

Further, since "wholesale prices" are determined by the business situation of the moment, while retail prices are largely determined by custom and change comparatively slowly, there exists what is technically called a "lag" between the two, retail prices not showing changes in fundamental business conditions until some time after wholesale prices. Thus, while wholesale prices in Canada reached the peak in May, 1920, and commenced to decline in June, retail prices reached the peak in July, 1920, and began to decline in August.

### 1.—Wholesale Prices.

The Dominion Bureau of Statistics now issues monthly a new official index number which is computed from 238 commodities, based on the year 1913, as 100, and weighted according to the aggregative method known as Laspeyre's. This index, while constructed with a view to giving continuity with that issued since 1910 by the Department of Labour, has been improved by the adoption of several ideas developed in the science of index number making since the old index was first computed, and by the substitution of new commodities or price series for those which have ceased to be representative owing to changes due to the passage of time. The changes in question may be noted under the following headings: (1) Commodities included; (2) Method of grouping commodities; (3) Base period; and (4) Weighting.

**Commodities Included in the Index Number.**—The original index number of the Department of Labour was constructed from 230 price series. Although a number of changes were introduced from time to time, some commodities having been dropped and others added (the net result of which was to increase the series to 272), the index has been substantially the same as when first published. It has for some time been recognized that a revision of the list was required. Several of the items have ceased to represent adequately the field from which they were drawn, and the sources from which others were obtained are no longer reliable. The new list contains 238 price series, as many as possible being obtained directly from reputable business concerns as the most dependable sources of information. This has involved the addition of 51 new price series and the dropping of 85 others, whilst substitutions of various kinds have been made in 130 cases.

The number and kind of commodities to be included was determined on the basis of the relative importance of the various groups in exchange, that is, in the general trade of the country. The group of Grains, Fruits and other Vegetable Products was found to have a relative importance in trade of 28.1 p.c.; Animals and their Products, of 21.1 p.c.; Textiles, of 11.8 p.c.; Wood and its Products, of 8.8 p.c.; Iron and Steel, etc., of 10.9 p.c.; Non-Ferrous Metals, of 6.3 p.c.; Non-Metallic Minerals, of 7.1 p.c.; and Chemicals, of 5.9 p.c. On this basis the number of price series allotted to each group was as under:—

1. Vegetable Products (grains, fruits, etc., except woods, fibres and chemicals).....	67
2. Animals and Animal Products (except chemicals and fibres).....	50
3. Fibres, Textiles and Textile Products.....	28
4. Wood, Wood Products and Paper.....	21
5. Iron and its Products.....	26
6. Non-Ferrous Metals and their Products.....	15
7. Non-Metallic Minerals and their Products (except chemicals).....	17
8. Chemicals and Allied Products.....	14