

CHAPTER I.—THE COST OF LIVING IN NEW ZEALAND.

Question 1 : Has the cost of living increased in New Zealand during the past twenty years? If so, has that increase been more marked during the last ten than during the previous ten years?

Definition.

1. The first necessary step is to define the term "cost of living"; unless the terms are defined with precision, and the definitions used consistently, there is the danger of failing to appreciate the point at issue, to misapprehend statements, and to multiply errors that are the result of vague and ill-defined notions. Definition is especially needed in economic terms, because these are drawn from the words of every-day life, which have not the precise connotation that fits them for use in an inquiry with any pretence to accuracy. We have had abundant proof in the evidence tendered us that the phrase "cost of living" means different things to different people, quite apart from the fact that it is closely identified with "standard of living."

The "cost of living" means the sum of the exertions and sacrifices necessary to maintain life. But at once certain questions suggest themselves: How shall we express this cost in common terms? And what is the standard of life in view? Money, the common denominator or measure of value, supplies the means of measuring the cost. If we were at the primitive stage, when each man produced the few means of satisfying his needs by his own labour directly, then the cost of living at a given standard would be measured by registering the changes in the amount of labour necessary to produce these goods, though even here a difficulty would arise in choosing between labour-time and labour-sacrifice, or in combining both in a satisfactory ratio. But the application of this measure is impossible in a state of complex combination of labour and division of employments and processes, and an elaborate system of exchange of commodities and services. Money has been developed historically as the means of exchanging the various economic utilities, and of thereby measuring their values, and as these values roughly correspond in the long-run to their costs, to the "efforts and waitings" that have produced the goods, the money-values or prices of the means of life may be taken to measure the cost of living.

2. But the standard of living changes from time to time and from country to country, and is different for different classes of people in the same country at the same time, and differences are observable in the modes of living of people even of the same class, time, and locality. It is clear that to measure the cost of living we must refer to a living at a given standard. What standard shall be chosen? Several offer themselves for selection: there is first the amount of goods necessary for bare physical existence, the subsistence minimum; and above that a great many standards. The guiding principle in our selection has been suggested by reference to the character of the more universal needs of the mass of the people.

We do not propose to include in the term "living" for the purpose of this inquiry the satisfaction of all needs of these classes, but only that of the necessities, comforts, and the commoner luxuries, or conventional necessities. "A distinction must be made between the necessities for efficiency and the necessities for existence, and there is for each rank of industry at any time and place a more or less clearly defined income, which is necessary for merely sustaining its members; while there is another larger income, which is necessary for keeping it in full efficiency."* We understand the necessities of life in the usual economic sense to be the things physiologically necessary to maintain existence, and to secure the continuance of the race. Necessaries of efficiency are the things over and above the necessities of life, the consumption of which adds to the productive value of human agents a sum greater than the cost of the things consumed. According to this definition the price of an article is one of the incidents which settle whether it is a necessary of efficiency to any particular person or not. Comforts are those things which add to the efficiency of a person, but add amounts which have less value than the cost of the comforts. Here again we observe that the price of a thing helps to determine whether it is a comfort or not.†

3. It will be useful to note here those goods that in the opinion of economists constitute the necessities for efficiency—not only for the purpose of enlarging the

* Marshall, "Economics of Industry," p. 43.

† See Chapman, "Outlines of Political Economy," p. 59.