

did not measure changes in the cost of living for the ultimate consumer;¹ and that, since food required only about two-fifths of the average family's annual outlay, changes in retail food prices alone did not adequately measure changes in the total cost of living.² What was needed was an estimate of the change in the total cost of living, related to local conditions and to a definite standard of living.

It had generally been assumed up to this time that the creation of an index of the total cost of living, based on changes in retail prices of the major component items, weighted and combined according to consumption, was a task fraught with almost insuperable difficulties because of the operations involved. The establishment of a basic budget which would properly represent complete requirements and the maintenance of comparable standards from period to period³ required a choice of typical articles and a knowledge of their use by average families, which could be obtained only through considerable effort in careful investigation. The selection of retailers who would furnish quotations, and the enlistment of their co-operation in numbers⁴ sufficient to afford a broad enough basis for generalizing, implied familiarity with a wide variety of marketing conditions. The collection of the data and the clerical work

¹ A comparison of the trend of wholesale prices and of retail prices is given in Table A (pp. 162ff.) and is illustrated in Chart 2. This shows clearly that wholesale prices often rise sooner and to a higher level than retail prices and that the reverse movement is also more rapid and more abrupt.

² Comparisons of the figures showing changes in food prices and in the total cost of living all indicate that food prices rose much more rapidly and to a higher point and fell much more rapidly and to a lower point than did the total cost of living. See, for example, Table 1 (p. 30), Table 4 (pp. 66-67), Tables C-1 and C-2 (p. 182).

³ A cost of living index series has frequently been started through collecting retail prices of food, since these articles are for the most part easily standardized and comparability of standard is readily maintained. Coal, matches and kerosene may be added; and then house rents. When clothing and sundries are reached, however, difficulties arise. This is because of the well-nigh limitless choice of samples and the fact that choice necessarily rests on individual preference or judgment; and because of complications due to changes in styles and changes of season and the problems of standardization. The Canadian number has grown in that way, as has the index number computed by the federal statistical office in Germany, which did not include sundries until February, 1925.

⁴ An index of retail prices is necessarily based on an average of several quotations, whereas for an index based on wholesale prices only representative market quotations are necessary.