

Many satisfactory index numbers are, of course, constructed from a much smaller list of price series. The Bureau decided on the larger number in order to establish continuity with the old index number, and also because it is believed that the larger list, drawn from all classes of commodities and containing several representative items from each class, will increase the general usefulness of the report for purposes of reference and will better reveal the changes in the general level of prices.

Methods of Grouping Commodities.—The method of grouping the items for presentation and for calculating group indexes is new, being in conformity with the general plan adopted throughout the Bureau in presenting statistics relating to commodities, so that co-ordination may be possible between the statistics of prices and those of imports and exports, production, transportation, etc. Briefly, the items are grouped on three distinct principles which are each applied separately. In the detailed tables of prices and in one of the series of group indexes the principle of grouping according to "chief component material" (vegetable, animal, wood, iron, etc.) is adopted. At the same time independent classifications are constructed according to "use or purpose" (food, clothing, producers' goods, etc.), and according to "origin" (farm, forest, mineral, marine, etc.). By the use of this method each group has a degree of comprehensiveness and accuracy that is difficult to secure in a classification scheme which adopts more than one of these principles within the same category.

In the case of the purpose classification a few very important commodities have been included twice, so as to appear in both consumers' and producers' goods. In the origin classification, in the sub-division into raw materials and finished products, it is of course the case that certain commodities cannot be classified definitely as raw or finished products, what is raw material from one point of view being finished product from another; e.g., copper ingots may be finished products from the point of view of the smelter, but are the raw materials for several other industries, such as that for producing copper wire. The Bureau, however, has divided all its commodities into two groups (1) raw or partly manufactured products; (2) fully or chiefly manufactured products. It was found impossible to define these two groups so precisely as to make them mutually exclusive, but the commodities were classified with the best judgment that could be brought to bear upon the matter. The results are thought to be better than if a few commodities had been selected as representative.

Base Period.—The original index number of the Department of Labour was based on the period 1890-1899. In view of the upheaval in prices occasioned by the war, comparisons are now called for with the period immediately preceding it. In any event, comparisons with a period so remote as 1890-1899 are not practical, and it is a fact that the more remote the base the wider is the margin of error in the index. In the revision carried out by the Bureau, the year 1913 was adopted as the base period, in conformity with the practice in most other countries. Prices in the year 1913 will in the present and in future reports be represented by the figure 100, and prices in prior and subsequent years will be expressed as percentages of those prevailing in 1913.

Weighting.—The Labour Department's index number was *unweighted*, but the number published in future will be *weighted*, i.e., in calculating the general trend of prices each commodity will be assigned its relative importance in the trade of the country. That a weighted index number is more accurate and useful than an