

of course, most important that the "priced" items should be fully representative. Continuous supervision by the price-collecting personnel will be necessary to ensure that, if any of the items priced goes off the market or is replaced in popular demand by another commodity, appropriate alterations in the lists of items priced are made.

17. A further point of considerable importance is the effect on family expenditure of changes in the quality of goods. It is, of course, essential that, where possible, the prices reported should relate to identical qualities of goods at each period of reporting. For this reason the Committee stresses the importance of careful specification of each item to be priced; and the Government Statistician has drawn up price-collection forms after close consultation with expert opinion as to specifications for each item. Even with such precautions, difficulties in ensuring quotations for comparable qualities at each price collection are not easily overcome; and supervision of this aspect of the price-collecting programme will form an important part of the work of the price-collectors. The Committee has noted practice in United Kingdom, Canada, and Australia. The following quotations refer:—

United Kingdom.—"If there is a change in quality they (the retailers) are asked to report the fact and to give such information as may be necessary to assess the real changes in price level, after allowing for the effect of the change in quality."^{*}

Canada.—"For many years the Bureau has asked firms reporting prices of clothing and home furnishings to make at the same time estimates of any changes of quality in these goods. When the Bureau receives a report of a reduction in quality, this reduction is treated just as if it were a price increase of the same amount. The Bureau, furthermore, instructs its field representatives to be on the watch for quality deterioration when obtaining price reports."[†]

Similar precautions are taken in Australia to ensure that changes in the wearing quality of goods (particularly in the clothing group) are reflected in the index.[‡] While it is difficult to lay down any hard-and-fast rules regarding the reflection of changes in quality in a retail price index, the Committee considers that changes of importance should be taken into account, since a marked depreciation or appreciation in the quality of an article priced is equivalent to a price change and should be reflected in the index. In some countries samples of the goods to be priced are kept by the price-collectors; and, for the more difficult items, this practice is recommended.

18. While, in the majority of instances, there is little difficulty in arriving at the current retail price charged by a retailer for any commodity on a particular date, some ruling is necessary to cover special circumstances which may be operating in a shop at the time when a collection of prices statistics falls due. In that connection the following resolution of the International Conference of Labour Statisticians is quoted:—

9. (1) Prices charged for stale, damaged, shop-soiled, or otherwise imperfect goods should be ignored, but otherwise the index should be based on prices actually charged for cash sales.

(2) "Sale" or reduced prices should be taken where they are applied to the bulk of a shop's trade in the specified article and "cut" prices should be taken rather than "list" prices where they are in fact charged.

(3) Discounts should be taken into account if they are automatically given to all customers.

The Committee recommends that these principles should be followed, but that sale prices should be taken into account only if they apply to the normal quality of a particular article at the time of the sale. Again, a cash discount should be deducted from the selling-price only if it is automatically given to all customers.

19. The question of the periodicity of collection of prices is a matter of considerable importance from the administrative point of view, particularly in view of the fact that it is of the utmost importance that the price-collection should be carried out with great care. Again, it is most desirable that the demands on retailers to supply the necessary

* Ministry of Labour and National Service: "Industrial Relations Handbook 1944," Supplement No. 2, January 1948 (Index of Retail Prices), page 9.

† "Cost of Living Quiz," issued by Canadian Bureau of Statistics.

‡ This is done by adjustments to the weighting.