

## Section 2.—Cost of Living

A consolidation of official cost-of-living indexes was made in 1940 when the index shown at p. 863, 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 present 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. This index reflects changes in the cost of the same level of living and no account is 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 is described in the 1941 Year Book at p. 723. Further 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 in 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 remember 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 three and one-half years ended June, 1944, with the rise in average weekly earnings of industrial workers. In that period the cost-of-living index rose barely 2 p.c., while the average weekly wage received by workers in eight leading industries advanced by more than 27 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 in 1945 which were more than 40 p.c.\* above corresponding 1941 levels.

Claims that the cost of living has risen substantially during the past four 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 level of living. As basic changes in wartime consumption have occurred, the index budget has been adjusted accordingly. For example, with the sharp reduction in pleasure driving which resulted from gasoline and tire rationing, 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. When canned vegetables became very scarce, fresh carrots, turnips and cabbage were added to the food budget. Likewise the curtailment in supply of canned salmon and smoked fish was made up by additions of fresh fish.

\* As indicated by records from stores dealing chiefly in foods, clothing and household requirements.