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INTERNATIONAL
RAW COMMODITY PRICES
AND THE
DEVALUATION OF THE DOLLAR

BY
MELVIN T. COPELAND



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HARVARD UNIVERSITY
GRADUATE SCHOOL OF BUSINESS ADMINISTRATION
GEORGE F. BAKER FOUNDATION
WALLACE B. DONHAM, *Dean*
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FOREWORD

In May, 1933, a study of *Raw Material Prices and Business Conditions*¹ was published which analyzed the world production, world stocks, and domestic price movements of thirteen primary commodities for the period 1922-32. While that bulletin was in press the threat of depreciation of American currency through inflation became serious. In the final section of that bulletin, added after the manuscript was in the hands of the printer, the subject of inflation was discussed briefly. In that discussion especial emphasis was placed on the time factor—the deceptive slowness with which inflationary forces, as well as deflationary forces, acquire momentum in the early stages of their development.

Immediately after the bulletin was published, in anticipation of a real inflationary movement in the United States, I drew up plans for a study of price movements of sensitive primary materials in leading markets of the world. I was convinced that the progress of currency depreciation could not be effectively measured contemporaneously merely by foreign exchange rates, since those rates are influenced by capital movements and speculative activities as well as by actual commercial transactions. It seemed probable that a comparative study of the movements of prices of sensitive commodities in various countries would furnish a better guide to the workings of inflation. One of the results of the depression, however, has been to restrict greatly the funds available for research. Consequently I was not able to carry out the plans for this study as originally laid out. I was fortunate, nevertheless, to obtain enough assistance during the summer of 1933 to collect a substantial quantity of price data and to continue supplementary work on a small scale during the next few months.

After the gold purchasing plan was put into effect by the United States government in October, 1933, it became apparent that the data collected on international price movements threw valuable light on some of the effects of this controversial policy. Accordingly I have decided to publish the material in hand. I could have wished to spend more time in an examination of sources of original price data, in a study of markets and market influences, and in various related analyses. In a situation such as that which confronts the country, however, timeliness is of more consequence than exhaustiveness. Undoubtedly the critic will disagree with some of the selections of commodities and of markets in this study and will be disappointed at some of the omissions. I am convinced, nevertheless, that the evidence which this analysis affords justifies the conclusions that have been drawn.

The commodities included in this survey are the same as those analyzed in *Raw Material Prices and Business Conditions*, with two exceptions. Petroleum has been omitted in this study because there appear to be no open markets for crude petroleum elsewhere in the world comparable to that in the United States; I judge that each of the foreign areas producing substantial quantities of crude petroleum is dominated by one or more large companies, without important open market sales. Butter has been added to the series. Although butter hardly falls into the category of raw materials, it is an agricultural product with an international market which is sensitive to general changes in price conditions. It therefore furnishes another useful gauge of international price movements.

¹ Melvin T. Copeland, *Raw Material Prices and Business Conditions*, Harvard Business Research Studies No. 2.

Some of the weekly price data have been brought down to as recent a time as the last week in December, 1933. In the analysis of the data and the appraisal of the results of the gold purchasing policy, no effort has been made to take account of events subsequent to January 1, 1934. The questions of principle involved are not changed by the day to day turns of political manoeuvres.

The subject necessarily is a technical one. In fact, the chief danger of drastic inflation arises out of the fact that neither its authors nor its victims usually realize what is transpiring until it is too late.

In order to simplify the presentation so far as possible and also to facilitate a ready comparison of the price movements in different markets, the index numbers are shown graphically by means of charts as well as in tabular form. The actual price data from which the index numbers were computed are given in the final section.

The work of compiling the price data was performed largely by Miss Florence M. Smith, Miss Carolyn Stubbs, and Miss Claire Sargent. The charts were prepared by Mr. Richmond F. Bingham. I am indeed grateful to all the members of this group for their tireless and conscientious assistance.

MELVIN T. COPELAND.

JANUARY, 1934.

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