

This PDF is a selection from an out-of-print volume from the National Bureau of Economic Research

Volume Title: Measuring International price Competitiveness: A Preliminary Report

Volume Author/Editor: Kravis, Irving B., Robert E. Lipsey, and Philip J. Bourque

Volume Publisher: UMI

Volume ISBN: 0-87014-408-1

Volume URL: <http://www.nber.org/books/krav65-1>

Publication Date: 1965

Chapter Title: Front matter,MEASURING INTERNATIONAL PRICE COMPETITIVENESS

Chapter Author: Irving B. Kravis, Robert E. Lipsey, Philip J. Bourque

Chapter URL: <http://www.nber.org/chapters/c1656>

Chapter pages in book: (p. -12 - 0)

1299

PAPER

94

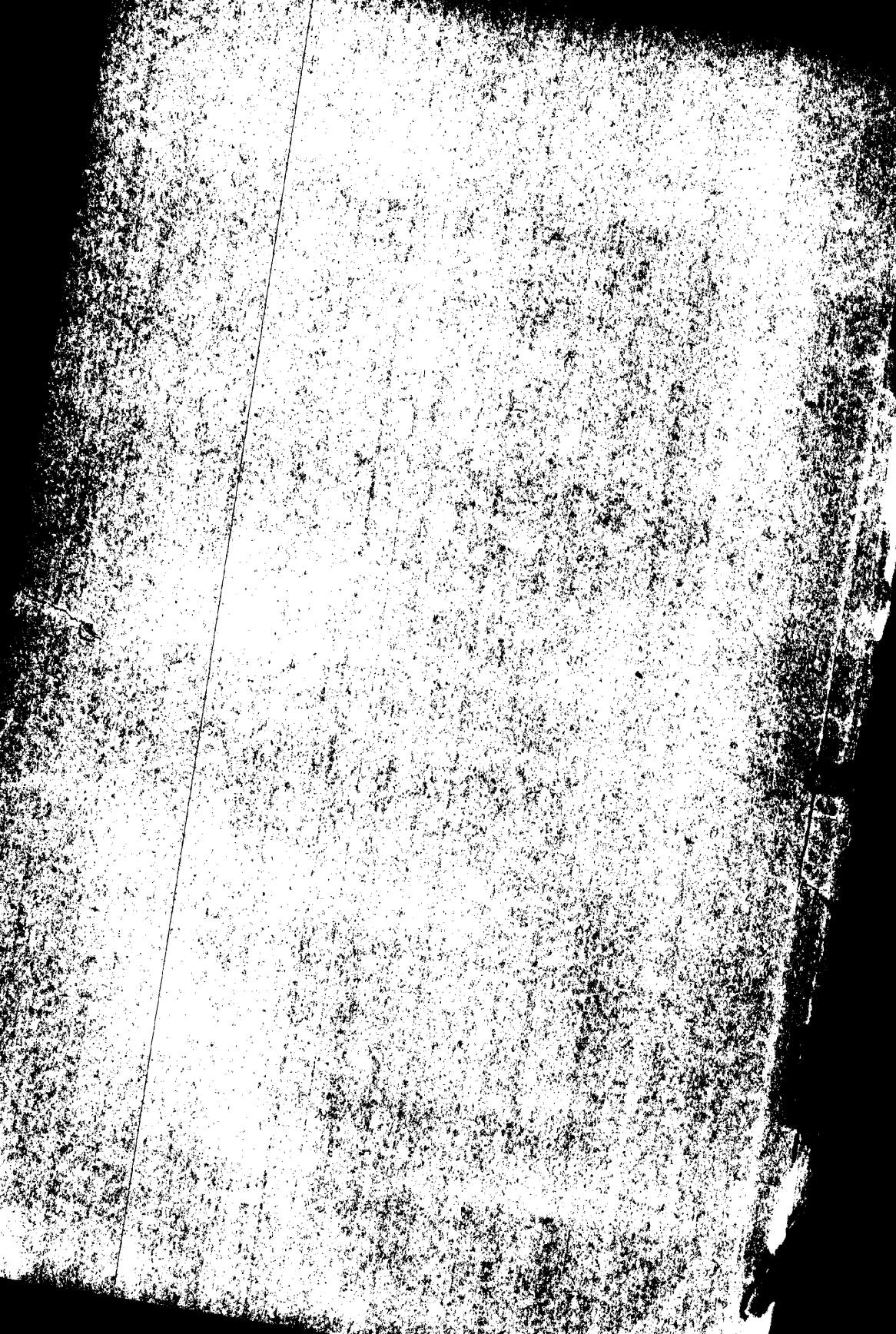
IRVING B. KRAVIS
ROBERT E. LIPSEY
PHILIP J. BOURQUE

MEASURING
INTERNATIONAL
PRICE
COMPETITIVENESS

A Preliminary Report



NATIONAL BUREAU OF ECONOMIC RESEARCH/1965



IRVING B. KRAVIS
UNIVERSITY OF PENNSYLVANIA

ROBERT E. LIPSEY
NATIONAL BUREAU OF ECONOMIC RESEARCH

PHILIP J. BOURQUE
UNIVERSITY OF WASHINGTON

MEASURING
INTERNATIONAL PRICE
COMPETITIVENESS

A Preliminary Report

OCCASIONAL PAPER 94



NATIONAL BUREAU OF ECONOMIC RESEARCH
NEW YORK 1965

Distributed by COLUMBIA UNIVERSITY PRESS
NEW YORK AND LONDON

Copyright © 1965 by

National Bureau of Economic Research, Inc.

261 Madison Avenue, New York, N.Y. 10016

All Rights Reserved

Library of Congress Catalog Card Number: 65-23150

Price \$1.75

Printed in the United States of America

Kravis, Irving B

Measuring international price competitiveness; a preliminary report [by] Irving B. Kravis, Robert E. Lipsey [and] Philip J. Bourque. New York, National Bureau of Economic Research; distributed by Columbia University Press, 1965.

37 p. illus. 23 cm. (National Bureau of Economic Research. Occasional paper 94)

Bibliographical footnotes.

1. Foreign exchange. 2. Prices. 3. Commercial policy. I
Lipsey, Robert E., joint author. II. Bourque, Philip John, 1922-
joint author. III. Title. (Series)

H11.N2432 no. 94

65-23150

HG 3811.K7
Library of Congress



NATIONAL BUREAU OF ECONOMIC RESEARCH

1965

OFFICERS

Frank W. Fetter, *Chairman*
Arthur F. Burns, *President*
Theodore O. Yntema, *Vice President*
Donald B. Woodward, *Treasurer*

Geoffrey H. Moore, *Director of Research*
Hal B. Lary, *Associate Director of Research*
Victor R. Fuchs, *Associate Director of Research*
William J. Carson, *Executive Director*

DIRECTORS AT LARGE

Robert B. Anderson, *New York City*
Wallace J. Campbell, *Nationwide Insurance*
Erwin D. Canham, *Christian Science Monitor*
Solomon Fabricant, *New York University*
Marion B. Folsom, *Eastman Kodak Company*
Crawford H. Greenewalt, *E. I. du Pont de Nemours & Company*
Gabriel Hauge, *Manufacturers Hanover Trust Company*
A. J. Hayes, *International Association of Machinists*
Walter W. Heller, *University of Minnesota*
Albert J. Hettinger, Jr., *Lazard Frères and Company*
Nicholas Kelley, *Kelley Drye Newhall Maginnes & Warren*

H. W. Laidler, *League for Industrial Democracy*
Geoffrey H. Moore, *National Bureau of Economic Research*
Charles G. Mortimer, *General Foods Corporation*
J. Wilson Newman, *Dun & Bradstreet, Inc.*
George B. Roberts, *Larchmont, New York*
Harry Scherman, *Book-of-the-Month Club*
Boris Shishkin, *American Federation of Labor and Congress of Industrial Organizations*
George Soule, *South Kent, Connecticut*
Gus Tyler, *International Ladies' Garment Workers' Union*
Joseph H. Willits, *Langhorne, Pennsylvania*
Donald B. Woodward, *A. W. Jones and Company*

DIRECTORS BY UNIVERSITY APPOINTMENT

V. W. Bladen, *Toronto*
Francis M. Boddy, *Minnesota*
Arthur F. Burns, *Columbia*
Lester V. Chandler, *Princeton*
Melvin G. de Chazeau, *Cornell*
Frank W. Fetter, *Northwestern*
R. A. Gordon, *California*

Harold M. Groves, *Wisconsin*
Gottfried Haberler, *Harvard*
Maurice W. Lee, *North Carolina*
Lloyd G. Reynolds, *Yale*
Paul A. Samuelson, *Massachusetts Institute of Technology*
Theodore W. Schultz, *Chicago*

Willis J. Winn, *Pennsylvania*

DIRECTORS BY APPOINTMENT OF OTHER ORGANIZATIONS

Percival F. Brundage, *American Institute of Certified Public Accountants*
Nathaniel Goldfinger, *American Federation of Labor and Congress of Industrial Organizations*
Harold G. Halcrow, *American Farm Economic Association*

Murray Shields, *American Management Association*
Willard L. Thorp, *American Economic Association*
W. Allen Wallis, *American Statistical Association*
Harold F. Williamson, *Economic History Association*
Theodore O. Yntema, *Committee for Economic Development*

DIRECTORS EMERITI

Shepard Morgan, *Norfolk, Connecticut*

N. I. Stone, *New York City*

Jacob Viner, *Princeton, New Jersey*

RESEARCH STAFF

Moses Abramovitz
Gary S. Becker
William H. Brown, Jr.
Gerhard Bry
Arthur F. Burns
Phillip Cagan
Frank C. Dickinson
James S. Earley
Richard A. Easterlin
Solomon Fabricant
Albert Fishlow
Milton Friedman
Victor R. Fuchs

H. G. Georgiadis
Raymond W. Goldsmith
Jack M. Guttentag
Challis A. Hall, Jr.
Daniel M. Holland
Thor Hultgren
F. Thomas Juster
C. Harry Kahn
John W. Kendrick
Irving B. Kravis
Hal B. Lary
Robert E. Lipsey
Ruth P. Mack

Jacob Mincer
Ilse Mintz
Geoffrey H. Moore
Roger F. Murray
Ralph L. Nelson
G. Warren Nutter
Richard T. Selden
Lawrence H. Seltzer
Robert P. Shay
George J. Stigler
Norman B. Ture
Herbert B. Woolley
Victor Zarnowitz

RELATION OF THE DIRECTORS TO
THE WORK AND PUBLICATIONS OF THE
NATIONAL BUREAU OF ECONOMIC RESEARCH

1. The object of the National Bureau of Economic Research is to ascertain and to present to the public important economic facts and their interpretation in a scientific and impartial manner. The Board of Directors is charged with the responsibility of ensuring that the work of the National Bureau is carried on in strict conformity with this object.
2. To this end the Board of Directors shall appoint one or more Directors of Research.
3. The Director or Directors of Research shall submit to the members of the Board, or to its Executive Committee, for their formal adoption, all specific proposals concerning researches to be instituted.
4. No report shall be published until the Director or Directors of Research shall have submitted to the Board a summary drawing attention to the character of the data and their utilization in the report, the nature and treatment of the problems involved, the main conclusions, and such other information as in their opinion would serve to determine the suitability of the report for publication in accordance with the principles of the National Bureau.
5. A copy of any manuscript proposed for publication shall also be submitted to each member of the Board. For each manuscript to be so submitted a special committee shall be appointed by the President, or at his designation by the Executive Director, consisting of three Directors selected as nearly as may be one from each general division of the Board. The names of the special manuscript committee shall be stated to each Director when the summary and report described in paragraph (4) are sent to him. It shall be the duty of each member of the committee to read the manuscript. If each member of the special committee signifies his approval within thirty days, the manuscript may be published. If each member of the special committee has not signified his approval within thirty days of the transmittal of the report and manuscript, the Director of Research shall then notify each member of the Board, requesting approval or disapproval of publication, and thirty additional days shall be granted for this purpose. The manuscript shall then not be published unless at least a majority of the entire Board and a two-thirds majority of those members of the Board who shall have voted on the proposal within the time fixed for the receipt of votes on the publication proposed shall have approved.
6. No manuscript may be published, though approved by each member of the special committee, until forty-five days have elapsed from the transmittal of the summary and report. The interval is allowed for the receipt of any memorandum of dissent or reservation, together with a brief statement of his reasons, that any member may wish to express; and such memorandum of dissent or reservation shall be published with the manuscript if he so desires. Publication does not, however, imply that each member of the Board has read the manuscript, or that either members of the Board in general, or of the special committee, have passed upon its validity in every detail.
7. A copy of this resolution shall, unless otherwise determined by the Board, be printed in each copy of every National Bureau book.

*(Resolution adopted October 25, 1926,
as revised February 6, 1933, and February 24, 1941)*

ACKNOWLEDGMENTS

We are indebted to Hal B. Lary for his role in initiating this study and for his advice and assistance in carrying it out. Ilse Mintz and William Salant contributed extensive and valuable comments on the paper. Our thanks are due for suggestions from other readers also, particularly Edward M. Bernstein, Percival F. Brundage, Her-mouzis G. Georgiadis, Crawford H. Greenewalt, Gottfried Haber-ler, Harry G. Johnson, Jacob Mincer, and George J. Stigler. A number of economists and executives of industrial firms provided helpful comments at various stages of the work.

The collection of information required the aid of many different groups, for which we are most grateful. Several National Bureau directors introduced us to firms, and some of the leading business organizations provided introductions to selected member firms. As a result, a large number of companies in the United States provided data from their buying and selling activities. The U.S. Bureau of Labor Statistics, the Department of Defense, the Statistical Office of the Federal Republic of Germany, the IFO Institut für Wirt-schaftsforschung in Munich, the Department of Economics of the Hebrew University in Jerusalem, and other official and private sources in the United States, the United Kingdom, and other coun-tries provided valuable aid.

Elizabeth Durbin contributed to every phase of the project from the early discussions of price collection methods through the analy-sis of the results, and Jocelyn Coburn was responsible for much of the statistical work on Section III. Beatrice Grabiner, as the sec-etary of the study, brought order and efficiency to our extensive data collection and correspondence. The paper was prepared for press by James F. McRee, Jr., and H. Irving Forman drew the chart.

Funds for the International Price Comparison Study have been provided mainly by two grants from the National Science Founda-tion, which are gratefully acknowledged.

CONTENTS

Acknowledgments	v
<i>I. Aims and Methods</i>	
Introduction	1
The Need for a New Measure	2
New Price Indexes for Internationally Traded Goods	5
The Substantive Scope of the Study	9
Sources of Price Data	12
Nature of the Price Data	13
<i>II. Prices as an Element in International Competitiveness</i>	
Scope for International Differences in Prices	16
Market Shares as a Measure of Competitiveness	18
Prices and Costs as Alternative Approaches to Competitiveness	20
The Interpretation of the Index of Price Competitiveness	21
<i>III. Iron and Steel Products: Preliminary Results</i>	
Introduction	23
The Main Results	24
Comparisons with Published Export Prices	29
Comparisons with Export Unit Values	33
Comparisons with Domestic Prices	33
Results for Three Groups of Iron and Steel Products	34
Conclusion	37
Appendix Tables	38

TABLES

	Page
1. Indexes of International Prices and Price Competitiveness, Iron and Steel, SITC Division 67	25
2. Year-to-Year Comparisons of International and Domestic Prices and Price Competitiveness, Iron and Steel, SITC Division 67	30
3. Year-to-Year Comparisons of International Prices and Price Competitiveness, SITC Groups 673, 674, and 678	35
4. Year-to-Year Comparisons of Domestic Prices, SITC Groups 673, 674, and 678	36
A-1. Number of Sources and Observations, NBER Time-to-Time Indexes, by 3-Digit SITC Groups	38
A-2. Number of Sources and Observations, NBER Place-to-Place Indexes, by 3-Digit SITC Groups	39
A-3. Number of Observations, Published International and Domestic Price Data, Time-to-Time Indexes, by 3-Digit SITC Groups	40

CHART

1. Iron and Steel, SITC Division 67, Indexes of International and Domestic Prices and Price Competitiveness	26
---	----