

## Section 2.—Cost of Living

A consolidation of official cost-of-living indexes was made in 1940 when the index shown at pp. 789-790, on the base 1935-39 = 100, replaced the Bureau of Statistics' preceding series on the base 1926 = 100, and also the Dominion Department of Labour's index on the base 1913 = 100. The Bureau's new index reflects changes in a fixed budget covering retail prices of commodities, services and shelter costs based upon the expenditure experience of 1,439 urban wage-earner families in the year ended Sept. 30, 1938. The record completed by these families was especially designed to provide budget data necessary for the accurate compilation of a cost-of-living index. It must be kept in mind, however, that the new index reflects changes in the cost of the same level of living from month to month and year to year. No account has been taken of shifting planes of living because of changes in economic circumstances, e.g., variations in income or direct taxation, or because of changing ages or variation in numbers of persons in the family. The basis of selecting families for the 1938 expenditure survey has been described in the 1941 Year Book at p. 723. Fuller particulars of the methodology employed and a summary of the results of the Nutrition and Family Living Expenditures Investigation are given at pp. 819-821 of the 1940 Year Book. The detailed findings appear in a report entitled "Family Income and Expenditure in Canada, 1937-38".

The cost-of-living index budget does not represent a minimum standard of living; it is a budget based upon actual living expenditure records of typical wage-earner families.

It is important to repeat that the index measures changes in the costs of the same level of living from month to month and year to year. The significance of this is at once apparent after comparing the rise in the index during the two years ended June, 1943, with the rise in average weekly earnings of industrial workers. In that period the cost-of-living index has risen barely 7 p.c., while the average weekly wage received by workers in eight leading industries has advanced by more than 20 p.c. Greater earnings have been reflected in greater spending despite heavier taxes and higher savings. This is borne out by figures of retail sales which were more than 20 p.c. above corresponding 1941 levels in the second quarter of 1943.

Claims that the cost of living has risen substantially in the past two years are undoubtedly due in part to confusion between higher costs resulting from higher prices, and higher costs due to greater purchases. The cost-of-living index reflects the rise in prices, but not the increase in purchases.

The cost-of-living index budget is being kept up-to-date, although still measuring changes in the same general standard or level of living. As basic changes in war-time consumption have occurred, the index budget has been adjusted accordingly. For example, with the sharp reduction in pleasure driving, the budget allowance for motor-car operation was reduced and, correspondingly, the recreation budget allowance was increased. As certain foods have become very scarce or have been rationed, budget quantities for them have been reduced and a comparable allowance added to quantities of other foods. Fresh vegetables provide an illustration of new additions to the food index. Due to the scarcity of canned vegetables, arrangements have been completed for the addition of fresh carrots, turnips and cabbage to the food budget. Likewise the curtailment in supply of canned salmon and smoked fish will be made up by additions of fresh fish.