

4. There is ample evidence to indicate that variations in living habits in New Zealand are less pronounced than is the case in most other countries, so that it should be possible to design a single consumers' price index which will be of reasonably general application in this country. The Committee has taken into account the recommendations of the Sixth International Conference of Labour Statisticians, held in Montreal in August, 1947. On the point of the appropriate basis of a consumers' price index, the resolutions include the following :—

3. (1) The purposes which may be served by such indices in the post-war period are the measuring of changes over time in retail prices currently charged consumers for—

- (a) The pre-war consumption level of a given economic group in specified types of communities ;
- (b) A post-war consumption level of a given economic group in specified types of communities ; or
- (c) A consumption level of a given standard taking account of price-induced substitutions and any other substitutions imposed by circumstances, with as close regard to the maintenance of the same standard of adequacy as practicable.

5. While the majority of existing national index numbers of retail or consumers' prices are based on pre-war habits of consumption,* the Committee considered that the post-war index in New Zealand should be based on post-war consumption habits. That is to say, the Committee regards Resolution 3 (1) (b) above as representing the proper objective of the index. We consider, however, that, in the circumstances existing in this country, the index should not be limited in application to a "given economic group" or a "specified type of community." Accordingly, we have sought to design an index representative of post-war consumption among the generality of New Zealand consumers. We do not favour the type of index suggested in 3 (1) (c), since the taking into account of "price-induced substitutions and any other substitutions imposed by circumstances" would place too much responsibility on the Department charged with the day-to-day task of recording prices and compiling the index. In short, the Committee's views as to the proper form and content of the index might, in such circumstances, be negated by administrative practice. Therefore we have laid down in considerable detail the pattern which we recommend the new index should take, and have defined clearly the directions in which some variation from this pattern might be found necessary in altered circumstances.

CHAPTER 3—ITEMS COVERED BY THE INDEX

6. As indicated in para. 5, we favour the compilation of an index of reasonably general application. While, in the past, considerable emphasis has been given to the criterion of "essentiality" in the selection of commodities and services for inclusion in retail prices indices, the objective in modern index-number making† is to include within the scope of a retail prices index all commodities and services used by the consumer group or groups to which the index relates. No index can be completely comprehensive in coverage ; nor is it necessary that this should be so, since the only implication involved by the omission of a particular class of expenditure is that prices in that particular group have moved in accord with prices in the groups covered. Nevertheless, the principle of making coverage as complete as possible has been followed in the designing of the proposed index ; and the Committee has not excluded any group of commodities and/or services because that particular class of living expenditure was regarded as non-essential or socially undesirable.

* For example, the revised index number of retail prices introduced by the United Kingdom Ministry of Labour in 1947 is based on the pre-war pattern of expenditure in the United Kingdom as disclosed by a family budget inquiry undertaken by the Ministry in 1937–38.

† *E.g.*, the revised United Kingdom index, the Canadian and United States Official Indices.