

The BLS, in constructing its Wholesale Price Index (WPI), relies on various government and other advisory agencies to supply suitable data for weights. BLS generally has little choice as to when or how often these data are collected or as to how quickly the data are processed and released.

For its Consumers' Price Index (CPI), BLS cannot fall back on any agency for data suitable for weights. It must therefore conduct its approximately decennial Survey of Consumer Expenditures. Without these special studies of consumer spending patterns, the consumer price index could not be constructed, or revised to reflect changes in these patterns.

Changes in weights and commodities

These studies of relative importance of commodities cannot be "once and for all" studies. Like most else in our society, they become obsolescent. For, in a dynamic economy such as ours, new products are constantly appearing on the market, many older products diminish in importance and often disappear altogether. Also the use of existing products changes continuously as custom and needs decree. Since such information can be obtained only after the fact, it is somewhat obsolete even when first used (applying information for a past period of time to a current situation) and it steadily becomes more obsolete with each passing period.

The rate of change in the relative importance of commodities, and in the birth rates and death rates of commodities varies in time and with the class of products. In any event, such changes are universal. No price index in the present day can long endure without an updating of the list of items for which prices are measured and without a re-evaluation of the importance of the individual products and the classes to which they belong. Because changes in drug usage are so rapid and steady, BLS has found it necessary to contact the American Pharmaceutical Association annually for information on weight changes.²

Due to the high cost usually entailed in collecting data, revisions of indexes are infrequent, and the accuracy with which the index measures average price changes is impaired. In the 1920s and 1930s, a Census of Manufactures was taken every other year. As soon as each of these censuses became available (once every two years), the Bureau of Labor Statistics revised its wholesale product weights and commodity lists. Since World War II, censuses were taken only in 1947, 1954, 1958, and 1963. The data from these surveys were incorporated into the Wholesale Price Index as soon as they were available. This, however, has entailed a considerable time lag. Thus until 1967, as long as nine years after the fact, it was necessary to employ 1958 weights. The 1963 weights could not be introduced until this year. Accordingly, when new weights are introduced into the index, they are already three to four years old, and at the time they are changed they are nearly ten years old.

The Consumer Price Index has undergone even more infrequent weight changes. The 1960-1962 weights still in use in this index were introduced in 1964. Prior to that, 1952 was the weighting base; and until 1954, the 1934-1936 Consumer Expenditure Survey was used (with some necessary interim adjustments). One can readily see, therefore, how unrealistic consumption patterns in the depressed mid 1930s must have seemed in the first post World War II decade.

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. Contrast that with the U.S. War Department's Index of Contract Price Changes, maintained during World War II, when commodity weights and lists were revised every six months to keep pace with the changing character of the war and its requirements.

² See statement of Commissioner Ross before this Committee May 16, 1967 (transcript pp. 230-259).