

analysis of the sales of a large retail business in Canada revealed the fact that over a period of fourteen years a decline or fall of wholesale prices preceded a decline or fall in the volume of retail sales by about three months. On reflection this will be found to be quite rational. Wholesale prices reflect forwards. A retailer buys his goods to-day for delivery at some future date. Retail prices reflect back to goods purchased previously. A simple example of this may be instantly recognized in the fact that "futures" in commodities such as wheat or cotton move quicker and more violently than spot prices. As an indication of future movements in business we have in wholesale prices a "barometer" far more sensitive than retail prices. In fact it must be asserted that retail prices are of comparatively little value, while wholesale prices are of the greatest possible use in studying the movements of what is generally termed "the business cycle."

#### FINAL INDEX NUMBERS

	1919	1920	1921	1922	1923	1924	1925	1926
January...	132.56	159.49	134.04	94.99	98.13	94.48	109.03	99.67
February..	128.46	164.12	125.94	97.82	96.89	95.68	108.68	100.10
March....	125.44	164.47	118.49	96.39	100.15	94.89	105.05	98.34
April.....	129.85	170.59	113.22	97.72	100.36	93.12	99.80	98.67
May.....	133.11	182.84	112.18	99.87	100.39	93.42	102.75	97.67
June.....	134.80	182.17	108.25	97.74	100.62	93.63	101.80	97.18
July.....	136.15	186.49	107.36	98.65	98.54	95.57	101.25	98.09
August....	140.8	181.91	110.42	97.00	97.90	99.09	100.37	95.61
September.	137.12	171.99	106.92	94.22	97.52	98.28	97.41	95.72
October...	137.36	163.50	99.35	94.77	96.04	102.02	94.50	95.29
November.	139.79	154.08	95.24	95.94	95.13	102.88	97.20	94.31
December.	143.05	127.35	95.37	93.85	94.33	105.01	99.95	94.62

#### INDEX NUMBERS AND THE COST OF LIVING

One of the principal uses to which index numbers are put is to measure the cost of living, and most elaborate calculations have been made to arrive at some conclusion on that point, in order to adjust wage scales to what may be considered the cost of living for the moment. In that connection it might very properly be argued that an index of retail prices would be more suitable than one of wholesale prices. What has already been said on the subject of wholesale prices being more "sensitive" than retail is very much to the point here, but something more may conveniently be added on the subject of measuring "cost of living" by retail prices.

In the first place, it may be remarked that accurate retail prices are very difficult to obtain. They differ widely from place to place, often from one retailer to another. What is