

we started our calculations by expressing prices in our base year as 100.

Another step in the making of index numbers which often puzzles those who have not studied the subject is what is termed "weighting." This again is quite simple when understood. It is quite evident that when a large number of different commodities are combined together, some are very much more important than others. Thus, wheat is of far greater importance in commerce and the life of the nation than, say, such a comparatively unimportant item as lemons. If they were all included together on an equal footing, a violent movement in the price of lemons might nullify a very small movement in the price of wheat, and give a totally wrong impression of the movement of prices in general as it affects the standard of living of the people. To give them their relative importance in the economic structure, therefore, "weights" are assigned. These are fixed multipliers of each separate item, and when the sum of the weighted individual series is found, it is divided by the sum of the weights. In the list of commodities included in the present index there will be seen the weights assigned to each item. That a "weighted" index number is more correct than an "unweighted" is now accepted by all leading statisticians.

Index numbers are no more mysterious than the example we have given. They provide a very useful and simple way of measuring the rise and fall of prices as a whole and are now widely used; in fact all countries have their index numbers and most have several calculated in different ways. We have indicated above only the simplest form of index numbers; but although the basic principle remains the same, there is a wide diversity in the methods used in compiling them and mathematicians have expended much thought in perfecting the technique of such compilations. It is quite unnecessary to follow the subject further; but it will, of course, be readily seen that the present index number of wholesale prices in Canada is not quite so simple an affair as that described above. But, however complicated the method used, the result is simply a device for measuring the general rise or fall of prices over a given period of time.

The compilation of the New Index Number of Wholesale Prices of the Canadian Bank of Commerce was made by the staff of the Statistical Department of the Bank, under the general supervision of Mr. H. Michell, Professor of Political Economy in McMaster University, Toronto.