THE CONSUMER PRICE INDEX (Revised January 1964)

What the Index Is

The Consumer Price Index (CPI) is a statistical measure of changes in prices of goods and services bought by urban wage earners and clerical workers,[1] including families and single persons. The index is often called the "cost-of-living index," but its official name is **Consumer Price Index for Urban Wage Earners and Clerical Workers.** It measures changes in prices, which are the most important cause of changes in the cost of living, but it does not indicate how much families actually spend to defray their living expenses. Prior to January 1964, the complete name for the index was: Index of Change in Prices of Goods and Services Purchased by City Wage-Earner and Clerical-Worker Families to Maintain Their Level of Living.

The index covers prices of everything people buy for living--food, clothing, automobiles, homes, housefurnishings, household supplies, fuel, drugs, and recreational goods; fees to doctors, lawyers, beauty shops; rent, repair costs, transportation fares, public utility rates, etc. It deals with prices actually charged to consumers, including sales and excise taxes. It also includes real estate taxes on owned homes, but it does not include income or personal property taxes.

Through December 1963, the index applied only to families of two persons or more. With the January 1964 index, the coverage has been extended to include single workers living alone. At the same time, a separate new series index applying only to families of two persons or more is being computed for comparability with the previous series. The average size of families represented in the index is about 3.7 persons, and the average family income in 1960-61 was about $6,230 after taxes. The average income after taxes of single persons represented in the index was about $3,560.

The Meaning of the Index Measurement

The index measures price changes from a designated reference period. Since 1962, the base reference period for the CPI has been the average of 3 years--1957, 1958, and 1959--as 100.0. (Index numbers are also available regularly on 1939=100 and 1947-49=100 bases, and they can be converted to any desired base period.) An index of 110 means there was a 10-percent increase in prices since the base period; similarly, an index of 90 means a 10-percent decrease.

---

[1] The definition of wage earners and clerical workers is based on the occupational classification used by the Bureau of the Census for the 1960 Census of Population and listed in the Alphabetical Index of Occupations and Industries. The group includes craftsmen, foremen, and kindred workers, such as carpenters, bookbinders, etc.; operatives and kindred workers, such as apprentices in the building trades, deliverymen, furnacemen, smelters, and pourers, etc.; clerical and kindred workers; service workers, except private household, such as waitresses, practical nurses, etc.; sales workers; and laborers, except farm and mine. It excludes professional, technical, and kindred workers, such as engineers and teachers; farmers and farm managers; managers, officials and proprietors, except farm; private household workers; and farm laborers and foremen. A consumer unit included in the 1960-61 Survey of Consumer Expenditures was classified in the index group if more than half the combined income of all family members was obtained in a wage-earner and clerical-worker occupation and at least one family member was a full-time earner (i.e., worked 37 weeks or more during the survey year).