

Section 1.—Wholesale Prices of Commodities.

Subsection 1.—Historical Review of Canadian Prices.

Until within the last year or so, the index number of wholesale prices in Canada did not go back beyond 1890. However, it has now been extended backward to 1867 on the 1913 base, the added quarter of a century including a very interesting period to students of price statistics. The average index numbers for the 61 years since Confederation are given in Table 1. In that table will be noted the high prices of 1867, immediately following the close of the American Civil War and the Austro-Prussian War of 1866, and the tendency to declining prices in the years immediately following. Prices went up again after the Franco-German War of 1871 and reached a high point in 1872 and 1873, but the crisis of the latter year resulted in a decline. This declining trend persisted fairly steadily throughout the 25 years from 1872 to 1897 and was featured by an inadequate increase in the supply of gold. The gold supply of the world did not increase as rapidly as the supply of commodities, consequently more commodities could be secured for a given amount of gold. This disproportion between the world's supply of gold and the world's supply of commodities resulted in disputes and political agitation in debtor communities, culminating in the United States in the free silver campaign of 1896, when the Democratic party adopted as its program the free coinage of silver dollars on the basis of 16 to 1, which was about the relation between the values of silver and gold prior to 1870. This program would have permitted debtors to pay off their obligations in silver dollars whose current value in gold was only 50c. Though the Democrats were defeated, relief for the debtors was already on the way as a result of the great discoveries of gold in South Africa and the discovery of the cyanide process of obtaining gold from low grade ore. The result was that the world's production of gold increased very rapidly from about 1890 down to the outbreak of the Great War, with the natural consequence of rising general prices as soon as the volume of the new gold became a large part of the total stock. Thus prices increased from the low point of 75.6 in 1897 to 100 in 1913 and 102.3 in 1914. Afterwards, the Great War, both through the scarcity of commodities which it occasioned and the inflation of the currency which it produced, drove prices rapidly upward to a maximum of 243.5 in 1920, followed by a rapid collapse to 152.0 in 1922. This was succeeded by a slight increase to 160.3 in 1925, but the tendency since 1925 has been downward, and the 1928 average of 149.7 is the lowest since 1916.

Opinions differ as to the probable course of wholesale prices in the future, but reductions in taxation, combined with new economies due to improved methods of distribution and labour saving inventions, would lead one to believe that the general trend of wholesale prices will be downward, provided that peace continues to prevail generally throughout the world.