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# Globalization and real wages in New Zealand 1873–1913<sup>☆</sup>

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## Abstract

This paper reports annual real wage indexes for laborers and for workers more generally in New Zealand, adjusted for purchasing power parity, for the years 1873–1913. These data are used to include New Zealand in the debates surrounding international wage convergence. On the basis of time series tests we find evidence of an integrated trans-Tasman labor market. Productivity, the terms of trade, and swings in labor's income share, rather than immigration, shaped New Zealand's wage growth.

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## 1. Introduction

Until recently, New Zealand was excluded from most discussions of pre-World War I real wage and GDP/GNP per capita convergence because of an absence of data.<sup>1</sup> On the total product side new estimates of New Zealand's GDP/GNP, based

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<sup>1</sup> One exception is DeLong (1988), which used the occasional data for New Zealand GDP reported in Maddison (1982).

upon monetary data, by Rankin (1992) and by Greasley and Oxley (2000a) have been deployed by Bertola and Porcile (2000) and Greasley and Oxley (1999, 2000b) to investigate New Zealand's comparative experience. Less progress has been made in relation to real wages. New Zealand wage estimates are not included in Williamson's (1995) data set for unskilled urban workers, and thus his discussion of international wage convergence does not consider New Zealand. Nor does Allen's (1994) investigation of real wages in various cities in the English-speaking world for the years prior to 1914 include New Zealand.

This article reports new wage data for New Zealand, permitting New Zealand's inclusion in the globalization debates. Annual data for New Zealand general (non-farm common) laborers' real wages for the years 1873–1913 have been constructed so as to be compatible with Williamson's series for urban unskilled workers. While focusing on one specific group of workers has some advantages for international comparisons, a composite real wage index, akin to Pope and Withers' (1994) index for Australia, is also reported. Together, these data are used to consider how the forces of international trade, migration, and productivity influenced wages in New Zealand and to investigate the existence wage convergence with her near neighbor across the Tasman Sea, Australia.

Different interpretations of Australia's wage experience prior to 1914 have been proposed. Pope and Withers (1994), and Greasley et al. (2000) findings show that real wages increased slightly with immigration, in Australia. Addison and Worswick (2002) also deny that migrants had adverse effects on the real wages of native Australians. Hatton and Williamson (1998) take a different view and argue that the late nineteenth century mass migrations decreased real wages generally in the New World, including in Australia. Adding New Zealand to these debates will show the extent to which Australasian wage experience was atypical among the migrant-receiving economies.

New Zealand's exclusion from the historiography of international wage convergence is surprising, given the mass of wage data collected by the Dominion's governments prior to 1914. Arnold (1982a) surveys the available sources and makes particular use of the data published every year in *Statistics of New Zealand* beginning in 1873. A variety of consumer price data are also available, and these have been reviewed by Nesbit-Savage (1993). Inclusion of New Zealand in international real wage comparisons also requires the calculation of a purchasing power parity adjusted real wage benchmark for the Dominion. Allen (1994) compared real wages adjusted for purchasing power in Australia, Canada, and the USA with those in Great Britain in 1896, and his findings were adopted in Williamson's wider study. Here, we add to the literature by comparing wages adjusted for purchasing power in New Zealand and Great Britain in 1896, which facilitates the inclusion of New Zealand in Williamson's wider compilations, and thus in the debates surrounding globalization.

The new data are used initially to consider possible wage convergence between Australia and New Zealand on the basis of time series tests. Our findings reject the existence of trans-Tasman Sea wage convergence for general (non-farm common) laborers, but not the existence of a common stochastic trend, which implies that common shocks influenced laborers' wages in both countries. For all workers

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