Measure for Measure; Price Indexes for Well-being

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Abstract

At a national level, inflation control ranks foremost as a weapon in the official armoury to defend the economy and maintain stability. Other priorities such as growth and poverty reduction also need price data to track progress so that long-term strategies can be implemented dealing with issues in real terms. Similarly, cost information shown in the current budget and in projected education and health expenditures rest on certain assumptions about the expected trend in the prices of goods and services relevant to these sectors. The primary concern of most governments is to improve the standard of living of their populations through a rising economic prosperity that generates the higher disposable income levels to allow them sovereignty of choice. The redistribution through taxes of income and wealth to promote a fairer society is another associated official aim that has actual and implicit implications for well-being. For all such policies and to evaluate their impact on household and also individual living standards, decision-makers require consistent estimates of real income and consumption. Measures that depict national inflation, consumer prices, the cost of living and the standard of living are all necessary to understand the variously defined aspects of change in living standards and household well-being.