

Price Data Collection

Prices are obtained by personal visit to a representative sample of about 16,500 retail stores and service establishments where wage and clerical workers buy goods and services, including among the establishments chain stores, independent grocery stores, department and specialty stores, restaurants, professional people, and repair and service shops. Rental rates are obtained from about 34,000 tenants. Reporters are located both in the city proper and in suburbs of each urban area. Cooperation of reporters is completely voluntary and generally excellent.

To insure that the index reflects only changes in prices and not changes due to quantity or quality differences, the Bureau has prepared detailed specifications to describe the items of the market basket. Specially trained Bureau representatives examine merchandise in the stores to determine whether the goods and services for which they record prices conform to the specifications. Where the precisely specified item is not sold at a particular retail establishment, the Bureau's representative obtains a detailed technical description of the item on which prices are quoted, in order to insure that prices will be quoted on the same quality and quantity from time to time.

Prices are collected in each urban location at intervals ranging from once every month to once every 3 months, as indicated in table 1, with a few items surveyed semiannually or annually. Because food prices change frequently, and because foods are a significant part of total spending, food pricing is conducted every month in each urban location. Prices of most other goods and services are collected every month in the five largest urban areas and every 3 months in all other places. Pricing of foods is done on 3 consecutive days each month; rents and items for which prices are obtained by mail are reported as of the 15th of the month; pricing of other items extends over the entire calendar month. The Bureau uses mail questionnaires to obtain data on streetcar and bus fares, public utility rates, newspaper prices, and prices of certain other items which do not require personal visit by Bureau agents. For a number of items, e.g., home purchase, college tuition, used cars, magazines, etc., data collected by other Government agencies or private organizations are used.

Index Calculation

A standard statistical formula⁷ is used to calculate the Consumer Price Index from prices for the market basket items. Average price changes from the previous pricing period to the current month are expressed in percentage terms for each item, and the percent changes for the various goods and services are combined, using weighting factors based on the item's importance in family spending and that of other items which it represents. This composite importance is called the cost weight of the market basket item. Table 2 shows the relative importance of the various groups and subgroups in the U.S. index as of December 1963, together with the number of items priced. There is a set of separate cost weights for each of the 50 urban locations included in the index. The following hypothetical example for pork illustrates the index procedure:

⁷See Explanation of the Index Formula, p. 7.

Sample item	September price	October price	Percent price change	September cost weight	Increase in cost weight due to price change	October cost weight
Pork						
chops - -	\$0.75	\$0.77½	•	\$15.00	\$0.45=(15.00x.03)	\$15.45
Ham - - -	.80	.82	+ 3	8.00	.20=(8.00x.025)	8.20
Bacon - - -	1.00	1.02	+2½	10.00	.20=(10.00x.02)	10.20
			+ 2	\$33.00		\$33.85