Cost-of-living index

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Crafts discovers further problems within Lindert and Williamson's analysis. He argues that there are still significant data problems that make real wage measurements inaccurate. Lindert and Williamson's cost-of-living index is not satisfactory and its deficiencies lead to serious bias in their results. In particular, it seems possible that real wage growth between the years 1821 and 1851 was about 1 per cent lower than they estimated. Crafts however, concentrates on, for him, rather more serious problems to be found with house-rents, cereals and especially clothing.

Crafts argues that there is a better source for 1801-1851 house rents than results from Lord Stafford's cottages. 'Deane and Cole estimated house rental income in current prices, and Feinstein gives the value of the housing stock in constant prices. '8 According to Crafts, the two sources together can be used together to make an estimate of a national rent index for benchmark years. Lindert and Williamson use Tucker's index to analyse the cost of clothing prior to 1819 and thereafter the export price of cotton goods.

This new way to deal with the cost of clothing is unacceptable for Crafts. The assumption that cotton clothing was not consumed before 1819 is clearly inaccurate and the use of cottons to represent clothing after 1819 is seriously misleading. With regard to cereal expenditures, Lindert and Williamson again have distorted figures. Their index has weights of 12. 6 percent for bread, 31. 2 percent for flour, and nothing for oatmeal or potatoes. However, cereal purchases showed great regional variations, which is worth noting, as prices of cereals did not appear close throughout 1780-1850.

For example, northern workers purchased more flour than bread, whereas southern workers bought more bread and little flour. Therefore Lindert and Williamson's mean figures clearly are inaccurate by disregarding these regional variations. Finally, Crafts highlights an earlier point by Flinn regarding real wage growth. In 1820-1850, wages as a share of national income and the share of consumption in national output were reasonably constant (wages were 45. 6% of national income in 1821 and 44. 9% in 1801).

This allows one to assume therefore, that real wage growth should logically be similar to consumption growth. It is believed that by 1851, the economy was back to a 'normal' level of unemployment. The addition to real wage growth allowing for this would probably raise estimates to approximately 1. 2 percent per year - close to the rate of consumption growth. Crafts find it hard to account for real wages growth exceeding output per head growth by as much as Lindert and Williamson's estimates imply.

'This rude comparison between national output growth and real wages growth then supports the earlier conclusion: Lindert and Williamson's procedure lends to an overestimate of real wage growth for 1820-1850. '9 In analysing a number of the limitations of the use of index numbers by Lindert and Williamson, it is clear of the small but yet significant mistakes one can make with index data. Wrong approaches to the data leads to disorted and many times inaccurate assumptions.

However as initially expressed, Flinn and Crafts have not criticised the main conclusions by Lindert and Williamson and clearly still believe that index data offers a valuable method for researching the past, when used wisely.

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