

The wholesale price index on the base 1926 = 100 rose from 72.3 in August 1939 to 103.9 in December 1945, an increase of 31.6 points. In the next two years it rose from 103.9 to 143.5, an increase of 39.6. In this index the vegetable products and animal products groups account for 17.3 points of the 39.6 point rise. The wood and wood products group accounts for 8.6 points and the fibres and textiles group for 5 points. Thus these three groups are responsible for 30.9 of the 39.6 points.

These figures I have given you are the outward sign and symbol of what has been happening in the prices field. They indicate the groups of commodities which are largely responsible for the rise since December 1945. They do not, of course, analyse the underlying causes which are ultimately responsible. These include higher wage costs, scarcity of certain commodities in relation to demand, high national income and therefore high purchasing power, the influence of external prices, particularly those of the United States, profit margins, and so on. In the Bureau of Statistics, of course, we only measure statistically the final results of the combination of these and other causes.

The statistical data on which the foregoing statements are based is contained in a bulletin which has been distributed. Perhaps at this point it might be helpful if I gave a brief description of the various statistical series which it contains.

THE COST-OF-LIVING INDEX

The Dominion Bureau of Statistics index of the cost of living is a measurement of price changes only. To ensure this single measurement no allowance must be made for a change upward or downward in the standard of living. It was not designed to measure changes resulting from shifts to higher or lower levels of living, and was not constructed to take account of the effect of buying more goods or better goods. It measures changes in the cost of a family budget which includes the same amounts of the same commodities and services for considerable periods of time; the budget is revised when "long-run" changes in consumption set up a new consumption pattern. That this cost-of-living index is adequate to do the job it was designed to do, the bureau is fully confident. Criticisms which have been aimed at it are mainly due to a misunderstanding of the nature and purpose of the index.

The index budget was calculated from annual purchases reported in 1938 by a group of 1,439 typical wage-earner families located in urban centres across the dominion. The survey families average 4.6 persons and the majority had two or three children. Family earnings in many cases were supplemented by minor sources of income; total incomes for these families were heavily concentrated between \$1,200 and \$1,600. They ranged, however, from as low as \$600 to about \$2,800 per annum. There were approximately two tenant families to every one home-owning family, and about one family in three operated a motor car.

Data from the survey provided a system of weights which are essential in index-number making. What the maker of a cost-of-living index tries to do is to establish a basket of goods which do not change in number, quantity or quality, price it from month to month, and express the latest cost as a percentage of the cost in the base period.

This basket, however, does not include all the commodities and services which people buy. There are 150 items in the cost-of-living budget, divided into six groups: food, clothing, shelter, etc. Each of these groups consists of items which represent a much larger number of items. It is a well established statistical principle that a small number of representative items will measure accurately the changes in price levels of a much larger number in similar categories. For example, prices of a few representative cuts of beef will record