

Zeitschrift: The Swiss observer : the journal of the Federation of Swiss Societies in the UK
Herausgeber: Federation of Swiss Societies in the United Kingdom
Band: - (1981)
Heft: 1774

Rubrik: Economic World : No true measure for inflation

Nutzungsbedingungen

Die ETH-Bibliothek ist die Anbieterin der digitalisierten Zeitschriften auf E-Periodica. Sie besitzt keine Urheberrechte an den Zeitschriften und ist nicht verantwortlich für deren Inhalte. Die Rechte liegen in der Regel bei den Herausgebern beziehungsweise den externen Rechteinhabern. Das Veröffentlichen von Bildern in Print- und Online-Publikationen sowie auf Social Media-Kanälen oder Webseiten ist nur mit vorheriger Genehmigung der Rechteinhaber erlaubt. [Mehr erfahren](#)

Conditions d'utilisation

L'ETH Library est le fournisseur des revues numérisées. Elle ne détient aucun droit d'auteur sur les revues et n'est pas responsable de leur contenu. En règle générale, les droits sont détenus par les éditeurs ou les détenteurs de droits externes. La reproduction d'images dans des publications imprimées ou en ligne ainsi que sur des canaux de médias sociaux ou des sites web n'est autorisée qu'avec l'accord préalable des détenteurs des droits. [En savoir plus](#)

Terms of use

The ETH Library is the provider of the digitised journals. It does not own any copyrights to the journals and is not responsible for their content. The rights usually lie with the publishers or the external rights holders. Publishing images in print and online publications, as well as on social media channels or websites, is only permitted with the prior consent of the rights holders. [Find out more](#)

Download PDF: 16.02.2026

ETH-Bibliothek Zürich, E-Periodica, <https://www.e-periodica.ch>

No true measure for inflation

IT is a well-known and generally accepted phenomenon that newspaper reports on world and sports events vary, or that suspects in detective films give differing accounts on the circumstances of the case.

But the fact that several, by no means identical, figures concerning the rate of inflation in a particular country circulate gives much more cause for astonishment. This amazement is familiar to observers of the American economic scene in particular and often develops into complete puzzlement as far as Europeans are concerned, since conditions on the old continent may be simpler but certainly different.

In Switzerland, as well as in most other European countries, the statistical offices inform the public of the situation on the price front by means of three figures: the index of consumer prices, which reflects the cost of living for representative households, its change in percent from the previous month and its percentage change from the same

month of the preceding year. The latter figure is usually called the official annual rate of inflation.

In the United States, an additional indicator is published in the statistics, the compound annual rate. Its computation alone sometimes causes considerable headache since this rate is established by means of the compound interest formula.

But there is a trace of unreality about the compound rate, since it extrapolates the inflation of the three preceding months to arrive at an annual basis. By projecting the trend into the future, it hypothetically indicates what the annual rate of inflation would be if the inflationary pace of the three preceding months were to persist throughout the year.

The compound rate and the rate of inflation based on a comparison with the previous

year usually differ. In September 1980, for example, the US consumer price index exceeded the previous year's level by 12.7 per cent, while the compound rate stood at only 7 per cent. In October 1980, the compound rate for Switzerland would have amounted to 2.2 per cent, while the rate of inflation computed according to traditional method amounted to 3.6 per cent.

Owing to the differing calculation methods, the two rates of inflation cannot be compared with each other. For this reason, disputes arise repeatedly among economists as to which rate of inflation reflects the true picture. However, since a certain arbitrariness is inherent in each measure applied, practical considerations must play the decisive role.

The main disadvantage in the computation of the rate of inflation according to the

American method is the necessity to exclude seasonal price fluctuations. Despite sophisticated techniques it may therefore happen that a break in the trend, for example owing to a sharp increase in oil prices, is interpreted as a seasonal occurrence and therefore eliminated from the calculation.

In contrast, the European system automatically includes seasonal adjustments, since it always compares the same months of different years, such as the index figure for December 1980 with the figure for December 1979.

The American method's trend towards dramatising events and orientation towards a hypothetical future may be an advantage or a disadvantage, depending on the use the results are put to. Thus the extrapolation

Turn to Page 14



Your bank in Switzerland and round the world

Head Office: Paradeplatz 8, 8021 Zurich, Switzerland
In London: Credit Suisse London Branch
24 Bishopsgate
London EC2N 4BQ
Telephone: 01-623 3488 (Forex 01-283 8291)
Telex: 887322 (Forex 883684, 887586)



CREDIT SUISSE
CS

To all those who think we only move furniture.

14056 Swiss people in Britain. And no-one wants to return?

A fairly momentous question for a true Confederate! For a transport undertaking with collective deliveries to Switzerland it is the basic question.

We have therefore made a few investigations. The Department for Statistics was able to help us immediately. With figures: of these 14056 Swiss people (a number for the year 1977) 5.5% returned to Switzerland in 1978. This represents 779 people, of whom the important part instructed us to handle their furniture.

We make the return journey Switzerland-England once weekly. So give us a

call. We collect your furniture. Pack it if necessary. Complete all official formalities. And transport it by the quickest route to Switzerland.

You can also call us, however, when you are back in Switzerland. We pack, transport and store everything imaginable. From a few grams to several hundred tons: with a wide variety of vans and trucks (lorries). From babies to disabled people: by taxi and coach. We have produced a brochure for all those who think we only move furniture. Order one.

welti-furrer EUROVAN

A.W. Furrer AG, Pfingstweidstr.31, CH-8037 Zurich, Tel. 01/44 12 11, Telex 44222
In England please call Tel. No. 01/690-2185/6/7 and ask for Mr. David Bird.

From Page 13

tion of the actual trends to a year shows especially clearly whether the rate of inflation is accelerating or slowing down.

This magnifying glass effect has a drawback, namely that extraordinary price fluctuations, such as occur owing to a change in sales tax rates, are turned into sensational index movements. However interesting this might be for the analyst or the public, this extreme susceptibility of the inflation-measuring index would only cause confusion if this rate is used as the basis for negotiations between employers and trade unions, for corporate investments or for budget planning or investment decisions.

The observation of inflation with the "naked eye," as practised in Europe, also has a blind spot, namely the so-called base effect. When comparing this year's prices with the ones of the previous year, the speed at which prices are currently changing is not taken into account. It is therefore possible that the *annual* rate of inflation declines over several successive months, even if the increase in prices, as measured by the corresponding monthly inflation rates, accelerates.

An objective and unequivocal measuring of inflation – in the same way the speed of a body can be determined in physics, for example – is not possible because no firm base can be found for the price level index. The choice of the right inflation yardstick among the different methods of calculation must therefore be determined by its expediency.

**Union Bank
of Switzerland**

New base for Swiss brew

A NEW draught is sweeping the land – a Swiss draught.

But despite its strength, few people are complaining because this is a draught with a difference – Hopfenperle lager.

The drink is being brewed under licence in this country by North Country Breweries at Hull.

The company recently introduced the brew to the Lodore at Keswick, one of the country's top, Swiss-run hotels.

The licensor is the Feldschlössen Brewery in Rheinfelden, Switzerland.