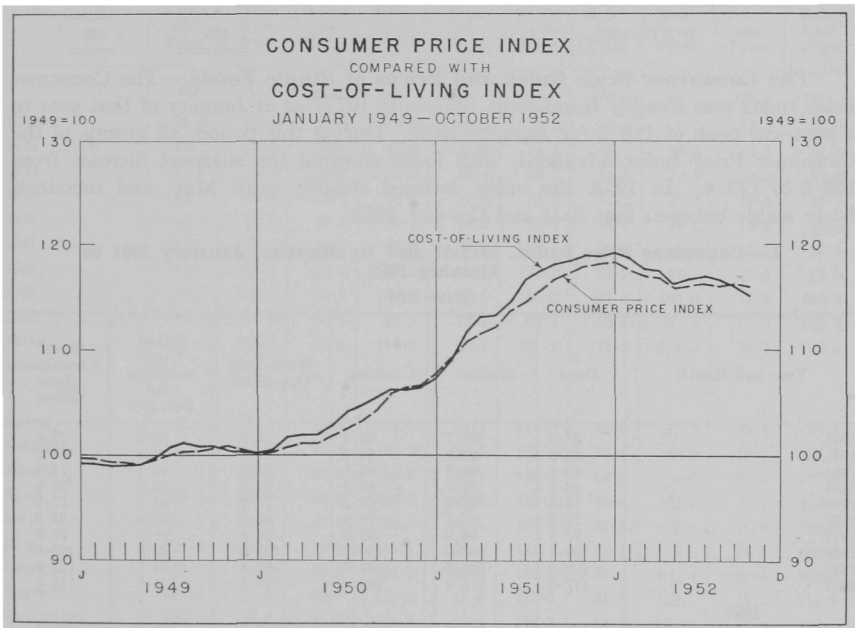


1938-1948, as well as the broader sampling that has been possible in the new index. The index content is purely factual in its nature, and no attempt has been made to distinguish between 'luxuries' and 'necessities'.

Pre-war levels of prices now constitute an unsatisfactory reference level and the base period of the index is the year 1949, as compared to the average of the years 1935-39 in the case of the Cost-of-Living Index. Of the post-war years, 1949 was selected as the base period because price levels then were relatively stable, and because of the unsatisfactory nature of other post-war years. The fact that 1949 is a satisfactory reference level for other index number measurements such as those related to industrial production, agriculture, imports and exports, was also of considerable importance.



With the change to 1949, the Consumer Price Index measures the percentage change in retail prices between that year and, for example, October 1952, rather than between October 1952 and 1935-39 as in the case of the Cost-of-Living Index. Since prices were substantially higher in 1949 than in 1935-39, indexes that take this higher price level as their reference base are considerably lower in absolute numbers. Thus, the Cost-of-Living Index for October 1952 was 185.0 while the comparable Consumer Price Index for the same date was 116.0. However, when both indexes are placed on the same base period, it will be seen that the two indexes have moved closely together over the period during which it is possible to compare them. The Consumer Price Index has been calculated forward from January 1949 and the accompanying chart compares monthly movements since that date with the movements of the Cost-of-Living Index.