selected which are presumed to represent conditions as much normal and as little exceptional as possible. The average of this period of normal prices is expressed by 100; and all comparisons of other years or periods are made with that supposed normal standard. There seems to be no good reason for doubting the sufficiency of this method of computation for all practical purposes, although it may not claim the exact accuracy of a scientific calculation.

The fluctuations of prices in Great Britain may be taken as closely indicating the oscillations in the world at large. A nation whose prices are unaffected by tariffs and whose markets are in close contact with every point of the world's production affords an ideal expression of the course of natural values; and a great national market conducted upon the basis of natural prices very largely determines the drift of prices in countries where it is attempted to regulate values by artificial legislative contrivances. For this reason the wide oscillations exhibited by this chart may be regarded as reflecting the movement that has prevailed in the commercial world at large.

In order to facilitate reference to the details of the chart, we concentrate the dates and index numbers into the following summary table, separating the data into five year periods:

Years—	Index Nos.	Years—	Index Nos.
1820	112	1855	101
1821	106	1856	101
1822	101	1857	105
1823	106	1858	91
1824	106	1859	94
Av. 5 years.	106	Av. 5 years.	98
1825	117	1860	99
1826	100	1861	98
1827	97	1862	101
1828	97	1863	103
1829	93	1864	105
Av. 5 years.	101	Av. 5 years.	101
1830	91	1865	101
1831	92	1866	102
1832	89	1867	100
1833	91	1868	99
1834	90	1869	98
Av. 5 years.	91	Av. 5 years.	100
1835	92	1870	96
1836	102	1871	100
1837	94	1872	109
1838	99	1873	111
1839	103	1874	102
Av. 5 years.	98	Av. 5 years.	104
1840	103	1875	96
1841	100	1876	95
1842	91	1877	94
1843	83	1878	87
1844	81	1879	83
Av. 5 years.	92	Av. 5 years.	91
1845	87	1880	88
1846	89	1881	85
1847	95	1882	84
1848	78	1883	82
1849	74	1884	76
Av. 5 years.	84	Av. 5 years.	83
1850	77	1885	72
1851	75	1886	69
1852	78	1887	68
1853	95	1888	70
1854	102	1889	72
Av. 5 years.	85	Av. 5 years.	70
1890	72	1892	68
1891	72	1893	68
Average 4 years			70

The comparison begins with the decade 1820-29, which, mainly owing to the long check upon production attending the great wars of the early part of the century, and also to a rigorously exclusive foreign commercial policy, was a period of unusually high prices; the average for 1820 being represented by the index number 112, and for 1825 by 117, while for the whole ten years the average was 103. After this came a decade of steady commercial recovery, during which the average of prices fell to 94, or 6 points below what Sauerbeck regards as a normal average. During the decade of 1840-49 came the great free trade agitation with the result of throwing the British markets open to the cheapest supplies the world had to offer, and the extinction of the artificial inflation of prices consequent upon protective duties. The decade opened with a range of prices represented by 103 on the Sauerbeck scale of comparison, and closed with an average of 74, the fall of 29 points having been mainly caused by the cheapening tendencies of the new free trade policy; the average for this ten years, however, was 88.

During the succeeding ten years, 1850-59, occurred the great commercial and financial inflation incident to the gold discoveries. Within that period no less than $555,000,000 of gold was produced in this country alone; in Australia the contemporaneous product was somewhat larger, and for the whole world the output was $1,400,000,000—a ten years yield never equaled before or since. The first effect of this sudden and enormous increase in the metallic circulation was to stimulate banking operations and, through that to create a great commercial expansion. Simultaneously arose a great extension of railroad building, 20,000 miles being built in this country alone during the decade. The withdrawal of producers from their accustomed employments to the mining centers had the triple effect of checking the ordinary home production, of opening new markets in California and Australia, and of causing a general rise in wages; the result of these combined causes being a general rise in prices. That advance expressed itself in a bound from 78 in 1852 to 95 in 1853, and in a further gradual ascent to 105 in 1857—the rise between 1850 and 1857 being 28 points, or from 77 to 105. In 1857 came the culmination of this great inflation in universal panic; and between that year and 1859 average prices fell from 105 to 91, but recovered to 94 in 1859. The average of prices for the whole of this remarkable decade was 92; the low range for the past three years and the decline during the two last years having largely offset the great rise of the intervening five years.

The succeeding decade, 1860-69 was a period of great wars. In Europe there was a general unsettlement of international relations and much redistribution of national territory, resulting notably in war between Prussia and Austria and between Italy and Austria. In this country occurred the greatest military struggle of the century. The first effect of war upon commerce is to check business and consequently to momentarily depress prices; the next result is to contract production by withdrawing producers from

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