

to the compiler to include new brands and sometimes entirely new commodities, as for instance in the present index number "Rayon" is added to the list for the first time. The constant care of the compilers has been to select such commodities as are of prime importance in the industry of the Dominion, the prices of which can be easily, quickly and accurately recorded. For that reason alone some commodities, which might otherwise have been suitable for inclusion, have been rejected owing to doubt as to their susceptibility of accurate price record.

NOTE: W. C. Mitchell in his excellent study of index numbers remarks: "The measurement of price fluctuations becomes difficult in proportion to the length of time during which the variations to be measured have continued. In other words, the further apart are the dates for which prices are compared, the wider is the margin of error to which index numbers are subject, the greater the discrepancies likely to appear between index numbers made by different investigators, the wider the divergencies between the averages and the individual variations from which they are computed, and the larger the body of data required to give confidence in the representative value of the results." "Index Numbers of Wholesale Prices in the United States and Foreign Countries": by W. C. Mitchell, Bureau of Labour Statistics, Washington, 1915.

THE METHOD USED

The formula used, again under the advice of Professor Irving Fisher, is what is known as the "Aggregative," sometimes known as Laspeyre's formula after the distinguished mathematician who first suggested it. Briefly, and shorn of all technicalities, the method is to assign "weights" to each series of price quotations, the weights in this case being the physical volume of production of each commodity during the year 1923. Each price quotation is multiplied by its appropriate weight, and the aggregate of the weighted price quotations for each month under review, multiplied by 100, is then divided by the sum of the weighted averages for the year 1923. The resultant figures are, therefore, expressed as percentages of the average of the base year. This method in effect presents the cost of what may be termed the "national budget" for any month in the period under review as a percentage of its cost in the base year. That is to say, if so many million bushels of wheat, tons of pig iron or gallons of petroleum cost a certain amount in 1923, they will cost so much in 1926.

The theory of the aggregative form of index numbers is admirably explained by Sir George Knibbs in his masterly exposition of price indexes in his Report in 1919 to the Australian Government on Prices and Purchasing Power of Money, and we cannot do better than quote it: "When, at