

accurate pattern of weighting could be devised by an extension of the "aggregate expenditure" method used for years past in this and many other countries in the compilation of various price index numbers, and, accordingly, this method was explored.

23. An aggregate expenditure pattern can be drawn up from statistics of aggregate national consumption of goods and services entering into household living-costs. The Government Statistician, acting on instructions from the Committee, prepared an estimate of the retail cost of goods and services entering into household consumption for the latest year for which complete statistics were available to him—namely, the year 1946. There are, of course, obvious difficulties in basing the weighting pattern of the post-war index on 1946 consumption habits. Rationing of several commodities was in force in that year: while imports of many household commodities were on a restricted scale. On the other hand, consumption of certain groups of commodities—*e.g.*, clothing and furniture—was undoubtedly affected by the abnormal demands of ex-servicemen re-establishing themselves into civilian life. In short, 1946 was not a normal year. However, even if complete statistics for 1947 or 1948 had been readily available, these could still hardly be regarded as "normal" post-war years. It should be stressed, however, that differences in weighting are not of fundamental importance: and the Committee considers that, with the modifications outlined in paras. 24 and 25, a weighting diagram based on 1946 will be satisfactory.

24. Statisticians lay great stress on the desirability of adopting a "normal" period of consumption as the basis of the weighting pattern of a consumers' price index; but in this connection it has been remarked that ". . . experience has shown that, from the index statistician's point of view, the search for a normal base period is a 'will o' the wisp.'"^{*} This, of course, is particularly true of the present somewhat disturbed post-war period. The International Conference of Labour Statisticians, referred to earlier, met this difficulty by the following Resolution:—

3. (2) In cases where a post-war consumption level is adopted, the index may—

- (a) Measure the variations in the cost of maintaining unchanged the pattern of consumption in a specific year or period; or
- (b) Measure price changes using the current pattern of consumption as a weighting diagram adjusted as necessary to conform to changes in the consumption pattern.

(3) Where a decision is taken to measure the variations in the cost of maintaining unchanged the pattern of consumption in a specific year, the pattern of consumption should be examined, and the weighing diagram adjusted, if necessary, at intervals of not more than ten years to correspond with the changes in the consumption pattern.

If it were decided that the post-war index should be based on a rigidly fixed pattern of consumption as envisaged in Resolution 3 (2) (a) above, we would consider that the specific year or period could not be decided on as yet. We considered, therefore, that the realistic approach to the problem was to adopt as the basis of the weighting diagram the statistics of 1946 consumption supplied by the Government Statistician, subject to the condition that the weights should be altered in the event of any marked changes in consumption of any item of importance. Such changes might occur, for example, when a commodity is taken off the ration, or when adequate supplies of an important commodity previously in short supply become available. This would be in accord with the principle expressed in Resolution 3 (2) (b) quoted above; but we would not advocate strict observance of this principle. In our view, any major permanent change in consumption of an important commodity should be taken account of in the weighting pattern as soon as it becomes clear that the change is more than a temporary fluctuation in consumption habits. We would not, however, advocate the *complete* annual overhaul of all weighting which would seem to be implied by the words "*current* pattern of consumption" used in Resolution 3 (2) (b) above. The object of the index is to

^{*} *Journal of the Statistical and Social Inquiry Society of Ireland*, Volume XVII, page 353. "Some Thoughts on the Making of Irish Index Numbers," by R. C. Geary.