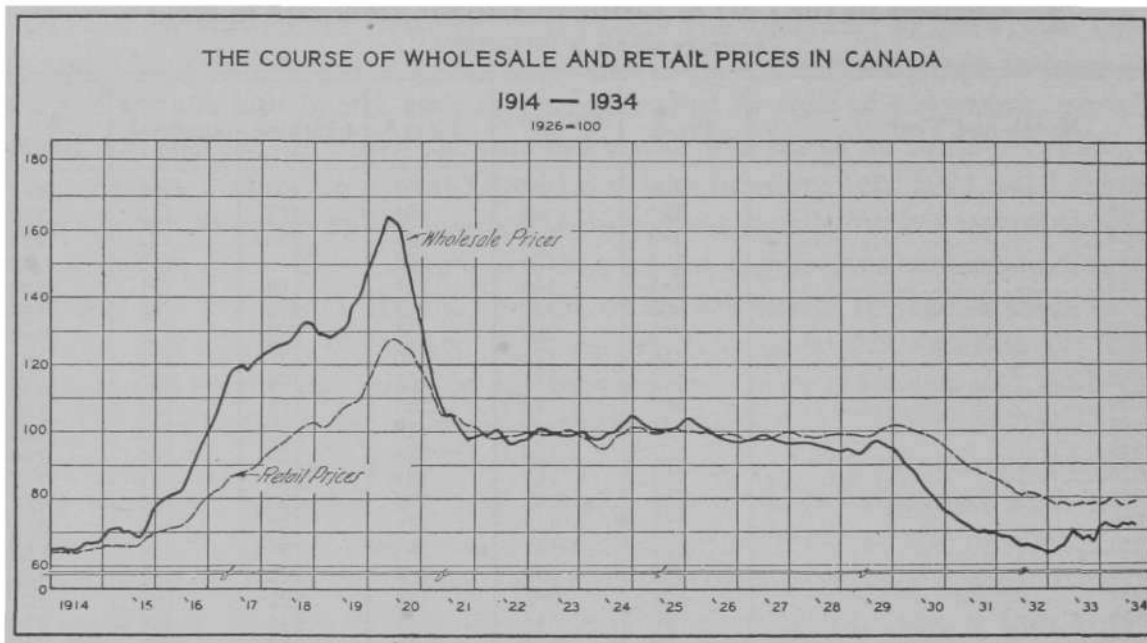


CHAPTER XX. PRICES.*

Commodity prices fall into two main divisions—wholesale prices and retail prices. The number of wholesale traders is smaller than that of retail traders, buying and selling by carefully defined grades more prevalent, and prices ranges at any particular time and place much narrower. Wholesale transactions are generally between expert buyers and sellers, dealing on purely business principles. Accordingly, wholesale prices conform approximately to the operation of the principle of supply and demand, and are thus more valuable as an index to the current state of business. Retail prices, on the other hand, are governed to some extent by custom and do not always respond readily to fluctuations in wholesale prices.



Further, there exists what is technically called a "lag" between wholesale and retail prices, the latter not showing changes in fundamental business conditions until a month or two after wholesale prices. Thus, while wholesale prices in Canada reached a peak in May, 1920, and commenced to decline in June, retail prices reached their corresponding peak in July, 1920, and began to decline in August. A similar "lag" has been noted in recent years, as indicated by the above chart showing the course of wholesale and retail prices in Canada from 1914 to 1934.

Retail prices find one of their chief uses in the measurement of changes in the cost of living. This measurement is complicated by such changing factors as consumption, habits and standards of living, and qualitative changes in commodities included in the budget.

Section 1.—Wholesale Prices of Commodities.

Subsection 1.—Historical Review of Canadian Prices.

Until recently 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 every year since

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