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tion. On the reasonable assumption of a causal relationship between yield per acre and farm price, these coefficients indicate that in four of the six states covered above variations in yield per acre account for more than 50 per cent of the squared variability of deflated prices. The two states with coefficients below .50 are California with .07 and Iowa with .46.

The farm price of hay appears to be inflexible in all the states named. The price is least flexible in California, for which the coefficient is  $-.40$ , and most flexible in New York, for which the coefficient is  $-.93$ . This latter figure is very close to the figure  $-.96$ , obtained in the general analysis relating to total domestic production and Chicago prices.

### III Conclusion

The first part of the present chapter contains measures of regional variations in price for a number of building materials and for gasoline, at wholesale, for a diversified list of foods, fuels and dry goods at retail, and for seven important agricultural products, as priced at the farm. Similar measures for discount rates have been presented for the purpose of comparison. The *mean deviation*, both in absolute form and as a percentage of the mean, has been used as a measure of regional variations. The second half of the chapter deals with differences from city to city, from state to state, and from country to country in the behavior of prices. Measures relating to all the aspects of price behavior which were described in the first chapter are compared in this survey of regional differences.

The various examples given in this chapter indicate the degree of diversity in price movements found within the United States. There is diversity not only in respect to the absolute prices prevailing at a given time, but there appear to be wide differences in the price behavior of identical commodities in different markets. The materials here presented have been fragmentary, but scattered as the examples have been they furnish conclusive evidence that the United States cannot be treated as a single homogeneous market in a study of the structure of prices. If the United States is to be treated as a unit in measuring changes in the price level and in dealing with other aspects of the behavior of prices in combination, it can only be done on the basis of adequate regional sampling, with full recognition of existent regional diversities.

Such regional differences in one aspect of price behavior—degree of change between given dates—have been touched upon by several writers in connection with the measurement of changes in the price level. F. Y. Edgeworth has pointed out, in his classic *Memoranda* (1887-89), that differences of this type “may well be inconsistent with the hypothesis of a unique and general mean type”—a suggestion which bears upon all plans looking toward the stabilization of the price level.

The measures of regional difference presented in this chapter have been given without attempted explanations of the observed variations in prices and in price behavior. In this form they solve no problems, but they raise important questions which the economic theorist must face. The differences between the absolute prices prevailing in different markets doubtless represent the net effects of a number of factors. To what extent may we account for these differences? Are there specific market areas within which substantially uniform prices prevail? What are the limits of such market areas for specific commodities? What elements of price difference remain after the crude differences have been corrected for explicable elements? Again, what are the economic and social factors responsible for observed differences in the behavior of prices in different markets? The elements of a given economic structure cannot be clearly defined, nor may the working of such a system be fully understood, until the most important regional differences in prices and in price behavior have been explained.

It has been the first object of the present study to isolate for detailed analysis certain characteristics of commodity prices which appear to have definite economic significance and which are capable of numerical description. Half a dozen such characteristics have been selected for study, and appropriate methods of description have been derived. Several related measures have been employed in the analysis of certain types of price behavior, so that we have approximately a dozen measures descriptive of the behavior of each commodity we have studied in detail.

Differences in the behavior of individual commodities are reflected in wide variations in the values of these measures. Comparison of the measures relating to individual commodities and study

of the points of resemblance and difference yield information of considerable interest. Differences in the price movements of commodities which differ in their organic nature, in the uses to which they are put, or in any other important economic characteristic, may be noted. Related commodities may be followed through the various productive and distributive stages, and changes in behavior resulting from changes of form and market observed.

The various measures presented have been arranged in such form as to facilitate these comparisons. The emphasis throughout has been upon the characteristics of individual commodities and markets, and upon resemblances and differences between commodities and between markets. No attempt has been made to draw general conclusions, except such as might be derived incidentally from the measures relating to individual commodities and markets and from the relations between them. We must now go beyond these individual measures and search for such general tendencies and general relations as may be found in the behavior of grouped observations. In combining and averaging the measures which have been described in this section various avenues of approach may be tried. Certain of these are explored in the next two chapters.