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ABSTRACT

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## Incorporating a geometric mean formula into the CPI

Kenneth V. Dalton Associate Commissioner, Prices and Living Conditions, Bureau of Labor Statistics

John S. Greenlees Assistant Commissioner, Consumer Prices and Price Indexes, Bureau of Labor Statistics

*Kenneth J. Stewart* Economist, Division of Consumer Prices and Price Indexes, Bureau of Labor Statistics

Beginning in January 1999, a new geometric mean formula will replace the current Laspeyres formula in calculating most basic components of the Consumer Price Index. The new formula will better account for the economic substitution behavior of consumers. This article describes an important improvement in the calculation of the Consumer Price Index (CPI).

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