

1.—Annual Index Numbers of Wholesale Prices in Canada, 1867-1928.

(1913=100).

1867.....	133.0	1883.....	106.0	1899.....	81.4	1915.....	109.9
1868.....	128.7	1884.....	100.6	1900.....	85.8	1916.....	131.6
1869.....	126.5	1885.....	92.7	1901.....	84.5	1917.....	178.5
1870.....	123.5	1886.....	90.7	1902.....	86.2	1918.....	199.0
1871.....	124.5	1887.....	91.9	1903.....	86.9	1919.....	209.2
1872.....	135.7	1888.....	93.5	1904.....	87.0	1920.....	243.5
1873.....	133.8	1889.....	92.6	1905.....	87.8	1921.....	171.8
1874.....	129.0	1890.....	83.0	1906.....	92.6	1922.....	152.0
1875.....	120.7	1891.....	91.4	1907.....	96.2	1923.....	153.0
1876.....	116.6	1892.....	86.2	1908.....	90.9	1924.....	155.2
1877.....	115.1	1893.....	85.2	1909.....	91.4	1925.....	160.3
1878.....	104.3	1894.....	80.6	1910.....	94.3	1926.....	156.2
1879.....	101.0	1895.....	79.6	1911.....	95.0	1927.....	151.6
1880.....	112.9	1896.....	76.0	1912.....	99.5	1928.....	149.7
1881.....	109.9	1897.....	75.6	1913.....	100.0		
1882.....	112.1	1898.....	77.8	1914.....	102.3		

Subsection 2.—The New Index Number on a Post-war Base (1926).

The official Canadian index number of wholesale prices computed by the Dominion Bureau of Statistics has been revised and calculated with the year 1926 as base. The number of price series included has been increased from 236 to 502, some of the latter being composite prices as, for example, milk, which consists of the weighted average of 15 prices collected at representative centres all over the Dominion. New statistical materials have made possible refinements and extensions of the weighting system previously used, adding to the accuracy of the index numbers, particularly in the case of groups and sub-groups. A detailed explanation of the methods now used in computing the index and the reasons for their adoption follow.

Base Year.—Since the nations of the world and along with them their currency systems have arrived, or are in the process of arriving, at a condition of post-war "normalcy", comparisons with pre-war years become less important and interesting, and the need arises of placing index numbers upon some post-war base which will serve as a suitable background for future movements. This constitutes the first reason for changing the base of the index number. A second important reason lies in the necessity of a periodical revision of index numbers so as to take account of current changes in the kind, quality and weighting of the commodities used in its computation. Ten years ago the maker of index numbers did not have to consider artificial silk, but to-day this commodity must be given an important place in the textile group. Again, such commodities as newsprint paper, copper, wheat, etc., must be given a greater weight in a Canadian index based on current conditions than in one based on 1913 conditions. So many changes take place in the production, consumption and exchange of commodities in a decade that a periodical revision of index numbers based upon them is a necessity.

It is preferable that a base period should, if practicable, consist of an average of several years, but the abnormal conditions which prevailed during and after the war furnish insuperable obstacles to a base of this character. Prior to 1925 the disparity between farm prices and the prices of manufactured goods was an abnormal factor in the prices situation. That year, however, owing largely to the marked rise in grain prices, the index for which rose from 143.9 in 1924 to 180.3 in 1925, developed a price level which was unusually high for the period. It was