

## GENERAL EXPLANATION

The Consumer Price Index (revised January 1953) measures the average change in prices of goods and services purchased by city wage-earner and clerical-worker families. The goods and services included in the index "market basket" are those required to maintain the level of living characteristic of such families in 1952. The quantities and qualities of the items in the "market basket" remain the same between consecutive pricing periods, so that the index measures the effect of price change only on the cost of living of these families.

The indexes are presented on a base of 1947-49=100. The index numbers thus show the average increase or decrease in prices from the 1947-49 average. (For convenience of users, the indexes are also shown on the base 1935-39=100). The city indexes do not indicate whether it costs more to live in one city than in another. Comparisons of city indexes show only whether prices have risen more or less in one city than another since the base period.

The Bureau has been compiling the Consumer Price Index for nearly 40 years. At four different times it has been necessary to bring the "market basket" of goods and services up to date and to modernize the samples and methods of calculation. The indexes in this report are revised as of January 1953. The "market basket" is based on extensive surveys of postwar expenditure patterns of city families, and reflects changes that have occurred since prewar in the amounts, kinds and qualities of things people buy, as well as new things that were not part of our pattern of living a few years ago.

About 300 items are priced to estimate the average change in prices of all items in the "market basket." Among these items are all the important goods and services that wage and clerical workers buy. Prices are collected at regular intervals, and the successive prices are compared to determine price changes. The items priced are described by detailed specifications to insure that as far as possible, the same quality is priced each time, and that differences in reported prices are measures of price change only. Prices are obtained in a sample of 46 cities representative of all cities in the U.S., including the 12 largest urban areas with populations over 1 million, 9 other large cities, 9 medium-sized cities, and 16 small cities. In each city, prices are reported by stores of various kinds and by service establishments and individuals (such as physicians and dentists) from whom wage and clerical workers buy goods and services.

Foods, fuels, rents, and a few other items are priced monthly in all cities. Prices of most other goods and services are obtained on a regular rotating pricing cycle--monthly in the 5 largest cities, every 3 months in 25 large and medium-sized cities, and every 4 months in the 16 smallest cities. In any given month, goods and services other than foods, fuels and rents are priced in 17 or 18 cities out of the 46. Price collection extends over 3 or 4 weeks, centered on the 15th of the month. Prices for a few items (e.g., auto insurance, railroad fares) are computed from published sources.

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Rent. Rents are obtained each month by mail from tenants of representative samples of dwellings in each of the 46 cities, and once every 2 years by personal visit, when local samples of dwellings are also reviewed. The rent index measures changes in rent from one period to another for the same rented dwellings, with the same facilities, furnishings and services.

Other Shelter. Materials and services for house maintenance and repair are priced on the regular city pricing cycle. Prices of houses, fire insurance rates, mortgage interest and taxes, which change only occasionally, are obtained annually or biennially, and changes estimated between pricing dates. Sales prices of houses are obtained from records of mortgages insured by the Federal Housing Administration.

Fuels, including Gas and Electricity. Prices prevailing on the 15th of the month are collected monthly by mail from fuel dealers and utility companies in 46 cities.

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Price changes for all items in each city are combined in accordance with their importance in the "market basket" for that city to obtain an average price change for that city. Price changes for the 46 cities are combined for the U.S. with the use of 1950 population data. Each city is given an importance or weight proportionate to the wage-earner and clerical-worker population it represents in the index. The 12 largest cities, each weighted by its own population, when combined have about two-fifths of the total weight in the national index. Each of the 3 other city-size groups has about one-fifth of the total weight; i.e., the 9 other large cities, the 9 medium-sized cities, and the 16 small cities. City indexes are compiled for the 20 largest of the 46 cities priced for the national average. The remaining 26 cities in which prices are collected are :

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The present index, as described above, has been linked (spliced) to the "interim adjusted" Consumer Price Index for 34 cities, issued through December 1952, to form a continuous series back to 1913. <sup>1/</sup>

For detailed descriptions of the Consumer Price Index, its uses and limitations, see the following:

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The indexes are presented on a base of 1947-49=100. The index numbers thus show the average increase or decrease in prices from the 1947-49 average. (For convenience of users, these indexes are also shown on the base 1935-39=100. Note that they are calculated using the new samples, items and weights). The city indexes do not indicate whether it costs more to live in one city than in another. Comparisons of city indexes show only whether prices have risen more or less in one city than another since the base period.

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About 300 items are priced to estimate the average change in prices of all items in the "market basket." Among these items are all the important goods and services that wage and clerical workers buy. Prices are collected at regular intervals, and the successive prices are compared to determine price changes. The items priced are described by detailed specifications to insure that as far as possible, the same quality is priced each time, and that differences in reported prices are measures of price change only. Prices are obtained in a sample of 46 cities representative of all cities in the U.S., including the 12 largest urban areas with populations over 1 million, 9 other large cities, 9 medium-sized cities, and 16 small cities. In each city, prices are reported by stores of various kinds and by service establishments and individuals (such as physicians and dentists) from whom wage and clerical workers buy goods and services.

Foods, fuels, rents, and a few other items are priced monthly in all cities. Prices of most other goods and services are obtained on a regular rotating pricing cycle-- monthly in the 5 largest cities, every 3 months in 25 large and medium-sized cities, and every 4 months in the 16 smallest cities. In any given month, goods and services other than foods, fuels and rents are priced in 17 or 18 cities out of the 46. Price collection extends over 3 or 4 weeks, centered on the 15th of the month. Prices for a few items (e.g., auto insurance, railroad fares) are computed from published sources.

Food. Food prices are collected monthly from chain and representative independent food stores in all 46 cities, during the first 3 days of the week which includes the 15th of the month. Prices for restaurant meals are based on menus collected on the regular pricing cycle for each city as described above.

Rent. Rents are obtained each month by mail from tenants of representative samples of dwellings in each of the 46 cities, and once every 2 years by personal visit, when local samples of dwellings are also reviewed. The rent index measures changes in rent from one period to another for the same rented dwellings, with the same facilities, furnishings and services.

Other Shelter. Materials and services for house maintenance and repair are priced on the regular city pricing cycle. Prices of houses, fire insurance rates, mortgage interest and taxes, which change only occasionally, are obtained annually or biennially, and changes estimated between pricing dates. Sales prices of houses are obtained from records of mortgages insured by the Federal Housing Administration.

Fuels, including Gas and Electricity. Prices prevailing on the 15th of the month are collected monthly by mail from fuel dealers and utility companies in 46 cities.

All Goods and Services other than Foods, Fuels and Rents. Prices are collected in person, on the city cycle described above, from samples of representative department stores, apparel and shoe stores, housefurnishings and appliance dealers, barber shops, beauty shops, doctors, hospitals, moving picture theaters, etc. Prices for such items as newspapers, street car and bus fares, and telephone service are collected by mail. Prices of used cars are obtained from car dealers through a trade association.

Price changes for all items in each city are combined in accordance with their importance in the "market basket" for that city to obtain an average price change for that city. Price changes for the 46 cities are combined for the U.S. with the use of 1950 population data. Each city is given an importance or weight proportionate to the wage-earner and clerical-worker population it represents in the index. The 12 largest cities, each weighted by its own population, when combined have about two-fifths of the total weight in the national index. Each of the 3 other city-size groups has about one-fifth of the total weight; i.e., the 9 other large cities, the 9 medium-sized cities, and the 16 small cities. City indexes are compiled for the 20 largest of the 46 cities priced for the national average. The remaining 26 cities in which prices are collected are:

Anna, Illinois	Huntington, W. Virginia	Pulaski, Virginia
Camden, Arkansas	Laconia, New Hampshire	Ravenna, Ohio
Canton, Ohio	Lodi, California	Rawlins, Wyoming
Charleston, W. Virginia	Lynchburg, Virginia	San Jose, California
Evansville, Indiana	Madill, Oklahoma	Sandpoint, Idaho
Garrett, Indiana	Madison, Wisconsin	Shawnee, Oklahoma
Glendale, Arizona	Middlesboro, Kentucky	Shenandoah, Iowa
Grand Forks, N. Dakota	Middletown, Connecticut	Youngstown, Ohio
Grand Island, Nebraska	Newark, Ohio	

The present index, as described above, has been linked (spliced) to the "interim adjusted" Consumer Price Index for 34 cities, issued through December 1952, to form a continuous series back to 1913. <sup>1/</sup>

For detailed descriptions of the Consumer Price Index, its uses and limitations, see the following:

"The Consumer Price Index," A Short Description of the Index as Revised, 1953.

"The Revised Consumers' Price Index--A Summary of Changes in the Index and Suggestions for Transition from the 'Interim Adjusted' and 'Old Series' Indexes to the Revised Index."

Bureau of Labor Statistics Bulletin No. 1039: "Interim Adjustment of the Consumers' Price Index."

January 1951 Report: "Consumers' Price Index and Retail Food Prices."

December 1952 Report: "Consumers' Price Index and Retail Food Prices."

Monthly Labor Review articles:

The Revised Consumer Price Index (February 1953).

Adjusted Consumers' Price Index: Relative Importance of Items (June 1951).

Interim Adjustment of Consumers' Price Index (April 1951).

Selection of Cities for Consumer Expenditure Survey-1950 (April 1951).

Revision of the Consumers' Price Index (July 1950).

<sup>1/</sup> See December 1952 report, "Consumers' Price Index and Retail Food Prices." Tables of rebased "interim adjusted" indexes for the U. S. and for 20 cities are available upon request.