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Sleuths track down clues used in consumer price index

By Brendan M. Case

Jan. 18--Janet Embry walked into a Waxahachie store on a recent rainy afternoon, greeted an employee and went to price a compact disc from a major rap star.

The critical part of the federal sleuth's mission: How much did the CD cost?

"It's \$19.99," she said, entering the information into a handheld computer about the size of a writing tablet. "That's the same as last month."

And the greatest hits CD became another brick in the foundation of the Consumer Price Index, a key measure of the inflation rate that reflects price changes throughout the economy.

It's a long way from Waxahachie, but Ms. Embry's price observations end up finding their way to Wall Street bond traders and economists and the central bankers at the Federal Reserve Bank in Washington.

Ms. Embry is one of several hundred economic assistants with the U.S. Department of

Labor who go around detecting even tiny price changes in everything from blue jeans to apartment rents to iceberg lettuce.

The data they compile are used to calculate the index, whose influence is felt anywhere money changes hands.

The index directly affects the level of Social Security payments for 53 million beneficiaries and the cost of school lunches for 30 million children, to name two prominent examples.

Indirectly, it serves as a guidepost for pay raises in the private sector.

The index also exerts powerful effects on U.S. economic policy. Any sign of a rising inflation rate can bring interest rate hikes by the Federal Reserve, which slow the economy and unleash ripple effects on mortgage holders, commercial banks, businesses and bond markets.

While the Fed also uses a multitude of other numbers to gauge the inflation rate, notably the personal

consumption expenditure index, the CPI remains one of the most critical.

"I regard it ultimately as the most important number for the Fed," said Bob McTeer, a distinguished fellow at the National Center for Policy Analysis in Dallas.

"The CPI is still the old familiar index that people can't be weaned from," said Mr. McTeer, a former president of the Federal Reserve Bank of Dallas. "It's similar to the Dow [Jones industrial average] as representative of the stock market. There are better measures, but the Dow remains the main one that people look at. And ultimately, if the public focuses on it, so will the policy-makers."

National and local

The Labor Department is scheduled to release inflation data this morning for December. Market analysts are predicting a 12-month inflation rate of 2.4 percent for December, and 2.6 percent if

volatile food and energy prices are stripped out, according to data from Bloomberg.

That's in line with the 2.6 percent increase in the CPI, excluding food and energy, in the 12 months ended in November. The index was 2.9 percent higher in September compared with the same month the previous year, the highest 12-month increase since 1996.

The inflation rate has been lower in the Dallas-Fort Worth area. Excluding food and energy, the local city average rose only 1.3 percent in the 12 months ended Nov. 30. The overall rate was lower because of price decreases in gas utility bills and gasoline.

"It hasn't been that significant except for gas prices, which are always changing," said Ms. Embry, 49, a Mississippi native and former Air Force master sergeant, who last year became an economic assistant with the Labor Department.

For Ms. Embry, tracking price changes means trekking to supermarkets, gas stations, restaurants and even funeral homes across South Dallas, Grand Prairie, Waxahachie, Garland and other towns.

She works on a part-time schedule, typically between 16 and 32 hours a week.

Making her way across an Oak Cliff thoroughfare in a steady drizzle, she pushed open the door to a small bookshop and greeted the owners. Then she went to hunt down a 1986 novel with religious themes.

The Labor Department asked that specific stores and products not be identified in this story, following the agency's agreements with retailers that cooperate in the program.

Filling the basket

What was the book going for this month?

Ms. Embry needed to check the price because someone once bought that book at that store, a transaction that eventually became part of a market basket of goods compiled by the Labor Department.

To develop the market basket, economists administer purchasing surveys and collect weekly spending diaries from thousands of volunteer families.

They classify what people bought into 200 categories, divided into eight groups: food and beverages, housing, apparel, transportation, medical, recreation, education

and communication and a miscellaneous catchall.

Each category includes samples of specific items at selected business establishments -- real products that real people buy. By tracking their prices over time, economists develop a measure of how much more or less consumers are spending to buy the same goods.

That's where the Labor Department's 330 or so economic assistants come in, recording prices for 80,000 items at 25,000 establishments each month.

The department's Dallas office prices more than 15,000 items per month at 4,000 establishments, in a huge region stretching from Boise, Idaho, to New Orleans.

The office also tracks around 900 housing units, checking rents, amenities and other charges, said Brian Kirby, branch chief of price programs at the Dallas office.

"I look at it as a snapshot," he said. "The more responses you have, the better the picture."

Businesses participate on a voluntary basis. But for economic assistants, getting the right information can be more complicated than

walking into a store and checking a price tag.

Tracking car-leasing rates can be tricky because a complex range of variables goes into the final price. The same goes for telecommunications services. Economic assistants need to weigh food by the ounce to be sure that what they're pricing this month is the same as what they priced last month.

"We are definitely bean counters. We thrive on detail," Mr. Kirby said. "We break things down to the nth degree."

Making the rounds

Other stops on Ms. Embry's schedule include a municipal services office in a town near Dallas, where she quizzes an

official about the prices of various trash collection services.

Later, it's on to a funeral home. Most funeral home customers buy a range of goods and services, from embalming to hearse rental to coffins. Ms. Embry needs to know if any of the prices have changed. When she walks in, a busy proprietor looks up from his books and asks if they can talk by phone later, when things calm down. Sure, she says.

There's also a stop at a Waxahachie gas station, where Ms. Embry records prices at the pump. Incredibly, the price of diesel fuel is exactly the same as it was a month ago. Gasoline is a bit cheaper.

Last comes the music shop. She also needs to check the price of a jazz CD. She finds it, but notices that it's labeled "used." That won't do, so she puts down the price as unavailable.

But she'll be back next month at the same store, checking the same products.

"I do feel like it's an important job," she said. "Without it, how can they have legitimate, viable information to actually justify the CPI? And without the CPI, lots of officials, in government and business, can't really use it as a measuring tool to establish your basic rates on different things."