

## AN INDEX NUMBER OF POST-WAR PRICES

Acting on the advice of Professor Irving Fisher, whose help is gratefully acknowledged, the year 1923 was selected as the base for the new index. That year seemed the most suitable for every reason. The great leap-up of 1919 and the first half of 1920, followed by the very severe decline of 1921 and 1922 was past, and a new level, whether permanent or temporary still remains to be seen, had been established. It was a more or less "normal" year, when prices, after the violent movements which characterized 1919-20-21 had ceased, had reached a practical equilibrium, substantially higher than the low of 1921, and very considerably below the peak of 1920.

Other advantages of taking as a base the year 1923 are obvious. In the first place, the world is living in a new era, and the present level of wholesale prices is considerably higher than that obtaining before the war. It is hardly too much to say that to compare prices to-day with those of 1913, to say nothing of any earlier period, is almost like comparing modern with ancient history. To assert, for instance, that prices in November, 1926, are 170% of prices before the war, while it may be, and assuredly is, an interesting historical fact is, in the last analysis, of little practical use to-day. What is rather wanted is a statement of the relative movement of prices in the new era after the war. If we take such a base as the average of prices in 1923, a highly suitable year from every consideration, and say, for instance, that prices in November, 1926, were 94.3% of prices in 1923, we get an instant mental picture of the level of prices in the post-war period. We are, if the expression may be allowed, "up-to-date," and are unhampered by a backward look to a former period. Secondly, by abandoning a pre-war base the compilation of tables of prices becomes infinitely easier and more accurate. As is painfully realized by every price statistician, series of wholesale price quotations must inevitably become more and more corrupt as time passes. Brands change quickly, and what was a representative commodity or brand ten years ago may only too often, to the dismay of the statistician, be replaced by a new one which may, or may not, bear any relation to the old. Every index number as years go on becomes a mass of interpolations and adjustments, until at last it breaks down under the difficulties which beset it. By taking a post-war base, therefore, we entirely escape these very real and serious difficulties and attain a continuity of series and accuracy of record otherwise impossible. It is open