

could not be introduced until this year. Accordingly, when new weights are introduced into the index, they are already 3 to 4 years old, and at the time they are changed, they are nearly 10 years old. The Consumer Price Index has undergone even more infrequent weight changes.

In general terms, for there are no objective criteria available, changes should be made as frequently and as early as possible in order to more truly reflect current conditions. As a case in point, the British Government kept the commodity list in its price index unchanged from 1913 to 1947. At this latter date, with some difficulty, women's high button shoes, whalebone-stay corsets, and kerosene lamps (for lighting) were still being priced.

The BLS Wholesale Price Index is designed to measure changes in the prices of all commodities sold in commercial transactions in primary markets of the United States including Alaska and Hawaii.

All these commodities, taking account of grade, size and other specifications number in the hundreds of thousands and the total number of price transactions for them in a month are in the untold millions.

To measure what happens to prices, the Bureau collects actual price quotations on a sample of about 2,300 representative items from manufacturers and other producers.

Ethical pharmaceutical preparations account for about 0.5 percent of the total importance of commodities in the WPI. A relatively larger number of commodities are used to construct these index components of the WPI than for most other product classes. There are 31 drug and pharmaceutical materials, 55 ethical pharmaceuticals divided into 15 subproduct classes and 24 proprietary pharmaceuticals divided into eight subproduct classes making a total of 110 products. A proportionate share, that is 0.9 percent of the 2,300 products used for the entire WPI would be 21 which probably results in the drug category being more representative than most other categories of like weight. Even before the revision and updating of the pharmaceutical indexes in 1961, 37 products were included. Thus, pharmaceuticals are not glossed over in the WPI. But even this list of products leaves something to be desired in a definitive study of drug prices.

Before the BLS had indicated that it was revising its drug index, I had been asked by the industry to construct the index now called the PMA Wholesale Price Index of Ethical Pharmaceuticals. To do this, I went back to 1949, and with a more comprehensive list of drugs constructed an index which showed price movements since that date. The construction of this index is described in a succeeding portion of this paper.

It is pertinent to compare the BLS Drug and Pharmaceutical Index with the PMA index for the periods 1949-60, the period preceding the BLS revision, and 1961-66, the period after the revision. From table I-A and chart I-A, one can see that the BLS index in the earlier period showed practically no change in drug prices while the PMA index declined 7.6 percent. The comparison for the later period (with no change in the technique employed in constructing the PMA index) shows that the movements of the two indexes were very similar, with the BLS index showing an even larger decline than shown by the PMA index. (See table I-B and chart I-B.)